Beyond the Bamboo Network

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The Internationalization Process of Thai Family Business Groups

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STOCKHOLM SCHOOL OF ECONOMICS

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To my parents

Preface

This volume is submitted as a doctor's thesis at the Stockholm School of Economics. The author has been entirely free to conduct and present her research in her own ways as an expression of her own ideas.

The research presented in the thesis was initiated at the late Institute of International Business (IIB) and concluded within the Department of Marketing and Strategy at the Stockholm School of Economics.

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Stockholm, March 6, 2011

Richard Wahlund

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Acknowledgements

Life is a journey. Sometimes you can plan; often, you can't – it is a matter of destiny. Clearly, that's what happened to me, how I came to Sweden and specifically to the Stockholm School of Economics (SSE). Just a click on a webpage, the journey began. Initially, it was set to be rather short for another master degree, but later I found myself walking into the long and challenging road of the PhD study. Also, it was quite a radical change from the macro-level thinking as an economist to the micro-level attention in the field of international business (IB). Putting in the IB words, I was struggling with "liabilities of foreignness" – not only to take in the Swedish context, but also to understand the new discipline and the academia world.

Hardly imagine that I would survive, yet flashing back especially at the place where the whole journey began, I simply smile. This chapter of my life is full of memories, and I would like to thank you every person and every organization that have played a part in my learning journey.

To begin with, I would like to express my gratitude for the Swedish Aid Organization, aka "SIDA", that granted me the full scholarship for my master degree education. SIDA gave me the first ticket to the new world, to the beauty on water, to Stockholm.

Yet, Stockholm was the beauty on "icy" water, when I first arrived. The temperature was -17 degree Celsius; all lakes were frozen; there was no smile on people's face; everything was dark. On top of that, I didn't know anyone in this strange city. Undoubtedly, I did ask myself several times "Why am I here?" and perhaps cry almost every time.

This doubt remained basically until I met Carolin Axelsson in a master-level course; we then became the master thesis partner. Literally, Carolin opened the door to the Swedish society for me. Because of our endless discussion, I started seeing things from different perspectives and considered being in Sweden for a while longer, for the doctoral degree. So, a big thank to you, Carolin, my Swedish sister!

Still, the idea would not materialize without the great support from my supervisor. Ari Kokko is the one carrying me through, from the master thesis to the entire PhD process, and always there listening to all kinds of my complaints, and giving me back food for thought. At times, together with Eija, I would get some real good food plus karaoke too, making me feel at home and being taken care. My highest gratitude is to you both.

Along this social line, I would like to thank everyone at the European Institute of Japanese Studies (EIJS) for the warm friendships. Especially to Anders Engvall and Magnus Andersson who first scared me with their almost perfect Thai, Magnus Blomström for setting me off on the track, Nanhee Lee for all kinds of support, Le Thanh Forsberg, Kazune Funato Hallgren, and Marie Tsujita Stephenson for our girly talks, Lars Ågren and Marie Söderberg for backing me along the process.

Fairly intertwined and equally important are of course everyone who used to be part of the late Institute of International Business (IIB). Above all, I am most grateful to my main supervisor, Peter Hagström, who has always believed in me more than I do to myself. Peter has given me all the freedom in research and guided me throughout the process in the way that many seem to doubt. But, I know you truly care.

In addition, my appreciation goes to all the eclectic brains at the late IIB and at the Department of Marketing and Strategy: Carl Fey, Örjan Sölvell, Richard Wahlund, Patrick Regnér, Henrik Glimstedt, and more. Directly and indirectly, I have learned a lot from you. My special thanks are to Udo Zander for thoroughly reading through my empirical findings and for all the comments and supports over the years. Also, I would like to thank my associate PhD students and everyone in the corridor for all the positive energy. Especially to Göran Lindqvist, Claes Bohman, and Jesper Edman, the three Swedes who had looked after me around the Nordic study trips and assisted me in many ways, to Emre Yildiz, Sergey Morgulis-Yakushev, Sergiy Protsiv, Elena Braccia, and more for the international mix, and to the ladies, Malin Ekberg, Lena Wretman, and Kerstin Wedin, at the back office.

Altogether, I am highly indebted not only to the EIJS and IIB for financing my PhD study, but also to the SSE and to the Swedish society as a whole for the generosity. I do hope that one day I will be able to contribute back to this country, my second home.

Life at the school had been tough at times, in fact most of the time. As the only Thai student at SSE, during weekends I usually enjoyed surrounding myself with Thai friends from other schools, mostly engineers, scientists, and IT specialists of different types. We often made good mix and great fun, while we also had supported each other through the cold and long winters as well as the bright and beautiful summers of Stockholm. The friendships have grown and last. My thanks are to P'Jo, P'Nom, Golf, Cherry, June, Pookie, Hip, Pae, Third, Lor, Win, Ying, Jeab, and more. Likewise, I would like to express my warm feeling to all the good old friends who have never failed me regardless of the distance, especially to Weaw and our parallel life.

During my empirical investigations, i.e., to tap into the world of the influential business groups in Thailand and to confirm my data coding, I draw from a long list of my own bamboo network of family and friends. My thanks go to Ning, Oh, Peung, Pun, Andy, Leki, P'Eve, P'Jeab, P'Roong & P'V, P'Nong, and Eva S. to mention a few (most in nicknames). To all the informants, I am indebted to you for sharing your experiences and insights. Again, I have no intention to cause your troubles, and I deeply apologize if my research had made you feel uncomfortable at some points. Also, thank you very much for proofreading and accepting the analyses in most cases.

Of all people, family is my ultimate strength. I strived for high education mainly because of my father. He said that children have to achieve more than the parents and that we (my brother and I) should make the best out of the opportunities. Not everyone have opportunities; surely, my father did not. To carry out his inspiring thought, the heavy role has been on my mother. The PhD process was by far the toughest undertaking, and totally remote from what she has ever experienced. Yet, when I felt so despair and lost all the confidence, it was her who boosted me up times after times. This work is therefore dedicated to the unconditional love and support of my parents.

Last but not least, my special thanks go to Pelle, the other half of my life. It is incredible how much you have done for me and borne with me. Being a new resident in Thailand, you should have received a lot of attention, but I was nothing but neglecting you. Still, you are the most understanding and greatest support – keep telling me "Zu Zu" toward the end of this journey. Thank you very much for your love and patience.

Nonthaburi
March 5th, 2011

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Chapter 1

Family Business Groups: Local Interest Meets Global Challenge

Are you ready for global competition? Business communities in advanced economies constantly invest their resources and capabilities to keep breaking yet another technological frontier. Then, they are busy determining how to market their latest innovations in ways that will please people in different corners of the world. At the same time, these firms have to defend their turfs from old and new competitors emerging near and far with different tricks. Apparently, the international business affairs of so-called multinational corporations (MNCs) are complex and challenging.

For business communities in developing economies, the globalization also tends to complicate their way of doing business. Before, they used to work comfortably around familiar faces in the neighborhood, now there are more and more aliens who act strangely, think differently, and offer new things. Moreover, the rising competition calls for efficiency and specialization, which has not been guaranteed in the weak-selection setting. Unless they are well sheltered, local players are basically subject to change. Some might fail to endure; some might struggle but learn from the exchanges; still others might excel and start to gain certain competitive advantages. Over time, some might even dare to challenge the incumbents, i.e., MNCs from advanced economies, or at least to satisfy other niches off the incumbent radar.

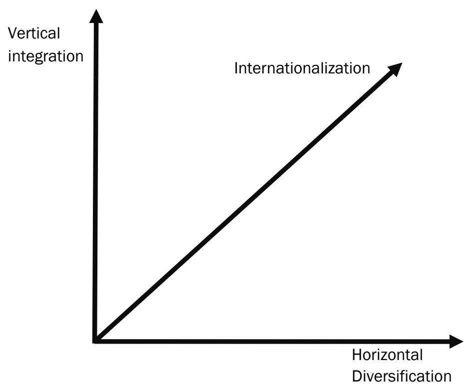
Undoubtedly, to play the same game as the incumbent MNCs is very difficult and demanding; likewise, *internationalization* is far from being the natural growth dimension for business organizations from developing economies. It is hence worth asking why some have emerged to pursue this difficult path. Of equal importance is the question of why others haven't. Is it outside of their realm of interest? What might impede them? With respect to the line of international business research, this fundamental set of questions has been studied mainly in the context of empirical investigations of emerging firms (e.g., Mathews, 2006; Luo & Tang, 2007; Journal of International Management's special issue on emerging multinationals from developing economies, 2007). A number of inspiring stories have revealed how these firms managed to excel in the processes of their international expansions. Yet, the reverse puzzle tends to endure; many are left out of sight for speculating how they have managed in this globalizing world (Narula, 2006).

The objective of this dissertation is hence to revisit the same set of questions from a broader picture, i.e., looking not only at the firms in the spotlight, but also at the others that populate the darker corners of the global game. From this aggregate view, the research aims to shed light on *how business organizations in developing countries have coped with globalization, or more specifically, how they have embraced internationalization.* Through inductive reasoning, stylized facts and patterns distinguishing firms at different levels of international commitment are expected to emerge.

1.1 Research Motivation: How Firms Grow in Different Contexts

While surveying international business research, I began to contemplate how firms are supposed to grow. Grounded in the empirical analysis of firms from developed countries, the internationalization process appears to be a natural step of firm development. Being competitive in international markets is also what firms from developing countries should strive for. However, it does not seem to coincide with how firms in this context tend to actually grow, owing to their disadvantaged settings that have generally entrenched them in other growth paths, particularly horizontal diversification, as illustrated in Figure 1-1. Given the three generic growth dimensions of business organizations, vertical integration and internationalization are rather complementary and fit for advanced economies' firms, whereas horizontal diversification is more common among emerging economies' firms.

Figure 1-1: Generic growth dimensions of business organizations



Specialization and Internationalization of Firms from Advanced Economies

In well-functioning market economies, specialization is the basis of how firms grow (Penrose, 1959). Firms are driven to achieve efficiency and effectiveness over competitors, sustain margins, grow in volume, and later expand across markets or even around the world. On this basis of promoting "core competence" (cf. Prahalad & Hamel, 1990), it is thus sensible for international business research to be rendered distinct from the overall strategic management literature in order to reckon the specific costs and benefits of pursuing international expansion.

Accordingly, the conventional international business notion rationalizes that firms may expand to foreign countries because they possess a superior bundle of resources and capabilities, so-called *firm-specific advantages*, to overcome inherent *costs of doing business abroad* (Hymers, 1960/76). Based in the sphere of advanced economies, the connotation of firm-specific advantages is thus rather limited to proprietary technology and managerial skill. By nature, this kind of intrinsic knowledge demands internalization of ownership advantages. In other works, to utilize such advantages, firms may have to extend their hierarchical organizations across borders (Buckley & Casson, 1976). Despite these advantages, entering foreign territories generally is not easy. It often entails learning about new habits, preferences, and market structures that are known collectively as *liabili-*

ties of foreignness (Zaheer, 1995), a subset of the costs of doing business. Corresponding to the lack of market-specific knowledge, firms tend to expand in sequentially small steps along a gradual process of learning and commitment, namely the *Uppsala incremental internationalization model* (cf. Johanson & Vahlne, 1977).

Given the explanation for why and how multinationals exist, the international business research literature has revolved around how to manage and organize this multi-locational kind of organization (Barlett & Ghoshal, 1989) to maximize the efficiency. The question of how to handle the business *post-internationalization process* is therefore central to MNC studies. Along this same line of thinking, it is unusual for firms from advanced economies to spend their resources and capabilities on efforts that do not enhance the value of their existing operations.

Networking Capabilities and Opportunism of Firms in Developing Economies

In response to the market imperfections that characterize developing economies, business organizations in these contexts come to existence to internalize functions unavailable in the market (Williamson, 1975) and not on the basis of specialization (Khanna & Palepu, 1997). Initially, they may arise by government mandate in the form of *state-owned enterprises* responsible for filling unmet needs and institutional voids. Otherwise, *private organizations* may organically evolve from capital accumulation processes via personal relationships, which represent the inherent means of economic transactions (cf. Granovetter, 2005). While the former are often subject to inefficiency due to lack of incentives, the latter are at least inclined toward maximizing returns.

Still, in this context, the growth of private organizations is largely contingent on personal abilities to assure superior information capabilities over others, i.e., *networking capabilities*. So, for those equipped with resources, i.e., those firms that are well-connected in this sense, opportunities are usually plentiful to urge them to get involved, notwithstanding where their interests have been before or what their existing activities may be focused. This is also possible because local demands are usually not so sophisticated that firms have to concentrate on a certain area. The markets are easily satisfied by introducing new products or sets of know-how that have been invented in advanced economies, which are typically supplied by incumbent MNCs that are willing to join in. Besides, opportunities are likely tied up with politics, indicating rent-seeking behavior, especially in cash-cow or monopoly-like industries.

Accordingly, it is not just efficiency but rather a mix of motives or prejudices involved in the relationship means that tend to induce private investments and determine how firms grow in ill-functioning market economies. Furthermore, in this relationship-based capitalism, business organizations are subject to several criticisms. For example, they tend to lack strategic learning and capability-building at the organizational level due to these responsibilities resting largely on the shoulders of only a few key personnel. Likewise, they tend not to promote the bureaucratic processes and structures of professional managed firms. This in turn might lead to conflict between personal and business interests and suboptimal decision-making, according to the family business literature (e.g., Sharma, Chrisman, & Chua, 1997; Birley, Ng, & Godfrey, 1999).

However, thanks to economic development, these effects tend to be temporal. Along with strengthening institutions and rising competition from external sources, business organizations in developing economies are forced to be more efficient, focused, and to constantly sharpen their edges in order to survive (e.g., Peng, 2003; Peng & Zhou, 2005). Over time, internationalization may become the next strategic choice for these firms, in line with the so-called *investment development path* (cf. Dunning, 1981; Dunning & Narula, 1996) that conceptualizes how some developing countries may turn from being recipients to providers of foreign direct investment (FDI).

Internationalization of Firms From Developing Economies

Given the inherent *costs of doing business abroad* as mentioned, international expansion often is not an easy choice for any business organization. For business organizations from developing economies, the difficulties are further amplified by inferior institutional settings, labeled as *latecomer disadvantages* or as disadvantages that are commonplace in *late industrializing countries* (cf. Hikino & Amsden, 1994; Hobday, 1995). Additionally, the level of competition in international markets has been notably elevated over time, so the current situation becomes much more hostile than when incumbent multinationals embarked on their first international ventures. In this respect, it is quite likely that business organizations from developing economies would prefer to linger around their familiar environment rather than taking on significant risk. Nonetheless, internationalization is not impossible, as proven by the rising rate of outward FDIs originating from this part of the world since the mid-1980s (UNCTAD, 2004, 2006), a phenomenon that has obviously caught the attention of international business scholars.

The research has shown that firms emerging from this context are usually contingent upon a wider range of competitive factors (cf. Rugman, 2008). Because the traditional meaning of firm-specific advantages often are not underlying their internationalization process, they tend to start out by substituting frontier technologies and the like with other kinds of resources obtainable in their respective environments. Later in the process, specific areas of expertise that firms have cultivated to cope with their home-country-specific disadvantages may become competitive advantages that are ripe for exploiting in other emerging markets. For example, de-scaling and labor-intensive techniques have been used to address factor costs and demand conditions found in neighboring countries with similar environments (e.g., Lecraw, 1977; Well, 1983). In addition, relational means, particularly personal ties, have been seen as vital in facilitating cross-border activities, especially the role of diasporas toward their homelands, e.g., China and India for the cases of developing countries (Redding, 1990; Kapur & Ramaurti, 2001). In other words, international expansion may occur as a result of sociological factors.

Through all of these means, an increasing number of firms have been documented as being able to quickly climb up or leapfrog technological ladders (e.g., Hobday, 1994; Mathews, 2006). In due course, some may take even higher bets by strategically entering advanced markets in order to learn and acquire competitive edges they are lacking, i.e., embodying the springboard perspective of Luo & Tung (2007). Companies like Acer, Cemex, Levono, Li & Fung, LG and Samsung have excelled to the point of competing head-on with the incumbent MNCs at the frontier, regardless of their modest origins. Along this strand of research, these global challengers are regarded as being potentially capable of *converting their home-based disadvantages to advantages*, in terms of access to natural resources, cheap labor, and booming but price-conscious markets, and hopefully evolving these factors into *knowledge-based firm-specific advantages* over time (Rugman, 2008).

Internationalization or Not: Regarding Other Growth Dimensions

So far, this view has been obtained mainly by looking at firms in the spotlight, whose development paths have probably overcome their administrative heritage and shifted toward the basis of specialization. Yet there is plenty of room left to study the internationalization process in this context, especially those that reside outside the spotlight. How have they have struggled with? Concerning various business opportunities and motives involved in weak-selection settings, their behaviors are likely less constrained by bounded rationality; their decision to invest abroad may come across as bizarre given the preconceived notions about their firm's relative weakness (Aharoni, 1966).

To make sense of this decision-making process, I argue that internationalization (whether it has been executed or not), particularly of firms still embedded in or sheltered by local interests, should not be analyzed in isolation from other growth dimensions. By taking into account the findings of diversification studies, unrelated diversification that is widely condemned in developed countries (cf. Rumelt, 1974) turns out to be much more acceptable in developing countries (e.g. Khanna & Palepu, 1997; Nachum, 1999) as being considered essential and thus potentially rewarding. Likewise, in less rational settings, foreign investment decisions could stem from reasons other than normative organizational learning and specialization, i.e., in the manner of foreign portfolio investments (FPI) rather than that of FDI.

Accordingly, the current research is inspired by the dearth of knowledge regarding the *pre-internationalization process*, i.e., what transpires before moving toward specialization. To learn more about the difficulties of pursuing internationalization, the dissertation is therefore geared to examine *how business organizations embedded in weak-selection settings have evolved in relation to whether and how the internationalization has come about.* In this explorative manner, there might be another internationalization story emerging, much like the tension between connections and competences. At the same time, this study can be seen as a test for the relevance of the traditional internationalization model. It is likely that this is another learning and commitment story, similar to the Uppsala model. In this instance, however, the learning starts from *within*, that is, as a means of embracing internationalization as a new growth path, before trying to learn about the unfamiliar context *outside* the organization. Also, the study will touch upon a governance issue of how business organizations in this context should manage their relationships so they do not become too lax and lose out in the international competition.

1.2 Research Focus and Delimitations: Family Business Groups

In order to comprehend the aforementioned evolutionary perspective, it is hence not correct to assume that firms, in a general sense (i.e., legally defined business organizations set to pursue relatively specific goals) as the research focus. On this count, the synthetic form of state-owned enterprises is also disregarded. Instead, the focus is on self-struggling firms. By tracing the capital accumulation process whereby formal institutions are weak, business organizations are organically formed via personal relations and primarily of the closest family tie. Through this inherent bond, natural abilities, and interest of participants, a loose form of business organization normally evolves without the need for formalization or definite goals, yet still possessing a strong drive to survive. This simply follows "the natural system definition of organizations" (Scott, 1981) in the field of organizational studies.

Defining Family Business Groups (FBGs)

The primary unit of analysis in this dissertation is *family business groups*, hereafter referred to as *FBGs*, arguably the most organic, dominant, and homebound form of business organizations found in developing economies. Due to the administrative heritage, family business groups are strategically and organizationally prone to diversify into unrelated activities at home rather than to specialize and thus to internationalize. In other words, geographical expansion is often disregarded as the group's strategic choice.

To be more precise, FBGs in this study are defined as groups of firms that are legally separated but virtually connected via family ties spanning multiple business activities. The term *family business groups* are composed of two parts *family-controlled* and *diversified business groups*. First, the term *diversified business groups* stands for "loose constellations of firms spanning a wide variety of manufacturing and service industries held together by common ownership or informal control ties" (Kock & Guillén, 2001: 78), or "sets of legally separate firms bound together in persistent formal and/or informal ways" (Granovetter, 2005: 429). To stress the characteristic of being virtual and not formal collections of firms, the term *business groups* is preferred to the word *conglomerates*, which signifies a certain degree of consolidation of firms or business units under one corporate structure and strategy.

By following the connotation and empirics of the *diversified business groups* research (see a review by Khanna & Yafeh, 2007), the research is not about any small groups of firms owned by unknown families. The focus is particularly on *prominent* groups that their developments are fairly visible and influential toward the country's socioeconomic development, their (group/family) names are recognized and valued in the business community, and their local stances are also attractive to potential business partners from overseas. Hence, despite having a dispersed number of firms, which tends to complicate the assessment of their overall economic powers, *groups* are perceived and regarded by means of their pervasive networks.

In addition to the term *diversified business groups*, the term *family-controlled* is added to specify the exact relationship tie applied in this study and to exclude other social ties, e.g., classmate or other interest-sharing groups, which are not only less common but are also harder to identify and operationalize. For the word *family*, the meaning here is following the intuition that family is a collective group of people related via blood tie, while the term *family-controlled* encompasses ownership, control and succession that family members involves in business operations. Note that family ownership can be marginal, which is often the case for publicly listed companies, but in practice they are still under control and in succession of family members.

Research indicates that family-controlled firms are common around the world (La Porta, Lopez-de-Silanes, & Shleifer, 1999), even those top-tier firms in the S&P 500 (Anderson & Reeb, 2003). Likewise, diversified business groups, which are largely family-controlled, are ubiquitous in developing countries, e.g., Argentina, Brazil, Chile, India, Indonesia, South Korea, Thailand and Turkey (Khanna & Yafeh, 2007). Their dominant powers have undoubtedly caught the attention of investigators working in several research streams, which frequently touch upon the negative aspects of this kind of organizations. Examples are rent-seeking in political economics (e.g., Krueger, 1974; Bhagwati, 1982), and tunneling for private benefits (e.g., Shleifer & Vishny, 1997; Rajan, Servas, & Zingales, 2000) in financial economics.

In strategic management, conglomerate-like organizations are viewed as a transitional form (cf. Teece, Pasino, & Shuen, 1997). With respect to more intensely competitive selection environments, business groups tend to shift from project-execution capability toward promoting effectiveness and efficiency, and lastly toward developing organizational and technological capabilities that allow them to engage in advanced product and process innovation on their own (Kock & Guillén, 2001). This also explains why unrelated diversification efforts, which are more acceptable in developing economies, are unlikely to be sustained under fading protectionist barriers and rising liberalization (Khanna & Palepu, 2000).

Internationalization of Family Business Groups

In international business, FBGs are perceived as prime contacts for incumbent MNCs to penetrate local markets or access resources (e.g., Pant & Rahadhyaksha, 1996; Kim, Kandemir, & Cavusgil, 2004). FBGs are able to channel in foreign technology and capital that are vital to the development of both the firm and the country. As a result of organizational learning in line with contextual transition, firms are expected to stand out from the umbrella of groups in due course, as a result of firm-specific advantages. Many of today's global players (e.g., Tata Motors and Tata Steel of Tata Group, CPF of Charoen Pokphand Group, Shangri-La and Wilmar of the Kouk Group, and Arçelik of Koç Holding) have in fact emerged from FBGs.

For these rising firms, internationalization studies have conventionally been focused at the firm level and have largely brushed over the fact that many of these firms are not really stand-alone entities but rather parts of business groups (Ramaurti, 2004). For struggling firms, the group perspective is presumably of high relevance to strategic choices such as internationalization. To highlight the transition or the pre-internationalization process in this dissertation, I deliberately take into account the interrelatedness of firms, i.e., the group perspective, and follow the evolution of how FBGs have come to embrace internationalization. As suggested by the lack of firm-specific advantages, emerging firms have to rely on other competitive advantages that usually do not reside within the firms themselves but rather derive from their extended networks (e.g., Yeung, 1997; Peng, Au &, Wang, 2001; Tsang, 2002), i.e., from the group level.

Consequently, the dissertation is instrumentally set to explore the internationalization process of FBGs. In this respect, it further defines the research question and raises several new ones. Specifically, the research seeks to understand the *extent to which FBGs have pursued internationalization with respect to other growth dimensions. Which firms or business lines have pursued these strategies? What are the underlying motives? How do groups balance local interests and global challenges? Under what circumstances do they shift to new strategic choices?*

1.3 Research Setting: Exploring the Population of Thai FBGs

To follow the development and internationalization process of FBGs, the study focuses on a contextual setting of a single country. This type of indigenous research, which aims to seek understanding through deep contextualization while remaining conceptually embedded in the international literature, is of growing importance in light of the increasing number of players from different corners of the world (Meyer, 2004; Tusi, 2007).

In this study, Thailand, a small developing country in Southeast Asia, has been chosen as the focus for several reasons (see Chapter 3 for more details). First, the country represents a rather unfavorable setting for firms' internationalization. The Thai economy has long been relatively liberal but is still not advanced; very few Thai firms are regarded as multinationals. FBGs have clearly dominated the corporate sector in response to the nation's weak institutions. Idiosyncratically, many Thai FBGs are under the control of ethnic Chinese [1], a common characteristic of the business landscape in

[1] The term '*Ethnic Chinese'* is used to describe people with substantial Chinese ancestry who live outside the administration of the People's Republic of China, often as a result of the large-scale migration of Chinese people that occurred at the turn of the twentieth century. The term '*Overseas Chinese'* was commonly used in the past as being the translation of the term '*Huo-qiao*,' meaning 'the Sojourner.' It refers to those migrant people who considered themselves to be temporarily residing outside China, and who intended ultimately to return to China. Today, the term has moved away from the original meaning. Hence, in this study, the term '*Ethnic Chinese'* is therefore more appropriate and generally used, while the term '*Overseas*

Southeast Asia and Hong Kong. Their strong sense of family identification and obligation based on Confucian codified ties is considered an important basis of their informal and loosely structured but tightly controlled organizations, while '*the bamboo network*' refers to ethnic and cultural sharing and mutual supports that exist among ethnic Chinese people around the world and have some significant international business implications (e.g., Redding, 1990; Kao, 1993; Weidenbaum, 1996). Still, it remains to be seen whether these kinds of business organizations can consistently excel outside this familiar cultural context.

Given the contextual drawbacks, the Thai economy is small enough to allow for population surveys of the country's prominent FBGs. Collections of books and business directories were published for this purpose by local consulting firms. On this count, the dissertation utilizes an informational book entitled *Thai Business Groups: A Unique Guide to Who Owns What* (5^{th} edition, 2003) that provides family and business profiles of a comprehensive list of Thai FBGs in the form of mini-case studies, using this information as the platform to construct a database. Note that this data source was first applied in the work of Bertrand, Johnson, Samphantharak & Schoar (2008). The FBG profiles drawn from this book are complemented by various secondary data sources to update, enrich and design the database used for the current research.

Altogether, the population database consists of 139 FBGs and their 196 core firms that existed as of the end of 2007. It is notable that the internationalization does not take place at the group level, but rather at the firm level. To capture the internationalization, the research and analysis operations are primarily carried out at the level of *core firms*, which are specifically defined in this study (see Chapter 3) in a manner that is generally in line with the concept of *strategic business units* that operate within a consolidated corporation. In terms of the representativeness of this data, these 139 FBGs control a total of 5,716 firms, averaging 41 firms per FBG. Of the 196 core firms, 115 were listed on stock exchanges, and 39 are in the top 100 companies of the Stock Exchange of Thailand (SET) by market capitalization. For the non-listed firms, they usually proved not to be trivial and indeed were often strategically crucial to their respective groups.

Chinese' is specifically used when referring to 'the Sojourner' and the historical context in which that term was originally coined.

More details about the research context and the database's construction are provided in Chapter 3.

1.4 Organization of the Dissertation

The dissertation is organized into four parts. *Part 1* consists of Chapters 1, 2, and 3. Chapter 1 describes the motivation for the research. Chapter 2 reviews existing theories and relevant literatures regarding the internationalization of FBGs in the context of developing countries like Thailand in order to clarify the need for inductive research and to provide guidelines for identifying relevant constructs and defining variables used in the subsequent analyses.

Part 2, which consists of Chapters 3, 4 and 5, describes the quantitative lens used for this research effort. To begin, Chapter 3 explains the overall explorative inductive research strategy and analytical methods used in the dissertation, i.e., both the quantitative and qualitative lenses. Then, the quantitative lens is elaborated upon in terms of the case-survey strategy, database construction, and definitions of dependent and independent variables. Given the population database, Chapter 4 uses simple statistics to describe the overall development patterns of Thai FBGs and the internationalization of their firms. Some stylized facts and patterns are identified. Subsequently, Chapter 5 adopts a multivariate data analysis approach that incorporates all organizational characteristics and systematically explains the internationalization. The chapter concludes with a presentation of the overall quantitative findings.

Given these snapshot findings, *Part 3*, which consists of Chapters 6, 7 and 8, takes on the qualitative lens in an attempt to explain the internationalization process. Chapter 6 explains how the quantitative results are translated into the case study research design (particularly, the case selection criteria) and also discusses other relevant issues like data collection, reliability and validity. Chapter 7 provides in-depth case studies of the internationalization process as it unfolded in four selected FBGs. Within each case, the underlying mechanism of how internationalization has been carried out is investigated by identifying the key advantages and disadvantages that each group possesses and teasing out intertwined factors of organizational learning, adjustment, and commitment that have been applied toward this growth dimension. The emergent patterns are then compared in terms of cross-case analysis in Chapter 8, before the qualitative results are presented.

Finally, *Part 4* presents the combined-method analysis and conclusions. Chapter 9 juxtaposes the quantitative results with the qualitative results and ultimately reconciles all of the findings. Chapter 10 summarizes the findings, discusses the limitations and contributions of the study, and suggests avenues for further research.

1.5 Main Findings and Potential Contributions

In this explorative inductive research, many snapshot-like, seemingly irrational behaviors were initially found and then were illuminated through process data gleaned through the case studies. It is hoped that *'Beyond the Bamboo Network,'* the phrase used as the title of this dissertation, provides a *de facto* rationalization of the evidence found.

The empirical findings show that not that many Thai FBGs have indeed excelled in the networking relationship to the extent that they are able to grow and expand their boundaries in any direction. On the diversification front, the majority of Thai FBGs' business activities were rather narrow in scope and consisted of transactions like trading, real estate, and finance; a small fraction of the firms studied were pervasively diversified and capable of more sophisticated activities. Specific to the internationalization process, most FBGs were thoroughly acquainted with exporting; however, only a handful had in fact endeavored to play the global game and very few were regarded as global challengers. Regardless of how internationally committed FBGs were in their core activities, some also utilized their personal relationships to invest in opportunistic projects abroad in the areas off their expertise. Correspondingly, diversification and internationalization appear to coincide in this context.

Basically, rooted in the weak-selection setting, the bamboo network is the development basis for many Thai FBGs. Most firms begin this process with inner-circle networking that is used to secure and execute business opportunities in close geographical proximity. Later, those firms with excellent networking capabilities may be able to incorporate broader and less familiar partners and opportunities, i.e., to handle international business relationships and activities. In other words, to stand out internationally, FBGs are required not only to excel in the embedded network but also to embrace relationships beyond that level of comfort. In this sense, the process of extending *beyond the bamboo network* has two connotations.

First, this process entails determining *who* to deal with. Primarily, FBGs should not be sheltered or surround themselves only with familiar faces, but should also be exposed to strangers from different backgrounds. In other words, a contestable market situation starting from within the country is desirable to ensure that local FBGs do not grow complacent and for helping to prepare them for international competition. In this learning aspect, a vivid hallmark of potential success is the involvement of FBGs with *foreign partners from advanced economies* that are typically regarded as a source of technical and managerial know-how. In several different ways, FBGs are quite capable of channeling in the knowledge they may lack and occasionally blending it with other home-based factors to yield certain firm-specific advantages, as suggested by the international business literature. Then, they might set off to gather knowledge about foreign markets to expand internationally, in line with the Uppsala internationalization process model.

However, the question of whether further firm development and the internationalization process will proceed is inevitably contingent upon the *second* connotation, i.e., *how* FBGs deal with a wider range of stakeholders. Following the process of technical learning via foreign partners, the links could include actions such as imitating, importing, and licensing, or they could involve relational-based strategic alliances like joint ventures. The findings reveal that most FBGs could not hope to build well-established relationships, particularly with incumbent MNCs, without enhancing their professional management systems, formalizing organizational structures, and delegating decision-making duties. Correspondingly, the prerequisite and ultimate challenge for FBGs in this process is not simply technical learning, but *organizational upgrading, specifically in relation to the controlling families* in order to overcome their administrative heritage. That is, they have to first be willing to share their power with others and to draw the line between family affairs and business interests in order to embark upon the internationalization process. Otherwise, although they might hope to strategically and financially commit themselves to international expansion, they would be unlikely to accomplish this feat on the operational side.

Without doubt, organizational changes are not at all easy; evidently many FBGs slip into *perverse yet elementary investment activi-*

ties abroad, instead of choosing the industrious internationalization path. In other words, there are two distinct paths of internationalization: *the easy one is to continue growing via the embedded relationships, while the challenging one is to build up the firm's own system of competitive advantages.* To pursue the latter path, the controlling family must have the self-discipline that is necessary to bring about less opportunistically unrelated diversification, more respect toward counterparts including professional managers, more focus on business efficiency and sustainability, and thus improved international competitiveness. Along the course of this process, the firm would gradually come to more closely resemble mainstream MNCs and to behave in a manner that is more consistent with bounded rationality.

Overall, the findings contribute to the existing international business literature of business organizations from developing economies by incorporating sociological factors involved in FBG development and particularly, by accenting how FBGs navigate the internationalization process in terms of organization and governance. In short, the study stresses the *pre-internationalization* difficulties incurred in weak institutional contexts. The implications extend generally to strategic management and organizational studies of firms in transitional economies as well as being specifically to diversified business groups and family business branches. To ethnic Chinese firms, the current analysis adds a refined and contemporary touch. For policymakers in developing countries, the study addresses the ways in which the institutional setting may influence the decision-making process and competitiveness of business organizations. Finally, for business owners, the analysis puts their actions and decisions into perspective by comparing and contrasting business organizations at different levels of achievement and providing a basis for critical analysis of their own trajectory.

Chapter 2

Internationalization: A Growth Alternative for Family Business Groups?

To establish a base for our study of whether and how business organizations from developing countries (like FBGs in Thailand) evolve from their local domains to embrace internationalization, this chapter provides a review of the relevant literature as a conceptual guideline for inductively exploring this unfamiliar empirical domain. To begin, the foundation and development of international business (IB) research is laid out. The mainstream of IB research is grounded in the Western context of conventional MNCs, and has later been extended to capture different behaviors and practices of new players from emerging economies. In addition to the research stream focusing on emerging multinationals (EMNCs), management and organization studies of firms in weak institutional settings in general are also included in the review, with particular focus on the issues of strategic choices and organizational adjustments in the course of globalization.

2.1 The Foundation of International Business Research

Much of the early research on international business was inspired by the puzzle over the growing importance of foreign direct investment (FDI) in the 1950s – a phenomenon that was not well explained by the existing neo-classical theories at the macro level, which focused on portfolio flows and real exchange rates. Stephen Hymer was the first scholar who addressed the question *Why does FDI exist?* at the micro level. He sought to determine why firms chose to expand through FDI rather than relying on alternative forms of foreign operations, such as export or licensing (Hymer 1960/76). The adoption of a micro perspective was essential for laying the basis for the field of international business, which distinguished itself from the established field of international economics by incorporating other areas of management and organization studies into a multidisciplinary research stream. While trade economists viewed MNCs simply as a component in the long-term capital section of the balance of payment, international business scholars began to look for the reasons behind MNCs' investments and to examine the implications for the enterprise and its home and host countries.

Firm-Specific Advantages (FSA) vs. Costs of Doing Business Abroad (CDBA)

Based on empirical analysis of firms from advanced economies that had started to invest abroad after World War II[2], Hymer (1960/76) argued that MNCs exist because they possess unique resources and capabilities, so-called *firm-specific advantages* (FSA), and that they internationalize to exploit the monopolistic power that stems from such advantages. In particular, he noted that the home environment, which at the time could safely be described as modern and industrialized, usually endows MNCs with superior advantages in terms of proprietary technology and managerial skills that are difficult to replicate. This gives MNCs various advantages over their competitors, even in foreign markets. Furthermore, Hymer (1960/76) stated that such firm-specific ownership advantages are necessary in order to overcome the *costs of doing business abroad* (CDBA). Expanding across borders is not easy. It involves not only increased costs of transportation and communication, but also additional costs incurred from legal, linguistic, cultural and political differences between the home and host countries – these additional costs came later to be known as *liabilities of foreignness* (Zaheer, 1995).

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[2] Prior to the Second World War, international trade and investment were still trivial and largely dominated by MNCs from Europe that built international networks on the backs of their home governments' colonial activitiesism. After the wWar, the vast majority of new FDI came out of the United States, which was the world's technological leader, one of the richest nations, and also the single-largest market in the global economy at that time. European MNCs also rebuilt their global presence, followed bying with Japanese firms and more from the 1970s. (Aharoni, 2010)

Hence, the basis of international business is that firms are able operate internationally if they have sufficient FSA to offset CDBA. A consequence of this is that FDI is more than just flows of international financial capital – it also represents the transfer of firm-specific knowledge from the parent company in the home country to the subsidiary in the host country as an intermediate good (Caves, 1971).

Internalization School: The Eclectic (OLI) Paradigm

Coupled with the concept of ownership advantages is the issue of control, which is necessary for MNCs to fully appropriate the returns of their intrinsic proprietary knowledge. This line of reasoning is primarily based on transaction cost economics (Williamson, 1975), which points to the failure of markets for buying and selling knowledge. MNCs are unlikely to be able to sell their proprietary assets without incurring high transactions costs, and would therefore be better off internalizing their operations and extending their hierarchical organizations across national boundaries (Buckely & Casson, 1976). In other words, MNCs exist to lower coordination costs between parties located in different countries and to make the best use of their competitive edge[3].

Even if it is accepted that internalization is the *raison d'être* of MNCs, it is not sufficient to reveal where the foreign operations of MNCs should be located. To highlight the role of location-specific variables in explaining the direction of FDI and the decision to establish production subsidiaries abroad, Dunning (1977) introduced the *eclectic paradigm of international production* (EPIP); this paradigm has subsequently been refined a number of times (e.g., Dunning, 1979, 1988, 1995, 2004; Dunning & Lundan, 2008). At base, the eclectic paradigm (or *OLI paradigm*) consists of three ingredients: Ownership (O) advantages, Locational (L) advantages, and Internalization (I) advantages. In essence, the paradigm states that O and I advantages are prerequisites for internationalization and are complemented by L advantages, which account for the specific attraction of a host country as a site of investment (pull factors), as well as the disincentives

[3] Later, Kogut & Zander (1993) developed the theory thatoffered a new raison d'être that MNCs arises not out of the market imperfections, but as a result of theirout of its superior efficiency as an organizational vehicles throughby which to transfer this knowledge across borders.

in the home country (push factors) in line with traditional Heckscher-Ohlin-Samuelson (H-O-S) trade theory.

The eclectic paradigm can be characterized as strongly rational, context-free, and deterministic, which may be why it is the most widely used conceptual framework for analyzing MNCs. The popularity of the paradigm led to the conventional perception of firms engaged in FDI as being strong in technological capabilities, unique in some product lines, or resourceful in some intangible know-how. The early set of empirical studies on FDI, e.g., Horst (1972) and Caves (1974), seemed to concur, and showed that MNCs were generally large in size, and that weak firms had no place in international arenas. Later studies have revealed more complex patterns, and there is substantial agreement that the eclectic paradigm is not able to fully model internationalization strategies, especially those of newly emerging firms that might not yet claim any superior skills. Dunning (1993) accepted that the traditionally perceived eclectic paradigm was static and gave the impression that there is no inter-connection between its various constituent parts. To counter this weakness, the paradigm was modified to encompass other relevant factors (to be discussed later).

Behavioral School: The Uppsala Model and Other Idiosyncrasies

An alternative to this dominant view of MNCs and the eclectic paradigm has been provided by the stream of international business research that arose from Scandinavian scholars who highlighted in the 1970s the cost side of internationalization. Starting with detailed observation of the development of four Swedish firms, Johanson & Wiedersheim-Paul [1975] called attention to the incremental nature of internationalization. They found that firms often began internationalizing with ad hoc exporting (the first stage), and subsequently formalized their entries through deals with intermediaries (the second stage). Usually, as sales grew, these intermediaries or agents would be replaced by the firm's own sales subsidiaries (the third stage), which might be followed by setting up their own manufacturing units in the foreign market (the fourth stage). This four-stage progressive development was labeled the *establishment chain*, and to some extent is regarded as the *stage model* of internationalization.

Another feature of the pattern was that internationalization frequently started in foreign markets that were close to the domestic market in terms of *psychic distance*, i.e., in terms of factors such as language, business practices, culture, and industrial development that determine how complicated it is to understand and navigate foreign environments. In due course, firms might learn to approach other, less familiar markets and extend their international reach to more distant locations. This feature is thus well in line with the concept of liabilities of foreignness that requires certain ownership advantages.

To explain this dynamic development of internationalizing firms, Johanson & Vahlne (1977) proposed the so-called *Uppsala internationalization process model* by drawing on the theory of the growth of the firm (Penrose, 1959) and the behavioral theory of the firm (Cyert & March, 1963; Aharoni, 1966). Basically, the model argues for the interplay between knowledge development and increasing foreign market commitments. That is, firms tend to expand in sequential small steps in response to their experimental learning about foreign markets and operations, particularly concerning psychic distance. In this regard, the Uppsala model is suited for explaining how firms are short on experience and market-specific knowledge at the initial stage of internationalization, and how they gradually develop their international operations. In favor of this model, gradual international expansion has been found to be positively associated with performance in a number of empirical studies (e.g., Davidson, 1980; Barkema, Bell, & Penning, 1996; Delios & Beamish, 2001). However, there has also been some opposing evidence indicating that internationalization patterns deviate from the establishment chain (e.g., Engwall & Wallenstål, 1988; Hedlund & Kverneland, 1985) which has weakened the model's validity.

In defense of the Uppsala model, Hadjikhani (1997) summarized these criticisms and compared them with the model's underlying notions: the weaknesses were arguably related mainly to operational limitations involved in measuring the commitment of internationalizing firms rather than conceptual framework of the model. For the learning concept, Forsgren (2002) pointed out another limitation, noting that the model was strictly motivated from learning through experience. He noted that the model's explanatory power could be enhanced by extending it to other learning types, such as mimicking others. Subsequently, Johanson & Vahlne (2006) clarified their own stance by pointing at the intimate relationship between the empirically grounded stage model and the conceptualization of the internationalization process model and stressed that the former is deterministic but the latter is not. In addition, they asserted that the model is about opportunity development based on resources and capabilities both within and outside the organizations, so the path of internationalization is not necessarily definite and is in fact subject to other idiosyncratic factors or serendipitous coincidences.

Following the model's theoretical foundations (cf. Penrose, 1959; Cyert & March, 1963; Aharoni, 1966), it can be argued that it is based on bounded rationality that does not assert a process of progressive development along the establishment chain and instead has room for varied and multifaceted routes of internationalization. In the extreme, even altruism has been found as a determinant of international investment – this can often be explained by special links between diaspora investors toward their homelands (Gillespie, Riddle, Sayre, & Sturges, 1999).

Different Sides of the Same Coin: The Basis of IB Research

In comparison to the eclectic paradigm, the Uppsala model is differentiated by its dynamic features. This is because the model explains how firms progress into international expansion gradually, unlike the eclectic paradigm that assumes that MNCs as a rule have the upper hand in foreign markets, thanks to their pre-existing firm-specific assets. By looking at these two different sides of the same coin, it is clear that these two conventional concepts are complementary and together form the basis of international business research. However, the world has changed considerably since the early days of international business research, an era dominated by Western multinationals; since that time, new players and new behaviors have emerged. Inevitably, the old notions have been challenged and adjusted, often being replaced by something new.

2.2 The Development of International Business Research in the Globalizing World

Since the mid-1970s, the international business environment has drastically changed due to the promotion of market integration, technological advancements in international travel and communication, and other factors. This leads to increased flows of information and people across international borders, arguably enhancing firms' ability to coordinate cross-border activities, increasing business opportunities, reducing psychic distance, and thus altering firm behavior. In a metaphorical sense, the world has become somewhat smaller and more connected. As a result, small and medium-sized firms have become more active in outward investments, which conventionally would be explained by identifying FSAs that are unique to these smaller and relatively weaker firms (e.g., Buckley, Newbould, & Thurwell, 1988; Kohn, 1997).

The increasingly competitive environment, consisting of not just incumbents but also the new breed of multinationals, has shifted the academic discourse. On one hand, the concept of ownership advantages has become less discrete and dominant, as firms – in particular smaller firms – have been more interested in strategic alliances and other cooperative forms of organizing economic activities. The boundary between firms and markets has become blurred; value chains are sliced and diced and dispersed globally. On the other hand, the cost side has also shifted away from country-specific factors toward business networks and relationships to which firms are exposed and from which they draw resources and capabilities. At the macro level, the relationship between foreign direct investment and foreign portfolio investment tends to be complementary rather than substitutive (Dunning & Dilyard, 1999). As a result, international business research has grown more complex, by refining and upgrading existing notions as well as suggesting new concepts and modes of thinking.

International New Ventures: Challenging the Incumbents

As the process of globalization continued, a new research stream known as *international new ventures* (cf. Oviatt & McDougall, 1994) emerged to counter the traditional views of MNCs. The basic argument is that sustainable international new ventures control (but do not necessarily own) certain assets, usually unique knowledge, which create value in more than one country and thus induce global expansion.

The characteristic of being international at inception was crystalized with the '*born global'* label (cf. Knight & Cavusgil, 1996). However, this was later clarified as '*born regional*,' given that these firms' international activities typically did not span the globe in any significant fashion (Rugman & Verbeke, 2004). Despite the gap between empirical findings and conceptual proposals, the international new venture research represents a direct challenge to the Uppsala internationalization process model (Johanson & Vahlne, 1977) by pointing to the declining validity of the establishment chain.

Constructively, Autio (2005) regarded this conceptual dispute as "creative tension" within the IB community that fostered the discovery of new ideas. While the Uppsala model emphasized constraining effects, the international new venture research highlighted enabling effects, especially of individual-level (pre-firm) international experiences for early and rapid internationalization. A number of studies have further developed the issue of business networks (e.g., Coviello & Munro, 1995; Coviello, 2006) and entrepreneurship (Mathews & Zander, 2007) in explaining international ventures.

Renewal of the Uppsala Model: "Liability of Outsidership"

In response to the rival notion of international new ventures, a series of studies were undertaken to validate the Uppsala model. Starting with Hadjikhani (1997) and Forgren (2002), Johanson & Vahlne (2006) followed with an explicit negation of the deterministic reading of the model, opting instead to accent the opportunistic side. In addition, Bakema & Drogendijk (2007) rationalized the choices of internationalizing in small and incremental vs. larger and more sweeping steps with respect to the steepness of the learning curves to which firms would risk exposing themselves, i.e., balancing between exploitation and exploration (cf. March, 1991) in the internationalization process. Similarly, Nadkarni & Perez (2007) pointed toward "the mediating role of the domestic mindset," particularly of the top management team, in explaining why some firms opted to engage in low levels of international commitment whereas others leapfrogged the internationalization process. In other words, the degree to which top managers are familiar with and connected to diverse resources and competitive activities plays a crucial role in determining the firm's internationalization strategies. Along this line, Petersen, Pedersen & Lyles (2008) asserted that perceived experience and knowledge gaps could be misjudged due to over-confidence, so firms that took initially sizable steps might have to revise their strategies and resume a more gradual internationalization process later on.

Following this defensive dialogue, Johanson & Vahlne (2009) eventually revisited the Uppsala internationalization process model by acknowledging the recent findings suggesting that the internationalization process may advance more rapidly, in a manner that does not correlate precisely with psychic distance. On this count, they nevertheless argued that changes in firm behavior have more to do with changes in the international environment than with changes in internationalization mechanisms. That is, international expansions have become a matter of which networks firms are embedded in and how well connected they are to corresponding business partners in their new markets, rather than learning about the foreign market per se. In other words, the model's underlying argument has changed from *liabilities of foreignness* to *liabilities of outsidership*.

By recognizing the flux in business environments, the revised model thus benefited from a series of studies that focused on the importance of social interactions and network building in the internationalization of firms (e.g., Welch & Welch, 1996; Coviello & Munro, 1997; Chen & Chen, 1998; Ellis, 2000). The model explicitly incorporates the feature that new knowledge is developed in relationships. In this regard, the commitment would gradually increase through a process of experiential learning whereby firms and their counterparts mutually learn about each other's competencies. Inherently, the relationship development involves both business aspects (see Håkansson, 1989 for an example concerning the growing connections with important suppliers and customers) and personal aspects (see Powell, 1990 for more about the informal process in developing relationships). In addition, network configurations and relational embeddedness would also influence the type of opportunities (i.e., Kirznerian or Schumpeterian) that firms are exposed to or are keen on developing (Anderson, Holm, & Johanson, 2005).

Renewal of the Eclectic Paradigm: "R-assets" in the Age of Alliance Capitalism

As the Uppsala model was challenged and then reappraised, the eclectic OLI paradigm that was formulated in a socio-institutional framework of hierarchical capitalism was also subject to a number of criticisms concerning the changing global business environment. As a result, Dunning (1995) reflected on the growing interdependencies of business partners along with the downsizing of the physical assets owned by firms. The corresponding increase in contractual outsourcing even for knowledge-creation activities like R&D has reconfigured the ownership boundaries of firms; only those domains in which the firms possess unique skills and capabilities are likely to be internalized.

With regard to this type of alliance capitalism, non-equity collaborations have become more important forms of international economic involvement. Likewise, O advantages are increasingly subject to the way firms organize their inter-firm transactions, which results in a broader application of the concept of FDI. That is, firms now expand abroad not only to exploit existing O advantages but also to acquire strategic assets, counteract competitive weaknesses, and enhance core competencies through the process of internationalization. Noticeably, this explorative, rather than exploitative, take on FDI is in line with the research stream pertaining to international new ventures, which focuses on firms without monopolistic positions at home that are nevertheless motivated to expand internationally.

To account for the more cooperative forms of organizations that have emerged in recent decades, the notion of *relational assets,* which holds that the presence or absence of network-related activities is crucial to international business success, was introduced to complement the OLI concept (Dunning, 2002, 2004). The eclectic paradigm has thus become more explicit in recognizing the importance of both tangible and intangible assets, particularly the tacit knowledge underlying business relations, which is critical in determining which firms are fit for global competition. Similarly, Dunning & Lundan (2008) further acknowledged the influence of *institutional factors* on the process of knowledge generation and transfer and incorporated this institutional dimension into the OLI paradigm. Grounded in the work of North (1990), institutions of both formal and informal types set the “rules of the game” that govern the behavior of business organizations. Particularly in the case of MNCs, internationalization thus concerns the way that firms seek to gain legitimacy in the context of the values and institutions of both home and host countries (c.f. DiMaggio & Powell, 1983; Scott, 2001).

Strategic Considerations of IB Research

International business research has evolved alongside the process of globalization that has profoundly increased the level of international trade and investment. The conventional view of incumbent MNCs expanding across national boundaries by exploiting their technological and managerial superiorities has been challenged by the emergence of new ventures, particularly in the form of inter-firm cooperation between partners that have chosen to expose themselves internationally in order to learn and grow stronger. This shift in focus has brought attention to the entrepreneurial traits and other idiosyncratic factors of key management figures (cf. Hambrick & Mason, 1984; Carpenter, Geletkanycz, & Sanders, 2004), as well as serendipities that occurred in realizing business opportunities (cf. Denrell, Fang, & Winter, 2003). Specifically, Hutzschenreuter, Pedersen, & Volberd (2007) called for the incorporation of managerial intentionality into the IB literature to achieve a better understanding of different internationalization paths.

In this regard, the global game has become much more complex and demanding. The FDI discourse has shifted from exercising monopolistic power in the imperialistic sense toward enhancing efficiency in a strategic manner. The internationalization strategy has become asset-augmenting rather than asset-exploiting. Revised versions of both the OLI paradigm and the Uppsala model have brought in the tacit element of knowledge and experience through relationships and networks, which are valuable, unique and hard to imitate, corresponding to Penrose (1959) and the resource-based view (Barney, 1991). This has resulted in increasing similarities between the two classic IB notions, as pointed out by Johanson & Vahlne (2009).

2.3 International Business Research: From the Point of View of Latecomers

Another consequence of globalization is the increasing involvement of firms from developing countries, first discussed by Vernon (1966). Given the underlying idea of transferring ownership advantages abroad via direct investment, MNCs are seen as agents of host-country economic development on account of spillover and demonstration effects that occur between MNCs and their local counterparts (Blomström & Kokko, 1998). A number of countries have benefited from such effects and eventually upgraded their status from being FDI recipients to FDI providers. Based on this phenomenon, a country's net outward investment position has been connected to the level of economic development, resulting in the formulation of an *investment development path* (cf. Dunning, 1981; Dunning & Narula, 1996). Along this line, IB research has thus extended the empirical focus from MNCs and the utilization of their competitive advantages to local firms and their international advancement.

Evidence of Latecomer Development

Outward FDI from developing and transition economies has gathered momentum since the mid-1980s, growing from $60 million in 1980, to $145 billion in 1990, to $862 billion in 2000, totalling in excess of $1 trillion for the first time in 2004, and latest standing at 2.7 trillion in 2009. The main growth has come from Asia, as the continent's share of the total FDI stock from developing and transition economies grew from 23 percent in 1980 to 46 percent by 1990 and to 72 percent in 2009 (UNCTAD, 2004; 2006; 2010).

This was led by the transition of Japanese firms from producing commodity-like goods toward more sophisticated technological or branding products, a progression conceptualized as the *stage theory of industrial upgrading and overseas investment* (Ozawa, 1995). For instance, Matsushita was once called "a copycat" before becoming a world-leading electronics manufacturer. The four "Asian dragons" (South Korea, Taiwan, Hong Kong, and Singapore) also fostered their firms through different institutional mechanisms for acquiring foreign technology and progressed to become newly industrialized countries (e.g., Hikino & Amsden, 1994; Hobday, 1994; 1995; van Hoesel, 1999). For example, subcontracting and OEM mechanisms acted as a training school of sorts for the latecomer firms, enabling them to assimilate production processes and skills, develop technologies, and overcome their comparative newness. Later on, it turns to the emergence of Chinese companies; the "hidden dragon" that was underestimated (Zeng & Williamson, 2003) has strongly driven itself from being the world's factory toward the home of powerful players in the global market. Propelled by the massive and fast-growing economy together with clear government direction, the internationalization of Chinese firms is generally not about exploiting competitive advantages. Instead, Chinese firms tend to adopt catch-up strategies, i.e. making international expansion and acquiring valuable foreign assets in order to address competitive disadvantages (Child & Rodrigues, 2005).

Inspired by the data drawn from these latecomers, the early IB research in the context of developing economies was associated with local firm development, primarily in terms of technological accumulation (Tolentino, 1993). The principal concern of this research was to explain how firms from late-industrializing countries that began with a shortage of technical and market infrastructure developed into the international arena, and to determine which competitive advantages they relied on. Addressing these firms' relatively underprivileged backgrounds, this research stream was initially referred to as *third world multinationals* and was later dubbed *emerging multinationals*. As indicated by the change in nomenclature, this line of research has noticeably evolved from the direct application of established IB notions, i.e., mainly relying on resource exploitation, to a more contextualized set of studies, addressing the explorative and learning aspects of internationalization. The development of this research stream has fed back and enriched the depth and diversity of mainstream IB research, as pointed out earlier.

Third World Multinationals: Exploiting FSA and Government Supports

The study of direct investments from developing countries started around the late 1970s (cf. Lecraw, 1977; Kumar & McLeod, 1981; Wells 1983; Lall & Associates, 1983). The common characteristic found was that investing firms tended to use labor-intensive and descaling technology to suit the factor costs and demand conditions of less developed neighboring countries with similar environments. Their products were largely undifferentiated goods with low margins that competed on the basis of price. Firms' competitive advantages were found in their small-scale production processes that allowed for flexibility in switching product lines, a characteristic compatible with the countries' weakly formed industrial structures. In short, *third world multinationals* were about exploiting existing resources instead of frontier technologies. In contrast with the incumbent multinationals, Wells (1983) highlighted the disadvantages of latecomer firms that lacked proprietary technologies, international experience, and strong reputations, as a result of being embedded in weak institutions and isolated from innovation sources.

To compensate for the deficit of ownership advantages, firms with international presences were typically found to be utilizing other supportive factors. Based on evidence from the so-called Asian tigers, states tended to play a direct and active role in the promotion of outward FDI (e.g., van Hoesel, 1999; Sim & Pandian, 2003). Similarly, government patronage has been important also for outward investment from China (e.g., Child & Rodrigues, 2005; Morck, Yeung, & Zhao, 2008).

The combination of having certain competitive advantages and being supported by local governments is the basic explanation of how firms from developing countries would embark on international ventures. In the recent case of Multilatinas (Cuervo-Cazurra, 2008), this line of reasoning has remained applicable. Specifically, Cuervo-Cazzura & Genc (2008) also confirmed the earlier assertion that latecomer disadvantages could be transformed into advantages when firms were operating in less developed countries with ineffective or lax governance environments.

The Bamboo Network: Highlighting the Sociological Context

In addition to deliberate support from government entities, personal relations facilitating business transactions in the form of informal institutions have played a significant role in the internationalization of firms from emerging economies. In a study conducted by Lecraw (1977), networking with relatives and associates of host-country leaders was explicitly revealed as the channel many EMNCs used to gain access to profit-making opportunities in developing countries like Thailand.

Within the Southeast Asian context, the economic dominance of ethnic Chinese, whose ancestors had typically migrated into the region at the turn of the twentieth century, was explained by the mutual support shared among groups with ethnic and cultural similarities, a phenomenon conceptualized as *the bamboo network* (cf. Weidenbaum & Hugh, 1996). In the face of many difficulties, these kinds of personal ties and subtle check-and-balance systems had formed the basis for business development, one that was not quite bounded by national borders but rather by a tight-knit group of entrepreneurs (see also Redding, 1990; Kao, 1993; East Asian Analytical Unit, 1995 for the ethnic Chinese business literature). Accordingly, firms grounded in this setting were practically international from the start; however, it is important to point out that they were hardly driven by efficiency gains at the global level, as was argued by the 'born global' literature (cf. Knight & Cavusgil, 1996). Instead, these firms were largely born (as well as entrenched) in their bamboo networks, which will be further discussed in subsequent sections.

By interviewing top executives of Hong Kong firms investing in Southeast Asia, Yeung (1997) teased out how transnational operations were established via a network of personal and business relationships. The results shed light on the significance of socially and culturally embedded factors in business networks that had been largely ignored by the prevailing IB research (see also Yeung 1999; Yeung & Old, 2000 for more about this line of argument). Likewise, this interconnectedness was borne out by evidence drawn from internationalizing firms in Hong Kong (Au, Peng, & Wang, 2000) and Thailand (Peng, Au, & Wang, 2001). Moreover, Tsang (2002) showed that Chinese family businesses tend to send family members overseas to be in charge of key management positions in their new foreign markets, in line with the highly centralized decision making processes evinced in many ethnic Chinese businesses. Such characteristics of Chinese family businesses and their roots in the Confucian system of family-based relationships were identified as the distinct competitive element by means of the commonly applied eclectic paradigm (Erdener & Shapiro, 2005).

Keeping in mind all of these empirical findings, it is worth noting that this network-led internationalization is not specific to the ethnic Chinese. In the classic work of Aharoni (1966), similar arguments were made about Jewish cultural connections, even though this sociological impulse tended to be seen as a peculiarity underlying international investments. Nonetheless, this kind of linkage was later perceived as the particular interest that emigrant populations retained toward their homelands, for example, as seen in outward investment from the U.S. to Armenia, Cuba, Iran, and Palestine (Gillespie, Riddle, Sayre, & Sturges, 1999) and the contribution of India's overseas skilled laborers toward the country's growing service exports (Kapur & Ramaurti, 2001).

Another implication of the social network is to loosely glue different business units together in the form of *business groups* that tend to facilitate resource and knowledge sharing among group members and thus enhance their overall strength (a concept that will be discussed in greater detail in subsequent sections). Elango & Pattnaik (2007) used data drawn from Indian firms to explain how firms from emerging markets build capabilities that enable them to operate internationally through learning from parental networks. This interfirm benefit could be critical, because the individual firms themselves may not possess any of the monopolistic advantages that are commonly referred to in the IB literature.

Incorporating both economic and sociological arguments to explain the internationalization of firms from developing countries has contributed greatly to our understanding of the phenomenon. Despite the lack of first-class technologies and other disadvantages, these latecomer firms can work their way up by tailoring capital and labor to the local context, learning from their more experienced counterparts from advanced economies, and gradually shaping their own competitive advantages. Simultaneously, they also count upon the ingrained relationships that had supported their business exchanges long before the market formation. Overall, EMNCs tend to make use of a wider range of competitive elements, in comparison with incumbent players. Outward FDI from developing economies is presumably a combination of not only the exploitative convention but also learning and opportunistic motives. In this regard, Pananond & Zeithanl (1997) highlighted the necessity for EMNCs to maintain a balance between exploiting existing resources and accumulating new competencies.

Emerging Multinationals: Undertaking an Explorative Approach

Along the course of the globalization processes that allowed latecomer firms to be part of the global value chain, their outward investment activities were multiplied; the IB discourse also became more slanted toward the explorative motives for internationalization. The primary focus of this research was on the behavior of newly emerging firms that began investing abroad with the explicit agenda of improving and augmenting their ownership advantages, which basically meant entering advanced economies were they could learn from the local environment instead of just exploiting their limited ownership advantages in other developing economies[4].

Dunning, Hoesel, & Narula (1998) regarded this phenomenon as the second wave of third world multinationals that strategically moved toward industrial countries in order to acquire missing technologies, managerial know-how, marketing skills and so on. Noticea-

[4] Note that this explorative internationalization approach was not at all novel but also prevalentiling in the past. For example, Lalls & Associates (1983) recorded outward investment through JVs in established technology industries, which were neither well-established at home nor important export products.

bly, these emerging multinationals tended to operate in more mature industry settings rather than in technologically fast-paced industries, unlike incumbent MNCs. In addition, Sim & Pandian (2003), drawing on a study of Taiwanese and Singaporean firms, stressed the need for EMNCs to formulate differentiation strategies on the basis of technological and other capabilities and to create their own competitive advantages, even in relatively unsophisticated business domains. In other words, it was emphasized that these firms should not simply count upon exploitative means, which normally comprised cost-based competencies, locational advantages, an extensive web of ethnic networks, and government encouragement, but should also develop new knowledge and expertise. Child & Rodrigues (2005) substantiated this trend with data drawn from research focusing on the internationalization patterns and motives of prominent market-seeking Chinese firms. Furthermore, Luo & Tung (2007) presented the springboard perspective that firms may pursue aggressive international expansions by taking over or acquiring critical assets from mature MNCs to overcome the institutional and market constraints at home and compensate for their competitive weakness.

Similarly, Mathews (2006) gathered evidence from newly rising firms termed 'dragon multinationals' and proposed the LLL (linkage, leverage, and learning) framework, which emphasized the capture of external resources to support accelerated internationalization and other organizational innovations. This framework was advocated as an alternative to the OLI paradigm. The main distinction between the two is that the LLL paradigm assumes that firm-specific or ownership advantages could be the consequence of internationalization rather than the prerequisite for it.

In response, Dunning (2006) commented that it was entirely consistent with the view of third world multinationals proposed by Dunning, Narula & van Hoesel (1998), so the LLL framework would simply add to the richness of the OLI framework rather than replace it. Moreover, Narula (2006) criticized Mathews (2006) for having overly generalized the international success of a limited group of firms to apply to a larger group of countries. It was noted that the so-called dragon multinationals were all derived from relatively advanced developing countries like Mexico, Korea, Taiwan, HK, China, and Malaysia; they also enjoyed considerable government support either as national industry leaders or as members of privileged oligopolies. In other words, they were exceptional rather than normal, which prompted Narula (2006) to question whether the same assumptions could be applied to firms from peripheral countries, such as Vietnam, Thailand, Kenya, or Nigeria. This debate suggests that the emerging market IB field might be empirically under-researched and could still have room for further research.

The Heterogeneity of EMNC Studies

Although the debate continues, it is worthwhile to offer a preliminary conclusion about how EMNC studies have contributed to IB research as a whole. Given the EMNCs' limited proprietary knowledge, which is caused by the weak institutional settings from which they have emerged, the internationalization of EMNCs is less likely to be about exercising monopolistic power and more likely to be about making the best out of existing endowments. In the earliest analyses of third world multinationals, the concept of FSA was broadened from technological and managerial assets to also include sociological linkages; yet, the conventional assumption about exploitation of existing competitive advantages remained. This combination was found to be effective for entering other developing countries with similar environments. In later studies of emerging multinationals, attention to the risk-taking approach that EMNCs applied to learn about different practices and gather other valuable assets that were unavailable in their local contexts has resulted in the recognition of asset augmentation as a strategic goal of internationalization.

This dynamic development is a reflection of the intensifying level of competition that has shifted the international business landscape. Reflecting this change, Aulakh (2007) postulated a constant interplay between existing and newly acquired competitive advantages. Basically, both old and new players are supposed to utilize some of their resources and capabilities as a starting point for internationalization and then pursue the acquisition of additional assets that are required to transfer existing advantages to foreign markets or other more intensely competitive environments. Correspondingly, Yiu, Lau, & Bruton (2007) pointed out that international ventures by firms from developing countries are not directly linked to FSA as conventionally suggested, but are also subject to other contextual and idiosyncratic factors like home country networks and corporate entrepreneurship. Nevertheless, EMNCs would seem to come to more closely resemble established incumbents over time. Pananond (2007) revealed that

EMNCs have placed more emphasis on strengthening their industry-specific technological capabilities as well as on transitioning their personal relationship-based networks to more transparent and formal ties. Likewise, Rugman (2008) confirmed that EMNCs tend to rely upon a wider range of competitive elements, the most significant of which is the strength of their embedded relationships, in order to access “home-country-specific advantages” such as natural resources and cheap labor, and hopefully to attain technological organizational capabilities and evolve FSA in due course.

Accordingly, the patterns of and motives for internationalization are rather heterogeneous and hard to generalize, varying upon the bundle of competitive elements underlying such investments as well as host-country market environments. Researchers in the field have watched with interest the aggressive moves of top-tier EMNCs seeking to quickly catch up with incumbents and attempting to transform their latecomer status from a disadvantage to an advantage, not just in emerging economies but sometimes even in advanced economies. However, there are also other peripheral firms that remain unnoticed, as indicated by Narula (2006). Presumably, these firms have not yet decided to attempt to gain a foothold in the international market. To understand these more cautious enterprises it is thus important to follow their strategic thinking, in order to determine whether internationalization is perceived as a growth alternative, alongside other forms of growth and organizational development.

2.4 Development of Business Organizations in Weak Institutional Environments

As discussed, international business research addresses the use and development of FSA that EMNCs tend to derive from assorted competitive sources in overcoming inherent costs of doing business abroad. In this context, it is simply taken for granted that firms have certain strategic priorities so that resources and capabilities are devoted to ensure an adequate level of competitiveness. However, this often is not the case for business organizations grounded in weak institutional settings, as they tend to behave in different manners from those that have been nurtured in advanced economies. In other words, due to environmental constraints, firms from developing economies are not only prone to have a paucity of ownership advantages, but are often lacking in their management and organization, as well. The former has been addressed by the IB research; the latter has also received attention from several branches of business administration, particularly in studies that contrast emerging market operations with conventional practices in the West. To better understand the pursuit of internationalization, this part of the current investigation aims first to deal with how business organizations from developing economies tend to organize themselves with regard to their contextual differences, and then to address how these firms would likely adjust themselves in response to institutional development.

Family Business Groups: Common in Developing Economies

The most organic, dominant, and common form of business organizations in developing economies are *family business groups* (FBGs). FBGs are ubiquitous in countries like Argentina, Brazil, Chile, India, South Korea, Thailand and Turkey (Khanna & Yafed, 2007). The term 'FBG' refers to a subset of diversified business groups, which are generally referred to as "loose constellations of firms spanning a wide variety of manufacturing and service industries held together by common ownership or informal control ties" (Kock & Guillén, 2001: 78). The *family tie* is particularly significant, as it highlights the most inherent form of social capital that facilitates economic exchanges in the absence of market mechanisms (cf. Granovetter, 2005). In explaining the existence of FBGs, the literature pertaining to *diversified business groups* is thus brought together with the literature on *family business*. In this manner, the economic and sociological accounts are found to be deeply intertwined.

Based on transaction cost economics (cf. Williamson, 1975), the diversified hierarchical form of organizations develops as a means of overcoming market imperfections. Institutional features such as thin capital markets, ineffective legal enforcement, weak property right protection, etc., induce business organizations to engage in more than one business activity in order to pool competence, internalize limited resources, and diversify risk. Taking leave from the world of neoclassical theory, the opportunistic behavior and bounded rationality of economic agents thus come into play, causing the role of relationships to be critical in developing economies. Personal connections and the exchange of favors, a practice known as "guanxi" in Chinese contexts (see Xin & Pearce, 1996; Lovett, Simmons, & Kali, 1999), are basically substitutes for formal institutions.

Families are usually regarded as the primary engine behind business successes; however, these gains tend not to persist over the course of several generations due to a number of inherent characteristics (see Sharma, Chrisman, & Chua, 1997; Birley, Ng, & Godfrey, 1999 for more about the nature of family business). The growth of firms is typically restrained by an over-reliance on individual family members, so strategic learning only occurs among a few key members and tends to be lacking at the organizational level. Also, the pool of available talent among family members is typically limited, and a business run by a large number of family members might be particularly prone to conflicts, since business and personal interests are not always aligned. Suboptimal decisions often are made to maintain harmony among family members. Particular challenges emerge when control is to be transferred between generations, since the sons and daughters of capable entrepreneurs do not always share the talent of their elders (Miller, Steier & Le Breton-Miller, 2003). In this regard, the term *family business* tends to be saddled with negative connotations, and these firms are often perceived as being small enterprises. However, this is not always the case. In terms of size, Anderson & Reeb (2003) revealed that founder families remained actively engaged in one-third of S&P 500 firms; interestingly, these firms tended to outperform non-family firms.

Family ownership is likely to be less of a handicap in developing countries than in the West, since the contrast between supposedly less efficient family control and more efficient and rational managerial control is not as clear as in the West. Instead, the focus is on the dependency of evolving business organizations in a context that is riddled with institutional voids. However, it is nevertheless worth stressing that not many entrepreneurs and business organizations are actually excellent in terms of their *networking capabilities*, i.e., the ability to gain access to lucrative business opportunities, tap into the valuable resources of other partners, and transcend their own limitations (Amsden & Hikino, 1994). In the context of network capitalism, Hamilton (2000) also added that ethnic Chinese entrepreneurs tend to expand their business operations by starting new firms and creating new alliances rather than expanding in size or shifting the geographical boundaries of existing firms. Most of the mainstream ethnic Chinese businesses in East Asia remain small to medium-sized enterprises that are strictly family-owned and controlled (East Asian Analytical Unit, 1995).

This natural form of business organization exists in stark contrast to the bureaucratic form of organization that is commonly found in the West, which promotes formalization, has clear objectives, and separates one firm from another according to different specialties (Scott, 1981). FBGs thus call attention to variation in the conceptual meaning of firms, e.g., objective, boundary, and performance measurements – these issues become particularly relevant when examining business organizations in different institutional settings (cf. Khanna, Palepu, & Sinha, 2005; Peng, Lee, & Wang, 2005; Peng & Delios, 2006).

Debatable Contributions of FBGs

Given that information is usually asymmetric and favors those with connections, the concentration of economic wealth within a small number of families who are the controlling forces behind business groups is thus a common feature of developing economies. FBGs have been regarded as influential in their respective domains since the period of postwar economic development (Leff, 1978). Due to their strong local presence, FBGs are indispensable tools for foreign investors seeking to penetrate new markets in developing economies (e.g., Pant & Rahadhyaksha, 1996; Kim, Kandemir, & Cavusgil, 2004). In this sense, FBGs can be regarded as a pioneering and self-selected tier of economic agents that thrive in terms of growth and development in the course of liberalization[5]. Through collaborating with foreign partners, especially MNCs from advanced economies, FBGs often gain benefits in terms of knowledge transfer and thus develop international competitiveness, as earlier discussed.

However, the role of FBGs is not always positive. The Asian financial crisis, which started in mid-1997, has turned the prevailing view of relationship capitalism upside down. The closely knit web of families and friends that were admired for their role in advancing the speed of economic development in this region (World Bank, 1993;

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[5] Interestingly, due to FBGs' success in East Asian countries, particularly in South Korea and Taiwan, the principal characteristics of FBGs, such as the internalization of basic infrastructures and the interaction with leading multinationals, were identified by the Chinese government as significant features of well-functioning business organizations in the context of a highly controlled society (Keister, 1988).

Redding, 1995) came to be criticized as "crony capitalism" (e.g., Rajan & Zingales, 1998; Suehiro, 2001). Similarly, Morck & Yeung (2004) addressed concerns about family control and rent-seeking in this context. Faccio (2006) focused on governance and explored the economic implications of politically connected firms. Moreover, Bertrand, Johnson, Samphantarak, & Schoar (2008) revealed how the organization, governance, and performance of FBGs are endogenously affected by the structure of the families behind them. The higher the number of male siblings in an FBG, the lower performance was found to be in the case of Thai FBGs, indicating the fragmentation of internal capital markets as well as the possibilities of tunneling along the pyramidal structure of the groups.

As such, the costs and benefits of business groups in emerging economies are indeed subject to debate (Khanna & Yafed, 2007). On the one hand, the issue of organizational suitability is context-dependent. Each country differs in its societal system and how it would design its economic development program in favor of organizational forms or interest groups (cf. Whitley, 1992; 1999). On the other hand, the benefit of having value-creating economic agents is simply to ensure constructive environments that would drive the development of local firms, so they are not overly sheltered by in-group favoritism or other local advantages. This point is to be discussed later in the sections addressing the internationalization of FBGs.

Diversification of FBGs: The Institutional Explanation

The next objective is to consider the strategic choices of FBGs. Under the weakly-defined market conditions that exist in most developing economies, it is not easy for any business organization to focus on the attainment of expertise. Organically evolving units like FBGs tend to grow by circumventing institutional voids, which can lead them to have relatively broad and diffuse objectives. In response to the specialization view that explains how firms tend to grow in the West (discussed in the introduction chapter), a branch of strategic management research emerged to determine whether focused strategies may be wrong for emerging markets (Khanna & Palepu, 1997).

Empirically, Chang & Choi (1988) revealed that diversification strategies and multidivisional structures helped Korean business groups to overcome market imperfections, reduce transaction costs, and thus achieve superior performance. Furthermore, Khanna & Palepu (2000) utilized long-term evidence from Chilean business groups and showed that the net benefit of unrelated diversification is positive if groups' diversity exceeded a particular threshold, though this threshold increased with time. This result thus advocates FBGs' strategy of branching out across industries, while also projecting that the evolution of institutional contexts would eventually reduce the collective value of business groups. Nevertheless, based on unique panel data from business groups in 14 countries, Khanna & Rivikin (2001) highlighted the profound effect that being affiliated with certain business groups exerted on firm profitability, which directly opposes the evidence of the "diversification discount" that some have claimed exists in advanced economies (e.g., Rajan, Servaes, & Zingales, 2000; Martin & Sayrak, 2003).

Concerning research methods, it is worth emphasizing that the conventional approach of measuring diversification by means of industrial classification or technological relatedness among business activities (cf. Rumelt, 1978) has been controversial and has led to perplexing empirical findings within the field of strategic management itself (e.g., Montgomery, 1994 for a review). In response, Prahald & Bettis (1986) proposed the concept of "dominant logic" as a new link between diversity and performance. Principally, the dominant logic concept regards business relatedness at a strategic rather than an operational level – that is, it seeks to look at how top managers of business organizations perceive and make sense of their diverse activities. This idea has been put to practical use in corporate strategy research (cf. Grant, 1988; Goold, Campbell, & Alexander, 1994) in the context of advanced economies.

Returning to rationalizing the activities that occur in FBGs, this high-level perspective is also helpful when addressing the issue of institutional constraints, which is an inevitable concern of entrepreneurs in developing economies. For example, Peng, Lee, & Wang (2005) explained the scope of the firm in terms of institutional relatedness, because resource availability and legitimacy are largely based on linkages with dominant institutions rather than on market mechanisms. Likewise, Khanna, Palepu, & Sinha (2005) spelled out distinct strategies that are common in emerging economies, such as strategizing 'around' existing institutional voids and then creating solutions tailored for the context. Furthermore, Khanna & Palepu (2006) expanded this line of reasoning to explain the emergence of world-class companies from developing countries.

Organizations in Transition

Despite the conceptual explanations and empirical evidence substantiating the prevailing stance of FBGs, business organizations in developing economies are not all interested in empire building. As mentioned, their institutional context is by nature temporal and subject to constant development along with economic liberalization that usually brings about increased competition and technological changes. In order to sustain their competitive advantages, FBGs need to quickly respond to all changes and challenges that face them, in line with the concept of "dynamic capabilities" that has been advocated by strategic management scholars (e.g., Oliver, 1991, 1997; Teece & Pisano, 1994; Teece, Pisano, & Shuen; 1997).

,An important part of the research on FBGs is therefore concerned with how this kind of business organization tends to evolve over time. Using a resource-based perspective, Guillén (2000) explained that business groups in emerging economies arise because entrepreneurs are capable of leveraging relevant contacts from both local and foreign partners to draw resources and skills needed in starting new business activities. As these generic contact capabilities are repeatedly utilized, the organizational outcome often takes the form of FBGs. Guillén (2000) also remarks that such capabilities would pay off only so long as asymmetric foreign trade and investment environments prevail. In other words, by preventing foreign investors from penetrating the local markets at will, the well-connected entrepreneurs attain unique privileges, e.g., in gaining concessions or licenses from the government, and gaining strong negotiation positions against technological owners such as MNCs from advanced economies. However, the importance of contact capabilities might at the same time suppress the need for entrepreneurs and their business organizations to promote other competencies that may be critical for international competitiveness in the longer run.

Along this line, Kock & Guillén (2001) presented the evolutionary model of business groups that suggests how business groups should upgrade their capabilities with respect to tougher selection environments. Basically, firms' abilities to leverage contacts and overcome inefficient factor markets are supposed to transform into organizational and technological capabilities over time, to be called upon if the groups choose to move forward in the international arena. As a result, the value of FBGs would call for innovative factors, tighter organizational structures, and product-market relatedness, while being less tempted to engage in opportunistic activities and less diversified. Yet, behavioral changes are not easy to achieve. Based on studies of East Asian FBGs, Carney & Gedajlovic (2002; 2003) underlined the issues of path dependency and administrative heritage in the co-evolution of institutional settings and organizational strategies.

Likewise, Peng (2003) discussed the relationship between institutional transitions and strategic choices of emerging economy firms in general. Particularly, the points of inflection where firms shift from "a relationship-based, personalized transaction structure calling for a network-centered strategy to a rule-based, impersonal exchange regime suggesting a market-centered strategy" (Peng, 2003: 245) were highlighted. This type of transition path seems reasonable given today's increasingly integrated global economy. Yet, it is unlikely that international players would all converge upon a single practice; rather, for many the outcome would become some kind of hybrid blurring the distinction between network- and market-based strategies. For example, Yeung (2006) acknowledges the transformation process in which old and new elements are continuously integrated into something that is identical to neither the traditional ethnic Chinese business operations nor the mainstream Western corporations. Carney, Gedajlovic, & Yang (2009) later described this mix as "varieties of Asian Capitalism" developed along the co-evolution process.

Network Evolution and the Professionalization of Family Businesses

To focus on the transition of FBGs, it is important to understand the changes happening to their controlling families and, in particular, to their peers. From the network perspective, the organizational transformation occurs when network relationships evolve from simple, unidimensional dyadic exchanges to a dense set of multidimensional and multilayered organizational relationships (Larson & Starr, 1993). That is, the organization becomes less reliant upon close ties like families and friends, which usually comprise a combination of economic and sociological relations, as it progresses to a stage where mutual business interests become the major determinants of networking.

Hite & Hesterly (2001) expanded on the conceptualization of network evolution by noting that in the early phases, networks are cohesive and composed primarily of socially embedded ties, especially in the case of strong and densely connected relationships. Over time, as the course of organizational advancement proceeds, the network composition comes to include more impersonal economic ties, thereby making the entrepreneurs less dependent on their identities and more calculating in their business maneuvers. Similarly, Peng & Zhou (2005) argued that network strategies would evolve from strong to weak ties in response to institutional transitions. Without a doubt, this dynamic view of networks has also contributed to the concept of relationship development in the latest version of the Uppsala model, which accounts for the liabilities of outsidership (Johanson & Vahlne, 2009).

Data gathered in studies of ethnic Chinese business groups in East Asia show that the controlling families increasingly adopted professional management practices during the co-evolution of institutional environments and organizational strategies (see e.g., Tsui-Aush, 2004; Zhang & Ma, 2009). Nevertheless, family influence was maintained due to the strong attachment of ethnic Chinese families to their business domains. In terms of performance, Luo & Chung (2005) teased out several positive contributions of having dedicated controlling families behind business groups on the one hand; on the other hand, negative implications such as information disadvantages and legitimacy deficits, especially in the eyes of foreign investors, also came into play.

Taken together, such changes in the governance side of FBGs are also expected as the organizations gear up for international competition. The challenge with respect to the network is whether the controlling families behind FBGs can maintain fairness and parity with their extended network. It is notable that cooperation is something that has to be learned (Axelrod, 1984). The development of social capital would foster intellectual capital, as well as organizational advantages (Nahapiet & Ghoshal, 1998). This is basically in line with the need for business groups to develop "organizational capabilities," as suggested by Kock & Guillén (2001) in their evolutionary model, in addition to enhancing the group's "technological capabilities."

2.5 Internationalization: A New Growth Alternative for FBGs

Addressing the component of the development process that enhances the ability of locally embedded business organizations like FBGs to become more accustomed to internationalization, the final segment of the literature review focuses on the strategic implications of organizational changes. This section will seek to explicitly examine the link between the diversification and internationalization of business organizations in developing countries in order to further clarify why FBGs tend not to pursue geographical expansion. By addressing the question *Why not internationalize*? (which is perhaps an unorthodox question in the IB field), this section can be considered as one component of an extended research agenda that may enrich the overall understanding of EMNC studies (as advocated by Ramamurti, 2004). Of note, internationalization studies usually revolve around firm-level analyses and gloss over the fact that many of these internationalizing firms are not really stand-alone entities but rather are parts of BGs. As an exception to this generalization it is worth noting a study conducted by Elango & Pattnaik (2007), which found that firms draw upon the international experiences of their parental networks as well as of their foreign partners in pursuing overseas expansion.

International Diversification of Firms in Developing Economies

Following the themes set forth in strategic management research, Nachum (1999) was the first to survey how large diversified firms in developing countries grow by combining industrial and geographical diversification. In doing so, the findings su ggested a picture where business organizations were largely grounded in commodity trading, and where unrelated diversification was crucial to even out the cyclical variations endemic to enterprises dependent on a single product. Moreover, competitive pressure was usually minimal due to oligopolistic structures and other special incentives from the government, so there was little reason for firms to extend their scope within existing product lines by means of forward vertical integration or investing in branding and marketing. Accordingly, the focus was mostly directed toward acquiring technological skills for each diversification move; not much attention was paid to managerial skills and even less to marketing skills. Yet, the study also revealed that with respect to changing competitive situations, these firms have by and large worked on consolidating overall activities and improving on their specializations, and eventually most have become multinationals in their core activities. The association between industrial and geographical diversification in relation to performance was explored in a later study (Nachum, 2004). The result signaled a positive, although not significant, correlation between two-dimensional diversification patterns, while geographical expansion was somewhat more strongly associated with performance than was industrial diversification.

Considering the notable emphasis on improving technological capabilities rather than other skills, Zhou, Tse, & Li (2006) provided a sound explanation by distinguishing between technical and administrative changes in terms of performance. Apparently, changes in technical areas have a clear and positive impact on performance, whereas the effect of administrative changes is often indirect, with technical changes functioning as the mediator. Either way, organizational change in emerging economies is not easy, though it is presumably inevitable. To explore these difficulties, Tan & Meyer (2010) studied the outward FDI of business groups in Taiwan and remarked that the homebound resources of this kind of business organization are difficult to transfer to other institutional contexts. In pursuit of international expansion, the groups would thus desire internationally valuable resources, especially managerial capabilities, which tend to be quite different from the resources that enable domestic growth.

Internationalization: General Contributions to Organizational Development

There is inherent value in pursing outward FDI. Studies of developing country business organizations pursuing internationalization confirm the connection between being recipients of inward FDI and being providers of outward FDI in terms of organizational development, in line with the investment development path framework (cf. Dunning, 1981; Dunning & Narula, 1996). With regard to the influential role of FBGs in their respective home counties, the link between international business activities and local firm development tends to be even more obvious (Kim, Kandemir, & Cavusil, 2004).

This logic is applicable not only for firms in emerging economies but also for those in advanced economies. For example, Delios & Beamish (1999) showed that Japanese manufacturing firms usually become more efficient and perform better as they begin expanding into new geographical markets, even after controlling for the effect of building up proprietary assets. Meyer (2006b) documented the movement of Danish conglomerates away from product diversification to "global-focusing," an outlook that promotes their core competencies in response to the intensifying competitive terrain.

Interestingly, the course of globalization is not always in favor of focused strategies of business organizations; the opposite direction seems to apply as well. Ma & Delios (2009) showed that incumbent MNCs also diversified into unrelated activities (yet not at the expense of specialization) during their penetration into the large emerging market of China. This distinct move might be seen as another method of local adaptation, which sometimes requires firms to disassociate themselves from their usual behaviors and administrative heritages. In short, becoming a multinational entity requires a firm to be able to draw on local endowments, develop ownership advantages, and to be free from institutional constraints (Oliver, 1991, 1997).

Insights Into the Internationalization of FBGs

This literature review has gone through the development of IB research from the rather simplistic account that highlighted the supremacy of incumbent MNCs to the more nuanced phase that focused on the resource scarcity of EMNCs. The latter phase draws attention to how (weak) institutional factors shape the organizational structures, business practices, and strategic choices of firms in developing countries. With the focus on locally dominant and embedded organizations like FBGs, the economic and sociological aspects of organizational development are highly intertwined. Technological learning that feeds directly to production processes appears to be accepted much more easily than other types of organizational changes, especially when it involves managerial behavior.

These insights therefore lay the foundation for the current dissertation, which sets out *to empirically explore the internationalization process of FBGs*. In particular, the study is expected to contribute to the recently developed set of studies that explicitly relate organizational transformation with internationalization (e.g., Zhou, Tse, & Li, 2006; Tan & Meyer, 2010). In terms of research design (see details in the next chapter), the study aims to provide an overview of FBG involvement in international business activities by looking at the population set in one country, Thailand. Moreover, the focus is placed on *the relational basis of FBG development and how that interplays with other organizational aspects*, e.g., obtaining different business opportunities, climbing technological ladders, taking part in international business activities, and so on. In other words, the study seeks to follow the generic process of FBG development, which might not always make sense according to the dominant view in the West. However, it will hopefully contribute to explain how some FBGs come to embrace the unfamiliar path of internationalization as their new growth alternative, while others still carry on with the opportunistic diversification they have engaged in during the past decades.

Chapter 3

Research Design (1): The Quantitative Lens of Case Survey Method

Following the literature review, some angles of international business activities undertaken by business organizations from developing economies are still left out of the spotlight. Specific to FBGs, despite the conceptual understanding that they are organizations in transition and some of their firms have achieved distinction in the international market, there is still no empirical evidence at the aggregate level revealing the extent to which such transformation has actually progressed. In addition, the group-level strategic implications such as resource interdependency among component firms within FBGs and other relational aspects that are also applicable to international business activities are largely ignored. These less recognizable and perhaps also less rational activities are however relevant to the overall understanding of the internationalization processes and competitiveness of firms in the weak-selection setting.

To fill in this gap, I hence take on an explorative inductive investigation by tracing how FBGs may evolve to embrace internationalization. The overall research design is discussed here by first rationalizing context-specific or indigenous research and then adopting the methodological triangulation of both quantitative and qualitative research strategies. In practice, this chapter deals specifically with the quantitative part of the research design by describing the use of a customized *case survey method* to build a database suited for exploring the overall FBGs' development picture. Relevant constructs and variables are also defined for statistical analyses (in Chapter 4 and 5). Given the stylized facts or patterns expected to emerge from the analyses of the population observations, Chapter 6 sequentially builds up the qualitative part of research design, which considers how to examine more closely the underlying mechanisms via a *comparative case study method*. Finally, two views attained from the two distinct research strategies are juxtaposed in Chapter 9.

3.1 A Research Design: Contextually Exploring via Both Quantitative and Qualitative Lenses

With respect to the increasing number of firms emerging from different corners of the world, the conventional research paradigm has begun to be seen as being insufficient to provide understanding of novel contexts. This in turn has led to the call for deeper contextualization of research in the global discourse (e.g., Tusi, 2004, 2007; Meyer, 2006a). Of note, March (2005) expresses concern about the "homogenizing tendency" that management research has exerted on the North American research paradigm, suppressing deviant or subversive ideas in the process. Meyer (2006a) complains that Asian management researchers lack the confidence to draw on traditional Asian thought in developing new theories and are overly reliant on the choice of Western topics and the application of Western (and specifically, North America) research methods. Along this line, Tsui points out that "researchers inadvertently depress the development of novel ideas and theories that may prove to be useful in advancing knowledge in different national and emerging contexts" (2007: 1354).

According to Ricks (1985) and Werner (2002), there are three types of international management research: *type 1* describes studies in *multinational contexts* such as entry mode, headquarter-subsidiary relationships, and expatriate management; *type 2* comprises *comparative* studies that compare management practices across cultures or nations; lastly, *type 3* refers to *context-specific* studies that focus on management in a nation outside North America. Without a doubt, mainstream scholars have concentrated on the first two types and seem to hesitate to venture into the latter category (Tusi, 2007), as this pro-ethnographic research is condemned as lacking generalizability or having low external validity, and thus is difficult to get published in top-ranking academic journals.

To counter this view, Meyer advocates that "indigenous research can achieve such contributions to global scholarly discourses if it is appropriately contextualized, and at the same time embedded in the international literature" (2006a: 123). For example, building on the work of Whitley (1992) and Redding (2005), the research can provide "thick description" of how firms behave and manage in different business systems regarding their socio-political-economic-historical contexts. By taking the rich contextual setting into account, the research is inclined toward the view of "insiders" instead of the observation of "outsiders." Likewise, from this perspective, described behaviors may be more likely to come across as sensible rather than absurd, peculiar, or irrational (Lee, 1991). Along this line of integrating positivist and interpretative researches, Tusi further elaborates that:

> "Through the process of deep contextualization—identifying how context enhances or modifies understanding of a common phenomenon across contexts—the possibility emerges of discovering context-free regularities. In other words, separating out the contextual explanations (those that might generalize) from the idiosyncratic explanations (those that are truly local or indigenous) may be the starting point of new universal theories. By treating context as endogenous to theory, scholars may discover general theories to explain and through which to understand individual and firm behavior in any context" (2007: 1359).

According to its ability to extract context-free understanding, the *type 3* indigenous or context-specific research is therefore not necessarily irrelevant, especially for reconciling universal versus local notions to explain management phenomena around the world. In this study, internationalization is a natural representation of the global discourse, while the FBGs are the dominant local economic players that are inherently embedded in the local context. So, the research's contextualization is expected to bridge and enrich the knowledge of firms' internationalization rather than to idiosyncratically limit generalization.

Selection of the Research Context: Thailand

Regarding the two concurrent but contrasting forces of local roots and globalization, the dissertation thus rests in one country to control for the contextual setting. Thailand, a small developing country in Southeast Asia, has been chosen for the following reasons.

First, for being one of the late industrializing countries, the Thai economy has long been open to international trade and investment. The country's modernization started in the 1960s[6] with the promotion of private capitalization and industrialization via an import substitution scheme that later shifted toward an export-led scheme in the mid-1980s. This pattern of macroeconomic development is fairly similar to other East Asian countries, contributing to the so-called "East Asian Miracle" (World Bank, 1993)[7]. The bubble was burst in mid-1997 when Thailand devalued its currency, resulting in a contagious financial meltdown that spread across the entire region. In a nutshell, the 1997-crisis was triggered by the financial liberalization that was embarked upon in the early 1990s; massive capital overflow had spoiled the relationship-based governance system rooted in the context, which led to lending misconduct and, eventually, to an overwhelming number of bad debts. The system that was once admired for its speedy deal-making ability during the boom period turned out to be heavily criticized as displaying the worst characteristics of crony capitalism (Rajan & Zingales, 1998).

Structural reform was implemented after the crisis; however, so far, Thailand has not reached the level of success achieved by newly industrialized countries like the four Asian Tigers: Hong Kong, Singapore, South Korea, and Taiwan, while also losing its charm to the two new giants, China and India. Furthermore, the World Investment Report has downgraded Thailand from being one of the most favored host countries for FDI during 1988-1990 to being one of those performing "below potential" since 1993 (UNCTAD, 2004, 2005). Along this line, only a few Thai companies are regarded as multinationals; two companies (both parts of the FBGs studied in this dissertation) numbered in the top 100 new global challengers from rapidly developing economies, as ranked by the Boston Consulting Group in 2006

[6] The findings of the World Bank's first economic research mission to Thailand in 1957 suggested the country's need for a long-term economic planning, improvement and expansion of the infrastructure, and the establishment of investment incentives for private capital in preference to ineffective state-owned enterprises.

[7] The term refers to the impressive economic development during the period 1965 to 1990 of eight high-performing Asian economies (HPAEs), including Hong Kong, Indonesia, Japan, Malaysia, the Republic of Korea, Singapore, Taiwan (China), and Thailand.

and 2009. Therefore, despite its relatively liberal economy[8], Thailand is not a favorable setting for firms' internationalization, which makes it a location well suited for the study.

Second, FBGs are regarded as the prime representative of Thai private capitalists; they have played a dominant role in the country's economic development (Phipatserithan, 1982; Suehiro, 1989). Some FBGs existed prior to the establishment of state-enterprises in the 1950s and the entries of multinational corporations in the 1960s[9]. Primarily, FBGs started with basic commercial and import-export activities; they later benefited from the promotion of private capital accumulation that yielded partial results to a limited group of well-connected people. Evidently, FBGs took shape as being either *banking groups* limited to the banking licenses available[10], *industrial groups* in favor of large-scale industries (e.g., auto assembly and electrical appliances), often in partnership with incumbent multinationals during the import-substitution industrialization policy, and *agribusiness groups* enhancing value-added agricultural exports (Suehiro, 1989).

Despite being sorted by these main activities, the people behind FBGs are largely intermingled via a number of joint investments at the margins and are occasionally cemented by means of marriage. As a result, a large amount of connected lending was unearthed after the crisis erupted in 1997 (Charumilind, Kali & Wiwattanakantang, 2006). The private capital accumulation has been remarkably uneven. Claessens, Djankov & Lang (2000) revealed that Thailand has the most concentrated wealth and ownership concentration in East Asia; with families as the predominant type of controlling shareholders, the wealthiest 15 families in Thailand controlled 53.3 percent of the total value of listed corporate assets in 1996 and accounted for 39.3 percent of the country's GDP[11]. Also of note is that the crisis has

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[8] The exporting sector has contributed over 60 percent of the country's gross domestic product (GDP) since the late 1990s.

[9] In fact, Western companies were present and dominant in international trading during the mid-nineteenth century, i.e., when the Bowring commercial treaty between Thailand (Siam at that time) and Great Britain was signed in 1855, until the Second World War. In the 1960s, these parties returned with direct investments to set up production units in response to the industrialization policy.

[10] No new banking licenses had been issued for over twenty years prior to the crisis.

[11] These figures might be underestimated, as parts of ownership are concealed by means of nominee account, i.e., direct ownership information is not reported. The

put the end to monopolistic power of several FBGs, especially in the financial and industrial sectors, as foreign investors entered to take over some distressed companies. Yet, some groups have developed in new areas like telecommunications and media (Weilerdsak, 2006). Overall, the economic concentration has more or less prevailed, while the corporate sector remains vulnerable to global competition.

Third, the corporate sector is the manifestation of weak institutional factors. According to an international survey by La Porta, Lopez-de-Silanes, Shleifer & Vishny (1998) that scored the efficiency of judicial systems across countries, Thailand was ranked the second worst among 49 sample countries, just ahead of Indonesia. This also is also reflected in poor firm-level governance (Klapper & Love, 2003). Moreover, economic activities are highly concentrated in the central arena, functioning closer to the political power centers and centralized administrative activities of the country. In this regard, Faccio (2006) reveals that politically connected firms accounted for 41.62 percent of market capitalization in Thailand, second only to Russia at 86.75 percent. This implies a relatively protected and favorable environment for building business empires, a process labeled by Kunio (1988) as "ersatz capitalism." In this setting, the families behind the businesses are affluent but seemingly unconcerned about issues like organizational development and the country's competitiveness. This phenomenon was provocatively discussed in a mass market book titled *Asian Godfathers* by Studwell (2006), which compares the lack of companies with global brands in this context against the list of the world's wealthiest people[12].

Fourth, the Thai corporate sector is largely under the control of ethnic Chinese, a common occurrence throughout Southeast Asia and Hong Kong. Idiosyncratically, regarding the country's history, the indigenous Thai people were mainly servants of the King, i.e., to be officers or in work in the agricultural sectors, so they were largely excluded from commercial activities. On the other hand, Chinese mer-

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use of nominee account was found in Thailand and Singapore, where the identity of major shareholder is not required to disclose this information.

[12] *Asian Godfathers* covers the context of Hong Kong and the five relatively more developed Southeast Asian countries: Indonesia, Malaysia, Singapore, Thailand, and the Philippines. It argues that political favors and rent-seeking behaviors are the underlying reasons why there are a large number of top business owners from this context included on the list of the world's richest people despite the fact that none of their companies are regarded as top global corporations.

chants came to trade goods from overseas; they later became involved in tax collection and served as compradors between the state and Western companies. Over time, many settled down and became integrated into the society as Thai citizens[13]. Due to the capital accumulation as well as access to foreign knowledge, the ethnic Chinese were the most responsive to the policy incentives and led to further expansion of their business activities, while the indigenous Thai people were lack of both capital and experience needed to start any business.

Also, as noted in the business literature pertaining to ethnic Chinese populations (e.g., Redding, 1990; Kao, 1993), the strong sense of family identification and obligation based on the codified ties of individual, family, and society connections in the Confucian religion is used to explain how this group has not only survived but has also taken control of the business landscape in the region. These informal and loosely structured but tightly controlled organizations were once even regarded as the third most successful manifestation of capitalism in East Asia, after Japanese and South Korea (Redding, 1995). However, as this form of capitalism has not evolved much further, it is worth examining in this study whether the bamboo network is in fact translatable outside the context.

Apart from all of the contextual accounts, the last reason for studying Thailand is simply because it fits well with the research approach. The Thai economy is small enough to allow for population surveys of the country's influential FBGs. In addition, a comprehensive series of detailed profiles of FBGs in Thailand were published by a local consulting firm; they are similar in format to company directories. The dissertation uses this book, called *Thai Business Groups: A Unique Guide to Who Owns What* (5th edition), as the platform for constructing a database tailored to this particular research, which is further explained in Section 3.2. In essence, this information allowed

[13] In comparison with other countries where ethnic Chinese constitute a minority, Thailand is known to be less discriminatory, i.e., having low consciousness of ethnic difference. This is partly due to the strict assimilation policies that were enforced during the period of Communist treat in the region, such as abandoning Chinese newspapers, mandating that all Sino-Thai adopt use Thai names, and categorizing all Chinese born in Thailand as being Thai nationals. It is thus difficult to assess how many Chinese have settled in Thailand; the estimate is commonly given as around 10 percent of the population.

me to investigate FBGs' internationalization processes within a controlled setting.

Two Research Strategies: Quantitative and Qualitative Lenses

Within this context, the current research explores the complex processes of FBGs' development and internationalization that rest heavily on an assortment of qualitative data. Grounded in empirical data, patterns of relationships and their underlying logical arguments are expected to emerge from "disciplined imagination" (Weick, 1989) via this inductive procedure. In order to achieve this result, the research is structured to examine two sequential set of questions using two distinct methodical lenses.

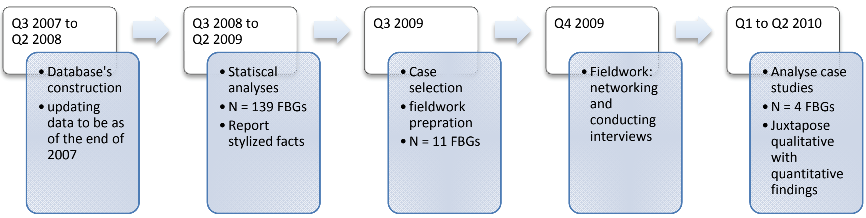
The first set of questions is explorative, addressing such issues as "Who, what, where, how many, and how much?" (Yin, 2003). Specifically, the research will seek to determine *to what extent have FBGs pursued internationalization? Which firms have pursued internationalization? What are their underlying motives?* This set of questions is ideal for survey development or the analysis of archival records. In this study, I amend *the case survey method* (Larsson, 1993) based on the existing FBGs' profiles and additional secondary data, which were garnered from various sources geared to accommodate the research topic (more details in Section 3.2). An effort was made to trace histories of families and their business involvement across the population of Thai FBGs, from their inception until the end of 2007. This involved "messy" and "eclectic" process data in order to reflect the organizational stance of FBGs, including ambiguous boundaries, multiple levels, and units of analysis (Langley, 1999). The database reveals a collection of strategically important firms under the control of FBGs, not just a convenient set of listed companies held by FBGs.

The collection of sufficiently detailed, rich, and complex data allows me to systematically interweave the literature review, case evidence, and intuition following an approach that has been termed "iterative triangulation" by Lewis (1998). During this iterative process, causal conjectures and operating constructs can be approached, examined and explained if they appear to be sufficiently plausible. Through this iterative process, a coding scheme was finalized using a list of contextually defined constructs and variables. This is the crudest way to handle the process data, i.e., by quantifying and mapping out different organizational traits identified at a particular point in time (Langley, 1999) so that several types of quantitative analyses (ranging from descriptive statistics to more sophisticated techniques) can be applied. In this way, the positivist relationships between organizational traits and the internationalization of FBGs are tested (Kock & Guillén, 2001) against the notion that internationalization strategies tend to come about as a product of the overall organizational development of FBGs.

After arriving at some preliminary ideas about who did what, to what extent and where, so to speak, the study focuses on examining the underlying processes and mechanisms, i.e., the relationships emerging from the population data. The second set of questions is thus explanatory, i.e., focusing on "how and why" (Yin, 2003). That is, *how have FBGs evolved specifically to embrace internationalization?* In this sense, the study takes the other end of analyzing process data, that is, to directly observe the organizations by interviewing organizational insiders and other relevant figures to try to see from their views how things have evolved over time and why they have evolved in this way (Langley, 1999; Pentland, 1999). Based on the results of the quantitative examination, a small number of FBGs with interesting characteristics are selected for closer study. Then, fine-grained qualitative data are hand-collected from real organizational contexts. Accordingly, a *comparative case study method* (Eisenhardt, 1989) is used for the purpose of theoretical induction (explained further in Chapter 6).

Altogether, the two consecutive parts of the dissertation apply to the two ends of the methodological spectrum that are used for sensemaking (Langley, 1999). In this respect, both methods involve "moving back and forth from data-based theorizing to intuition resting on experience, habits of mind, and research context plays an important role in generating interesting theory" (Van Maanen, Sørensen & Mitchell, 2007: 1148). The first investigation applies the case survey method to obtain an overview picture of FBGs' development and internationalization; this constitutes the use of a *quantitative lens*. The second investigation adopts the comparative case study method and deals with an assortment of data, i.e., taking a *qualitative lens*. Ultimately, the two lenses are combined in the study of the same phenomenon, i.e. "between method triangulation" (cf. Jick, 1979). Specific to this study, fieldwork is done to complement the survey analysis, contributing to the validation of the results, the interpretation of statistical relationships, and the clarification of potentially puzzling findings. Hence, the triangulation (see Chapter 9) is deliberately put to exploit the merits of the two methodologies used, to reconcile both positivist and interpretive approaches, and to enhance the external validity of the study.

Figure 3-1: Research design and operations in time span



In terms of research operations, Figure 3-1 presents the overall research process in time span. To complete the database as the end of 2007, covering a population number of 139 FBGs in Thailand, the first phase of the work carried on through mid-2008. Then, different statistical analyses were applied. Given the quantitative results, I continued by selecting 11 potential cases, preparing for the fieldwork, and then conducting interviews, which took place in the second half of 2009. In early 2010, the case analysis was completed, resulting in the selection of 4 FBGs for inclusion in the detailed case studies. Finally, the research process concluded with the juxtaposition of the two sets of findings.

Reflections on This Unconventional Road: Alternative Research Designs

Frankly, this research design is not the result of the kind of self-confidence that Meyer (2006a) looks for, but rather of my naïveté. I was not fully aware of what I had to go through in embarking on this unconventional road. As mentioned in Chapter 1, I was inspired by the difference between the normative view of how firms grow and my perception of how firms actually grow based on my previous contextually embedded experience, a contrast which became even more apparent while I was reading the business profiles of dominant business players in Thailand. This hunch compelled me to somehow try to explain these supposedly odd behaviors, such as engaging in international projects via personal connections, the coexistence of diversification and internationalization, etc., which inevitably requires being true to the context.

Building the database and analyzing it by using different statistical techniques was the first challenge. This process was experimental and risky; it was unclear whether such subtle behaviors would be detected via the quantitative lens. Later, when I examined the issue via the qualitative lens, particularly while conducting interviews with business executives, I realized that the kind of questions I was posing tended to come across as unconventional and potentially sensitive. And, they might even put my interview targets off. In other words, some participants seemed to prefer to be judged and criticized by Western-grounded notions rather than to spell out and justify the local practices.

Regarding all the difficulties, an alternative research design would have been simply to play the conventional role, i.e., to criticize the Eastern practices according to the proverbial Western textbook, rather than trying to rationalize how things work in this context. From a practical perspective, this approach would have saved considerable time, allowing me to skip the exhaustive database construction process necessary for the quantitative part of the study and focus solely on the case study method. For example, the study could pick one or more newly emerging firms from this disadvantaged setting and examine their internationalization processes, while also taking into account their historical background as FBGs. However, if this approach was selected, the comparative perspective and other insights gained from looking a vast pool of FBGs would be missing from my analytical process. On the other hand, another simpler design would have been to apply a customary questionnaire method; however, this approach is contingent upon respondents' decision to reveal the truth or to supply the 'textbook' answer. The latter is more probable than the former in this context, so this approach is less likely to pick up evidence such as international investments inspired by personal interests. In addition, this kind of research lacks depth in terms of comprehensive organizational conditions and processes.

3.2 Database Construction: Platform and Additional Sources

In this attempt to incorporate group-level strategic implications into internationalization studies, the database has been specifically designed and constructed. It draws principally upon a comprehensive profile book of Thai FBGs and complements this with additional data sources, in order to capture and quantify as many relevant organizational traits as possible.

The Database's Platform

To begin with, the database's primary source is, as mentioned, a book, namely, *Thai Business Groups: A Unique Guide to Who Owns What* (5th edition, published in 2003). It is a product of *The Brooker Group Pcl*, a local consulting company. Written in English, the book is a compendium of profiles of 150 prominent business groups in Thailand. The information provided includes family backgrounds and corporate histories, how their respective business development and personalities involved, key relationships with other business groups, groups' principal lines of business and key activities, family trees of prominent family members, details of family members (relationship to other members, education, etc.), shareholdings in group companies, directorships and executive positions of group companies, list of major affiliates, and three-year reported financials of their major group companies.

The book presents this information in a mini-case study format, each consisting of around 5-15 pages. In other words, all of the FBG profiles contain similar information, but each varies in terms of the number of pages needed to describe the range of business activities the group had been involved in. The list of 150 business groups included in the book and an example of the format of the profiles are shown in Appendix A. Note that the group numbers, which are ranked by family name, are used as the group's abbreviation in some instances. For example, FBG#28 refers to the CP group of the Cheravanont family.

The merit of this book derives largely from the effort that was required to trace the virtual connections of cross-holding and/or interlocking directorates, resulting in a compilation of legally separated affiliates or component firms in a more consolidated view of business groups. As suggested by its title, the book highlights the sense of ownership and control behind the country's business system that is not obvious to outsiders, thus, it is a valuable resource for those who would like to get involved. The publishing company commercialized it from codifying implicit but relevant business information needed for doing business in Thailand and marketing that information to international clients entering the environment, as is described on the "About Us" page of the company's website:

> "Brooker Group clients are primarily multinational companies and financial sector institutions from the United States, Western Europe, Australia, Japan and Thailand; international public agencies funding policy research, such as the Asian Development Bank, World Bank and United Nations; and Thai and other Asian government agencies with policy-making roles in economic and social development." (www.brookergroup.com, 25 May 2007)

Likewise, the book was advertised as follows:

> "It is invaluable for the global business community including banks, stockbrokers, fund managers, lawyers, accountants, venture capitalists and restructuring specialists." (www.brookergroup.com, 25 May 2007)

Hence, it is in the company's interest to honestly portray the business landscape in the country rather than to conceal certain facts about it, which is more likely to be the tendency of the questionnaire's respondents in this research setting. As such, this compilation seeks to disclose the identities of the people behind the country's concentrated economic power and wealth. However, since it is certainly not easy to uncover all of these ties and make sense of all these connections, the book's quality is debatable in terms of objectivity and accuracy. The methodology used for compiling the book was summarized by the Brooker Group's Vice President as follows:

> "Selection was by asset size gauged from compilation of all publicly available information on each family, including conducting Ministry of Commerce searches (for shareholding, board of directors, registered business type, financials, and other details) on all companies attributable to each family. The family groups (initially 100 families in 1992) with the largest assets are then selected from a listing of over 200 recognized top Thai business families. Focus was on families active in business only and not families that are very rich but are usually passive investors with no real management role."

Further methodology-related descriptions of the book are shown in Appendix A; however, these excerpts are not exceedingly clear in describing exactly how the complication was put together. This might reflect the difficulties involved in clearly delineating the complex relationships in this concealed world. In addition, the book is not likely to be a product of a convenient sampling process, but rather of a collective working process that was repeated five times, i.e., beginning with the first edition in 1992, then in 1995, 1997, 2001, and finally in 2003. As a result, the latest edition offers the most comprehensive coverage of leading business groups' profiles in Thailand. On the whole, as a local, I think the book offers a convincingly comprehensive list of prominent business groups in Thailand.

Besides, there are indications that the 5th edition might be the last one in this format. Inquiries put to the company solicited indications that a future update was unlikely; later, the company closed down its information service division and shifted its focus to general consulting activities. My main speculation is that this kind of information is best for one-time use. Once you get to know a key person in the business community, the book might be of less value. Moreover, Thailand is no longer a newly attractive investment spot for foreign investors.

On account of this unique data complication, the book has been used by other researchers, as well. For example, Bertrand, Johanson, Samphantarak & Scholar (2008) analyze family profiles of 70 FBGs, focusing specifically on how certain family structures, e.g., the number of brothers a particular business founder has, would affect the diversification of FBGs. Yet, prior to deciding whether to use the book, I asked three business groups to review their own profiles and comment on the accuracy and reliability of the information available in the book. In all cases, the responses indicated that the profiles were accurate as of 2003.

Consequently, I decided to use the 150 profiles as the starting point to conduct a study in this context. As the largest and most comprehensive list of FBGs in Thailand, the 150 profiles are argued to constitute a "population" set of Thai business groups. Of the 150 FBGs, the youngest group is 18 years old as of 2007, implying that capital accumulation and economic power both take time to amass and it is unlikely that any new FBGs will take shape. It is important to note that although the book contains stories implying the FBGs' competitiveness, it tends not to explicitly document international business activities. Thus, additional sources of data are needed to complete the database. In other words, the book was used as a platform to pinpoint relevant organizational features, and I researched further to track down or update some data points to be current as of 2007. As a result of this process of data enhancement, update and refinement, 11 groups are excluded, as ten are no longer under family control and one is actually not a family business according to the definition applied in this study (see further explanation below). The database is thus finalized with the population data of 139 FBGs in Thailand.

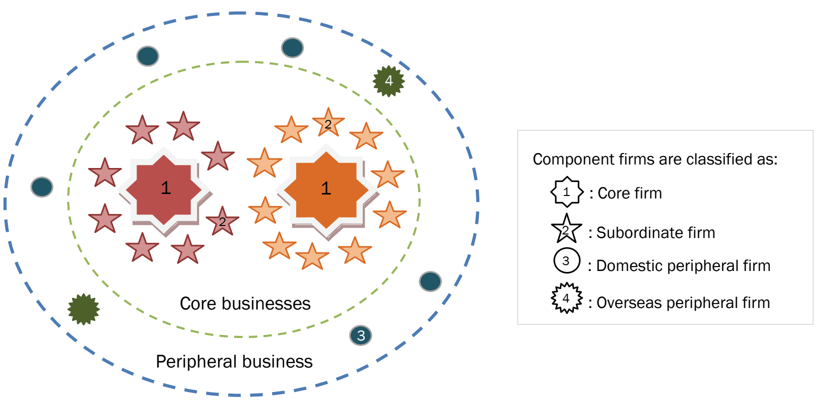
Anatomy of FBGs: The Two-Tier Database and Multiple Units of Analysis

Before describing additional data sources needed to compose the database, it is important to understand what a typical FBG in this context tends to look like, i.e., to understand the basic anatomy of FBGs, as international business activities do not happen at the group level but rather at the firm level. At the same time, the group perspective is argued to be relevant for understanding internationalization strategies. Moreover, internationalization can be measured in many ways, e.g., percent of revenue from foreign markets, mode of entries, geographical distance, etc.

To make sense of this complex setting, internationalization is measured only at firms that are strategically significant to the group (the ways in which it is measured is discussed in Section 3.3). As such, the first task in constructing the database is to identify the so-called *core firm(s)* of each group. Specific to this study, *core firms* are firms that are not only vital in contributing key strengths to their respective FBGs but are also historically important in telling the evolutionary stories of their groups. Ideally, while I was reading through each FBG profile, one or more firm(s) would emerge as having a strong influence on the group's development, i.e., being a core firm(s) for the group.

In addition, *core firms* are supposedly distinct according to different business areas that FBGs are involved with, conveying the group's diversification. Generally, the distinction of different business lines within a group is fairly obvious. For example, FBG#28 is marked with four core firms in agribusiness, retailing, telecommunications, and petrochemicals. Yet, in unclear cases, the lines are precisely drawn with two-digit ISIC (international standard industrial classification of all economic activities) codes, revision 4 (further details in Section 3.4). Accordingly, each core firm represents a collection of firms along a vertically integrated line of business. In comparison with the conventional perception of corporate organizations, core firms are basically equivalent to strategic business units. The word *core* is used to connote the high level of resource-grabbing importance that these units have for FBGs and to contrast with the word *peripheral* that generally represents trivial or sideline diversifications of FBGs or of some members of the controlling families. For that reason, the use of the term "core firms" does not necessarily mean that FBGs possess "core competence" in the strategic management sense of the term (cf. Prahalad & Hamel, 1990).

Figure 3-2: A typical family business group



Correspondingly, Figure 3-2 shows that a FBG is typically composed of a *core business* (the inner circle) and a *peripheral business* (the outer circle). For the inner circle, the example contains two *core firms* (symbol 1, the large stars) that are painted with different shades. Surrounding them are their *subordinate companies* (symbol 2, the small stars) in their respective shades. Presumably, by embodying the group's strategic business units, the core firms are most likely to pursue internationalization. Thus, the internationalization construct is primarily measured at the level of core firms. In other words, the core firm's internationalization, as an operational unit of analysis, is expected to reflect upon how relevant the internationalization strategy is to the groups, the conceptual unit of analysis.

The outer circle, i.e., the peripheral business, consists of firms that barely link with the strategic business units except for via family ties. These hobby-like diversifications are commonly found inside the country, and are referred to here as *domestic peripheral firms* (symbol 3, the small circles). On rare occasions, the FBG profiles also document some sideline activities taking place even outside the country. These relatively unusual entities, labeled as *overseas peripheral firms* (symbol 4, the rough-edged circles), are worthy of attention because they are deemed to represent less rational and more relational activities. Correspondingly, the international business activities that are not so tangential to the main business development story are also another operational unit of analysis in the study.

In operational terms, the primary objective was to define the core firms and to spot unusual international business activities (symbols 1 and 4 in Figure 3-2) but not to distinguish between subordinate and domestic peripheral firms. In other words, the distinction between firms in the core area, i.e., as parts of vertically integrated lines, and firms in the peripheral area is conceptual; the dashed line between core and peripheral businesses is arbitrarily drawn merely for visualization purposes. Likewise, the precise numbers of subordinate and domestic peripheral firms within each group are not reckoned out of the total number of component firms per group. Furthermore, the organizational boundary line is dotted, not closed, to reflect that FBGs are an open system of organization; many component firms are not solely owned by the group but are shared with other business partners. As such, the number of component firms, which is directly counted from the FBGs' profiles, is the result of purposefully tracing the ownership of legally separated firms; however, it is possible that some secretive components might be missing.

By dissecting the anatomy of FBGs, the database is aptly designed for the analysis of these intricate entities. Constructs and variables are sorted into two levels of organizational characteristics. The first level is the FBG as a whole; the second level is the FBG's respective core firm(s). For the units of analysis, the central focus is on the internationalization of FBGs, which is deemed to stem primarily from the core firms and only partially from the peripheral firms.

Data Enrichment (I): Updating the Status of FBGs and Their Core Firms

To complete the database's construction for this research, data enrichment, completed by drawing from additional data sources, is indispensible. These additional sources consist of: registered business entities data from the Ministry of Commerce, annual reports of listed companies from the Stock Exchange of Thailand (SET), company websites, and articles from local newspapers and related agents.

The *registered business entities data* covers four legal forms of business organizations in Thailand that are registered as ordinary partnerships, limited partnerships, company limited, and public company limited. The basic information includes year of establishment, registered capital, name and address, list of responsible directors (some are usually the controlling family members), status in terms of operating, bankrupt, ceased, or changes to other legal forms. Given a working list of the core firms identified in the FBG's evolutionary story, the current status is then checked and updated.

Table 3-1: FBGs that are excluded from the database

FBG#	*Group Name*	*Core Business Activities*	*Note*
34	Siam Cement / Siam Commercial Bank	Construction materials conglomerate; commercial bank	Does not meet the family definition
8	UCOM	Telecommunications	Sold to foreign investor
105	Shin	Telecommunications	Sold to foreign investor
10	Broadcasting Network	Entertainment	Family lost control
13	Thai Melon/ Thai Blanket Industry	Textiles & garments	Dissolved
14	Univest land	Property development	Dissolved
53	Imperial	Retail	Dissolved
76	Universal Food	Food and beverage	Family lost control
111	THASCO	Flat glass, chemicals, tire	Family lost control
125	Montery	Wires & cables	Family lost control
126	Sang Som	Liquor; property development; commercial bank	Family lost control

As a result, 11 FBGs, as presented in Table 3-1, are excluded from the initial database platform. Out of 150 business groups, the first one excluded is FBG#34, Crown Property Bureau[14], which is the investment fund of the Thai Royal Family. Despite its vast business coverage, it is excluded because it does not satisfy the family business definition. Specifically, Crown Property Bureau and their firms are not family-run but rather are professionally managed bureaucratic organizations, as the Thai Royal Family has never played any active role in the business operations.

For the other 149 FBGs, not all had maintained their status as business groups with direct family involvement through the end of 2007. Two FBGs in the telecommunications sector were sold to foreign investors. UCOM was first taken over by Norwegian Telenor in 2005. Following with the country's controversial deal of the Shin Corporation, the business changed hands in 2006, moving from the Shinawatara family to Temasek, an investment company run by the Singaporean government. Notably, these two cases are similar in the sense that the controlling families were able to secure rent-seeking positions from introducing this technologically sophisticated services. But, they bettered off relinquishing the control at the later stage due to the lack of their own advantages to sustain the business. The situations were different for the other 8 FBGs. For the most part, these FBGs could not withstand the aftermath of the 1997 financial crisis and rising competition, as they tended to expand and diversify their businesses excessively during boom times and to pay little attention to the task of improving the productivity of their existing activities. The controlling families were thus forced either to liquidate or bring in new investors; incumbent multinationals invested in some of the distressed firms, particularly in the industrial sector, as discussed earlier. It is worth noting that the remaining 139 FBGs also suffered from the crisis; some have lost a few of their core firms and have become more compact than they were before the crisis.

After updating the current status of the core firms, 196 core firms (from an initial count of 210 core firms) of the 139 FBGs were left in the study's database.

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[14] Crown Property Bureau is major shareholder of Siam Cement, the country's biggest construction conglomerate, and of Siam Commercial Bank, the first Thai-owned commercial bank and today the fourth largest commercial bank (measured by asset size as of 2009). In addition, Crown Property Bureau is the biggest landowner in the country.

Data Enrichment (II): Filling in the Blanks and Deepening the Context

In addition to *registered business entities data*, other data sources were consulted to find out about the international business activities of the core firms, as well as to fill in missing data about some of the FBGs. For listed companies (115 core firms), the information is standardized and drawn from each firm's latest reports to the stock exchange (SET 56-1 form); this is complemented with information from company websites, newspaper articles, and related publications. For private companies (81 core firms), there are no such standardized reports, so this required more reliance on the other data sources. Self-reported information from individual organizations was prioritized in the first round of garnering the additional materials. Subsequently, I continued to extract supplementary news and articles for every FBG by simply using their family names and group names (in both Thai and English) as keywords in the Google search engine.

Table 3-2: Articles from local newspapers and other sources

Publication name	*Article yield*
Manager (Phu Jad Karn) daily, weekly and monthly	46
Krungthep Thurakit / The Nations	8
Post Today / Bangkok Post	6
Thansettakij	5
Prachachat Thurakit	5
Others	13

As shown in Table 3-2, the search process yielded an additional 83 media publications relevant for the database's construction from various sources during the period of 1992 to 2008. The first five publication names are local newspapers, where the greatest number of hits came from "Manager" (in Thai, "Phud Jad Karn") due to their focus on covering entrepreneurial stories. For other publications, they involve social associations of different Chinese dialect groups and school alumni as well as agencies involved with international trade and investment, savings and investment, and so on. In practice, not all articles contributed directly toward filling in the missing data points; some were chosen because they provided valuable input for the sensemaking process.

The Unique Database of the 139 FBGs and Their 196 Core Firms

Overall, the database is built to capture the strategically relevant features of the FBGs, which can consist of different business entities encompassing both publicly listed and privately held companies, plus other forms of investment, especially overseas undertakings. This effort resulted in a two-tier population database consisting of the 139 FBGs and their respective 196 core firms. As this arguably represents the population set of Thai FBGs, the empirical setting is expected to provide a comprehensive view of Thai FBGs' development and internationalization.

In terms of the representativeness of the data, these 139 FBGs cover a total of 5,716 firms, averaging 41 firms per FBG. Of the 196 core firms, 115 were listed on stock exchanges, 39 of which are among the top 100 companies on the Stock Exchange of Thailand (SET) by market capitalization. For the non-listed firms, they usually were not insignificant; some were even more strategically important than their listed counterparts. As mentioned, the compilation of FBGs and their firms is not identical to a conventional list of the top 100 companies in Thailand in terms of turnovers or assets. Instead, the list stems from tracing the family controls via cross-holding and/or interlocking directorates among different business entities. This is to make sense of the collective economic power the FBGs actually wield, although their individual component firms may not be substantial, especially in terms of not revealing the true gross wealth of the controlling families.

3.3 A Customized Case Survey Method

To make use of this vast and somewhat jumbled pool of secondary data, largely in text format, the study applies a generally known content analysis method (Duriau, Reger, & Pfarrer, 2007). As mentioned, this method allows for a systematic analysis that capitalizes on the richness and managerial relevance of case studies that deal with longitudinal and multisource data to draw out patterns across cases. Following the research design, the kind of archival analysis is appropriate for exploring unknown territories, i.e., for providing the data pertaining to the FBGs' development and internationalization processes in this study. The basic idea is to draw out relevant information from published materials, so the content of the text can be captured and revealed in a number of different statistics. At this stage, I have not paid much attention to the latent content and deeper meaning embodied in the text, which may require more interpretation; instead, I have simply accepted the manifest version of the content analysis.

By utilizing existing bodies of research, the method is applicable to a wide range of research goals. The early examples of its application include Yin & Heald (1975), who analyzed policy studies, Mintzberg, Risinhani & Théorêt (1976), who used it to categorize the decision processes of managers, and Osborn, Jauch, Martin & Glueck (1981), who used it to examine factors affecting successions. The method is also used for evaluating research developments of various kinds, such as the evolution of a research field over time (Scandura & William, 2000), the use of the content analysis itself (Duriau, Reger & Pfarrer, 2007), and the use of other methods across an array of journal publications (e.g., Gibbert, Ruigrok & Wicki, 2008 for the case study method). Along with these various applications, this approach has been given different labels, such as "case survey" by Yin & Heald (1975) and Larsson (1993), "structured content analysis of cases" by Jauch, Osborn & Martin (1980), "case meta-analysis" by Bullock & Tubbs (1987), "quantification strategy of process data" by Langley (1999), and "exploratory case coding / clustering study" by Lim, Acito & Rusetski (2006). In line with the detailed methodological review undertaken by Larsson (1993), I adopt the name "case survey" and broadly follow the methodological guidelines set forth in that study, while customizing some parts in keeping with the specific requirements of the research situation.

Regarding the advantages of this approach, this is a hybrid method that integrates objective and subjective, quantitative and qualitative, nomothetic and ideographic, outsider and insider, and etic and emic approaches (Lee, 1991). Likewise, Larsson contends that "case surveys bridge the gap between nomothetic surveys and ideographic case studies to combine their respective benefits of generalizable, cross-sectional analysis and in-depth, processual analysis" (1993: 1515). In addition, the hybrid method inherently implies "between-method" triangulation because it "highlights qualitative methods to their deserved prominence and, at the same time, demonstrates that quantitative methods can and should be utilized in complementary fashion" (Jick, 1979: 610). The method is thus appropriate for addressing complex phenomena like capturing organizational processes and dealing with multiple stakeholders. Moreover, by utilizing prior research efforts, this method allows researchers to examine a wide range of events, a benefit that arguably contributes to the development of more generalized theories. In addition, it is a replicable methodology since both coding schemes and case materials are readily available to other researchers. Duriau, Reger & Pfarrer describe this method as being "promising for rigorous explanation of many important but difficult-to-study issues of interest to management research" (2007: 5).

Nevertheless, the method has some limitations. The most common problem is gathering an adequate number of available case studies that are relevant to the specific research question. In addition, the quality of the case survey is constrained by the quality of the case studies it analyzes. Specific to this study, the number of available cases is not a concern. However, the compilation of Thai FBGs' profiles was created to follow the evolutionary process in general and not the internationalization process in particular, which simply reflects that internationalization is not a commonly measured growth dimension. As such, the internationalization construct was barely documented in the stories. For that reason, the cases are regarded as the database platform, while additional data are sourced to tailor the database for this particular research question. In this case, the quality of the case survey is not limited by the quality of the FBGs' profiles, as they are complemented with the additional data. Nevertheless, the assorted data materials inevitably complicate the data quantification process, which is inherently subject to the vagaries of the coding process. Accordingly, the case survey method is modified to accommodate this tailor-made process of data collection.

Methodological Implementation: Data Coding

Given the proposed research question and my ready access to the population set of the Thai FBGs' development histories, selecting cases for the case survey method did not prove to be a significant issue. The main task was to design a coding scheme, i.e., the core of the case survey method, since it defines the guidelines for converting qualitative case study data into quantifiable or categorical variables. Larsson stresses that:

> "A main crux of the design of a coding scheme is the basic trade-off between resource-saving, reliable simplicity and information-rich complexity. Even though complex coding schemes with broad ranges of alternative positions for each variable requires more work, they capture more information than simply yes-no schemes. However, the more alternatives and the finer the distinctions, the greater the risk that lower interrater reliability can undermine the value of the extra work" (1993:1530).

Due to the subjectivity that data coding entails, the use of multiple raters is commonly recommended for enhancing the validity and reliability of the case survey method (Bullock & Tubbs, 1987). Along this line, the coding scheme can be optimized by means of the interrater reliability, that is, to check at the interrater reliability not to get unacceptably low due to an overly detailed coding scheme.

This is a sensible suggestion. However, it is not practical in this study. As mentioned, the coding scheme emerges from comparing data within and across diverse case settings, incorporating varied research perspectives, examining conjectures, and iterating until reaching closure. In practice, my iterative triangulation process was not as straightforward as reading through all the profiles in the first round to obtain relevant constructs and defining their respective criteria and then reading them again and again to achieve consistency of meaning across all the cases. Instead, I had to refer to different sources of data throughout the entire working process. It began with identifying possible core firms and updating their status in order to attain the operating units of analysis, before taking into account other causal possibilities in line with prior concepts and empirical findings. Later, additional effort was put forth to identify each core firm's international business activities, as well as to fill in occasional missing data points pertaining to other constructs. Accordingly, in this study, additional raters were used at a later stage to crosscheck the established coding scheme.

Concerning the coding procedure, I began with the ambition to capture as much information as possible for the sake of contextualization, while still adhering to the conceptual layout suggested in Chapter 2. As a result, coding during this initial stage was detailed in order to avoid generalizing too quickly. Subsequently, I sought to aggregate the data into larger themes, while gradually refining operating groups of variables throughout the entire process. The aggregation process ended when I obtained a distinct set of variables that provided a comprehensive overview of FBG development in Thailand.

Nevertheless, the coding scheme features are also inherently bound by the number of FBGs available as sources from which to derive statistical inferences. For bivariate analysis (see Chapter 4), these variables are acceptable and even preferable in the process of delineating the context. For multivariate analysis (see Chapter 5), the degree of freedom however runs out, so variables have to be cruder. This is achieved by collapsing some categories together in order to make the analysis viable and to achieve a broad result using all cases and relevant variables.

On the whole, despite the complicated data gathering and coding techniques that were used, the process of translating all the qualitative description into quantitative measures, i.e. how the data are classified and transformed, is a reflection of the evolving concepts in the inductive research process.

Reliability and Validity of the Case Survey Strategy

As with all methodologies, reliability and validity are the most fundamental issues (Cook & Campbell, 1979; Scandura & Williams, 2000) associated with the application of the case survey method. The main issue with this method is the reliance on subjective coding; this is usually countered by using multiple raters who are coding in parallel and reconciling discrepancies found along the process. Regarding the use of interraters, case authors are often asked to be case raters themselves in order to incorporate their unique insight (Larsson, 1993).

For this customized case survey study, as discussed, the use of interraters throughout the process of coding scheme development was not possible due to the complicated coding process that was iteratively intertwined with the data collection process. Nevertheless, through the lengthy and painstaking iterative triangulation process that involved data gathering, coding, and sensemaking of the entire Thai FBG population, I was able to deeply internalize all the data materials. Hence, I strongly argue for the use of the expert role in this customized case survey method, in which I have emerged as the expert, equivalent to conventionally rating by case authors.

However, to make sure that there are no significant problems in the coding process, interraters are also applied as a kind of sensitivity test. In the current study, two additional raters were used to codify an array of data into variables following the established coding scheme (see Section 3.4). Due to time constraints, the two raters did not cover all 139 FBGs but rather focused on an identical set of 50 FBGs that were randomly selected[15]. Consequently, the interrater reliability, i.e. the consistency of coding results across the three raters, is 78 percent, measured by "average pairwise percentage agreement" (Larsson, 1993)[16]. This level of interrater reliability is considered satisfactory in comparison with the benchmark of 65 percent, which is recommended in the literature (Yin & Heald, 1975; Jauch, Osborn & Martin, 1980). In addition, coding differences are randomly found across cases and variables; i.e., they are not necessarily a sign of systematic errors. This is due in large part to the manifest coding approach adopted in this study; using this method, it is easier to achieve a high level of interrater reliability than when trying to draw out the implicit and latent content of the data.

In terms of validity, the assessment is divided into three parts: construct validity, internal validity, and external validity (Cook & Campbell, 1979). First, pertaining specifically to the quality of constructs and variables being extracted and defined, *construct validity* is of little concern for this customized case survey, due to three reasons. First, the cases, i.e., the FBGs' profiles, which are publicly available, have been revised multiple times, culminating in the latest edition of the book *Thai Business Groups: A Unique Guide to Who Owns What*. Second, as mentioned, my direct queries to three FBGs about the accuracy of the profiles were all met with positive feedback. Third, the data were also "within-method" triangulated (Jick, 1979) with additional data sources gathered to complete the database's design; no contradictions were found during the process. Altogether, the meti-

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[15] Both additional raters received a package of information I had collected about these 50 FBGs. The FBGs' profiles were written in English, while a large part of the additional materials gathered were written in Thai. Note that both raters are native Thais who are fluent in English with master's degrees in Economics as their educational background. For the best coding results possible, I personally explained to both raters my research interest and process; I also offered details about how to use the established coding scheme and how to insert their coding results into a working matrix.

[16] The average pairwise percent agreement (APPA) is the number of pairwise identical codes divided by the total number of pair comparisons. With the three raters used in this study, there are a total of three pair comparisons. This measure is preferred to others (e.g., as a percentage of absolute agreement among raters) because it is a more precise assessment of agreement between coders and it is independent of the number of raters.

culous and triangulated data collection procedure is supposed to provide confirmation that the study investigates what it claims to investigate and that the database is designed specifically for the sake of depicting the study's contextual reality.

Nevertheless, it is worth stressing that the construct validity of this methodological process and the database is inevitably dependent upon the quality of all the secondary data gathered, which is to some degree controlled by the FBGs in terms of their level of information disclosure. Some flaws in the database were later discovered during the process of collecting primary data for the case study method. The differences found between applying the two analytical lenses are discussed and reconciled in Chapter 9, adhering to the guidelines set forth in the literature pertaining to "between-method triangulation" (Jick, 1979).

As discussed in the section pertaining to the overall research design, the case survey method is not methodologically suitable for answering "how and why" questions; instead, it is fit for assessing the situation's overview and drawing out stylized facts. As such, *the internal validity*, i.e., the delineation of casual relationships between constructs and variables, is not yet well articulated at this stage. The pattern matching that was accomplished during the coding process, as well as the existing bodies of research literature, have laid out some causalities plausible enough to be tested with statistical techniques, while the work necessary to actually strengthen the internal validity requires the in-depth case study research that occurs later in the process.

Last but not least, the primary purpose of the case survey method are so-called "large-N observations," which in this case refers to the population of prominent FBGs in Thailand. As such, the research is confidently able to claim that the findings attained are generalizable within the studied context. However, the research is indeed motivated by and intended for application in a wider context – in essence, to stretch *the external validity* further, i.e., to relate the expected understanding about how FBGs have come to embrace the internationalization process to an understanding of how business organizations from developing economies cope with globalization. This will occur at a later stage of the research. There, the analytical generalization is expected to pay off.

3.4 Coding Scheme: Constructs and Variables

Following the research design and data management process, the database is finalized with the population set of 139 FBGs and their corresponding 196 core firms. This two-tier database is cross-sectional as of the end of 2007. Of the manifest variables, internationalization is measured at the core-firm level, while organizational characteristics are measured at both FBG and core-firm levels. Not all variables are categorical; some variables are plainly numerical. By assuming the positivist association between internationalization and organization characteristics, the constructs studied and variables measured are described in the following sections.

Dependent Variables: Internationalization Construct

Starting with *internationalization*, i.e., the study's focal construct, it is conventionally evaluated with objective measures such as foreign sales as a percentage of total sales, foreign assets as a percentage total assets, and number of overseas subsidiaries (e.g., Sullvian, 1994). However, these kinds of measures are not applicable in the study of FBGs due to the lack of organizationally consolidated data. To measure the degree of internationalization, the current study instead applies Uppsala internationalization process model (cf. Johanson & Vahlne, 1977), which suggests the incremental relationship between firms' knowledge development and commitment toward foreign markets. Two aspects of the model are used to proxy firm's commitment, which are put to operate in terms of three internationalization variables, as shown in Table 3-3.

Stage of internationalization: This variable represents the first aspect of the model that anchors the empirically grounded "establishment chain" (cf. Johanson & Wiedersheim-Paul, 1975). According to this progressive view, firms begin testing foreign markets via indirect export channels, then setting up their own offshore sale subsidiaries, and later following with more committed investments to establish their own production units.

Table 3-3: Dependent variables measured at the core-firm level

Dependent variable	*Level*	*Type*	*Definition*
Stage of internationalization	Core firm	Categorical	0 = No regular export activities 1 = Exporting via independent agents 2 = Creation of an offshore sales subsidiary 3 = Overseas production facilities
Geographical distance of internationalization	Core firm	Categorical	0 = No FDI activities 1 = FDI to Southeast Asian countries 2 = FDI to others excluding Southeast Asian and advanced Western countries 3 = FDI furthermost to advanced western countries
Bamboo distance of internationalization	Core firm	Categorical	0 = No FDI activities 1 = FDI only within the Bamboo network countries: Southeast Asia, Mainland China, Hong Kong, and Taiwan 2 = FDI both inside and outside the bamboo network countries 3 = FDI only outside the bamboo network countries

The second aspect of the model concerns psychic distances that reflect liabilities of foreignness that are incurred in doing business abroad compared to at home (Hymer, 1960/79; Zaheer, 1995). Accordingly, two variables reflecting slightly different measures are devised for representing FDI distances.

Geographical distance of internationalization: The first variable reflects straightforward geographic distances and different levels of economic-institutional development that are generally used to represent the psychic notion. In relation to Thailand as the home country, the variable is broadly divided into three geographic zones. The closest distance is countries in the same region of Southeast Asia, whereas the farthest distances are advanced Western countries (Western Europe, North America, Australia and New Zealand). The remaining countries fall into the middle distance category. In other words, this ordinal variable is ranked as (1) Southeast Asia, (2) Other, and (3) Advanced Western countries.

Bamboo distance of internationalization: Based on the same logic of reflecting the foreignness, the second distance variable highlights the cultural and ethnic proximity of countries that are economically dominated by ethnic Chinese. In other words, this variable reflects the bamboo network concept, which is distinct in terms of contemplating the psychic notion at a personal level, rather than the country level. That is, the ethnic Chinese FBGs are likely to be perceived as less foreign in countries with a high density of ethnic Chinese inhabitants. On this count, Southeast Asian countries as well as China, Hong Kong, and Taiwan are considered to be bamboo network countries; the other countries are not. To reflect on whether FBGs have relied on cultural and ethnic familiarity in pursuing international expansion, the variable is thus classified into the existence of FDI: (1) only inside the bamboo network countries, (2) both inside and outside the bamboo network countries, and (3) only outside the bamboo network countries.

Concerning the data codification process, it is important to stress that each core firm is marked with the only highest stage and the farthest distances of internationalization that the group has ever pursued in that particular business area. This criterion has three implications. First, international expansion is not necessarily regarded as the extension of the core firm's boundary, as it can include the establishment of a legally independent company with a family connection. For example, it is common for ethnic Chinese corporations to set up representative offices in Hong Kong (East Asian Analytical Unit, 1995) that function not only as sale agents for their core businesses but also as a means for the group to capture other business opportunities, especially expansion into China via ancestral and dialect-related ties. Second, it disregards other international business activities at less developed stages and at closer distances, following the Uppsala model. For example, groups that have established overseas production facilities are very likely to have offshore sale subsidiaries and export activities, but only the highest stage of overseas production facilities are counted. Third, even groups have pulled off from the highest stage of internationalization; their trial activities are still evaluated in order to reflect their attempts.

Accordingly, a higher degree of internationalization is inferred from the more committed entry mode and the farthest distance that the groups have ever pursued. Only this basic application of the Uppsala model is brought into play, without respect to whether or not the internationalization process is really incremental.

Independent Variables (I): Core-Firm-Level Characteristics

Following the deterministic interpretation of the Uppsala model (not by the authors' intention, see Johanson & Vahlne, 2006) commitment is construed as the dependent variable, while experience and other idiosyncratic resource-based variables are the independent variables (e.g., Autio, Sapienza & Almeida, 2000; Nadkarni & Perez, 2007). Also, by design, organizational characteristics are captured from both group and core-firm levels. Table 3-4 exhibits the first set of independent variables assessed at the core-firm level.

Table 3-4: Independent variables measured at the core-firm level

Independent variables	*Level*	*Type*	*Definition*
Business sector	Core firm	Categorical	0 = service 1 = manufacturing
Business subsector	Core firm	Categorical	0 = trade and transportation 1 = financial services 2 = real estate 3 = hospitality services 4 = telecommunication 5 = resource-intensive 6 = labor-intensive 7 = scale-intensive 8 = differentiated goods 9 = science-based
Foreign partner in establishment	Core firm	Categorical	0 = self 1 = Asian partner 2 = Western partner
Foreign partner in expansion	Core firm	Categorical	0 = No 1 = Yes
Distance of the foreign partner	Core firm	Categorical	0 = no 1 = Asia excluding Japan 2 = Japan 3 = Western countries
Role of the foreign partner	Core firm	Categorical	0 = no 1 = secure local distribution 2 = operational support 3 = financial support 4 = technological transfer 5 = internationalization
Total assets of core firms	Core firm	Continuous	Total assets of the core firms as of 2007 (million baht)
Size of core firms	Core firm	Categorical	0 = Relatively small 1 = Relatively large
Listed status of core firms	Core firm	Categorical	0 = core firm has never been listed on stock exchange 1 = core firm has been listed on stock exchange
Age of core firms	Core firm	Continuous	Age of core firms as of 2007 (years)

The first set of organizational variables addresses the main business activities in which the 196 core firms have engaged. As mentioned in the discussion of the anatomy of FBGs, each core firm within a FBG is distinct at the level of the two-digit ISIC Revision 4 definition; see Appendix B for the classification description. That is, each core business generally has a clear focus on the making of a certain kind of product or service and their subordinate firms are typically related in that regard. For example, a core business of manufacturing frozen seafood for export may compose of a number of firms operating cold storage facilities in different geographical areas, one firm operating a tiger prawn farm to secure raw materials, two others dealing with fish and squid, one firm for distribution, and one flagship firm coordinating all of the others. In this constellation, the flagship firm is thus identified as the core firm and assigned a two-digit ISIC Rev. 4 code for its business operations.

However, in some cases, there are groups that have been involved in several miscellaneous activities in a vast industrial coverage; in these instances, it is not possible to pinpoint one business as being more important than another. Basically, the controlling families have leveraged their names and reputations in attracting wide-ranging investment projects, so the groups are like their investment portfolios. This kind of groups is conceptually in line with the classic development of diversified business groups, which primarily rely on the capability to leverage contacts and execute projects (Amsden & Hikino, 1994; Kock & Guillén, 2001). Correspondingly, no ISIC code is assigned in these cases; instead, these groups are placed in an ad hoc defined "00" 2-digit ISIC code for miscellaneous activities (see Appendix B) and in the trade and transportation category for the business subsector variable.

Once the business activities have been identified, the firms are then arranged into two operating variables

Business sector: The business activities are broadly grouped into either the service or manufacturing sector.

Business subsectors: On a more detailed level, the business activities are classified into five service subsectors guided by the ISIC classification and five manufacturing subsectors following the technological basis of production classification derived from OECD (1987). Details about the procedures used to sort different business activities into their respective categories are gathered in Appendix B.

Another cluster of organizational variables deals with foreign partners of the 196 core firms. Foreign contacts, i.e., those outside the bamboo network, can arguably be seen as a channel for new business ideas, products, technologies, know-how, etc., to flow to the FBGs that might contribute to organizational learning. The involvement with foreign partners is conceptualized in two phases: first during the establishment and then during the expansion of the core firms.

Foreign partner in establishment: This broad variable refers to foreign involvement in setting up a business line. Relevant situations can range from personal trust-based relationships to contractual-based relationships. To signal the sourcing of novelties, the partnerships are categorized into the following groups: self, i.e., no foreign partner at this stage; Asian partner; and Western partner.

Relationships with foreign partners at later stages, i.e. in the expansion phase, are strictly confined to business contract-based relations. This construct includes three variables.

Foreign partner in expansion: First, the variable is crudely divided into whether or not the core firms have foreign partners involved in their business expansions. Then, the variable is broken down into two detailed variables concerning distance and the role of the respective foreign partner.

Distance of foreign partner: This variable indicates where the foreign partners come from. The countries of origin are divided into three categories: Asia excluding Japan, Japan, and Western countries.

Role of foreign partner: This variable is constructed and ranked in order to reflect both collaborative commitment and strategic direction toward the international market of the contractual relationships. At minimum, one of the core firms may merely be a local sales agent for foreign partners; in this case, the foreign partner's role is to *secure local distribution*. Next, *operational support* is said to exist in cases where foreign partners consent to patent, license, or franchise agreements to support the production processes of the core firms. For more committed relationships, *financial support* refers to foreign partners (usually kind of institutional investors) investing a certain ownership stake in the core firms, without direct intervention in firm management. *Technological transfer* is generally used to refer to joint ventures with incumbent MNCs; these are equity-based relationships that entail not only capital but also technological endorsements.

Lastly, *internationalization* is said to occur when foreign partners are explicitly instrumental in bringing the products or services of the core firms abroad, irrespective of whether they are involved in fee- or equity-based relationships.

As each core firm can have several foreign partnerships, only the highest-ranked foreign partner's role according to the discussed ordinal assumption and the corresponding foreign partner's distance are counted.

The next group regards firm size and age. In the business entities registered database of the Ministry of Commerce, basic financial figures are such as assets, sales, and registered capital are publically available. To convey the size of the core firms, the following categories are used.

Total assets of core firms: Total asset figures (in millions of baht) of the core firms as of 2007 are identified.

Size of core firms: It is important not to compare firm's size across the board due to industrial specificities. For example, by their very nature, financial institutions contain ample assets. The size assessment of each firm is thus relative to comparable firms within the same business area. For simplicity's sake, the median value of total assets of the core firms in the same subsector is used as the benchmark. Core firms that have total assets that are greater than the median value of those in their own subsector are considered to be relatively large in size; otherwise, they are considered to be relatively small in size. As a result, the database contains 98 relatively large firms and 98 relatively small firms.

Listed status of core firms: The database is designed to capture the strategic essence of each FBG, which means incorporating less opened private companies and not all listed firms are counted in. However, since a firm's utilization of the capital market might increase in parallel with its organizational development, the listed status is thus used to check for this attribute.

Age of core firms: The ages of core firms are counted from the business-registered year found in the Ministry of Commerce's database through the year 2007.

Independent Variables (II): Group-Level Characteristics

Table 3-5 provides the list of variables pertaining to group-level characteristics.

Table 3-5: Independent variables measured at the FBG level

Independent variables	*Level*	*Type*	*Definition*
Ethnicity	Group	Categorical	0 = Chinese 1 = Thai 2 = Other
In the bamboo network	Group	Categorical	0 = No 1 = Yes
Founder's background	Group	Categorical	0 = Neither foreign experience nor high education 1 = Foreign experience without high education 2 = High education
Core diversification	Group	Categorical	0 = One core 1 = Multiple core
Peripheral diversification	Group	Categorical	0 = Relatively limited 1 = Relatively wide
Component firms per group	Group	Continuous	Number of component firms in FBG
Listed firms per group	Group	Continuous	Number of listed firms in the FBG
Core firms per group	Group	Continuous	Number of core firms in the FBG
Age of groups	Group	Continuous	Age of FBGs as of 2007 (years)

The first set of variables concerns the *background characteristics* of the FBGs.

Ethnicity: According to Thai corporate history, the ethnicities of FBGs' controlling families are classified as Chinese, Thai, or other. For ethnic Chinese, dialect subgroups such as Teochiu, Hainanese, Hakka, etc., are also noted when possible.

In the bamboo network: Central to the study is the bamboo network concept, as FBGs in this context are argued to primarily take shape and advance via personal interconnectedness and reciprocal help, as inspired by the ethnic Chinese business literature (e.g., Redding, 1990; Kao, 1993). However, it is important to stress that such supporting mechanisms are neither innate nor exclusive to ethnic Chinese. Empirically, relational traces are not obvious in the case of every FBG, so groups with strongly embedded networks might appear different from those with more diffuse networks. The variable reports whether or not a firm is in the bamboo network, relying on evidence like co-investments, offering or receiving financial support or seed money, marriages of family members, etc., in relation to other FBGs. Accordingly, groups with such relational records are considered as being in the bamboo network.

Founder's background: This variable reflects the knowledge and experience of the group's founder that might have some significant implications for their international ventures. Along this line, the variable is anchored with two kinds of experience. First is in terms of foreign experience, i.e., residing outside Thailand for a certain part of their life; the other experience variable is whether they have had high education (defined as tertiary-level education). With respect to these two features, the variable is sorted into three categories: neither foreign experience nor high education; foreign experience without high education; and high education. Note that founders with high education are assumed to have foreign experience, as they generally studied abroad, while founders with foreign experience without high education are likely referred to the first or second generations of Chinese Diaspora in Thailand.

The second set of group-level variables concerns diversification or size of the FBGs; these are both categorically and numerically measured.

Core diversification: Based on the identification of core firm(s) in each FBG, this variable is simply categorized as groups having one core firm or multiple core firms.

Peripheral diversification: Apart from the core activities, FBGs also tend to diversify with a number of small projects at the periphery. Based on the FBG profiles, a number of other business activities outside the identified core are listed for each FBG. It is worth noting that the codification here is based on the number of business activities, not the number of peripheral firms, that each group has ever pursued, including those that have since been abandoned. This is to capture all sideline possibilities over time, a measure that might point to other subtle factors like family structure, harmony, and connections. Also, this measure encompasses both domestic and overseas peripheral business activities. The overseas peripheral activities are further explored in detail, including the countries and the partners involved in the overseas investment.

Given that, the variable is designed in relative terms, that is, FBGs with no more than two sideline activities are considered to be relatively limited in terms of their peripheral diversification, whereas FBGs with more than two sideline activities are considered to have a relatively wide array of peripheral businesses. Two business activities are used as the cutoff point for this variable, based on evidence indicating that two peripheral businesses are common in the real estate and finance fields (discussed further in Chapter 4).

Component firms per group (FBG component): The total number of component firms in each FBG is simply counted as listed in its respective profile. Despite the fact that each component firm varies in size and significance to its group, the number of component firms is considered to reflect diversification in the sense that FBGs tend to spin out new firms for new activities (especially with new sets of partners), rather than to consolidate within existing business entities.

Listed firms per group: Similarly, the number of listed firms in each FBG, again derived from the FBGs' profiles, is also expected to signify the level of diversification.

Core firms per group: Along the same line, the number of core firms is counted to reflect the level of diversification.

Age of groups: The groups' ages are counted from the year that the founders started pursuing their own business activities (usually as a small trading company) through the year 2007.

3.5 Concluding: Research Design (1)

Overall, this chapter has served two purposes. The first justifies the explorative inductive research design in terms of its methodological fit, i.e., its internal consistency with the research question, prior works, research operations, and expected contributions (Edmond & McManus, 2007). By design, the research is embedded in a contextual setting for the rich understanding of the studied phenomenon that is still in relation to universal notions. Within the context, the study seeks to apply two distinct analytical lenses. The first approach is to draw from a broad landscape, i.e., the population of Thai FBGs, at a distance using secondary data and quantitative analyses to make sense of the situation and the factors involved. Assuming that interesting findings are obtained, the study will then close up with a qualitative analysis to examine the underlying mechanisms and rational behaviors of the studied organizations. Altogether, the study aims to aid in the development and refinement of constructs and a theoretical framework.

The second part of the chapter explains in detail how the study will apply the quantitative lens. This involves the database's construction and using the customized case survey method to systematically sort the assorted data materials, mostly text, into quantified variables in line with the research design. This results in the population database of 139 FBGs and their respective 196 core firms. This two-tier database is cross-sectional as of the end of 2007. The internationalization variables are measured at the core-firm level; the organizational characteristics are measured at both FBG and core-firm levels. In the following two chapters, statistical analyses are applied, starting with descriptive statistics such as frequency counts and cross-tabulations and moving on to more sophisticated techniques like regressions and factor analysis.

Regarding the reliability and validity of the quantitative lens, the unique database that contains well-grounded constructs and variables in the studied context comes at the cost of reliability. Given the overall research design, the internal validity is loosely defined at this stage and will be enhanced with the case study research. Likewise, generalization is not an issue within the context of Thai FBGs thanks to the population database; however, external validity beyond the studied context requires analytical reasoning that will be enhanced at a later stage. On the whole, the research strives for a more robust and generalizable set of findings on the basis of utilizing multiple methodologies.

Chapter 4

Characteristics of Thai Family Business Groups and Internationalization of Their Firms

After the effort expended to construct the database covering the internationalization and organizational characteristics of Thai FBGs, this chapter begins the data analysis with the application of simple statistical methods. Specifically, the analysis is conducted from a snapshot picture of the 139 FBGs and their component firms, while organizational dynamism is put into perspective by discussing the statistical findings in relation to historical background and existing research in this specific context. Altogether, as discussed in the research design, this chapter aims to lay out an overview of FBG internationalization by answering basic questions such as: *To what extent have Thai FBGs been involved in internationalization? Which business activities have been internationalized? What factors might have driven these businesses outside their familiar contexts?*

The chapter is divided into four sections. The *first* section explains general characteristics of Thai FBGs to reflect their evolutionary stories, make sense of their organizational forms, and underline the operating analytical units. Following the anatomy of FBGs described in Chapter 3, the *second* section examines the internationalization of the 196 core firms, which are the main operational unit of analysis. The *third* section touches upon the relational aspect of organizational expansion via the data describing overseas peripheral business activities. The *last* section encapsulates stylized facts about the internationalization of Thai FBGs, entailing multiple units of analysis (conceptually at the level of the 139 groups, but operationally at the levels of the 196 core firms and of the sideline activities abroad).

4.1 Characteristics of Thai FBGs

Family business groups, as discussed in Chapter 3, are the prime representatives of Thai private capitalists. Some FBGs have taken shape in response to the country's promotion of private capitalization and industrialization in the 1960s. Although some groups might have failed or changed ownership and management styles over time, many groups have maintained their dominant role in the Thai economy and have tried to build up their position in the globalizing economy. Along this organic development path, the 139 FBGs vary greatly in terms of size, age, business activities, diversification, strategic directions, information disclosure, etc. This section aims to systematize such variations in a way that helps visualize this virtual form of business organizations and allows their strategic units to stand out.

Composition of the 139 FBGs

Starting with decomposing the population of Thai FBGs, Table 4-1 shows that the 139 groups branch out to 196 core firms, the main operating units of analysis, or averagely 1.4 core firms per group.

Table 4-1: Composition and age of the 139 FBGs and 196 core firms

No. of core firms per group	*No. of groups*	*No of core firms*	*Component firms per group*			*Age of groups*		
			Average	*Min*	*Max*	*Average*	*Min*	*Max*
1	103	103	29	1	103	56	18	129
2	24	48	44	16	109	70	39	137
3	6	18	77	8	214	55	36	79
4	5	20	154	52	432	51	39	86
7	1	7	421	421	421	65	65	65
Total	139	196	5,716	1	432	57.9	18	137
Average		1.4	41.1					

In details, there are 103 groups that have only one core firm, whereas the other 36 groups have at least 2 core firms, i.e., 24 groups have 2 core firms, 6 groups have 3 core firms, 5 groups have 4 core firms and 1 group has 7 core firms. For the maximum case, the Sahapathana or Sahapathanibul group, which is known as the biggest consumer product manufacturing conglomerate in Thailand, is composed of seven core businesses: trading, food products, apparel, leather products, household products, industrial estates, and advertising.

Altogether, the 139 groups control 5,716 firms. There are on average 41.1 component firms per group (min =1, max = 432, Std.Dev. = 54.9), whereas the median is 28 component firms per group. This suggests that the mass of the distribution is concentrated on the low number of component firms per group. To be exact, there are only 37 groups (26 percent) and 8 groups (6 percent) that encompass more than 41 (the average) and 100 component firms, respectively. The large proportion of small groups indicates that not many groups have actually excelled in networking to the level necessary to grow and expand their boundaries, as suggested by Powell (1990) and Redding (1995). Empirically, the mainstream ethnic Chinese businesses in East Asia remain small-sized to medium-sized and strictly family owned and controlled (East Asian Analytical Unit, 1995). In this constellation of firms, the interactions between large and small groups might be of interest for further investigation.

Regarding size, it is quite clear that the higher the number of core firms per group, the higher the number of component firms per group. The one-core groups have an average of 29 component firms; the two-core groups have 44 component firms, and so on. An outlier is found in one group with 3 core firms but only 8 component firms, while two of the three core firms are listed on the stock market. This group thus appears to be highly consolidated and open, which is quite different from the normal practice of ethnic Chinese businesses, as these entrepreneurs tend to expand their business empires by starting new firms and creating new alliances rather than expanding their existing firms in terms of size or geographical boundaries of their existing firms (Hamilton, 2000). For example, to penetrate the southern region's market, a group may collaborate with a key businessman in the south, so a new firm is formed with the new set of owners. This pattern is also repeated for a new product line or production stage, i.e., in carrying out horizontal and vertical expansions.

Along this line, the number of component firms per group can therefore be seen as a crude indicator of a group's size and diversification.

In addition, the dispersed number of component firms makes the wealth of the controlling families less exposed, as it is indeed difficult for researchers to consolidate their scattered assets and infer their true sizes. Generally speaking, there is no objective measure of size from the group perspective[17]. Only a handful of groups have self-reported their business coverage. Furthermore, these tend to be the groups with global aspirations that have modernized their organizations by restructuring and consolidating part (though usually not all) of their business empires, relying more on the capital market, and promoting more transparency. For instance, the CP group stated:

> "Charoen Pokphand Group (CP Group) with headquarters in Bangkok, Thailand was founded in 1921 by the Chia brothers, and is today one of Asia's leading conglomerates. With businesses and affiliates operating within the agribusiness, retail and telecommunications markets, we currently employ over 250,000 people whom conduct our investments, operations and trading at factories and offices worldwide. Our sales at the end of 2006 were US14 billion." (Source: www.cpthailand.com, April, 2009)

In terms of age, the 139 groups are on average 57.9 years old. The group ages are counted from the year that the groups' founders started pursuing their own business activities (usually as a small trading company) through the year 2007. The oldest group is 137 years old, while the youngest is 18 years old. Overall, the studied groups are rather old. Many have evolved along with and played a part in the country's economic development. However, it is worth noting that firm age does not seem to correspond with firm size. The older groups are not necessarily the larger groups. Evidently, the groups with 2 core firms (averaging 44 component firms per group) have the highest average age of the groups at 71 years old, whereas the groups with 4 core firms (averaging 154 component firms per group) have the lowest average age of the groups at 52 years old. This is contrary to

[17] In this context, the only standardized information is at the firm level from the basic financial statements that each firm has to issue in order to comply with the civil and commercial code. However, these reports do not include the number of employees, which is probably the most universally accepted measure of firm size. Given the available financial data, the total assets figure is an alternative measure to be used in order to estimate sizes of core firms in relation to the median sizes of all core firms in the same industry.

the intuition that organizational skill and thus size would grow over time. Then again, this kind of organization is acknowledged to be highly personalized and centralized around key family members. Organizational development is very much contingent upon the entrepreneurial skills of founders, and these skills might not be duplicated in the next generation. This classic succession problem of family firms (Sharma, Chrisman & Chua, 1997) is thus an idiosyncratic feature that tends to disturb the association between size and age. Along this line, it is expected that the relationships between age and other variables are also random; still, the age variable is presented in some result tables to provide historical context.

In short, FBG composition signals the difficulties of developing business organizations in a weak institutional setting. Not many of the FBGs studied have in fact sprouted a large number of component firms to engage in diverse business activities.

Background Characteristics of the 139 FBGs

Of the historical note, Table 4-2 exhibits three background characteristics of the 139 groups in relation to their basic size and age variables. This is to portray who are behind the 139 groups?

Table 4-2: Background characteristics of the 139 groups

	No. of groups	No. of core firms	Component firms per group			Age of groups		
			Average	Min	Max	Average	Min	Max
Ethnicity								
Chinese	124	175	42	1	432	57	18	136
Thai	9	12	29	6	79	48	25	74
Other	6	9	50	10	93	86	38	137
In the bamboo network								
No	43	56	26	1	93	57	26	137
Yes	96	140	48	7	432	58	18	136
Founder's background								
No FX exp, nor high education	80	113	62	1	421	57	27	127
FX exp, but no high education	29	44	97	10	432	75	33	137
High education	30	39	34	3	112	46	18	84
Total	139	196	41.1			57.9		

First is about ethnicity. It is as expected that ethnic Chinese make up the majority of FBGs, accounting for 124 groups (89.2 percent) and 175 core firms (89.3 percent) of the 139 groups and 196 firms in total. Note that the prominent ethnic Chinese groups are from the Teochiu, Hakka, and Hainanese dialect groups. Notably, the ethnic Chinese groups range from the smallest to the largest groups in terms of component firms per group; they similarly vary widely in terms of the age of groups. Thai groups are on average the youngest, probably because indigenous Thais were less inclined to engage in business activities in the past, as discussed in Chapter 3. In terms of other ethnicities, there are 3 Indian and 3 Western (1 American, 1 German, and 1 Italian) FBGs. Two of the three ethnic Indian groups (138 and 128 years old, respectively) and the ethnic German group (130 years old)[18] are among the oldest groups, and they tend to carry on traditional business activities, including trading, land development and insurance. In contrast, the ethnic American and Italian groups, which stem from expatriation and intermarriages, engage in more modern business activities. Overall, the average age of different ethnicity groups is thus supported by the historical fact that prior to the major wave of Chinese migration at the turn of the 20th century, European trading companies and Indian trading houses had already established themselves in the country.

With regards to the ethnic Chinese FBGs, their significant economic power corresponds to several empirical works that have focused on the Thai economy (e.g., Phipatseritham, 1982; Suehiro, 1989) and the region (e.g., Redding, 1990; East Asia Analytical Unit, 1995, Suriyadinata, 2006). Moreover, compared with ethnic Chinese minorities in other countries, the Sino-Thai group is recognized as the most integrated with the country's indigenous people (Redding, 1990). This means that the practices of in-group favoritism and cooperative rather than competitive business practices, which define the bamboo network, have largely become entrenched as the standard way of doing business in Thailand, extending beyond the traditional linkages of family, kinship, dialect or groups to other forms of social associations and ethnicities. Thus, as defined in Chapter 3, being in

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[18] The B. Grimm Group (130 years old) under the control of the German "Link" family is quite an exceptional case, because most other long-established European trading firms are simply stand-alone firms that hew to the Western corporate model. Another odd case is the Berli-Jucker Pcl (125 years old) that is now part of an ethnic Chinese group.

the bamboo network is neither innate nor exclusive for the ethnic Chinese; it is traced from evidence of cross-holding, preferential financing and co-investment among groups in different business projects. As such, part of the evidence points to strategic reasons, while another part clearly marks the closed ties of dialect-sharing or cross-marriages. For example, five Hainanese-dialect groups jointly invested in recreation facilities in the Hainan province in China (see details in Section 4.3). Indeed, many projects are derived from both types of relationships, as personal and business relationships are highly entangled in this context.

Accordingly, markers of being in the bamboo network are broadly traced in 96 groups (69.1 percent of the 139 groups) and corresponding to 140 core firms. Notably, the 96 groups do not belong to the same network; indeed, several sub-networks are distinguishable, e.g., by dialect as the Teochiu or the Hainanese. They are not necessarily all allied, yet they tend to be supportive of one another. As a result, it is apparent that the 96 groups and 140 core firms are relatively larger in terms of component firms per group than the remaining 43 groups and 56 core firms that are not found in the bamboo network. This clearly implies that there are benefits of being in the bamboo network.

The next variable is the founder's background, which relates to the entrepreneurial characteristics of the groups. More than half of the founders (80 groups, or 57.6 percent of the 139 groups) are found to have neither foreign experience nor high education. Because high education is defined as attaining tertiary-level schooling, it is rather predictable that only the relatively young groups (averaging 46 years old) have founders with tertiary education. Note that founders with high education are by default assumed to have foreign experience, as they generally studied abroad. Remarkably, the 29 founders with foreign experience but without high education tend to be the most powerful ones and also, on average, the oldest. As these influential founders largely hail from either the first or second generation of Chinese Diaspora immigrants in Thailand, the existence of certain advantages of being an immigrant in doing business is suggested.

Overall, these background characteristics indicate the economic influence of ethnic Chinese in the country. Thus, factors such as being connected and mutually supportive are shown to be relevant, especially among the old-generation entrepreneurs who have direct experience with struggling in business development.

FBG Privacy: Listed or Not?

As discussed, most FBGs have a great deal of discretion when it comes to structuring their organizations and disclosing information. Out of scattered number of legally independent component firms that are connected via family ties, it is thus hard to make sense of what constitutes a group and which parts are strategically important to the group. As a result, previous empirical works have mainly relied on case studies or other qualitative methods. Some pieces with a quantitative approach, e.g., Peng, Au & Wang (2001), have used the standardized data provided by listed companies, which tend to downplay the group perspective.

This study is deliberately designed to capture the strategic essence of each group and not to compromise by relying on the convenient sources of information provided by listed companies. In fact, for many groups, their privately owned firms are actually the most strategically important ones. Take the case of the Central Group: two of their three core firms, Central Pattana and Central Plaza Hotel, are listed on the Stock Exchange of Thailand, while their first and foremost business, Central Retail, which includes the country's largest department store chain, is still privately held by members of the Chirathivat family. In this case, the analysis is far from being complete if only the listed firms are considered. Furthermore, not all of the listed companies are necessarily crucial to the group, as some groups might favor the capital market channel and hence may place many of their supporting firms on the stock market.

Keeping in mind the strategic view of FBGs, Table 4-3 shows that there are 80 groups (57.6 percent) that have at least one core firm listed on a stock market, whereas the other 59 groups (42.4 percent) have none of their core firms listed. Thus, these 59 groups are likely the most obscure and under-researched ones. Overall, they are relatively smaller (holding, on average, 29 component firms) than the groups with at least one listed core firm, which have approximately 50 component firms per group. On the other hand, the groups with at least one listed core firm are found to be younger. This might imply that the younger groups are of less administrative heritage, which renders it easier for them to adopt a more open approach and to have their core firms listed on the stock market.

Table 4-3: Listed firms of the 139 FBGs

	No. of groups		*Core firms per group*	*Component firms per group*	*Age of groups*
	Count	*%*			
FBGs with listed core	80	57.6	2	50	55
FBGs without listed core	59	42.4	1	29	62
Total	139	100.0	1.4	41.1	57.9
Listed firms per group					
0	51	36.7	1	28	59
1	40	28.8	1	26	57
2-3	38	27.3	2	43	56
4-6	8	5.8	3	100	58
7 +	2	1.4	6	427	76

Hence, almost half of the groups and core firms in the study are privately owned and thus have not been thoroughly investigated, despite the fact that some of them are the most influential parts of major business organizations. The analysis of the 139 groups and their 196 core firms can therefore be considered to be one of the chief contributions of the dissertation, in an attempt to accurately reflect the strategic perspective of FBGs.

With respect to the idiosyncratic utilization of capital markets by FBGs, Table 4-3 also reveals how many firms (both core and peripheral) in each group are listed on stock market, i.e., the distribution of listed firms per group. Evidently, there are 51 (36.7 percent) of the 139 groups that do not have any listed firms. Also, it was found that the greater the number of listed firms per group, the bigger the group tended to be. For example, the Sahaphatana group has the greatest number of listed firms per group – 19 firms of their total of 421 component firms are listed. Note that 7 firms out of the 19 listed firms are in the apparel sector, so only one is identified as the core firm in this industry. Due to the information disclosure of listed companies, this might explain why the Sahaphatana group is also identified with the highest number of core businesses.

Accordingly, it is important to be aware of the strategic as well as the economic significance of non-listed companies, especially of older but influential FBGs. This is basically in line with the empirical findings of Nachum (1999) that FBGs preferred to pursue their diversification by means of internal financing, while the need for external financing tended to arise later as a result of rapid economic expansion.

Business Activities of the 196 Core Firms

Regarding the business activities that the 139 groups have engaged in, the distribution is presented in terms of the strategic business units, i.e., the 196 core firms. As explained in Chapter 3, the 196 core firms are classified into service and manufacturing sectors; they are also sorted into five service subsectors and five manufacturing subsectors.

Table 4-4: Classification of the business activities of the 196 core firms

	No. of core firms		*Age of groups**	*Total assets (mil Baht)*	*Foreign partner in establishment*	
	Count	*%*			*Count*	*%*
Trade and transportation	28	14.3	66	7,314	5	17.9
Financial services	9	4.6	77	390,861	0	0.0
Real estate	24	12.2	56	1,7123	2	8.3
Hospitality services	19	9.7	56	7,109	2	10.5
Telecommunications	16	8.2	50	12,418	4	25.0
Subtotal: service	96	49.0	60	46,534	13	13.5
Resource-intensive	42	21.4	61	9,548	9	21.4
Labor-intensive	8	4.1	54	5,030	6	75.0
Scale-intensive	39	19.9	56	10,614	23	59.0
Differentiated goods	5	2.6	57	4,819	3	60.0
Science-based	6	3.1	59	1,865	4	66.7
Subtotal: manufacturing	100	51.0	58	8,905	45	45.0
Total	196	100.0	58.9	27,336	58	29.6

Note: The asterisk (*) denotes that the variable is calculated from the 196 core firms, not the 139 groups.

As a result, Table 4-4 illustrates that the manufacturing sector accounts for 51 percent of the business activities of the FBGs, while the service sector makes up 49 percent. The most common business area is resource-intensive manufacturing (42 core firms, 21.6 percent), followed by scale-intensive manufacturing, trade and transportation services, and so forth. By breaking these categories down further at the level of the two-digit ISIC Rev. 4, as seen in Appendix B, it is shown that the 196 core firms encompass 41 different activities. For example, resource-intensive manufacturing consists of food products (31 core firms), beverages (7 core firms), tobacco (1 core firm) and other non-metallic mineral products, e.g., concrete, cement and ceramic products (3 core firms), whereas around one-third of the scale-intensive manufacturing is in the area of motor vehicles and parts (12 firms). Notably, the range of business activities like land and property development, banking, hotel, engineering and construction, textile and fibers are found to be in line with the data pertaining to the main business areas of the 500 ethnic Chinese-controlled public companies in Asia (East Asia Analytical Unit, 1995), as shown in Appendix C. Likewise, this also corresponds with the observation of Nachum (1999) that developing-country firms generally diversified from commodity-based or service-based activities.

In addition, the traditional business activities of ethnic Chinese firms, such as financial services and trade and transportation subsectors, are confirmed by the average age of the groups. The financial services subsector has, on average, the oldest groups (77 years old), followed by the trade and transportation subsector, which is the second oldest group (66 years old). This is because FBGs tend to start by focusing on such basic activities before expanding to others. Another common activity is real estate, which most groups are involved in at either the core or peripheral level (more details later), since it is a classical means of capital accumulation through land and property development in economic boom periods. The hospitality services subsector is also grouped along with this traditional line.

The more modern and sophisticated subsectors of both services and manufacturing, e.g., telecommunications and other manufacturing activities (excluding resource-intensive manufacturing), are found only among the firms with the highest levels of foreign partnership involvement (mainly MNCs) in the establishment of the core firms. From the aggregate sectors, only 13.5 percent of core firms in the services sector were involved with foreign partners during the start-up phase, whereas 45 percent of those in the manufacturing sector had such partnerships. (Note that more characteristics of foreign partners are provided in the subsequent section.) Regarding the time when the groups ventured into these modern industries, it was fairly consistent with the implementation of the country's liberal economic development policy, which has been instrumental in enticing MNCs to take part in the Thai economy since the 1960s. As a result, foreign MNCs have taken a dominant role in Thai industrial sector, with a high degree of control over more technologically sophisticated and strategic units, and some joint ventures or other strategic alliances with local partners (largely FBGs) in extended activities.

Overall, the business coverage of the 196 core firms is well consistent with the country's economic structure, which was long rooted in the agricultural sector, evolved from trading to the manufacture of processed food and the like, then advanced in service sectors like hotels, hospitals and telecommunications, and finally linked with MNCs in the manufacturing of auto parts, etc.

Taking into account the available financial data, the average total assets of firms in the service sector as of 2007 is much larger than that of the manufacturing sector. This implies that Thai business groups tend to have monopolistic power over the service sector, especially in the areas of financial services and telecommunications. For example, due to the regulatory restrictions on market entry and takeovers, there were no new banking licenses being issued in the country for more than twenty years, i.e., the entire period of Thailand's rapid economic expansion until the 1997 financial crisis. On the other hand, the manufacturing sector is largely shared among MNCs from advanced economies. As of 2006, about 40 of the top 100 Thai firms in terms of revenue were subsidiaries of global players like Toyota Motor, Esso, Shell, Honda, and Hitachi.

Due to the fact that distinct industries tend to have unique financial figures and organizational structures, it is best not to compare firm size across the board. Instead, it is more advantageous to assess firms in comparison to their own peers within the same business area. For simplicity's sake, the median value of the total assets of the core firms in the same subsector is used as the benchmark. Core firms that have total assets that are more than the median value in their own subsector are considered to be relatively large in size; otherwise, they are considered to be relatively small in size. As a result, there are 98 relatively large firms and 98 relatively small firms. Controlling for industrial specificities like the disproportionate asset size of financial firms or the large sales volume of trading firms, the relative size of core firms is then used in relation to other organizational characteristics.

Overall, the studied FBGs have been involved in relatively simple business activities. To engage in more complex activities, they usually require foreign assistance.

Foreign Involvement of the 196 Core Firms

As seen in the previous part, foreign partners have often played a part in setting up some of the core firms, especially those in manufacturing sector. Table 4-5 provides more details on foreign involvement in the 196 core firms.

Table 4-5: Foreign involvements in the 196 core firms

	No. of core firms	*Relative size of core firms*		*Total assets (mil Baht)*	*Component firms per group**
		small	*large*		
Foreign partner in establishment					
Self	137	72	66	34,603	53
Asian partner	35	17	18	6,987	76
Western partner	24	9	14	15,525	112
Foreign partner in expansion					
Without foreign partner	95	58	37	36,475	51
With foreign partner	101	40	61	18,739	76
Distance of the foreign partner					
Asia excl. Japan	12	4	8	8,932	101
Japan	36	16	20	9,298	63
Western countries	53	20	33	27,372	80
Role of the foreign partner					
Secure local distribution	13	8	5	3,025	39
Operational support	21	11	10	8,724	69
Financial support	10	5	5	17,985	43
Technological transfer	52	14	37	26,786	88
Internationalization	5	2	3	19,483	146
Total	196	98	98	27,336	64

Note: Asterisk (*) denotes that the variable is calculated of the 196 core firms, not the 139 groups.

In establishing a business, the involvement of foreign partners is quite minimal, i.e. this pattern is observed in less than one third of the core firms. As defined in Chapter 3, the definition of foreign involvement is broad, ranging from personal trust-based relationships to business contract-based relationships. For example, the friendship between an Italian engineer and a Thai medical doctor has led to the establishment of the Italthai group, which is today one of Thailand's largest contractors in civil and infrastructure construction and development. Otherwise, these partnerships can take the form of license or franchise agreements with MNCs, such as in the process involved in setting up Coca-Cola Thailand. Hence, groups may have different levels of control over their business activities with regard to their deals with foreign partners. Overall, foreign involvement in setting up businesses is largely about bringing in novel business ideas, which are likely constructive for FBGs' development. Notably, the 59 core firms with foreign involvement in the establishment phase belong to larger groups in terms of component firms per group and slightly more of them are large firms in terms of relative firm size.

Foreign involvement in expanding businesses is strictly defined by the business contract-based relations. Table 4-5 shows that around half of the total core firms, i.e., 101 firms, have linked up with foreign partners in their business expansion. Overall, the impact of foreign involvement in expansion on the relative firm size is more apparent than that of foreign involvement in establishment. Taking a closer look at the foreign partners of these 101 core firms, 53 are from Western countries, 36 are from Japan, and 12 are from the rest of Asia. The connections with non-Japanese Asian partners, which are all from the bamboo network countries like Hong Kong, Singapore and Taiwan, clearly are more prevalent among the larger groups (with an average 101 component firms per group). This again implies the strength of in-group favoritism.

Regarding the role of foreign partners, the classification is ranked from the least to the most involved and is directed toward internationalization. The range is from securing local distribution to pursuing internationalization. Evidently, technological transfer via joint venture makes up the largest part of foreign partners in expansion; this pattern was observed in 52 out of the 101 core firms, whereas there are only 5 core firms that were found to benefit from the international distribution networks and/or international marketing skills of foreign partners. In line with being the most committed and internationally oriented roles of foreign partners, the technological transfer and internationalization roles also tend to be associated with both firm sizes, i.e. more of the relatively large firms displayed this pattern, and with group size, i.e. those with more component firms per group tended to display this pattern. Their absolute financial figures are also noticeably substantial.

With a closer look to the interaction between the distance and the role of foreign partners, and the business activities shown in Appendix C, Japanese involvement is shown to be dominant in the manufacturing sector (consisting of 31 of the 36 Japanese partnerships) and largely in form of technological transfer via joint ventures (21 of the 36 Japanese partnerships), especially in scale-intensive subsectors (10 partnerships)[19]. The roles of Western partners are quite mixed, such as providing brand, technical and financial support, and are largely connected with the consumer goods and telecommunications areas, while their technological transfers are highly concentrated in the resource-intensive subsector (10 partnerships). Non-Japanese Asian partners are more involved in the service sector, particularly property development. Of the internationalization-driven partnerships, four out of five are with Western partners; the other one is the Chinese government and organizations fostering investment in China. The results thus indicate some behavior and skill of foreign partners.

Overall, the characteristics of these foreign partners hint at the benefits of developing close collaborations with competent partners, despite having to deal with cultural differences. Still, this process can be inherently difficult for locally dominant players like FBGs.

Core Diversification: One or More?

As revealed in Table 4-1, the majority of FBGs (103 out of 139) are groups that have only one core business. They are also clearly smaller than the other 36 groups, with multiple cores in terms of the number of component firms per group. The skewed distribution of the number of component firms per group has pointed toward the concentration of economic power within a limited number of business groups and families.

[19] Generally, Japanese MNCs are known to prefer setting up joint ventures, usually in a tripod structure of Japanese manufacturers, Japanese trading companies (Sogohosho), and local partners, to setting up wholly owned subsidiaries (Suehiro, 1989). In this study, the Japanese partnerships are mainly in intermediate goods industries with a prevailing technology, e.g., auto parts, electrical appliances, and steel products. These core firms are thus part of the Japanese MNCs' supply chains.

Table 4-6: Degree of core diversification of the 139 FBGs

	No. of groups	*Component firms per group*	*No. of core firms*	*Relative size of core firms*		*Total assets (mil Baht)*
				Small	Large	
One core	103	29	103	58	45	7,075
Multiple core	36	76	93	40	53	49,775
Total	139	41.1	196	98	98	27,336

Table 4-6 recaps the distribution of core firms per group and shows the core diversification as having either one core (103 groups) or multiple cores (36 groups). Then, the degree of core diversification is exhibited in relation to the relative size of the core firms. It is quite interesting that the 103 core firms of the one-core groups are more of the relatively small ones, while there are more of the relatively large core firms in the 93 core firms of the 36 multiple-core groups. Hence, the multiple-core groups do not seem to have a problem nurturing their multiple business lines. On the other hand, being a part of one of the top-ranked groups tends to be advantageous, as it results not only in lower transaction costs via internalization but also in access to prime resources and opportunities, particularly in the local context.

Looking more closely at the constellation of core businesses, starting with the 103 one-core groups, they are mostly groups with a clear focus on making a certain kind of product or service, and most of their component firms are related to that focus. However, three groups are found to have no specific focus, i.e., I was not able to pinpoint their core businesses and assign an ISIC code. Basically, they represent the classic development of diversified business groups that primarily rely on the capacity to leverage contacts and execute projects (Amsden & Hikino, 1994; Kock & Guillén, 2001). Even for the groups with a clear business focus, it remains an open question how advanced they actually are. In other words, it is unclear how many of these groups have emphasized specializing their business and further developing technological and organizational capabilities that would allow them to engage in their own product and process innovation, i.e., being at later stage in the evolution of diversified business groups (Kock & Guillén, 2001). Some FBGs may be incapable of building up resources and skills to start up new business activities, so they remain having just one core business.

Conversely, other FBGs do not limit their focus to just one business area. Instead, they have engaged their resources and commitments in other business areas, as well, thereby being the 36 multiple-core groups, i.e. having several business lines distinct at the two-digit ISIC Rev. 4 code within a group. Following the traditional classification of diversification (Rumelt, 1974), which determines relatedness in terms of market, technological and vertical linkages, some of these multiple-core groups may on one hand appear to be related or complementary. For example, the Central Group comprises three core firms: Central Retail, Central Pattana, and Central Plaza Hotel. The three core firms are in retail (including the largest department store chain in Thailand), real estate, and hotel sectors, respectively. On the other hand, they may appear to have a total lack of relatedness and synergy. A renowned example is the CP group, which is identified with the poultry, retail, telecommunications, and petrochemical sectors.

Nevertheless, it is rather irrelevant to determine relatedness in terms of product-market activities for business organizations that are more prone to project-based executions rather than specialization in this contextual setting[20]. As argued in Chapter 2, the relatedness notion for FBGs is more applicable at a strategic level rather than an operational level, that is, to put emphasis on the role of the corporate leadership (or the controlling families, in this case) in coordinating, monitoring and controlling different business units for the diversified organizations. This simply follows "the dominant general management logic" of Prahalad & Bettis (1986), advocating the notion that managing a pervasive range of business activities is dependent upon the sense-making ability of top managers. In other words, group development and diversification depend upon how top managers, i.e., leaders of the FBGs' controlling families, have rationalized their decision-making, a factor that cannot be captured by these sets of quantitative data.

In short, the multiple-core groups tend to be the influential ones that are endowed with both opportunities and skills in doing business, while the one-core groups are either having a clear focus or lacking relevant connections. As such, the way that FBGs have ma-

[20] Concerning the notion of relatedness, there is no clear-cut approach. Also, the study lacks the objective measures necessary to trace relatedness across the different business operations of the FBGs.

naged their diversification would seem somehow to reflect on their later internationalization efforts.

Peripheral Diversification: Not only Branching Out but also Bridging Out

Apart from the core activities, a wide range of other sideline business activities is possible. Some are cross-holding or reciprocal investment projects led by other business associates in the bamboo network. Others may be trial stages of FBGs' new ventures, which might be derived from the personal interests of the family members, such as setting up a winery, a yogurt manufacturing plant, a yacht club, or a music school. Hence, on one hand, the peripheral businesses might have the potential to become a new core business, adding to the dynamics of group diversification. For example, a group might expand from one to multiple core business activities if one of its pet projects turn serious. On the other hand, many of the peripheral businesses do not contribute to FBGs' competitive advantage but rather arbitrarily channel resources away the core businesses. This tends to be the case for large and segmented families in which resources are divided, especially after the group's founder is gone (Bertrand, Johnson, Samphantharak & Schoar, 2008).

Despite countless business possibilities, the two most common activities found in terms of peripheral diversification are financial services and real estate (see Appendix C for details). As earlier discussed, these two activities are also prevalent at the core level[21]. This is because finance firms are instrumental for the groups' internal capital markets, while real estate activities are by nature speculative and herded in economic boom periods. Undeniably, the two most common businesses are not justified by the motive of filling in institutional voids; rather, they are opportunistic instruments for empire building. Since it is quite common that FBGs are involved in these two activities along with other peripheral businesses, the wide range of possible peripheral businesses can be put into a relative terms, i.e., constructing different levels of degrees of peripheral diversifica-

[21] At the periphery of the 139 groups, 55 groups (39.6 percent) and 82 groups (59.0 percent) have branched out to financial services and real estate, respectively. If including those that have finance and real estate as their core businesses, then almost half of the 139 groups (64 groups, 46.0 percent) have their own financial arms, and three- fourths of the groups (106 groups, 76.3 percent) have invested in real estate.

tion. That is, groups that do not have more than two sideline businesses (generally, either real estate or finance or both) are considered to have relatively limited peripheral businesses, whereas groups that have more than two sideline businesses are considered to have relatively wide peripheral businesses.

Table 4-7: Degree of peripheral diversification of the 139 FBGs

	No. of groups	*Component firms per group*	*No. of core firms*	*Relative size of core firms*		*Total assets (mil Baht)*
				Small	*Large*	
Relatively limited	78	34	108	58	50	8,835
Relatively wide	61	50	88	40	48	50,041
Total	139	41.1	196	98	98	27,336

Table 4-7 shows that there are 78 groups with relatively limited peripheral businesses and 61 groups with relatively wide peripheral businesses. Also, the wide-peripheral groups yield a higher number of component firms on average and have more relatively large core firms. In addition, since these sideline activities are often collaborative with other groups, the degree of peripheral diversification thus carries some weight of being in the bamboo network. In other words, peripheral diversification is not only about groups branching out from their core business activities, but also about bridging out toward other groups or pools of resources by means of personal connections.

In essence, peripheral diversification represents the easy growth alternative for well-connected FBGs. This, however, might distract them from shaping certain areas of expertise needed to advance in the context of the international market.

Group Diversification With Respect to the Business Activities of the 196 Core Firms

To illustrate how involvement in different business areas may influence group development, Table 4-8 presents the degrees of core and peripheral diversification found in the business activities of the core 196 firms. In other words, securing positions in certain industries might foster FBGs' abilities to further develop their investments.

Table 4-8: Group diversification of the 139 FBGs

	Core diversification		*Peripheral diversification*		*Total*
	One core	*Multiple Core*	*Relatively limited*	*Relatively wide*	
Trade and transportation	15	13	12	16	28
Financial services	0	9	3	6	9
Real estate	12	12	14	10	24
Hospitality services	8	11	12	7	19
Telecommunications	11	5	13	3	16
Subtotal: service	46	35	54	42	96
Resource-intensive	23	19	19	23	42
Labor-intensive	4	4	5	3	8
Scale-intensive	23	16	24	15	39
Differentiated goods	3	2	3	2	5
Science-based	4	2	3	3	6
Subtotal: manufacturing	57	43	54	46	100
Total no. of core firms	103	93	108	88	196

Evidently, the most prevalent business area is financial services, because all nine groups that have their core firms in financial services also have multiple cores and tend also to have relatively widely distributed peripheral business (6 out of 9). For example, the Sophonpanich family controls an empire of 106 component firms on account of controlling Bangkok Bank, the largest commercial bank in Thailand and once the largest in Southeast Asia. The family has very extensive and sizeable investments in both the service and manufacturing sectors in Thailand and across the region, in spite of losing some businesses during the 1997 financial crisis[22]. Due to the weak financial system, the role of financiers, especially of commercial banks, was very powerful; they were at the center of the country's economic boom (Santiprabhob, 2002). By being the intermediaries of money, people and opportunities, the banking groups were thus granted access to engage in a wide range of business areas in association with other

[22] A similar pattern is also found in the cases of the Lamsam, Ratanarak, Wanglee, and Chansrichawala families. The first two families managed to save their banks (known colloquially as the crow gems) but at high costs, while the latter two families lost control over their banks but have still managed to retain control of their insurance companies.

business families[23]. Notwithstanding the damage wrought by the crisis, the financial intermediary role remains attractive, and new groups with successes in other business areas are often found to be venturing into the financial sector.

Apart from the groups with links to the finance sector, there are a number of groups that started in traditional business activities like trading sugar and rice, then branched out to real estate, hospitality, shipping, packaging, or financial services[24]. This classic pattern of FBG formation and development is generally found in the service sector, which tends to have little foreign involvement, as previously discussed. Correspondingly, Table 4-8 shows that the groups involved in the trade and transportation, finance, and resource-based subsectors tend to have more of relatively wide peripheral business, as they are more likely to be in the bamboo network.

Nevertheless, traditional business activities could also be foundational platform from which FBGs undertake more advanced business diversification, in part by allowing them to secure MNC connections. For example, the two largest groups in consumer products originated from commercial trading and later expanded into manufacturing mainly via support from their Japanese partners. Another group extended its hotel holdings and property development business to manufacturing, as well as the retail sale of construction materials, also by attaining foreign endorsements.

A distinct case is found with the CP group that has gained technical support from foreign partners in different industries, starting with the development of its competitive, vertically integrated agribusiness system and later moving into other, more modern areas like petrochemicals and telecommunications. Interestingly, the group seems to benefit from these foreign associations, not only in terms of technical know-how but also in terms of managerial know-how and organizational practices; basically, corporate modernization allows the group to take on new business areas by jointly working with different MNCs in respective areas. As cooperation is something that has to be learned (Axelrod, 1984), particularly in dealing with part-

[23] The banking groups and their peers tended to expand into unproductive sectors; the bandwagon effect in property development and similar fields soon led to massive numbers of non-performing loans.

[24] FBGs like of the Lamsam and Wanglee families were among the 'Big Five' families that dominated the rice industry of Thailand throughout the 1930s and 1940s and later expanded into the banking sector, as well (Suehiro, 1989).

ners from different contexts, it might prove to be a key to success for FBGs that are able to nurture one professional business relationship and then replicate that skill in other relationships as well.

For the relatively smaller one-core groups, there are many interesting characters. Of the manufacturing sector (some 57 core firms of 57 FBGs) are probably most akin to the conventional model of Western corporations. For example, one group has a strong focus on household plastics and melamine products manufacturing, a relatively limited range of peripheral business activities, and is also listed on the stock market. With this profile, it might be expected to have success on the path to internationalization, a conjecture which may merit further investigation.

The remaining one-core groups tend to focus strictly on one traditional business. On one hand, there are some groups that have worked on specialization, updating traditional activities with technical and managerial skills, partly via help from foreign partners, and thus have enhanced their competitiveness over time. For instance, one group has long been a major rice exporter and later placed emphasis on growing organic rice to serve high-end markets. On the other hand, some groups have not showed many signs of improving their competitive advantage, i.e., they have carried on in traditional trading or real estate activities for decades, while also broadly diversifying at the margins. It is notable that these groups tend to be tightly knitted mainly via marriages with other influential families that control top-ranked groups, which perhaps explains their endurances. The benefit of being in the bamboo network is thus obvious in this case. As such, having one dominant core firm does not necessarily mean that the groups favor specialization, especially if that core firm continues to flourish under the shelter of the network.

Hence, the data reveal that there are two distinct principles that contribute to FBG development. The simple principle is based on *connection*, i.e., having already secured a position of influence in pivotal industries, while the more complex one is based on *competence*, i.e., enhancing one's own competitive advantages and specializations. Presumably, this distinction will be reflected in their internationalization paths, as well.

Heritage and Development of the 139 FBGs

By incorporating the historical context with the static organizational characteristics of the 139 FBGs, this section reveals how Thai FBGs, as the dominant form of private capitalization, have evolved along with the country's economic development. In this weak institutional setting, FBGs tend to grow on the basis of personal relationships (Granovetter, 2005) rather than specialization (Khanna & Palepu, 1997; Nachum, 1999). The interconnectedness and reciprocal support that define the bamboo network are evidently prevalent among not only ethnic Chinese firms (cf. Redding, 1990), which comprise the majority of Thai FBGs, but also among other ethnicities. Through this personal web, FBGs often create legally separated firms that are financed via crossholdings when executing new opportunities or extending current activities (Kock & Guillén, 2001). This behavior is reflected by the sheer number of component firms held by Thai FBGs, i.e. being a size indicator. As a result, it is rather complicated to comprehend the business activities and wealth of FBGs and their controlling families. In addition, although many groups have utilized the capital market to create a number of listed firms, the influence of minority shareholders of the listed firms is indeed trivial (Claessens, Djankov & Lang, 2000). Secrecy often prevails because information disclosure is unlikely from the most strategically crucial units, which tend to remain privately held.

Furthermore, as this in-group favoritism implies a working relationship with a familiar set of people, it does not seem to promote innovative development. Instead, the bandwagon effect is often evident in the business activities. Evidently, the money that was pouring into real estate and finance areas during the country's economic boom period led to overly diversified groups and also helped to trigger the financial crisis in 1997. As a result, many groups got contrasted or even disintegrated altogether, as discussed in Chapter 3. Hence, in this growth dynamic, which is not necessarily a linear progression, FBGs are expected to move the focus from leveraging contacts and executing investment projects toward developing technological and organizational capabilities, as advocated by Kock & Guillén (2001).

Notably, groups whose development paths have focused on enhancing the value-added features of traditional lines and/or extending into more sophisticated activities are often found to have associations with foreign partners, especially MNCs from advanced economies. However, few groups have actually excelled in collaborating with culturally-distant counterparts to a sufficient level to grow beyond their administrative heritage; the embedded network has even protected certain groups from adjusting to the challenges posed by globalization (Carney & Gedajlovic, 2002; 2003). How well Thai FBGs have been able to respond to international competition is the issue that will next be addressed.

4.2 Understanding the Internationalization of the 139 FBGs via That of Their 196 Core Firms

By the heritage of FBGs, international markets hold little of their interest, i.e., they are arguably the most unconventional growth dimension. In order to pursue an internationalization strategy, the groups may have to deviate from their initial interest in expanding at home or diversifying laterally to be more enthusiastic in satisfying international market with some of their promising products or services. This section aims to shed light on two questions. The first question is, *to what extent have FBGs engaged in international business activities?*

The current study is designed to help understand how relevant internationalization strategies are to the 139 FBGs by capturing data about the internationalization paths of their 196 core firms, i.e., the main operating units of the analysis. As strategic business units, the 196 core firms are expected to provide the groups with opportunities to participate in international expansion; presumably, they are the firms within the FBGs that have the most potential to compete abroad. To assess the international advancement, the study applies Uppsala internationalization process model (Johanson & Vahlne, 1977), which asserts that firms have an incremental relationship between knowledge development and commitment toward foreign markets. Operationally, internationalization is measured in terms of a *stage* variable, following the classic "establishment chain" (applied by e.g. Barkema, Bell & Pennings, 1996), and two *distance* variables, namely, geographical and bamboo distances, as earlier defined in Chapter 3.

Given these internationalization measures, the next question is to further tease out the answer to the question, *what factors drive the core firms to do business abroad*? Is it due purely to economic reasons (e.g. produce for export), i.e. firm factors? Or, is it because support from their embedded network and other entrepreneurial traits, i.e. group factors? In other words, this section will attempt to explain the degree of each firm's internationalization based on the organizational characteristics identified in Section 4.1.

Apart from this deterministic attempt, it is still important to leave room for other explanations, like the strategic intention to deviate from path-dependency (Hutzschenreuter, Pedersen & Volberda, 2007) or the serendipitous realization of a new business opportunity (Denrell, Fang & Winter, 2003). In this study, a clear example of the serendipity model is the Red Bull energy drink, which has been transformed from being a wholly local and low-end beverage to being the most popular energy drink in the world, after the product was discovered and restyled by an Austrian partner skilled in international marketing[25]. In this instance, Red Bull's international success is far beyond what the firm's organizational characteristics would suggest.

Degree of Internationalization

Following the *stage* and *distance* aspects of the Uppsala model, Table 4-9 presents the internationalization variables that are used to account for the extent to which the 196 core firms have participated in this growth dimension, with respect to the diversification of the 139 groups. Starting with the *stage of internationalization*, Table 4-9 shows, for example, that of the 103 one-core groups, 32 core firms (31.1 percent) are engaged in no regular international business activity. The remaining 71 core firms have internationalized to varying degrees. Of these, 32, 10, and 29 core firms are involved in, respectively, the indirect export, offshore sales subsidiaries, and overseas production stages of internationalization.

[25] Red Bull is an original product of TC Pharmaceutical Industries Co. Ltd., which began in 1978 as a venture of the Yoovidhaya family (FBG#150). By chance, Mr. Dietrich Mateschitz, the Austrian partner, discovered the product and later contacted the Thai group to bring Red Bull first to Europe and then to America and Australia. Note that the product is still controlled by the Thai group in the Asian market.

Table 4-9: Degrees of internationalization with respect to the FBG diversification

	No. of groups	*No. of core firms*	*Stage of internationalization*				*FDI*	*FDI's Geographical distance*			*FDI's Bamboo distance*		
			0. No IB activity	*1. Indirect export*	*2. Offshore sale subsidiary*	*3. Overseas production*	*Stage 2+3*	*1. SE Asia*	*2. Others*	*3. Advanced Western*	*1. Only inside*	*2. Both*	*3. Only outside*
Core diversification													
One-core	103	103	32	32	10	29	39	10	16	13	21	12	6
			(31.1)	(31.1)	(9.7)	(28.2)	(37.9)	(9.7)	(15.5)	(12.6)	(20.4)	(11.7)	(5.8)
Multiple-core	36	93	31	17	12	33	45	9	18	17	20	19	5
			(32.9)	(18.6)	(12.9)	(35.7)	(48.4)	(9.6)	(19.4)	(18.3)	(21.5)	(20.4)	(10.4)
2-core	24	48	13	10	9	16	25	5	10	10	10	10	5
			(27.1)	(20.8)	(18.8)	(33.3)	(52.1)	(10.4)	(20.8)	(20.8)	(20.8)	(20.8)	(10.4)
3-core	6	18	7	4	1	6	7	0	4	3	2	5	0
			(38.9)	(22.2)	(5.6)	(33.3)	(38.9)	(0.0)	(22.2)	(16.7)	(11.1)	(27.8)	(0.0)
4-core	5	20	9	2	1	8	9	2	3	4	5	4	0
			(45.0)	(10.0)	(5.0)	(40.0)	(45.0)	(10.0)	(15.0)	(20.0)	(25.0)	(20.0)	(0.0)
7-core	1	7	2	1	1	3	4	1	3	0	4	0	0
			(28.6)	(14.3)	(14.3)	(42.9)	(57.1)	(14.3)	(42.9)	(0.0)	(57.1)	(0)	(0)
Peripheral div													
Relatively limited	78	108	39	30	10	29	39	6	23	10	21	14	4
			(36.1)	(27.8)	(9.3)	(26.8)	(36.1)	(5.5)	(21.3)	(9.2)	(19.4)	(13.0)	(3.7)
Relatively wide	61	88	24	19	12	33	45	12	13	20	21	17	7
			(27.3)	(21.6)	(13.6)	(37.5)	(51.1)	(13.6)	(14.8)	(22.7)	(23.9)	(19.3)	(7.9)
Total	139	196	63	49	22	62	84	18	36	30	42	31	11
			(32.1)	(25.0)	(11.2)	(31.6)	(42.8)	(9.2)	(18.4)	(15.3)	(21.4)	(15.8)	(5.6)

Note: Figures in parentheses are the percentage of the number of core firms in each respective row.

Notably, groups with greater numbers of core business activities tend to be more advanced in their stage of internationalization. For example, the 5 groups with 4 core firms per group have 40 percent of their core firms in the stage of setting up overseas production; 3 core firms out of the seven-core group have reached the third stage of internationalization, as well. So, in terms of core diversification, the multiple-core groups have more of their core firms at stages 2 and 3 of the internationalization process than do the one-core groups. Likewise, in the realm of peripheral diversification, the groups with relatively wide peripheral business activities are found to be at more advanced stages of internationalization. It is thus interesting to observe that internationalization seems to complement rather than substitute for diversification.

Next to consider is the distance aspect of internationalization, which represents FDI that the 139 groups via the 196 core firms have attained. Note that the FDI figure is equivalent to the combination of setting up offshore sales subsidiaries and overseas production facilities, i.e., stages 2 and 3 of internationalization. The two FDI-distance measures applied are: *geographical distance* and *bamboo distance*. On the whole, the results confirm that the multiple-core groups tend to have more FDI activities (48.4 percent) compared to the one-core groups (37.9 percent). In terms of geographical and bamboo distances, the multiple-core groups also have higher proportions of their core firms that have expanded into more distant locations, as well.

With regards to the cultural concept of bamboo distance, it is interesting that the higher number of core firms per group tends to be negatively associated with the presence of core firms outside of the bamboo network countries. In the case of the Sahapat group, with the highest seven core firms, their overseas investments are only found inside bamboo network countries. Similarly, the groups with 3 and 4 core firms have none of their core firms established outside the bamboo network. Thus, this might be the other side of the same coin – broadly diversified groups are more embedded and thus more dependent on the bamboo network in their development than are the smaller groups. For the entire 11 core firms that have expanded to countries only outside the bamboo network, there are 6 core firms in resource-intensive areas, and most of them (5 out of 6) are in the stage of setting up their offshore sale subsidiaries. Hence, these are unlikely to attract any large-scale FDI activities, but are more likely for serving distant demand with existing local production facilities.

Concerning peripheral diversification, groups with relatively wide peripheral business have slightly more FDI activity and greater strength in unfamiliar contexts like the advanced Western markets.

Again, diversification does not seem to impede internationalization; rather the opposite seems to be true. The groups with either multiple cores or wide peripheral business activities are found to have attained a more advanced degree of internationalization in terms of both stage and distances. This result is starkly contrary to the conventional notion that diversification is considered as a "discount," as it connotes diverting a firm's resources away from specialization and thus away from organizational development in terms of innovation and technology (e.g., Rajan, Servaes & Zingales, 2000; Martin & Sayrak, 2003). This notion is however grounded in the context of developed countries, where stable market conditions and institutions are in place. In the setting of developing countries like Thailand, the diversification turns out to be a "premium," because it conveys the strength of organizations that have been able to grow through different social mechanisms despite institutional voids, information barriers, and other market imperfections (e.g., Khanna & Palepu, 1997; Nachum, 1999).

Table 4-10 recaps the stage and distances of internationalization of the 196 core firms, as shown in Table 4-9, and also converts them to those of the 139 groups, showing the highest stage that any of the core firms within the group has achieved. This key difference is significant because the groups are not necessarily driving all of their core firms toward international expansion.

Initially, the result first repeats that of the 196 core firms. There are 63 core firms (32.1 percent) that do not engage in international business activities, 49 core firms (25.0 percent) that have started the *first* internationalization stage of export via independent agent, 22 core firms (11.2 percent) that have reached the *second* stage of setting up offshore sales subsidiaries, and 62 core firms (31.6 percent) that have attained the *third* stage of establishing overseas production facilities. Considering the backward cumulative percentage, that means that three-fourths of the 139 groups (75.6 percent) have more or less been exposed to international competition; almost half (46.8 percent) can be regarded as international players; and around one-third (36.7 percent) tend to be committed to internationalization, respectively.

Table 4-10: Degrees of internationalization of the 196 core firms and of the 139 FBGs

	No. of core firms			*No. of groups*		
	Count	*%*	*Backward cum. %*	*Count*	*%*	*Backward cum. %*
No regular exporting activities	63	32.1	100.0	34	24.5	100.0
(1) Export via independent agent	49	25.0	67.8	40	28.8	75.6
(2) Creation of an offshore sales subsidiary	22	11.2	42.8	14	10.1	46.8
(3) Creation of an overseas production facility	62	31.6	31.6	51	36.7	36.7
Total	196	100.0		139	100	
No FDI	112	57.1	100.0	74	53.2	100.0
Geographical distance:						
(1) Southeast Asian countries	18	9.2	42.9	12	8.6	46.8
(2) Other countries	36	18.4	33.7	26	18.7	38.1
(3) Advanced Western countries	30	15.3	15.3	27	19.4	19.4
Psychic distance of the bamboo network:						
(1) Only inside the BN countries	42	21.4	42.9	26	18.7	46.8
(2) Both inside and outside the BN countries	31	15.8	21.4	29	20.9	28.1
(3) Only outside the BN countries	11	5.6	5.6	10	7.2	7.2
Total	196	100.0		139	100.0	

Regarding the commitment to the international market, the overall figures suggest that expanding beyond the indirect export mode seems to be a hurdle, as the core firms and groups that have become international players tend to skip the stage of setting up offshore sales subsidiaries and move directly to starting overseas production facilities. However, this might be partly due to the expansion of service firms that usually rely on FDI. Further breakdown with respect to the key business areas will clarify this point. In addition, the variables could not take into account other factors like FDI arrangements (e.g., joint venture or wholly owned, green-field or acquisition), investment size, and so on that also affect the magnitude of the international commitment.

When comparing between the degrees of internationalization measured at the core-firm level and projected to the group level, it is apparent that the internationalization of the groups appears slightly higher than that of the core firms for all three variables. For example, 36.7 percent of the groups have strived for the third stage, while that can be said of only 31.6 percent of the core firms. This might indicate the bamboo network effect has an impact on group internationalization; as exhibited in Table 4-9, the multiple-core groups tend to reach more advanced degrees of internationalization.

Taken together, these two aspects of internationalization suggest that the FBGs have been fairly involved in the international market. Almost half of the groups are international players and around one-third of the groups are committed to the internationalization path with overseas production facilities. Also, it is rational that FDI is spreading from the familiar context outward to terra incognita, yet 15.3 percent of the core firms or 19.4 percent of the groups have expanded into the advanced Western countries. Hence, some of these umbrella organizations have control of certain comparative advantages that allow them to venture out internationally. In addition, as group diversification and internationalization are found to be concomitant, they both highlight the value of the bamboo network to organizational expansion in this context.

Factors Underlying Internationalization

These results lead to the question, *why have some of the groups turned their attention to the international market? Which factors explain their commitment? Are these factors found at the firm level or the group level?* In an attempt to answer these questions, different organizational characteristics are juxtaposed with the degrees of internationalization of the 196 core firms. Note that all the stage, geographical distance, and bamboo distance variables are ordinal, as shown in Table 4-9 and Table 4-10, but are denoted merely by the numbers 1, 2, and 3 in the following tables.

First, Table 4-11 shows the tabulation between the degrees of internationalization of the 196 core firms and their business activities. Clearly, the internationalization behaviors in the service and manufacturing sectors are different. For service firms to expand geographically, it often means setting up production units at the new location, while the progressive stage of internationalization as conceptualized in the Uppsala model is usually more applicable for manufacturing firms. Nevertheless, the pattern of jumping from exporting to carrying out production abroad is still present, as seen when considering only the 100 core firms in the manufacturing sector.

Table 4-11: Internationalization stage and distances vs. business areas

	No. of core firms	Stage				Geog. distance			Bamboo distance		
		0	1	2	3	1	2	3	1	2	3
Trade and transportation	28	13	4	4	7	4	4	3	8	3	0
Financial services	9	6	0	0	3	0	1	2	0	3	0
Real estate	24	14	0	2	8	2	7	1	7	2	1
Hospitality services	19	10	1	0	8	0	2	6	0	7	1
Telecommunications	16	11	0	0	5	2	2	1	3	2	0
Subtotal: service	96	54	5	6	31	8	16	13	18	17	2
Resource-intensive	42	1	18	7	16	6	6	11	11	6	6
Labor-intensive	8	0	5	1	2	0	2	1	2	1	0
Scale-intensive	39	8	15	7	9	4	8	4	9	5	2
Differentiated goods	5	0	2	0	3	0	3	0	1	2	0
Science-based	6	0	4	1	1	0	1	1	1	0	1
Subtotal: manufacturing	100	9	44	16	31	10	20	17	24	14	9
Total	196	63	49	22	62	19	35	30	42	31	11

There are many possible reasons for this pattern. For example, the groups that manufacture products probably require relatively less control over the sale of their goods, since they likely are not sophisticated products like those of MNCs from advanced economies. Also, these companies might be closely acquainted with their indirect export agents, or they might share offshore sales offices with other core firms within the same groups.

Relating to the aspect of distance, similar patterns are found in both the service and manufacturing sectors, though the manufacturing sector has gone a bit further in this regard. Taking into account both stage and distance measures, the most competent business areas are hospitality, resource-intensive business, and differentiated goods, as many of them have not only reached the highest stage of internationalization but have also achieved a business presence in distant locations. This suggests that these core firms possess certain competitive advantages.

Taking a closer look, the internationalized core firms in the hospitality services subsector are in the hospital, restaurant and hotel businesses. For resource-intensive manufacturing, core firms in beverages industry are the most internationalized, followed by those that manufacture other food products. By breaking the food products down into less-processed types like rice, corn, palm oils, etc., and more-processed types like canned and frozen foods, instant noodles, etc., it is shown that the more-processed types of food are also the more internationalized of the two. For differentiated-goods manufacturing, the five core firms are all involved in the production of electrical equipment, e.g., cables and wires, transformers, and automobile lighting equipment; the firms have gained significant technical support from their foreign partners. Note that the FDI activity in the telecommunications sector in advanced Western countries is referred to an R&D unit of the Samart group that was set up in the U.S. in 1995 but liquidated in 1999 due to loss-making operations.

Next, Table 4-12 illustrates the degrees of internationalization of the 196 core firms with respect to knowledge-based variables, both at the levels of core firms and groups. At the core-firm level are variables concerning the core firm's involvement with foreign partners, as presented in Table 4-5, whereas at the group level are the background characteristics of the 139 groups, as seen in Table 4-2. For the core-firm level, core firms with the Western partner in establishing business have mostly (21 out of 23) undertaken some international business activities. However, half of those are limited to export activities. The core firms that were found to have no foreign partners tend to be at more advanced stages and distances of the internationalization process. The reliance on foreign partners at the early stage thus seems to prevent the groups from moving forward with their own international expansion plans.

On the other hand, the presence of foreign partners in the process of expanding businesses seems to promote internationalization, especially at the advanced stage. Particularly constructive are partners from Western countries. Of the 53 core firms, 21 have established overseas production units, 11 of which are in advanced developed countries. In comparison, the core firms with Japanese partners are the least likely to set up production units overseas, while those with other Asian partners are the most geographically constrained within the region. In terms of foreign partner's role, technically related operational support and technological transfer tend to enhance the international competitiveness of the core firms. Thus, higher-level foreign involvement tends to signal the international advancement of the groups.

Table 4-12: Degrees of internationalization vs. knowledge-based variables

	No. of core firms	*Stage*				*Geog. distance*			*Bamboo distance*		
		0	*1*	*2*	*3*	*1*	*2*	*3*	*1*	*2*	*3*
Core-firm level:											
Foreign partner in establishment											
Self	137	51	23	16	47	13	25	25	29	24	10
Asian partner	35	10	16	2	7	0	6	3	5	4	0
Western partner	24	2	10	4	8	5	5	2	8	3	1
Foreign partner in expansion											
No	96	40	17	11	27	7	18	13	18	14	6
Yes	100	23	32	11	35	11	18	17	24	17	5
Distance of the foreign partner											
Asia excl. Japan	12	4	2	1	5	2	3	1	5	1	0
Japan	36	9	14	4	9	2	6	5	6	5	2
Western countries	53	10	16	6	21	7	9	11	13	11	3
Role of the foreign partner											
Secure local distribution	13	6	4	0	3	1	2	0	3	0	0
Operational support	21	1	6	6	8	2	6	6	5	5	4
Financial support	10	6	2	0	2	0	1	1	1	1	0
Technological transfer	51	10	20	4	18	7	8	7	13	9	0
Internationalization	5	0	0	1	4	1	1	3	2	2	1
Group-level :											
Ethnicity											
Chinese	175	55	46	19	55	18	31	25	41	23	10
Thai	12	4	2	1	5	0	4	2	1	5	0
Other	9	4	1	2	2	0	1	3	0	3	1
In the bamboo network											
No	61	22	14	9	11	4	9	7	6	11	3
Yes	135	41	35	13	51	14	27	23	36	20	8
Founder's background											
No FX exp, nor high edu	113	41	28	13	31	11	17	16	25	11	8
FX exp, but no high edu	44	12	10	3	19	5	8	9	11	11	0
High education	39	10	11	6	12	2	11	5	6	9	3
Total	196	63	49	22	62	19	35	30	42	31	11

Concerning the group factors, being Chinese, Thai, or another ethnicity does not seem to matter, but being in the bamboo network leads to a slightly higher level of internationalized activities, especially in terms of a group's likelihood of reaching the third stage of internationalization. Evidently, around three-fourths of the core firms with overseas production units have traces of the in-group favoritism that define them as being part of the bamboo network. Yet, many of these core firms tend to concentrate their international investments within the scope of bamboo network countries, i.e., the 36 instances of FDI activities that were noted. In terms of the founders' backgrounds, founders with foreign experience but without high education and highly educated founders are more likely to lead their core firms into international business activities than were those with neither foreign experience nor high education. Impressively, 19 out of the 23 founders with foreign experience but without high education (82 percent) have taken their core firms to the third stage of internationalization; however, none of their core firms have expanded only to countries outside the bamboo network. Hence, these group-level variables reveal some subtle implications about the internationalization of the core firms, partly because their influences are instrumental in terms of group size and diversification, as hinted at Table 4-2.

Table 4-13: Degrees of internationalization vs. listed status, size and age variables

Degrees of internationalization	*No. of core firms*	*Listed status of core firms*		*Relative size of core firms*		*Component firms per group**	*Age of groups**
		No	*Yes*	*Small*	*Large*		
Stage							
0	63	28	35	39	24	58	59
1	49	27	22	31	18	40	62
2	22	9	13	13	9	58	62
3	62	17	45	15	47	92	58
FDI activity							
No: Stage 0+1	112	55	57	70	42	50	60
Yes: Stage 2+3	84	26	58	28	56	83	59
Geog. distance							
1	19	7	11	9	10	71	61
2	35	10	26	10	25	96	54
3	30	9	21	9	21	76	63
Bamboo distance							
1	42	16	26	15	27	103	58
2	31	6	25	7	24	74	62
3	11	4	7	6	5	33	54
Total	196	81	115	98	98	64	60

Note: Asterisk (*) is to denote that the variable is calculated of the 196 core firms, not the 139 groups.

The last set of organizational characteristics to be contrasted with the degrees of internationalization of the 196 core firms is the listed status of the core firms and the size and age of both the core firms and the groups. The result is displayed in Table 4-13. Notably, the core firms that have ever been listed on stock markets are found to be more likely to be internationalized, especially those having FDI activities and even at the greatest distance of advanced Western countries. Likewise, the relative size of core firms tends to correlate with their stage of internationalization. For example, 47 out of the 62 core firms with overseas production facilities are relatively large firms, while relatively small firms tend to cluster at the earlier stages of the process. As a result, core firms with FDI activities tend to be relatively large and listed firms.

In terms of group size, the stage of internationalization is also found associated with the number of component firms per group. The bigger the groups, the more committed stage of internationalization the core firms can achieve. However, their FDI activities tend to be located around the bamboo network countries, as indicated by the highest average number of component firms per group at 103 firms, while FDI activities that are present only outside the bamboo network are of relatively small groups, i.e., roughly 33 component firms per group. This result corresponds to those shown in Table 4-9 with respect to core diversification. Hence, the size and internationalization variables are fairly correlated and also intertwined with the bamboo network.

The age of groups seems not to play a major role in explaining the internationalization, as discussed. FBGs tend to expand by pooling resources and capabilities from other organizations, including, traditionally, their peers in the bamboo network, or occasionally, other innovation-driven MNCs. Generally, their developments are thus not based on long-term organizational learning, e.g., in-house R&D, expertise attainment, and the like, but rather tend to rely more on idiosyncratic and short-lived factors like the personalities of the group's founders and successors.

Internationalization of the 196 Core Firms

Based on the data drawn from the 196 core firms, i.e., the 139 groups' strategic business units, internationalization is not an unfamiliar growth dimension for Thai FBGs. Of the 196 core firms, three-fourths have engaged in international business activities, almost half are quite active with FDI activity, and one-third are even more committed with overseas production facilities. These international expansions are reasonably in line with the overall organizational development, which might be self-instigated, supported by the expertise of foreign partners (especially MNCs from advanced economies), fostered by pressure from increasing international competition, or caused by other factors. Yet, some of the groups are still sheltered by their embedded networks and seem to benefit sufficiently from engaging in simple business activities in the relatively protected home environment.

Regarding the group diversification structure, it is interesting that the more diversified the groups (both at the core and peripheral levels), the more advanced the internationalization stage at which they tend to be. The one-core groups are largely exporters that might be short on resources and lacking in the intention to become serious international players. Hence, diversification and internationalization are rather complementary in this context. In addition, given the substantial economic power of the top-ranked groups, especially the multiple-core groups with high numbers of component firms per group, they tend to be considered as trustworthy business partners of MNCs investing in the country (Pant & Rahadhyaksha, 1996), thereby possibly strengthening the FBGs' own competence over time. Accordingly, their pervasive economic power has enriched their overall expansion efforts, not only in growing new business opportunities but also in applying their core expertise in different locations.

Nevertheless, according to the distance measures of the core firm's internationalization, the FDI activities of the multiple-core groups are quite restricted within the scope of the bamboo network countries; conversely, the one-core groups break out to further distances. Hence, the multiple-core groups tend to be more reliant upon their embedded network in dealing with cross-border activities. Yet, it is natural that their international expansions would start in a regional context with which they are already largely familiar, plus an obvious growth opportunity nearby like in Mainland China. Their behaviors are thus in line with the Uppsala internationalization process model. For the one-core groups that leaped to farther distances, this might have been in response to their inferior connections and access to top-ranked groups, so as the kind of business areas they are in or left to do, as earlier discussed.

Overall, being a business player originating in the weak institutional setting and network-based context does not necessarily get in the way of being an international player. Some firms and groups are not trapped by the comfort of the network; instead they leverage the benefits of the network to help them build up certain competitive advantages that enable them to transcend their geographical locations as well as their embedded networks. Both strong ties of personal relations and weak ties of newly formed collaborations with competent partners are relevant in fostering the internationalization of FBGs.

4.3 Overseas Peripheral Business: The Relational Aspect

Given the empirical evidence that the bamboo network has some bearing on the internationalization of the 196 core firms, particularly on the firms' FDI locations, it should not be too surprising that some groups have also exploited their network capabilities to take part in areas outside their specialization, not only at home but also overseas. As mentioned, apart from the internationalization at the core business level, it is also possible that FBGs may invest in overseas projects outside their primary domains. With respect to the costs of doing business abroad plus a lack of specialization, economic rationales often do not seem to apply to overseas peripheral business activities. The aim of this section is thus to explore and expose this seemingly absurd but nonetheless intriguing behavior of the FBGs, which involves tracing as much of the overseas peripheral business activities of the 139 groups as possible. Then, characteristics of the overseas peripheral business are examined in relation to the organizational characteristics described in Section 4.1 and the degrees of internationalization of the core firms as discussed in Section 4.2.

Overseas Peripheral Business Activities of the 139 FBGs

Out of the 139 groups, there is evidence that a total of 20 groups have undertaken overseas investment projects outside their core business areas. The 20 groups are listed in alphabetical order according to their family names in Table 4-14, together with some characteristics like the ethnic background of the families, the highest degrees of internationalization that the groups have achieved via their core firms, and details about their overseas peripheral business.

Table 4-14: List of overseas peripheral business activities by family names

Family Name	*Ethnicity*	*Highest degrees of INTZ*			*Overseas Peripheral business*		
		Stage	*Geog. distance*	*Bamboo distance*	*Business areas*	*Country*	*Partner(s)*
19. Burapachaisri (Machinery)	Chinese	3	2	1	1.Airline	Cambodia	FBG#101.
24.Chansrichawala (Real estate)	Indian	0	0	0	1.Finance	Bangladesh	-
					2.Hospitality	India	Harilela group (HK)
					3.Telecom	China	Personal investor (TH)
28.Chearavanont (Agribusiness)	Chinese (Teochiu)	3	3	2	1.Motorcycle	China	-
					2.Real Estate	China	FBG#14
					3.Brewery	China	FBG#11, FBG#34; Heineken (NL)
					4.Retail	China	FBG#131; a Taiwanese partner
					5. Banking	China	FBG#138, Thai Military Bank
					6.Machinery	China	FBG#19
31.Chirathivat (Department store)	Chinese (Hainanese)	3	3	2	1.Hospitality	Hainan, China	The other 4 Hainanese families*
36.Darakananda (Textile & Garment)	Chinese (Teochiu)	3	3	2	1.Education	Hong Kong, Shang-hai	An HK partner, Dulwich College (UK)
51. Karnchanapas (Real estate)	Chinese (Teochiu)	0	0	0	1.Retailing (Watch, Optical Chain)	Hong Kong, SE Asia, Canada	FBG#72
60.Lamsam (Banking)	Chinese (Hakka)	3	3	2	1.Drinking water	Vietnam	FBG#149
					2.Industrial estate	Vietnam	FBG#111, FBG#131, Itochu Corp, Japan
70.Limthongkul (Media)	Chinese (Hainanese)	3	1	1	1.Hospitality	Vietnam, Laos, China	
72.Mahadumrongkul (Retail)	Chinese (Hainanese)	0	0	0	1.Hospitality	Hainan, China	The other 4 Hainanese families*
80.Nganthavee	Chinese	2	3	3	1.Mining	Laos	Laos government,

Family Name	Ethnicity	Highest degrees of INTZ			Overseas Peripheral business		
		Stage	Geog. distance	Bamboo distance	Business areas	Country	Partner(s)
	(Hokkian)						FBG#147
83.Ophaswongse	Chinese (Teochiu)	2	1	1	1.Textile	China	Thai-Chinese Promotion of Investment and Trade Association
85.Owlarn	Chinese (Hainanese)	0	0	0	1.Hospitality	Hainan, China	The other 4 Hainanese families*
101.Sahavat (Furniture)	Chinese	0	0	0	1.Airline 2.Softdrink	Cambodia Cambodia	FBG#19 FBG#102, FBG#118, Frazer & Neave (SG)
104.Shah	Indian	3	3	2	1.Plastics and chemi-cal products	Vietnam, India, South Africa	FBG#78 (another Indian ethnic group)
118.Tangkaravakorn (Paint)	Chinese	3	2	1	1.Soft drinks	Cambodia	FBG#101, FBG#102, Frazer & Neave (SG)
124.Techaruvichit (Hotel)	Chinese (Hainanese)	0	0	0	1.Hospitality	Hainan, China	The other 4 Hainanese families*
131.Umpujh (Department store)	Chinese (Teochiu)	3	2	1	1.Industrial estate	Vietnam	FBG#60, FBG#111, Itochu Corp (JP)
140.Virapuchong (Pharmaceutical)	Chinese	3	2	1	1 Hospitality 2.Media	Cambodia Cambodia	FBG#39 Kantana Group (TH)
149.Yip In Tsoi, Lailert, & Chutrakul (Trading)	Chinese	0	0	0	1.Drinking water	Vietnam	FBG#60
150. Yoovidhaya (Energy drink)	Chinese (Hainanese)	3	3	2	1.Hospitality	Hainan, China	The other 4 Hainanese families*

Note: asterisk (*) denotes that the totally 5 Hainanese families are the Chirathivat (FBG#31), Mahadumrongkul (FBG#72), Owlarn (FBG#85), Techaruvichit (FBG#124), and Yoovihaya families (FBG#150).

Note that the family name is used to identify and unify the realm of each FBG, which can usually be referred to by several corporate names spanning different activities; the family name is marked by the numerical rank of the initial directory of the 150 Thai business groups in Appendix A. Following the family name is the group's *prime* core activity, noted in parenthesis. Accordingly, the first row is FBG number 19, the Burapachaisri family, with their business foundation in the machinery sector. In terms of ethnicity, dialect divisions of ethnic Chinese are indicated if possible to allow for further investigation into different offshoots of the bamboo network. For example, the Chearavanont family is Teochiu and the Chirathivat family is Hainanese. In addition to the ethnic Chinese groups, there are also two ethnic Indian groups with overseas peripheral activities.

The degrees of internationalization are referred to by the ordinal numbers of stage and distances, as explained earlier. The oversea peripheral business details include type of activities, investment countries, and partners in corresponding activities. The partners range from other business groups (e.g., FBG#101 denotes the group controlled by the Sahavat family), other individual business persons, foreign business groups like the Harilela Group (an Indian family based in Hong Kong), to renowned MNCs like Heineken from the Netherlands.

Each of these 20 families is involved in one to three activities, except the CP group of the Chearavanont family (FBG#28), which has the greatest number, a total of six overseas peripheral business activities. In total, there are 23 records of overseas peripheral business activities, since most of the activities are collaborative projects with other family groups. The 23 activities are a subset of the total number of peripheral business activities that the groups have ever pursued (discussed in Section 4.1). Also, it is very important to stress that these are all FDI activities or FDI attempts to set up production units abroad. For the most part, overseas peripheral diversification occurs along the same lines as other domestic peripheral businesses, i.e., the groups invest in new business initiatives that happen to be outside the country. Additionally, there is no information about exporting activities of domestic peripheral business units, so there are assumed to be none to report in these categories.

Rationales Behind Overseas Peripheral Business Activities

Taking a closer look at these collaborative projects, the reasoning used to justify them can range from pure cultural affinity and support to strategy-driven resource-pooling projects. The most obvious cultural-sharing case is the hospitality project of the five Hainanese families that have jointly invested in their ancestral hometown. The five Hainanese families have attained different levels of success in their core businesses, yet their dialect brings them together. This might be a byproduct of many formal associations established to explicitly nourish different ethnic Chinese's sub-cultural identities. Examples in Thailand are the Thai Hainanese Young Executive Society, the Hakka Association of Thailand, and the Teochiu Association of Thailand. In addition, there is an all-inclusive Sino-Thai organization, the Thai Chinese Chamber of Commerce. On a similar note, the overseas peripheral business of the Karnchanapas family (FBG#51) can be traced to the fact that the family has two branches, located in Thailand and Hong Kong. Given that Thailand is the family's base, in this study, the family's core business is categorized as real estate, while the family also runs a Hong Kong-based company, Stelux Holdings, that operates a watch retail and optical chain in Hong Kong, China, and many Southeast Asian countries, as well as Canada.

On the other hand, overseas peripheral business activities may be stimulated by the core firms' penetration into new markets. FBGs of the Sahavat (FBG#101), Burapachaisri (FBG#19), and Tangkaravakorn (FBG#118) families are found to share the same interest in Cambodia. Their collaborative projects likely hinged on the participation of the Vanachai group of the Sahavat family (with its roots in the timber industry, it is today one of Asia's largest wood-based panel producers), which secured key forestry access concessions from the Cambodian government. By leveraging this channel, the Sahavat family, together with other investors, took on other opportunistic projects [26]. Likewise, the CP group of the Chearavanont family (FBG#28) has expanded their already-pervasive business coverage with at least six additional sideline business areas in China (usually

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[26] These included Siam Kampuchea Airline with the Burapachaisri family, which has also set up a sales subsidiary in Cambodia for their core machinery business, and soft drink manufacturing with the Sarasin family (FBG#102), the Coca-Cola bottler in Thailand, and Fraser & Neave, a Singapore-based business group involved in the food and beverage, property, and publishing and printing businesses.

with a number of different projects in each area), in addition to their well-established core business in the agribusiness sector. The CP group is the first multinational to invest in China via the 'open door policy' in 1979 and is also recognized as a major driving force behind China's agricultural reform[27].

Working from this solid ground, the CP group recklessly sprawled to capture immense business opportunities in many other unrelated industries, e.g., motorcycle manufacturing, real estate, beer brewing, banking, etc., and in the domains of their other core businesses, including retail, telecommunications, and petrochemicals. For example, the CP group has two joint ventures in beer brewing: one with Heineken (announced in 1993) and the other with the Boonrawd Brewery (Singa Beer) group of the Bhirom Bhakdi family, an elite Thai family, as well as with the Siam Commercial Bank, controlled by Crown Property Bureau, the investment fund of the Thai Royal family.

Notably, as the overseas peripheral businesses are outside the areas of the group's specialization, the CP group has expanded by pooling resources and capabilities from experienced partners, which can be other fellow FBGs or MNCs in respected industries. This is practically the same method the group has previously used to branch out at home. Interestingly, the CP group's diversification in China turns out to be the prime internationalization channel of many of CP's business partners. In other words, the CP group functions as the gateway to China for many Thai business groups. For instance, the MMC group of the Burapachaisri family (FBG#19) joined with the CP group to set up a heavy machinery repair facility in Kunming, China. The Univest Land group (G#14) announced a US$2 billion real estate project in Shanghai with the CP group in 1993. The Mall Group, a department store chain headed by the Umpujh family (FBG#131) and the CP Group started a shopping complex project in Shanghai in 1995, but it was suspended in 1997 due to unfavorable economic conditions.

Did the CP group really choose their Thai partners based on their expertise? There are several other real estate groups apart from the Univest Land group that was technically bankrupt after the financial

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[27] This success is partly thanks to the 'return home' policy of the Chinese government, designed to attract investment capital from flourishing Chinese Diaspora emigrants around Asia, partly due to the political connection between Mr. Dhanin Chearavanont and key figures in the Chinese government, and lastly down to its own competence in agribusiness.

crisis. For the retail project, why was the investment not made with the Central group, which seems to be a stronger local department store chain? It is interesting to investigate this issue, assessing whether FBGs like the CP group might have made sub-optimal investment decisions as a result of in-group favoritism. Taken together, many of the overseas peripheral business activities point toward the *network-led internationalization* of the FBGs, which also confirms the links found between small and large groups.

Concerning the host countries of the 23 overseas peripheral business activities, almost all of which are emerging economies, hypothetically, this phenomenon may be rather specific to the context of emerging economies, where there is room for investors with excess liquidity and context-specific knowledge (e.g., established connections and other internal organizations' infrastructures) to fill institutional voids. The strong presence of the CP group in China or of the Vanachai group in Cambodia simply allow them to recognize different business opportunities that may be possible in their respective countries. By inviting other business partners to participate, they thus tap into the resources and capabilities needed for executing projects. This kind of window of opportunity seems to emerge along with market liberalization.

Evidently, network-led internationalization is not exclusive to the bamboo network of the ethnic Chinese. As mentioned, there are two ethnic Indian groups that have undertaken some overseas peripheral business activities, as well. The Chansrichawala family invested in a finance firm in Bangladesh and, together with the Harilela family, one of the most prominent Indian families in Hong Kong, in the hospitality business in India. Likewise, the Shah family also ventured into plastics and chemical products with another ethnic Indian group (FBG#78). Driven by a similar logic, these activities also embody the concept of network-led internationalization. Hence, there are some traces of supportive mechanisms and collaboration among the ethnic Indians that are equivalent to the bamboo network of the ethnic Chinese. This seemingly smaller, under-the-radar, but perhaps tighter network is thus named here as the ethnic Indian "curry network."

As collaborative projects like the overseas peripheral business activities are used to define the *being in the bamboo network* variable, it is worth noting that being coded as being *in the bamboo network* does not mean that the groups are all connected and mutually supportive. Indeed, there can be several sub-networks that are segregated from one another according to different dimensions, e.g., dialects, resulting in collaboration within competition in-between, such as with the newly noticed curry network of ethnic Indians. Moreover, being in the bamboo network is coded by records from the past, while the relationships are dynamic and ever-evolving. As such, there can be additional overseas investments emerging alongside new alliances in this open architecture of resource pooling at any time.

Overseas Peripheral Business With Respect to FBG Characteristics

Next, it will be determined whether FBGs with and without overseas peripheral business have different characteristics. Table 4-15 reveals the results of that comparison.

Table 4-15: Comparison between FBGs with and without overseas peripheral business

	with Overseas Peri			*without Overseas Peri*			*Total*
	Subtotal	*FDI*	*No FDI*	*Subtotal*	*FDI*	*No FDI*	
Total number of groups	20	*13*	7	119	*52*	67	139
Component firms per group	75.5	*99*	32	35.4	*45*	28	41.1
Age of groups	65.4	*64*	69	57.8	*55*	60	58.9
Core diversification							
One-core	13	*7*	6	90	*32*	58	103
Multiple-core	7	*6*	1	29	*20*	9	36
Peripheral diversification							
Relatively limited	9	*4*	5	69	*27*	42	78
Relatively wide	11	*9*	2	50	*25*	25	61

The results show that the 20 groups with overseas peripheral business activities are larger (averaging 75.5 component firms per group) than the other 119 groups (with an average of 35.4 component firms per group). Moreover, after removing the 7 groups that none of their core firms have ever pursued international expansion (shown as lower than stage 2 in Table 4.15) from the 20 groups, the remaining 13 groups are clearly among the largest ones in the study, with an average of 99 component firms per group. These groups are often like the CP group that has led the way for other smaller groups' international expansion efforts. Note that the 7 groups without any FDI at the core but with some FDI at the periphery have approximately 32 component firms per group, yet they are relatively larger than the 67 groups without any FDI either at the core or at the periphery (around 28 component firms per group). This again signals the benefits of inclusion in the bamboo network.

In terms of ages, the 20 groups with overseas peripheral business are relatively older (averaging 65.4 years) than the rest, probably owing to the nature of networking relationships that take time to flourish into tangible gains, such as these pet projects. The 7 groups without any FDI at the core level are even older (69 years). Being rather small but old without any international expansion at the core while investing in cross-border activities at the margin, these groups seem to be comfortable under the shelter of the network, putting little effort into enhancing their core competencies. This description characterizes FBGs that are entrenched in their administrative heritage, as discussed at the end of Section 4.

Regarding the group diversification, there is no obvious difference between groups with and without overseas peripheral business, except that groups with overseas peripheral business tend to be the ones with a wider range of peripheral activities, as well. In terms of core diversification, the distinction is more significant within the 20 groups with overseas peripheral business. The 7 relatively small groups without any FDI at the core are mostly in the dominant category of core diversification, while the other 13 groups are more likely to be in the multiple-core group. Again, the key distinction is shown to be between the leaders and the followers of the network-led internationalization process.

Overall, because the overseas peripheral business activities are outside the areas of specialization of the investing groups, this activity appears to be vaguely motivated by typical economic rational arguments, such as exploiting so-called firm-specific advantages. In other words, from the group perspective, these activities are more like FPI than FDI, as they seem to involve no transfer of non-financial assets, such as technology and intellectual capital (Dunning & Dilyard, 1999). Still, the groups tend to contribute in terms of connections and access in certain markets, while some of the co-investors may bring in the ownership advantages required for FDI activities.

4.4 Stylized Facts About the Development and Internationalization of Thai FBGs

Based on the population survey of the 139 Thai FBGs, there are a number of stylized facts yielded as follows:

First, the data confirm the existing understanding set forth in the ethnic Chinese business literature (e.g., Redding, 1995; East Asian Analytical Unit, 1995) that there are only a handful of pervasively diversified FBGs. That is, not so many groups have actually excelled enough in their networking relationships to grow and expand their boundaries. Based on the number of component firms per group, only 8 groups encompass more than 100 component firms. According to the core diversification variable, there are only 36 groups that have multiple-core business activities. For the remaining one-core groups, they tend to be either well-connected with powerful groups and thus rendered relatively complacent by the shelter of the network, or in possession of a clear focus and drive for organizational development. Furthermore, the findings also point out certain links between small and large groups that have important implications for the internationalization of FBGs.

Second, the internationalization is quite a familiar growth dimension. Three-fourths of the FBGs have at least been involved in exporting, almost half have progressed to be international players with some FDI activities, and one-third have even set up production units abroad. Likewise, the distance measures of internationalization show that international expansions tend to have started in areas with which the firms are mostly familiar, with some exceptions, and some have even reached out to distant and sophisticated markets. Overall, the firm and group behaviors are largely aligned with the Uppsala internationalization process model (Johanson & Vahlne, 1977).

Third, it is interesting to note that the more diversified the groups are, the more advanced the internationalization stage at which they tend to be. In other words, the diversification and internationalization are rather complementary in this context, which is different from the conventional management notion (e.g., Rumelt, 1978; Montgomery, 1994; Martin & Sayrak, 2003) but in line with diversification studies of firms in developing countries like those conducted by Nachum (1999; 2004). Plainly, organizational growth is primarily contingent upon the ability to grasp opportunities, pool resources and capabilities, and execute upon them (Kock & Guillén, 2001), while specialization might come later, along with institutional change (Peng, 2003). Nevertheless, it is worth remarking that the multiple-core groups are found to be quite restricted within the scope of the bamboo network countries, while the one-core groups have expanded to farther-flung locales. However, this makes sense on some levels, as the multiple-core groups would be more likely to utilize their embedded network ties in their cross-border activities. In other words, their network reliance has led to the constraint. The small but striving groups, on the other hand, may have to behave rather differently.

Fourth, there are other relevant factors propelling the internationalization process apart from group strength. By considering at the level of strategic business units, i.e., the 196 core firms, factors like business areas and involvement of foreign partners have reflected the organizational development of the groups and revealed their associations with the internationalization measures. For example, being in the manufacturing sector clearly positions the groups to explore exporting opportunities, while the international expansion of service firms mainly occurs through FDI activities. Partnerships with MNCs tend to be supportive as well, especially when involving technical support and similar assistance. Additionally, certain background characteristics, e.g., foreign experience and high educational attainment of the groups' founders, seem to play a part in promoting internationalization. Thus, there are quite a number of influential factors affecting FBG internationalization. A further explanation of how the assorted organizational traits together explain the internationalization processes of the 139 groups via the 196 core firms is presented in Chapter 5.

Fifth, building on their inter-group relationships, the FBGs also sometimes expand internationally in seemingly peculiar arenas that fall outside their own core business domains. Logically, one would think that the overseas peripheral business activities would involve pooling resources and capabilities to take advantage of opportunities in other developing countries rather than their home bases. Such opportunities are especially abundant in newly opened economies like China or Cambodia, found in this study. This might also explain the recent phenomenon of many MNC subsidiaries in China that are found to resemble diversified business groups (Ma & Delios, 2009). According to the data gathered here, these opportunistic investments are often precipitated by a group having a strong presence in the foreign country and only followed later by those with specific skills and perhaps others with financial surpluses. Altogether, the FBGs are instrumental in the so-called network-led internationalization.

Lastly, in the words of John H. Dunning, it is the "relational assets" (Dunning, 2002, 2004) that the groups possess that rationalize their overseas peripheral business activities, not the traditional OLI (ownership, location, and internalization) paradigm of international production (Dunning, 1977, 1979). Furthermore, it is the relational assets, i.e., the group's networking capability, that allow other elements to contribute to the process. Particularly when considering the international expansion of the 196 core firms, the bamboo distance of internationalization measure is a clear manifestation of the significance of these relational assets. Still, it is worth emphasizing that the relational assets identified in this study are mainly derived from personal relationships to business relationships, which in Dunning's works are motivated by business transactions to business relationships. Hence, some of the international business activities in this study are more sociologically driven and less rational in an economic sense.

In response to the increasing role of unconventional or newly evolving forms of business organizations in this globalizing world, the OLI paradigm, as discussed, has incorporated the R-specific advantage, or R-asset, as a means of understanding the international expansion of network-based organizations, including FBGs (Dunning, 1995). This also corresponds with the newly suggested concept of liabilities of outsidership in explaining the internationalization process (Johanson & Vahlne, 2009).

Chapter 5

Explaining Internationalization: Multivariate Data Analysis

Internationalization is not an unfamiliar growth dimension for many Thai business groups, as shown in Chapter 4. Three-fourths of the 139 business groups have been involved in at least exporting activities, almost half are quite active with FDI activities, and one-third are even more committed with overseas production facilities. Yet, their international expansions are somewhat bounded within the familiar context where the bamboo network is present. In addition, there are a number of odd cases in which the groups have invested overseas in domains that do not relate to their areas of specialization, a move that cannot be explained by economic rationale, but is better accounted for by personal motives and opportunistic behavior. Hence, internationalization is not only possible, but it can occur at any level of business activity, whether core or peripheral, it can involve any component of FBGs, and it may take place for many reasons.

Viewing internationalization as an outcome of the organizational development of firms from emerging economies puts the focus on analyzing the progress of the groups' strategic business units. In other words, the internationalization of the 196 core firms belonging to the 139 FBGs is to some extent explained by the groups' overall development, characteristics and strategies. Some of these relationships were revealed by the simple cross-tabulations in Chapter 4, and some particular aspects of these relationships call for more attention. For example, group diversification does not seem to hamper internationalization, as the conventional management literature would seem to suggest. Indeed, quite the opposite is true because in this context as diversification tends to intertwine with networking capabilities to help firms attain the opportunities, resources, or skills needed for organizational development. Particularly interesting are the firms' collaborations with foreign partners, which seems to favor internationalization, at least if coupled with organizational learning. In addition, other background characteristics like ethnicity and the experience level of the groups' founders seem to be relevant in determining where or how far the international expansion will lead.

This chapter aims to explore all of the assorted organizational characteristics by applying multivariate data analysis in order to systematically explain the internationalization of Thai FBGs. In doing so, the first section discusses the units of analysis that reconcile both the research focus and the methodological choices of the current study. The second section describes the analytical techniques used, based on the nature of dependent and independent variables. As a result, different logistic regression models are applied; the statistical results are shown in the third section. The fourth section discusses the regression results. Lastly, the fifth section concludes the chapter and summarizes the overall findings by applying the quantitative lens, i.e., both the simple and the more sophisticated statistical techniques presented in Chapter 4 and 5.

5.1 Modeling Hierarchical Data From the 139 FBGs and Their 196 Core Firms

The quest for systematic understanding of the internationalization of the 139 FBGs requires analysis of the internationalization of their strategic business units, rather than of their opportunistic peripheral business activities overseas. The internationalization processes of the 196 core firms are hypothetically determined by the organizational traits that are measured at both the group and core firm levels. Following this two-tier categorization into core firm and group levels, the data structure is hierarchical. The core firm-level data is nested within the group-level data; the core firm variables are level-1 variables and the group variables are level-2 variables. To handle such hierarchical data, three approaches were considered for application in this study.

The simplest and most common approach is to ignore the multilevel of analysis by disaggregating the 139 group-level data set to the 196 core firms using a non-multilevel method, such as an ordinary least square (OLS) regression. The disaggregation approach is acceptable if the ratio of level 1 to level 2 is small (Arregle, Hebert & Beamish, 2006). However, no exact threshold is explicitly suggested in the literature. Instead, an example of a high ratio is given; in entry mode research that generally features both environment / FDI-level and firm-level determinants, the ratio of 75 FDIs per Japanese multinational in a 1996 study by Yiu & Makino (2002) is considered alarmingly high. For such a high ratio, disaggregation becomes problematic as it brings about spurious disaggregation, misestimated precision, and ignorance of intra-class correlation, which can increase Type 1 and Type 2 errors. Moreover, statistical inferences of the disaggregation approach tend to underestimate the effect of level-2 variables and overestimate the effect of level-1 variables.

Secondly, in response to these concerns, the multilevel method has been recommended as a way to capture the nested structure of a data set (Heck & Thomas, 2000). However, this statistical method is quite complicated, which might not be necessary if the disaggregation concern, i.e. the ratio of level 1 to level 2, is trivial. Considering the ratio of core firms per group equal to 1.4, i.e., only 39 groups with multiple cores that mostly have only a few core firms each, the multilevel method seems to be an unnecessary complication for this dataset. Still, the disaggregation approach is not ideal in a study such as this one that focuses on a group-level phenomenon, as disaggregated estimations tend to dilute the significance of the group-level variables.

Consequently, a third alternative, the aggregation approach, will instead be applied in order to highlight the group phenomenon. It is worth emphasizing that this approach is reasonable here as guided by the research question and conceptual thinking, although it is not used frequently in other studies (e.g., De Leeuw, 1992). To use it, the model will be fitted at the group level (N_1 = 139). For the 39 multiple-core groups, the variables measured at the core-firm level are aggregated to the group level by assuming characteristics of the *prime* core firms in each group (ignoring those of the other core firms) in order to take into account the path dependency of organizational development. For the degrees of internationalization, the highest stage and the farthest geographical and bamboo distances of internationalization that their core firms of each group have ever achieved are employed. This follows a fairly realistic assumption that the groups do not necessarily pursue internationalization for each of their core firms. So, it is sufficient to focus on capturing only the one with the most obvious strategic intention and then referring to that as the group's interest. Again, the study is about the internationalization of overall groups, rather than of individual firms.

Hence, via the aggregation approach the primary modeling is conducted at the group level (N_1 = 139). Then, the same analysis will also be repeated at the core firm level (N_2 = 196) with the disaggregation approach in order to check for robustness.

5.2 Logistic Regression Models

Regarding the dependent variables, the stages and distances of internationalization are ordinal categorical variables by their construct, whereas the independent variables, i.e., the organizational characteristics, are a mix of discrete categorical and continuous numerical variables. A suitable method for this data set is logistic regression, an asymptotic method used to fit different types of categorical dependent variable as well as to accommodate both discrete and continuous independent variables. Moreover, this technique is commonly applied in the internationalization and entry model research (e.g., Dikova & van Witteloostuijn, 2007; Slagen & Hennart, 2008). Note that I also tried to apply multiple discriminant analysis, but the data did not fulfill a basic assumption – homogeneity of variance-covariance matrices – required by the method.

Logistic regression is used for predicting the probability that some specific event will occur, which in this case is the probability that the group's internationalization progresses to certain stages or distances. There are three kinds of logistic regression models according to different types of dependent variable. The first one is binary logistic regression, which is used to address a dichotomy, i.e., two-categorical responses. Secondly, multinomial logistic regression aims to handle the case of polytomous dependent variables, i.e., more classes than two. Lastly, if multiple classes of the dependent variables can be ranked, then ordinal logistic regression is preferred. This approach assumes that the effect of independent variables is the same for each level of the dependent variables; only the intercepts vary for different classes of the dependent variables. This crucial assumption is the so-called "test of parallel lines." If the assumption is not satisfied, ordinal regression cannot be used. Instead, multinomial logistic regression is more appropriate for fitting different equations to each class of the dependent variable.

Table 5-1: Dependent variables, degrees of internationalization

Categorical type	*Variable name*	*Definition*
Dichotomous	INTZ_EXPORT	0 = no regular international business activity 1 = having regular international business activities
	INTZ_FDI_SALE	0 = no FDI activity 1 = having FDI activities (both creation of offshore sales subsidiaries and overseas production facilities)
	INTZ_FDI_PRODUCE	0 = no overseas production facility 1 = having overseas production facilities
Polytomous	INTZ_STAGE	0 = no regular exporting activity 1 = export via independent agent 2 = having FDI activities (both creation of offshore sales subsidiaries and overseas production facilities)
	INTZ_GEO	0 = no FDI activity 1 = Southeast Asian countries and other countries 2 = Advanced Western countries
	INTZ_BAMBOO	0 = no FDI activity 1 = Only inside the bamboo network countries 2 = Both inside and outside the bamboo network countries and only outside the bamboo network countries

In the current study, the three models of logistic regression are applied for the different dependent variables. Table 5-1 exhibits the six different internationalization measures. There are three dichotomous variables, which divide groups and core firms into different stages of internationalization, and which together make up the first polytomous "stage of internationalization" variable. The latter two polytomous variables are geographical and bamboo distances of internationalization, respectively. Note that all the polytomous dependent variables are recoded from originally comprising four categories into three categories. Categories with similar characteristics, as suggested by simple statistics and later confirmed by the multivariate results, are merged. For example, creation of offshore sales subsidiaries and overseas production facilities are both coded as FDI activities in the construction of the INTZ_STAGE variable. Note that the abbreviations of variables presented in Table 5-1 as well as in Table 5-2 are used for reporting the regression results in the following tables.

Table 5-2: Crosstabs between the dependent and categorical independent variables (N_1 = 139)

	INTZ_STAGE			*INTZ_GEO*			*INTZ_BAMBOO*			*Total row*
	0	*1*	*2*	*0*	*1*	*2*	*0*	*1*	*2*	
Core diversification (CORE_D)										
0 = One core	33	31	39	64	26	13	64	21	18	103
1 = Multiple cores	1	9	26	10	12	14	10	5	21	36
Peripheral diversification (PERI_D)										
0 = Relatively limited	22	25	31	47	21	10	47	13	18	79
1 = Relatively wide	12	15	34	27	17	17	27	13	21	60
Ethnicity (ETHNICITY)										
0 = Chinese	30	37	57	67	34	23	67	26	31	124
1 = Thai and others	4	3	8	7	4	4	7	0	8	15
In the bamboo network (BAMBOO_N)										
0 = No	14	12	17	26	11	6	26	4	13	43
1 = Yes	20	28	48	48	27	21	48	22	26	96
Founder's background (FOUNDER)										
0 = Neither foreign exp nor high edu	19	26	35	45	20	15	45	17	18	80
1 = foreign exp, no high edu	6	8	15	14	8	7	14	6	9	29
2 = high edu	9	6	15	15	10	5	15	3	12	30
Business sector (SER_MANU)										
0 = Service	30	6	27	36	17	10	36	11	16	63
1 = Manufacturing	4	34	38	38	21	17	38	15	23	76
Foreign partner in establishment (FP_EST)										
0 = No	31	21	53	52	29	24	52	21	32	105
1 = Yes	3	19	12	22	9	3	22	5	7	34
Foreign partner in expansion (FP_EXP)										
0 = No	27	15	33	42	20	13	42	14	19	75
1 = Yes	7	25	32	32	18	14	32	12	20	64
Size of core firms (FIRM_SIZE)										
0 = Relatively small	23	25	24	48	13	11	48	9	15	72
1 = Relatively large	11	15	41	26	25	16	26	17	24	67
Listed status of core firms (LISTED)										
0 = never listed	20	19	20	39	13	7	39	12	8	59
1 = ever listed	14	21	45	35	25	20	35	14	31	80
Total column	34	40	65	74	38	27	74	26	39	139

Table 5-2 shows the crosstab between the dependent and independent variables of $N_1 = 139$, while that of $N_2 = 196$ is presented in Appendix E. Combining categories of categorical variables has also been required for the independent variables. This is to ensure that there are adequate cell counts to run the logistic models, especially in these rather small sets of observations ($N_1 = 139$ and $N_2 = 196$). The presence of small or empty cells may cause the logistic model, which is an asymptotic method and uses maximum likelihood estimation (MLE), to become unstable, reporting implausibly large coefficient estimates and odds ratios for independent variables, or even resulting in a situation in which it is impossible to determine a solution (Agresti, 2002; Garson, 2009). The rule of thumb is that there should be no empty cells and that more than 20 percent of the cells should have at least five counts in the crosstab (Garson, 2009). As such, the ETHNICITY variable at the group-level data does not satisfy the demand for adequate cell counts. I experimented with both including and excluding the variable in the group-level analysis. As the estimations turned out to be stable, the variable is kept and thus the comparable set of independent variables can be used in both group-level and core firm-level analyses.

Altogether, there are ten categorical independent variables; most of their categories are collapsed into dichotomies except the FOUNDER variable[28]. The Spearman correlation matrices for the two levels of observations ($N_1 = 139$ and $N_2 = 196$) are also presented in Appendix E.

5.3 Regression Results

For simplicity of interpreting the results, all logistic regression models are set to predict the chance of groups / core firms advancing their internationalization efforts. Regarding categorical independent variables, the parameter estimates are presented for all categories but for the reference category of any given variable. This expresses how being in that category, instead of in the reference one, affects a group or core firm's chances of reaching a higher level of internationaliza-

[28] To remind the definition of the founder's background, their three categories are sufficient to cover all cases, as the founders with high educational attainment are all found to haveing foreign experience, mainly through their education.

tion. For continuous independent variables, the interpretation of the data is straightforward.

In addition, for each dependent variable, two models are reported. The first is a full model that incorporates all the independent variables; the latter is a parsimonious model in which the regression runs through a backward elimination process, leaving only the independent variables with at least a 10 percent level of significance. Note that for all the dependent variables, both full and parsimonious models yield fairly similar results for those independent variables that appear in both types of models.

In terms of result reports, the standard procedure of statistical significance tests is presented to signify the power of tested variable and draw inferences. Still, the reading should not neglect other variables that appear without stars indicating statistical significance, because all differences are argued to be meaningful based on the population data (Leahey, 2005).

Group-Level Analysis (N_1 = 139)

Starting with the group-level analysis, regression results are shown in Table 5-3 and Table 5-4 below for the dichotomous and polytomous dependent variables, respectively.

To interpret the results, take the example of the coefficients of core diversification in Table 5-3, which are all positive. This means that groups with multiple core firms, coded as "CORE_D = 1", are found to have a greater chance of being internationalized (for all three dichotomous measures) than the groups with one core firm, "CORE_D = 0". For the dichotomous dependent variables, Model 1.1 and Model 1.2 systematically show that the probabilities of the groups having at least been involved in export activities are increased when the groups are of the multiple-core type, are in the bamboo network, have their prime core firms in the manufacturing sector, and have joined with foreign partners in expanding their prime core firms.

Table 5-3: Results of binary logistic regression of the 139 FBGs

	INTZ_EXPORT		*INTZ_FDI_SALE*		*INTZ_FDI_PRODUCE*	
	Model 1.1	*Model 1.2*	*Model 2.1*	*Model 2.2*	*Model 3.1*	*Model 3.2*
Intercept	-0.901	-0.755	-0.960	-0.394	-1.752	-0.665
	(1.124)	(0.887)	(0.797)	(0.584)	(0.927)	(0.640)
Categorical:						
CORE_D= 1	4.550***	4.930***	1.778***	1.793***	1.483***	1.492***
	(1.400)	(1.387)	(0.543)	(0.499)	(0.563)	(0.476)
PERI_D = 1	0.323	-	0.946**	0.883**	0.558	
	(0.686)		(0.447)	(0.416)	(0.468)	
ETHNICITY = 1	0.809	-	0.668		1.251	
	(1.026)		(0.717)		0.792	
BAMBOO_N = 1	1.247*	1.275**	0.000	-	0.603	-
	(0.687)	(0.629)	(0.480)		(0.540)	
FOUNDER = 1	0.034	-	0.104	-	0.108	-
	(0.780)		(0.555)		(0.584)	
FOUNDER = 2	-0.236	-	0.609	-	0.119	-
	(0.809)		(0.557)		(0.603)	
SER_MANU = 1	3.276***	3.233***	0.676	-	-0.112	-
	(0.751)	(0.694)	(0.460)		(0.491)	
FP_EST = 1	0.063		-1.704***	-1.321**	-1.176*	-0.856*
	(1.102)		(0.631)	(0.565)	(0.652)	(0.518)
FP_EXP = 1	1.771**	1.757***	0.887*	0.913*	0.649	
	(0.727)	(0.625)	(0.523)	(0.488)	(0.548)	
FIRM_SIZE = 1	0.245	-	1.139**	0.967**	1.685***	1.903***
	(0.651)		(0.439)	(0.403)	(0.476)	(0.431)
LISTED = 1	0.262		-0.138		0.537	
	(0.665)		(0.468)		(0.504)	
Covariate:						
AGE_GROUP	-0.028*	-0.024*	-0.019*	-0.020**	-0.022*	-0.020*
	(0.016)	(0.013)	(0.011)	(0.010)	(0.012)	(0.011)
Model Chi-square	73.734***	72.506***	39.865***	35.604***	47.961***	39.598***
Pseudo R-square	0.613	0.605	0.333	0.302	0.399	0.339
Overall % correct						
Model	86.3	87.1	73.4	71.9	75.5	75.5
Null	75.5	75.5	53.2	53.2	63.3	63.3

Note: Variable marginal effects are reported. Standard errors are in parenthesis.
*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$

Notably, the influence of core diversification (CORE_D) and business sector (SER_MANU) variables are distinct, offering the two highest coefficient values. Again, the diversification discount concept is challenged, presumably because of the weak institutional setting in Thailand. Also, being in the manufacturing sector provides a straightforward base from which to engage in export activities as the first stage of internationalization, while involvement in the service sector tends to require more complex forms of international expansion, i.e., FDI. Additional drivers for internationalization are support from the bamboo network and foreign partners. For the age of groups, the coefficient values are slightly negative and significant at 10 percent in both Model 1.1 and Model 1.2. So, the older the groups are, the more locally oriented they tend to be. Similar results are also found with AGE_GROUP in the following models with other internationalization measures. Comparing the full and parsimonious models, the values and directions of the coefficients are stable.

For the next stage of internationalization in Model 2.1 and Model 2.2, the larger the groups are in terms of both core and peripheral diversifications, the greater the likelihood that the group is engaged in at least some international business activities, such as setting up sales subsidiaries or production units abroad. The size of the prime core firm, which does not matter at the exporting stage, turns out to be positively related with international expansion. In contrast, being in the manufacturing or service sectors no longer matters at this stage.

Particularly noteworthy are the two variables pertaining to foreign involvement, which yield conflicting results: the negative impact of foreign partners in establishment (FP_EST) and the positive impact of foreign partners in expansion (FP_EXP). The FP_EST variable, on the one hand, suggests that the reliance on foreign partners at the early stage of business development seems to reduce the autonomy of Thai business groups to initiate their own international ventures. In practice, many groups take the role of helping MNCs from advanced economies to penetrate the Thai market, e.g., by being OEM producers or acquiring franchises. At the same time, the foreign MNCs are already likely to have a strong business presence in other countries. Thus, encouraging more international competitors would not be beneficial from the MNCs' perspective. On the other hand, the FP_EXP variable tends to indicate a greater level of collaboration with MNCs, particularly in terms of technological support, as shown in Chapter 4. In other words, the variable is often an element of organizational development, thereby enhancing the internationalization process.

Concerning Model 3.1 and Model 3.2, the results are comparable with those for Model 2.1 and Model 2.2, which is not surprising given that both variables represent foreign direct investment (FDI) in terms of either setting up sales subsidiaries or production facilities abroad. Although the variables of both peripheral diversification (PERI_D) and foreign partners in expansion (FP_EXP) are no longer significant at the 10 percent level, the signs of the coefficients remain unchanged. Thus, it makes sense to collapse these two stages of internationalization together, as mentioned, in the polytomous measure of the internationalization stages.

Overall, the model chi-square statistical tests show that the sets of independent variables enhance the prediction ability of the probabilities of internationalization, in comparison with the null hypothesis that all coefficients except the intercept are zero. In every tested model, the null hypothesis is rejected; the model chi-square significance is high across the board ($P < 0.01$). Moreover, by comparing the pseudo R-square (Nagelkerke R^2) of the six models of the three dichotomous dependent variables, it is obvious that the same set of parameters is better at explaining the export stage than the more advanced stages of internationalization, largely because of the clear advantage of being in the manufacturing sector for exporting. The decreasing R^2 at the higher stage of internationalization is unsurprising, as conceptually explained by the lack of other relevant factors, like host-country characteristics, strategic intention of the groups/core firms, and so forth. Similarly, in terms of predictability, reported as overall percentage of correct predictions of the tested model versus the null model, Model 1.1 and Model 1.2 show good results, as they can accurately predict the outcomes at 86.3 percent. The other models are also fairly accurate, resulting in correct predictions around 70 percent of the time. Yet, when compared with the corresponding null models, the prediction of Model 1.1 and Model 1.2 are around 15 percent better than the null model, while the other models yield greater improvements.

Table 5-4: Results of multiple and ordinal logistic regression of the 139 FBGs

	INTZ_STAGE				*INTZ_GEO*		*INTZ_BAMBOO*	
	Model 4.1		*Model 4.2*		*Model 5.1*	*Model 5.2*	*Model 6.1*	*Model 6.2*
	Export	*FDI*	*Export*	*FDI*				
Intercept	-2.671**	-1.127	-1.721 *	-0.187	-	-	-	-
	(1.354)	(1.165)	(0.967)	(0.810)				
Threshold: INZT_								
GEO/BAMBOO = 0					1.383***	1.926***	1.222**	1.370***
					(0.578)	(0.355)	(0.576)	(0.526)
GEO/BN = 1					2.703***	3.221***	2.077***	2.218***
					(0.610)	(0.417)	(0.595)	(0.548)
Categorical:								
CORE_D = 1	3.828**	4.732***	3.867***	4.540***	1.281***	1.159***	1.529***	1.493***
	(1.492)	(1.429)	(1.362)	(1.321)	(0.328)	(0.284)	(0.336)	(0.297)
PERI_D = 1	-0.404	0.677	-	-	0.792***	0.674**	0.922***	0.807***
	(0.784)	(0.707)			(0.283)	(0.272)	(0.292)	(0.281)
ETHNICITY = 1	0.811	0.933	-	-	0.276	-	0.448	
	(1.207)	(1.064)			(0.448)		(0.430)	
BAMBOO_N= 1	1.577*	1.133	-	-	0.076	-	-0.195	
	(0.815)	(0.716)			(0.334)		(0.329)	
FOUNDER = 1	0.012	0.016	-	-	0.155	0.013	0.297	0.269
	(0.892)	(0.814)			(0.353)	(0.330)	(0.359)	(0.351)
FOUNDER = 2	-0.994	-0.027	-	-	0.524	0.657*	0.833**	0.859**
	(0.953)	(0.835)			(0.363)	(0.338)	(0.361)	(0.346)
SER_MANU = 1	3.778***	2.959***	3.675***	2.828***	0.693**	0.591**	0.591*	0.513*

	INTZ_STAGE				*INTZ_GEO*		*INTZ_BAMBOO*	
	Model 4.1		*Model 4.2*		*Model 5.1*	*Model 5.2*	*Model 6.1*	*Model 6.2*
	Export	*FDI*	*Export*	*FDI*				
	(0.847)	(0.779)	(0.774)	(0.716)	(0.300)	(0.289)	(0.302)	(0.294)
FP_EST = 1	0.894	-0.786	0.237	-1.093	-1.389***	-1.474***	-1.442***	-1.444***
	(1.164)	(1.138)	(1.022)	(1.012)	(0.397)	(0.391)	(0.397)	(0.397)
FP_EXP = 1	1.652*	1.833**	1.667**	1.790**	0.552*	0.670**	0.701**	0.746**
	(0.834)	(0.750)	(0.810)	(0.705)	(0.327)	(0.317)	(0.333)	(0.326)
FIRM_SIZE = 1	-0.680	0.650	-0.375	0.834	0.752**	0.757***	0.779***	0.721***
	(0.765)	(0.676)	(0.675)	(0.588)	(0.295)	(0.286)	(0.298)	(0.288)
LISTED = 1	0.501	0.188			-0.190		-0.137	
	(0.775)	(0.690)			(0.325)		(0.327)	
Covariate:								
AGE_GROUP	-0.015	-0.034**	-0.014	-0.029**	-0.011	-	-0.015**	-0.013*
	(0.018)	(0.016)	(0.015)	(0.014)	(0.007)		(0.007)	(.007)
Test of parallel lines								
P-value	-		-		.645	.781	.180	.474
Model Chi-square	104.899***		93.485***		46.081***	43.780***	52.685***	50.954***
Pseudo R-square	0.602		0.557		0.325	0.312	0.364	0.354
Overall % correct								
Model	68.3		72.7		61.9	63.3	66.2	65.5
Null	46.8		46.8		53.2	53.2	53.2	53.2

Note: Variable marginal effects were reported. Standard errors in parenthesis.
*** p < 0.01; ** p < 0.05; * p <0.10

Next, the analysis of the polytomous dependent variables is shown in Table 5-4. First, multinomial logistic regression is applied for the stage of internationalization in Model 4.1 and Model 4.2, where separate parameter estimates are derived for each predicted stage of internationalization. As expected from the results of binary logistic regression models showing that the probability of pursuing FDI activities is determined by a different set of parameters from that of pursuing export activities, the stage of internationalization variable does not pass the test of parallel lines needed for fitting the ordinal regression model.

The results in Model 4.1 and Model 4.2 reveal that being in multiple-core groups, having prime core-firm involvement in manufacturing sector, having a foreign partner in expansion, being relatively large in size, and being a relatively young group all bestow greater chances of being at either the exporting or FDI stages than of being at the reference stage (i.e., engaging in no regular international business activities). It should be noted, especially in Model 4.2, that the variables for foreign partner in establishment (FP_EST) and size of core firms (FIRM_SIZE) are kept, although the coefficients are not significant even at the 10 percent level. This is done because both variables account for advancement from the export stage to the FDI stage, which is not presented here. In other words, both variables would appear as significant if using either the export stage or the FDI stage as the reference category, instead of using the current one, i.e., not having any regular international business activity

Accordingly, the variables are merited by taking into account the effects at all of the dissected stages of internationalization and inferred by Likelihood Ratio Tests, shown in Appendix D. For that reason, the BAMBOO_N variable shows a positive result ($p < 0.10$) toward the export stage in Model 4.1; however, it does not play a part in shifting from exporting to FDI. As such, the overall impact of being in the bamboo network is not sufficient to endure in the parsimonious Model 4.2.

Next, it is worth pointing out that opposite signs of coefficients at the export and FDI stages are found for the FP_EST and FIRM_SIZE variables. In the case of FP_EST, it strongly confirms the results from the binary logistic regression in Table 5-3, that is, that having a foreign partner in the establishment phase supports export activities, but it does the opposite for FDI activities. Likewise, the coefficients of FIRM_SIZE mean that smaller firms are more likely to engage in export activities than remaining solely domestic in their scope, while the even larger firms need to expand overseas via FDI rather than remaining static in the manner of the large domestic firms. Accordingly, different organizational profiles would indicate different stages of internationalization.

To further scrutinize some of the factors underlying FDI activity, the distances of internationalization are explored. Ordinal regression is applied for both geographical distance (in Model 5.1 and Model 5.2) and bamboo network distance (in Model 6.1 and Model 6.2), resulting in insignificant P-values for all the tests of parallel lines shown in Table 5-4. This means that the same parameter estimates are used for all dependent categories, which vary by different threshold values. Note that the link function (which transforms the probabilities yielded from the linear model to the predicted discrete outcomes) that is used in this study's ordinal regression models is the negative log-log function. This kind of link function is recommended when lower categories of the dependent variable are more probable than higher categories, e.g., in this case, where the outcome of having no FDI activity is more likely than that of having FDI activities.

Considering all four models of both distance measures, the results are akin and also quite comparable to those explaining the FDI stage of internationalization. Hence, similar characteristics are needed for pursuing international expansion whether measured in terms of entry mode or distances. In other words, groups would likely be active international players engaging in FDI activity if they are multiple-core groups, if their prime core firms are in the manufacturing sector, if the opportunities are not found via foreign partners, if the firms have foreign support at expansion, and if the firms are relatively large. Concerning the age variable, the coefficients are negative for all models, but they are not statistically significant for geographical distance.

Two additional factors that are relevant for the distances of internationalization are the peripheral diversification (PERI_D) and founder's background (FOUNDER) variables. As a large part of the peripheral diversification is in the form of collaborative projects, this factor is another signal for the bamboo network and thus for the strength of the groups. Accordingly, the relatively broad scope of their peripheral business activities also coincides with a more advanced internationalization stage. Regarding founder background, founders with high education tend to induce the groups to expand outside the familiar context, particularly outside of the context of bamboo network countries; the same association is also found (though it is not significant) for founders with foreign experience but without high educational attainment.

Regarding the bamboo network variable, despite being statistically insignificant, it is worth pointing at the opposite signs that emerge from the analysis of the geographical and bamboo distances. The coefficient of BAMBOO_N = 1 in Model 5.1 is positive though almost indistinguishable from zero, while the coefficient in Model 6.1 has a slightly negative value. This means that although being in the bamboo network has not influenced the geographical reach of the groups, it might discourage the groups from expanding outside of the bamboo countries.

Altogether, both the group and core-firm factors play significant roles in explaining the internationalization of Thai FBGs. The strength of the groups in terms of both core and peripheral diversification definitely plays a role in pushing their core firms to venture out internationally and at greater distance. While being in the bamboo network helps with the initiation of export activity, it turns to be more specific characteristics like high education and foreign experience that push the international expansion process outside the comfort zone of the neighboring and the bamboo network countries. In terms of the age of groups, the younger groups are quicker to internationalize. Regarding the core firm factors, having the prime core firm in the manufacturing sector clearly boosts the chance of exporting; the impact is, however, lower at the more advanced internationalization stages and distances. Similar results are found for having a foreign partner in expanding the prime core. On the other hand, having a foreign partner in the establishment phase tends to restrain the group's autonomy in driving their business outside the country.

Based on these results, the model chi-square statistics again are shown to be superior to the null models. Similar to the results in Table 5-3, pseudo R-squares of the advanced measures, i.e., the internationalization distances, are less than that of the internationalization stage. Additional factors are needed to explain the level of international commitment. Regarding precision, the models in Table 5-4 yield accurate predictions for around 67 percent of the observations.

Core-Firm Level Analysis (N_2 = 196)

To compare with the group-level results, similar regression models are repeated for the core-firm level as shown in Table 5-5 for the three dichotomous internationalization variables and Table 5-6 for the stage and distances of internationalization.

For the dichotomous dependent variables, Model 1.3 and Model 1.4 show that core firms are more likely to engage in at least export activities if their founders have high education or foreign experience, if the core firms are in the manufacturing sector, and if the firms are relatively large. Comparing these results with the group-level analysis shown in Table 5-3, the founder's background (FOUNDER), which was insignificant, turns out to be the only group-level characteristic that plays a role in determining the core firms' international business activities. Neither core nor peripheral diversification is relevant. Notably, the insignificance of core diversification (CORE_D) is found across all models in both Table 5-5 and Table 5-6, which clearly differs from the group-level results. This underscores the point that not every core firm in the multiple-core groups is pushed into internationalization. On the contrary, the effect of FIRM_SIZE endures in all models, i.e., it influences every internationalization measure.

Specific to the stage of setting up offshore sales subsidiaries in Model 2.3 and Model 2.4, the peripheral diversification (PERI_D) is found to be significant at 10 percent. The parameter estimate of the business sector (SER_MANU) becomes smaller and less significant than that of the export stage. The foreign partner in establishment (FP_EST) variable shows a negative impact. Then, for the stage of establishing overseas production units in Model 3.3 and Model 3.4, only the effects of FP_EST and FIRM_SIZE remain. Notably, the foreign partner in expansion (FP_EXP) variable is statically insignificant for the all three binary measures, despite its positive coefficients. For the age variable, it seems to be irrelevant whether or not the groups are early players in certain industries or business areas.

Overall, in Table 5-5, the model chi-squares are highly significant, confirming the improvement from the null models. The results are fairly consistent with those in the group-level analysis in Table 5-3, but there are fewer significant variables, particularly in the area of group-level characteristics, as discussed in Section 5.1. Hence, relatively lower pseudo R-squares are yielded, yet the predictability is fairly satisfactory.

Table 5-5: Results of binary logistic regression of the 196 core firms

	INTZ_EXPORT		*INTZ_FDI_SALE*		*INTZ_FDI_PRODUCE*	
	Model 1.3	*Model 1.4*	*Model 2.3*	*Model 2.4*	*Model 3.3*	*Model 3.4*
Intercept	-2.317***	-1.262***	-1.792***	-1.304***	-2.332***	-1.569***
	(0.778)	(0.366)	(0.673)	(0.320)	(0.786)	(0.290)
Categorical:						
CORE_D = 1	0.032	-	0.344	-	0.025	-
	(0.417)		(0.336)		(0.367)	
PERI_D = 1	0.366	-	0.640*	0.562*	0.317	-
	(0.427)		(0.343)	(0.310)	(0.369)	
ETHNICITY = 1	-0.058	-	0.542	-	0.601	-
	(0.645)		(0.569)		(0.630)	
BAMBOO_N = 1	0.341	-	0.053	-	0.643	-
	(0.473)		(0.408)		(0.476)	
FOUNDER = 1	0.828	1.034**	0.134	-	0.445	-
	(0.517)	(0.474)	(0.430)		(0.445)	
FOUNDER = 2	1.431***	1.021**	0.456	-	0.364	-
	(0.581)	(0.509)	(0.434)		(0.478)	
SER_MANU = 1	2.945***	2.924***	0.732**	0.640*	0.215	-
	(0.498)	(0.447)	(0.359)	(0.334)	(0.384)	
FP_EST = 1	-0.325	-	-1.012**	-0.842**	-0.834*	-0.634*
	(0.563)		(0.434)	(0.373)	(0.456)	(0.374)
FP_EXP = 1	0.525	-	0.217	-	0.259	-
	(0.448)		(0.391)		(0.407)	
FIRM_SIZE = 1	0.995**	0.953**	1.198***	1.294***	1.488***	1.697***
	(0.440)	(0.387)	(0.348)	(0.318)	(0.381)	(0.352)
LISTED = 1	-0.238		0.303		0.393	
	(0.467)		(0.364)		(0.398)	
Covariate:						
AGE_FIRM	0.014	-	-0.004	-	-0.010	-
	(0.010)		(0.009)		(0.010)	
Model Chi-square	73.783***	68.453***	33.369***	26.876***	37.172***	28.052***
Pseudo R-square	0.439	0.412	0.210	0.172	0.242	0.187
Overall % correct						
Model	81.1	79.6	66.8	66.8	70.9	69.9
Null	67.9	67.9	57.1	57.1	68.4	68.4

Note: Variable marginal effects are reported. Standard errors are in parenthesis.
*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$

For the polytomous dependent variables, Table 5-6 displays that the stages and distances of internationalization fit with multinomial and ordinal logistic regression models, respectively. Again, the stage of internationalization does not pass the test of parallel lines for satisfying ordinal regression. Similar to the results from the binary regression in Table 5-5, only a few factors are found to be relevant in explaining the stage of internationalization.

In Model 4.3, the FOUNDER variable of both foreign experience and high educational attainment shows some positive impact on both the exporting and FDI stages. Education seems to be a particularly strong influence on a firm's decision to embark on international ventures. However, the overall significance is not robust enough to prevail in the parsimonious model (see Appendix E for the Likelihood Ratio test of variables in multinomial regressions). Hence, only the firm-level characteristics SER_MANU, FP_EST, FIRM_SIZE, and AGE_FIRM have some bearing in Model 4.4. Importantly, the age variable is statistically significant at the export stage, but not at any of the other internationalization stages. As such, being an early player in the industry at least increases the likelihood of becoming an exporter.

With the focus on the distances of internationalization, as shown in the ordinal regression models, comparable results are found for both geographical and bamboo network distances. The same firm-level characteristics, SER_MANU, FP_EST, and FIRM_SIZE, also play a role in all of the distance models, as in Model 4.4. For example, having a foreign partner at the establishment phase (FP_EST) is repeatedly shown to suppress advanced international expansion. Up to this point, it is apparent that the foreign partner in expansion (FP_EXP) variable at the core firm-level analysis is insignificant for all internationalization measures, while at the group-level analysis, this kind of foreign involvement seems to promote internationalization on almost all the measures.

Distinct from the result of Model 4.4 are the additional group-level characteristics that also reveal their impact on the distance models. First, relatively broad peripheral diversification tends to strongly coexist with farther internationalization distances, both in terms of geographical distance in Model 5.3 and Model 5.4 and bamboo network distance in Model 6.3 and Model 6.4. The results are consistent with those at the group level, only with slightly diluted coefficient values.

Table 5-6: Results of multinomial and ordinal logistic regression of the 196 core firms

	INTZ_STAGE				*INTZ_GEO*		*INTZ_BAMBOO*	
	Model 4.3		*Model 4.4*		*Model 5.3*	*Model 5.4*	*Model 6.3*	*Model 6.4*
	Export	*FDI*	*Export*	*FDI*				
Intercept	-4.765***	-2.576***	-4.023***	-1.315**				
	(1.170)	(0.822)	(0.842)	(0.538)				
Threshold: INZT_								
GEO/BAMBOO = 0					1.910***	1.570***	1.921***	1.701***
					(0.509)	(0.269)	(0.507)	(0.294)
GEO/BAMBOO = 1					3.236***	2.885***	2.857***	2.628***
					(0.539)	(0.321)	(0.526)	(0.325)
Categorical:								
CORE_D = 1	-0.532	0.163	-	-	0.299	-	0.309	-
	(0.563)	(0.430)			(0.239)		(0.237)	
PERI_D = 1	-0.130	0.558	-	-	0.580**	0.586***	0.584**	0.613**
	(0.557)	(0.444)			(0.244)	(0.225)	(0.244)	(0.293)
ETHNICITY = 1	-0.875	0.122	-	-	0.494	0.613*	0.579	0.667**
	(0.941)	(0.667)			(0.385)	(0.344)	(0.372)	(0.340)
BAMBOO_N = 1	0.776	0.301	-	-	0.044	-	-0.026	-
	(0.645)	(0.501)			(0.303)		(0.297)	
FOUNDER = 1	1.237*	0.691	-	-	0.047	-	0.048	0.095
	(0.728)	(0.533)			(0.294)		(0.294)	(0.281)
FOUNDER = 2	1.848**	1.383**	-	-	0.342	-	0.488	0.509*
	(0.769)	(0.602)			(0.312)		(0.305)	(0.292)
SER_MANU = 1	4.219***	2.417***	3.924***	2.185***	0.571***	0.545**	0.521**	0.488**
	(0.699)	(0.513)	(0.639)	(0.459)	(0.252)	(0.021)	(0.250)	(0.239)

	INTZ_STAGE				*INTZ_GEO*		*INTZ_BAMBOO*	
	Model 4.3		*Model 4.4*		*Model 5.3*	*Model 5.4*	*Model 6.3*	*Model 6.4*
	Export	*FDI*	*Export*	*FDI*				
FP_EST = 1	0.632	-0.651	0.746	-0.393	-0.852***	-0.735***	-0.848***	-0.751***
	(0.732)	(0.585)	(0.555)	(0.495)	(0.299)	(0.272)	(0.298)	(0.273)
FP_EXP = 1	0.604	0.474	-	-	0.164	-	0.135	-
	(0.670)	(0.459)			(0.264)		(0.261)	
FIRM_SIZE = 1	-0.373	1.256***	-0.151	1.292***	0.980***	1.047***	0.999***	1.085***
	(0.597)	(0.449)	(0.511)	(0.388)	(0.258)	(0.238)	(0.256)	(0.243)
LISTED = 1	-0.638	-0.080			0.169		0.238	
	(0.593)	(0.487)			(0.264)		(0.265)	
Covariate:								
AGE_FIRM	0.031**	0.010	0.031***	0.007	0.000	-	0.000	-
	(0.015)	0.011	(0.012)	(0.010)	(0.006)		(0.006)	
Test of parallel lines								
P-value	-		-		0.847	0.581	0.259	0.153
Model Chi-square	123.949		103.904***		38.014***	33.277***	39.407***	35.397***
Pseudo R-square	0.531		0.466		0.206	0.183	0.212	0.192
Overall % correct								
Model	64.3		61.2		63.8	61.2	63.8	63.2
Null	42.9		42.9		57.1	57.1	57.1	57.1

Note: Variable marginal effects were reported. Standard errors in parenthesis.
*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$

Second, the ethnicity variable at last shows an impact here, as not being Chinese ("ETHNICITY = 1") is found to be positively associated with farther internationalization distances. In other words, these firms are presumably able to reach out more in their international expansions by virtue of not being embedded in the bamboo network. Third, the founder's background (FOUNDER) variable is also found to be significant but only in explaining Model 6.4, the bamboo network distance. The result resembles that of the group level; that is, the business decisions of founders with high educational attainment appear to be less contingent upon ethnic and cultural familiarity.

On the whole, the organizational characteristics variables show some merit in explaining the internationalization of the 196 core firms, as seen by the significance of the model chi-squares. However, as there are relatively fewer significant factors found at the core-firm level than at the group level, the pseudo R-squares are slightly lower than those garnered in the group-level analysis in Table 5-4. Then again, the predictability levels are fairly comparable.

5.4 Discussion of the Regression Results

All of the regression results of both the 139-group data (N_1) and the 196 core-firm data (N_2) are summarized in Table 5-7.

Table 5-7: Summary of all regression results at both the 139 FBGs and the 196 core firms

	EXPORT		*FDI_SALE*		*FDI_PRODUCE*		*STAGE*		*GEO*		*BAMBOO*	
	N1	*N2*	*N1*	*N2*	*N1*	*N2*	*N1*	*N2*	*N1*	*N2*	*N1*	*N2*
CORE_D = 1	***	-	***	-	***	-	***	-	***	-	***	-
PERI_D = 1	-	-	**	*	-	-	-	-	**	***	***	**
ETHNICITY = 1	-	-	-	-	-	-	-	-	-	*	-	**
BAMBOO_N = 1	**	-	-	-	-	-	-	-	-	-	-	-
FOUNDER = 1	-	**	-	-	-	-	-	-	-	-	-	-
FOUNDER = 2	-	**	-	-	-	-	-	-	*	-	**	*
SER_MANU = 1	***	***	-	*	-	-	***	***	**	**	*	**
FP_EST = 1	-	-	**	**	*	*	*	**	***	***	***	***
FP_EXP = 1	***	-	*	-	-	-	**	-	**	-	**	-
FIRM_SIZE = 1	-	**	**	***	***	***	**	***	***	***	***	***
LISTED = 1	-	-	-	-	-	-	-	-	-	-	-	-
AGE	*	-	**	-	*	-	*	**	-	-	*	-

Note: *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$

The results are fairly consistent in how certain variables play their parts in explaining internationalization at different stages or distances. In other words, the results show that the internationalization of FBGs is systematically related to their organizational characteristics.

From the group perspective, strength in terms of core diversification (CORE_D) is likely to result in at least one of their core firms undertaking international business activities. This relationship is highly significant at the group level, but not at the core firm level. Interestingly, the degree of peripheral diversification (PERI_D) is found to be positively associated with many internationalization measures, especially internationalization distances, at both the group and core-firm levels. Since the PERI_D variable is devised to encapsulate the group's ability to coordinate additional investment projects, as well as to draw resources and capabilities from outside, the benefits of collaboration in the form of the bamboo network or other cross-cultural connections is thus highlighted.

For the BAMBOO_N variable, only the coefficient estimate of the exporting stage of internationalization at the group level is significant. An organization's membership in the bamboo network (which is simply coded from the evidence of having engaged in collaborative projects) is not sufficient to account for internationalization, perhaps because most of the FBGs and their peers have local roots. Instead, idiosyncratic features of the group's founder turn out to be more important. Founders with high education (FOUNDER = 2) or even just foreign experience (FOUNDER = 1) are more willing to have their core firms engage in international business activities. Also, founders with high education (FOUNDER = 2) are significant in explaining the distances of internationalization, especially in terms of bamboo distance. In other words, due to their education and experience in foreign countries, these founders are more familiar with different cultures and thus are able to handle business in different contexts.

Similar implications are found with respect to the ethnicity characteristic. Being non-Chinese (ETHNICITY = 1) is positively associated with both geographical and bamboo distances of internationalization at the core-firm level. Hence, these background characteristics of the 139 groups appear to affect their ability to comprehend and embark on international business activities; later, they appear to influence where the international expansion is most likely to occur. Notably, the significant relationships between background characteristics and the distance (not the stage) of internationalization have confirmed the merit of the concepts of "relational assets" (Dunning, 2002; 2004) and the "liabilities of outsidership" (Johanson & Vahlne, 2009) that address the cultural-psychic accounts of internationalization.

Regarding the core-firm variables, their results are more pervasive across the different internationalization measures and at both the group and core-firm levels. First, as indicated by the simple statistics in Chapter 4, the core firms in the manufacturing sector have mostly engaged in at least export activities, though this positive impact is not as obvious at the more advanced stages of internationalization. Even so, the effect of being in the manufacturing sector has increased their exposure to international markets, as the SER_MANU variable also appears significant for the distances of internationalization.

Next, although having foreign partners at the establishment phase (FP_EST = 1) seems to be a shortcut for business development, the result is persistently negative toward pursuing international expansion. On the other hand, having foreign partners at the expansion phrase (FP_EXP = 1) shows some constructive results; however, the parameter estimates are significant only at the group level. The conflicting results related to foreign involvement are indeed interesting and merit further exploration. Of particular interest is how the motives of well-established MNCs and local firms, i.e., FBGs in this case, would play out with respect to the speed and ambition of firms from emerging economies that seek to climb the technological ladder.

Continuing to the FIRM_SIZE variable, the relative size of the prime core firms yields the most consistent and persistent results. A firm's size does seem to matter, even if it is part of a larger business group. In fact, from the group perspective, the size of the core firms might carry even more weight, because this factor tends to signal the strength and competitiveness of the group as a whole. Conversely, the listed status of core firms (LISTED) variable is found to be exceptionally trivial; it has no effect on any internationalization measures, despite a possible influence that was suggested by the bivariate statistics. This is likely because the relationships of the LISTED variable are closely parallel to those of the FIRM_SIZE variable. As a result, whether or not the core firm (at least one per group) is listed on the stock market does not contribute toward their international expansion. In other words, the group's preference for the capital market and the public exposure do not contribute toward their internationalization. In most cases, the controlling families remain in charge of most strategic decision-making.

Last to be discussed are the age variables, i.e., the age of the groups and firms. At the group level, the parameter estimates are slightly negative but significant for almost all internationalization measures except exporting. By contrast, the age of firms is positively associated with the stages of internationalization in the core firm-level analysis. Hence, older groups have a greater tendency to shy away from international business activities, but being an early player in a particular business arena means that a group is more likely to engage in export activities.

In sum, similar sets of organizational characteristics, capturing not only economic but also sociological motives, are found relevant in explaining internationalization at both the group level ($N_1 = 139$) and at the core firm level ($N_2 = 196$). The only variable with distinctly different results at the group and core-firm levels is core diversification (CORE_D), which carries a lot of weight at the group level and all but disappears at the core-firm level. Clearly, the internationalization of Thai FBGs is a group-level phenomenon; not all the core firms are pushed by the groups and their relational assets to expand internationally. There are still gaps to be filled in this homebound weak institutional context.

In terms of explanatory power, the organizational characteristics are better at explaining the initial stage of internationalization, i.e., exporting, than they are at explaining either FDI stages or distances. None of the variables can capture the commitment, or strategic intention, of the groups toward expansion into international markets. In addition, there are other external factors, e.g., host-country environment, global industry competition, etc., that are indeed relevant in the internationalization decision but are outside of the scope of this study.

Given the results, there are a few methodological limitations that are worth pointing out. First, in order to satisfy the requirements of the asymptotic logistic regression analysis used in this study, many variables have had to sacrifice some of their distinct traits, i.e., by collapsing some of the categories and subcategories together. A larger set of observations is ideal in principle to be able to put all defined categories to the test. However, this approach is not applicable in this study, as the observations are not a sample set but indeed comprise the entire population of Thai FBGs at a point in time. One possibility for methodological improvement is to apply so-called "exact logistic regression," which was developed for analyzing small, skewed or sparse data sets (Hirji, 2005). Another area for methodological improvement may be to duplicate the analysis using the multilevel method, as mentioned earlier.

5.5 Summary: Looking through the Quantitative Lens

The current chapter has involved applying the case survey method to quantify the subtle organizational characteristics, including internationalization tendencies and patterns, of the population set of Thai FBGs and then utilizing the series of simple and somewhat more sophisticated statistical techniques to conduct a more detailed analysis of the phenomenon. The following findings have emerged.

First, the findings confirm the notion that networking capability is crucial for the development of FBGs. This is traditionally about accessing lucrative business opportunities, finalizing deals, and executing projects (Amsden & Hikino, 1994) within the familiar context specifically defined as the bamboo network in this study. This in-group favoritism, however, tends to constrain FBGs within a traditional set of activities like commercial trading, finance and real estate, while access to advanced technologies and know-how is limited. To go beyond their administrative heritage, FBGs often have to source novel ideas and practices from foreign partners. This entails learning to collaborate with unfamiliar counterparts, which does not seem to be easy. Empirically, of the 139 groups studied, not many groups have actually managed to excel in their networking capacities, i.e., by moving from working relationships with their familiar counterparts in the bamboo network to collaboration with other foreign contacts, as reflected by the number of component firms per group (e.g., only eight groups have over 100 component firms per group) and core diversification levels (e.g., only 36 groups have more than one core business).

This relational basis of growth has also contributed to internationalization, the unconventional growth dimension of FBGs, as empirically revealed by the intertwined relationships among group diversification, the bamboo network, the founder's background, the core firms' size and the internationalization variables. Broadly speaking, the more sizable and highly diversified groups are found likely to be in the bamboo network and associated with foreign partners, especially in the area of soliciting technical support, so their core firms are likely to be relatively large and quite active on the international business stage. Still, their international expansions are rather constrained within the low psychic-distance countries, i.e., within the reach of the bamboo network. On the other hand, some of the small groups that are rather competitive and have not been negatively impacted by the embedded network tend also to internationalize and to expand to greater distances.

The relational account is even more important in explaining the peculiarities of overseas peripheral businesses that both large and small groups have a hand in controlling. To be able to tap into other parties' resources and capabilities is undoubtedly helpful in speeding up international growth; however, some groups might be overly reliant to the point of viewing their own organizational development as unnecessary. This concern is particularly relevant in the case of FBGs that have not internationalized at the core but have established sideline activities overseas. From this point of view, the overseas peripheral business activities are in fact not at all odd; they are simply another manifestation of growing via the embedded network. This relatively simpler path, however, tends to distract FBGs from progressing to the specialization basis that is needed for mainstream internationalization.

Furthermore, the tension between the easy and difficult paths of FBG development is also evident from how the groups have engaged with their foreign partners. The results show that foreign assistance in starting up new business areas tends to be negatively correlated with achieving advanced stages of internationalization, while collaborations at the expansion stage are found to be constructive. This again underscores the merit of enhancing technological and organizational capabilities in preparation for internationalization, as international ventures are inherently subject to higher levels of risk-taking and an elevated degree of competition.

Even given all of these findings that were attained from the population data, the underlying processes and mechanisms of internationalization are still unclear and rest upon crudely defined constructs. To further refine this conceptual grounding process and hopefully to gain an increased measure of explanatory richness, the next analytical step is to transition to the qualitative lens of the case study. This will help in clarifying issues like how committed FBGs actually are toward internationalization, how much effort the FBGs have put into promoting firm-level competitiveness, how the collaborations with foreign partners have worked out, how the groups have managed their interactions with the bamboo network, how these overall organizational adjustments have been undertaken in confronting the international challenge, and whether diversification is truly complementary with internationalization. Overall, how have these constructs intermingled in the dynamic perspective?

Chapter 6

Research Design (2): The Qualitative Lens of Case Study Method

To this point, the study has been based on the secondary data traced by the case survey method, which was performed on the population set of Thai FBGs. The quantitative analyses reveal that networking capability is crucial for general development as well as being important specifically for the internationalization of FBGs. In the weak institutional setting, business organizations are primarily contingent upon personal connections and reciprocal support in line with the bamboo network concept, while foreign partnerships often foster the technological enhancement that is needed for strengthening competitiveness. As a result, well-connected FBGs with links to both culturally proximate and distant counterparts are likely to be not only widely diversified but also more internationally committed; however, the international expansion of widely diversified groups is rather limited to the areas within the reach of their embedded networks. In addition, the evidence of overseas peripheral business activities points toward opportunistic behavior motivated by assorted personal relationships that tend to divert the resources and capabilities of the group away from building core competencies. In this sense, network-led international business activities might come at the cost of growing along the mainstream internationalization path.

Altogether, the results have shed some light on the internationalization of the FBGs, touching upon issues like specialization, opportunistic behavior, filling in institutional voids, organizational learning, and international competitiveness. However, from an overarching vantage point (i.e., using the secondary data), little is known about causal relationships among the constructs, the rationales behind the decision-making, the level of commitment that the groups have toward the internationalization process in both the strategic and organizational senses, and so on. To further refine this conceptual grounding process and hopefully to attain explanatory richness, Chapter 6 is designed to complicate the parsimonious simplicity of the statistical models by adopting a comparative case study method. The quantitative findings are used as the case selection criteria.

6.1 A Comparative Case Study Method

With respect to the overall research design discussed in Chapter 3, at this stage the study turns to applying the other end of methodological spectrum for improved sensemaking of process data (Langley, 1999), particularly to deal with explanatory research questions, i.e., the "how and why" inquiries (Yin, 2003). The case study method is employed here because it allows for an in-depth investigation into the organizations of interest and thus is likely to illuminate the underlying mechanisms and causal relations behind the constructs. In relation to the first part, i.e., the section of the study employing the case survey method, the constructs and variables are strictly defined for accommodating the (large-N) quantitative analyses. Case studies, on the other hand, focus on small samples that take into account rich empirical evidence and allow for more complexities of meanings and mechanisms of underlying constructs. This method is hence expected to enhance understanding of what appears odd or unclear, that is, to validate the results, interpret statistical relationships and clarify potentially puzzling findings. Along this line, the case study research is commonly argued to be the appropriate tool for developing theory inductively (e.g., Eisenhardt, 1989; Yin, 2003; Eisenhard & Garebner, 2007; Siggelkow, 2007).

As seen in the mini-case FBGs' profiles, case studies combine data collection approaches such as archives, interviews, questions, and observations; they combine qualitative and quantitative elements.

Given the secondary data in place, I thus put emphasis in this part on collecting primary data via interviewing strategically relevant figures within the target organizations, as well as other close observers (see Section 6.3 for details about the data collection process used for case studies). Overall, the idea is to understand from the FBGs' viewpoints on how businesses and their environment have evolved over time and why they evolve in certain ways. Supporting this contention, Siggelkow states that "the ability to get closer to theoretical constructs is particularly important in the context of longitudinal research that tries to unravel the underlying dynamics of phenomena that play out over time" (2007: 22).

Thus, in favor of building process theory (Pentland, 1999), the interview method is instrumental in drawing out narrative data, i.e., a description of a process or a sequence of events. However, describing a pattern of events does not, by itself, explain the underlying processes that generated the pattern. To move from surface observations toward underlying mechanisms, i.e., from description to explanation, requires yet another recursive iteration and constant comparison between the empirical data and emergent theory. In other words, this approach seeks to establish causality by discovering covariational relationship among different elements of cases (Gerring, 2004). Accordingly, Eisenhardt & Graebner state that "the theory is emergent in the sense that it is situated in and developed by recognizing patterns of relationships among constructs within and across cases and their underlying logical arguments" (2007: 25).

In this aspect, multiple cases are particularly useful for theory development (Eisenhardt, 1989; Yin, 2003). The cross-case comparison helps clarify whether an emergent finding is simply idiosyncratic to a single case or is consistently replicated by several cases. Constructs and relationships are also more clearly delineated, thus enhancing the validation of nascent causalities, because it is easier to determine accurate definitions and appropriate levels of construct abstraction from multiple cases. In addition, multiple cases tend to create more robust theory because the propositions are more deeply grounded in varied empirical evidence and also linked back toward the population database in this particular research design. Altogether, the study aims to attain "better constructs" as well as "better stories" (Eisenhardt, 1991).

6.2 Case Selection Criteria

To arrive at better constructs and better stories, the study follows a theoretical sampling strategy in order to identify specific cases that correspond to key constructs of the phenomena of interest (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). In contrast with the random sampling methods demanded by statistical analysis, case study research relies on information-oriented sampling. Cases are selected according to the likelihood that they will enhance theoretical understanding, thus they are not representative but rather are biased samples. On this point, Siggelkow states that "it is often desirable to choose a particular organization precisely because it is very special in the sense of allowing one to gain certain insights that other organizations would not be able to provide" (2007: 20).

Accordingly, theoretical sampling procedures are fairly straightforward for single cases, that is, to pick out an "extreme exemplar or outline" in order to exploit opportunities for exploring a significant phenomenon under rare or unusual circumstances. For multiple cases, theoretical sampling is more complicated. The choice is based less on the uniqueness of a given case and more on the potential contribution to theory development that is thought to be evident in the set of cases. Theoretical reasons are for example replication, extension of theory, contrary replication, and elimination of alternative explanations (Yin, 2003). In this study, the case selection process is particularly guided by the quantitative findings for further refining the established constructs and their relationship with internationalization, while making room for other subtle factors.

Guided by the Quantitative Findings

According to the data presented in Chapter 4 and Chapter 5, the understanding garnered about the internationalization of FBGs can be briefly recapped as follows:

1. *Internationalization:* The FBGs are quite accustomed to the practice of internationalization, according to the extent to which they have engaged in different international business activities and have reached out to distant markets. The statistics also give the impression that the FBGs' internationalization pattern is likely in line with the Uppsala internationalization process model.
2. *Size:* Evidently, size plays a role in the internationalization process. Both the size of the 196 core firms, i.e., the strategic

business units, and the diversification levels of the 139 groups have been revealed to have positive relationships with internationalization. Still, even the international expansion of sizable and highly diversified groups is somewhat confined to the bamboo network region.

3. *Organizational relationships*: Partnerships with both the culturally proximate bamboo network and with foreign partners from advanced countries tend to enhance not only the size but also the international achievements of the FBGs. Being part of the bamboo network signals an organization's ability to tap into the resources and capabilities of other business organizations, which are often instrumental to organizational expansion in this context. Regarding foreign partners, associations at the establishment phase seem to be a shortcut to business development but can hinder long-term international expansion, while associations at the expansion phase are clearly beneficial to the internationalization process.
4. *Overseas peripheral activities*: In line with the impact of organizational relationships, overseas peripheral activities are another manifestation of the bamboo network. This opportunistic behavior, in which groups jointly invest abroad in business areas outside of their domain of expertise, is primarily motivated by personal relationships that however can divert the resources and capabilities of the group away from the process of building core competencies.

Three-Plus-One Case Selection Criteria

These four key findings are translated into three compulsory plus one optional case selection criteria.

To start with, since the internationalization challenge is central to the study, *the first criterion* is the selection of groups that have established themselves in international markets, i.e., that have pursued or are currently pursuing international expansion. At first glance, this refers specifically to the FBGs coded as being at stage 2 (having offshore sales subsidiaries) and stage 3 (having overseas production units) according to the stage of internationalization variable. I then utilize detailed information about each candidate firm's international business activities to gain more insight into its internationalization processes. The first and obvious direction of this search process focuses on FBGs with full-scale overseas production activities in various locations around the world. As such, one of the studied cases will likely represent the extreme case in this main construct, with the purpose of revealing distinct patterns in the data and serving as a benchmark against which to compare other cases.

Regarding various ways of internationalizing, it is also intriguing to follow groups that are undertaking international marketing efforts and pursuing global brands, even though they may not yet have any overseas production activities. In the context of the service industry, internationalization is usually not a gradual stage-wise process but rather proceeds with a large investment in a single location, thereby indicating a strategic shift toward the international market. Thus, this kind of internationalization is also appealing for the investigation. Overall, the first rule for case selection is the ability of the case to provide an interesting internationalization story.

The second criterion is that the case should reflect the size and diversification variables identified in the study. Despite the fact that firm characteristics like relative size and diversification might stem from a particular company having achieved a monopolistic and protected position in the country, such privileged groups are often unlikely to become international players. By setting the first criterion, the targeted FBGs are likely to be “local champions,” i.e., to be ranked highly in their competitive home markets. Along this line, local market structures of business activities that the targeted FBGs have engaged in are also taken into consideration. In other words, the strategic business units embarking on international expansion are expected to possess “industrial-wise” competitive advantages. Accordingly, organizational size should imply the level of competitive strength that is worth the effort of moving into the international arena.

The third criterion regards organizational relationships; specifically, it involves seeking out FBGs with interesting anecdotes regarding their associations with the bamboo network, with foreign partners, or with both. The interplay between the internationalizing groups and their controlling families, their respective bamboo networks, and their foreign partners are all relevant to the understanding of organizational adjustment and development. In other words, how well the controlling families can collaborate with outsiders, whether foreign or not, would signal how committed the FBGs might be toward the internationalization process.

This relational account leads to *the last and optional criterion,* which is to account for evidence of overseas peripheral business activities, another manifestation of the bamboo network. Empirically, there are only 20 FBGs recorded in the study that have embarked on sideline projects abroad; I thus do not plan to seek cases with overseas peripheral activities. The selection process is to follow the first three criteria, producing a set of FBGs with appealing aspects of organizational development in relation to the internationalization path that are deemed worthy of in-depth investigation. However, among these groups, those with overseas peripheral activities are considered a plus, because they allow the study to tackle the issue of opportunistic behavior, i.e. the twist of the competent-driven internationalization process at the core.

Ultimately, the focus is on finding FBGs that have demonstrated their commitment to strategic internationalization coupled with building up competitive advantages at the level of their core firms, while having an interesting mix of organizational relationships (with foreign partners and the bamboo network) and perhaps offering evidence of overseas peripheral business activities.

The Four Cases: Through the Selection Process

Given the criteria that have been defined, the selection process was basically conducted by eliminating choices using the coded variables. Then, I enlarged the search for secondary data to acquire a richer body of evidence, especially pertaining to the desired features. Consequently, the targeted FBGs were narrowed down from the 139 groups to 11 groups that satisfied the first three selection criteria; among these, some also complied with the optional fourth criterion. Subsequently, I began to directly approach these 11 targeted FBGs for interview possibilities via their public contact channels, while simultaneously looking for potential accesses via my own personal and extended networks (i.e., friends and friends of friends), as well as by consulting local experts. At the end of the fieldwork phase, I had conducted a number of interviews covering 8 groups in total. Further details on the interview method are presented in Section 6.3. Finally, the richness of the data gathered was determined to be sufficient, and the end result was the selection of four FBGs for comparative case studies.

In this regard, it is worth stressing that the four groups are not selected from firms to which I could gain the most ready access; rather, I selected firms that offered the most interesting analytical dimensions, particularly with regard to the tension between a commitment to the internationalization path and other opportunistic expansions that had emerged from the quantitative analyses. In other words, the four FBGs arguably offer a strong potential for theoretical construction and represent a sound basis for analytical generalization, as suggested by Eisenhardt (1989). Likewise, in terms of business success, these groups are closer to outliers than the average, but their stories are not exceedingly far from what others may relate to and seek guidance from, particularly since they are all rooted in family-controlled business groups and are embedded in the same environmental factors. The four FBGs are CP, Central, Double A, and Osotspa, as shown in Table 6-1, along with the key organizational characteristics corresponding to the selection criteria.

Table 6-1: Key characteristics of the four case studies corresponding to the selection criteria

Characteristics	*CP*	*Central*	*Double A*	*Osotspa*
Focal core activities	Integrated system of agribusiness	Department stores	Pulp and paper	Energy drink
Criterion 1:				
Internationalization of the focal core	Stage 3	Stage 3	Stage 2	Stage 2
Criterion 2:				
Firm's size	Relatively big	Relatively big	Relatively big	Relatively big;
group's diversification	Multiple-core, relatively wide peripheral	Multiple-core, relatively wide peripheral	Multiple-core, relatively limited peripheral	One-core, relatively wide peripheral
Criterion 3:				
In the bamboo network	Yes	Yes	No	Yes
Foreign partners	Yes	No	Yes	Yes
Criterion 4:				
Overseas peripheral activities	Wide-ranging and sizable activities in China	Some anecdotes	Some anecdotes	No record

For the first case, *the CP group* is selected primarily because of its extreme characteristics. As one of Asia's largest agro-industrial and food giants, CP is the most internationally recognized Thai business group and perhaps the only true multinational based in Thailand.

The group has been studied by a number of scholars across several fields and has been extensively covered by the media. While several issues have been explored by the press, most of the focus has been placed on CP's vertically integrated agribusiness system, which is said to range 'from feed to food.' This business model is one of the chief factors underlying CP's impressive achievement of having established a business presence in more than 15 countries. This particular core business has been labeled the group's *focal core* in Table 6-1. (The word *focal* has been added at this stage to signify a specific core business that has embarked on international expansion and presents appealing stories worthy of closer examination.)

In addition to its remarkable international reach, CP has a long list of strategic alliances with leading multinationals from advanced economies. These relationships are primarily a way to channel in technologies needed for CP's different business activities, dating back to how the group first gained knowledge of industrial-scale farming. Also, the group is regarded as a classic case of the Chinese Diaspora's return home to do business (Viraphol, 2006). Owing to its close connection with the Chinese government, CP has a strong presence in China, not only in the agribusiness sector, but also in other peripheral business activities. Although most existing studies are aware of CP's sideline investments in China, none have closely examined its overseas peripheral activities (e.g., focusing on issues like how such diverse opportunities came about, how the group handled the activities, and how it will sustain them in the future) in order to comprehend their implications for the group as whole. Accordingly, I choose to contribute to this particular aspect of the literature on the CP group, while making use of the wealth of existing data materials covering the group's development and internationalization. Altogether, the extreme features of CP are expected to enhance the possibilities of covariance found with respect to one or more features of other comparative groups.

The second case is *the Central group*, which operates the number-one department store chain in Thailand. After a long history of business success at home, the group recently decided to enter China by setting up its department stores. This strategic shift thus makes the group's ongoing internationalization path worth following, as a means of investigating whether the group will be able to translate its know-how across borders. For being in the service sector, the group's direct cooperation with foreign partners is rather trivial and mainly consists of bringing in modern, trendy consumer goods from abroad. However, the group has an exceptionally interesting track record of internal relationships. The controlling family, the Chirathivat clan, is not only one of the wealthiest families in Thailand (as recognized by *Forbes* magazine) but is probably the largest extended family group in the country. This exceptionally large number of family members had played a part in the business diversification process, which led to a call for streamlining at the organizational level and restructuring, as well as disciplining at the family level after the 1997 financial crisis.

The third case is referred to as *the Double A group*. This is simply following the nomenclature of the "Double A" brand for A4 copy paper, which is the most pervasively advertised end product of an integrated pulp and paper manufacturing company formerly known as "Advance Agro (AA)," which recently changed its name to "Double A (1991)" to highlight its global brand mission. So far, this commodity-turned-branded product has been exported to around 120 countries, with 19 overseas offices handling international marketing and distribution activities. Despite the brand recognition, the general public seems to be only dimly aware of Double A as being part of a business group or to know much about the figures who are actually behind the company, a situation that is completely different from the cases of CP and the Central groups. Double A is in fact a part of the Soon Hua Seng group that has been around as one of the traditional agricultural trading houses for quite some time. Due to this concealed characteristic, which became even more apparent and appealing during the fieldwork, the group was not coded as being in the bamboo network. On the contrary, it was the firm's foreign partnerships that caught my attention. Evidently, Double A had cultivated associations with many foreign partners and in various forms, e.g., hiring an industry-specific consulting company, signing a contract for technical production assistance, and establishing two joint ventures with two leading multinationals in the industry that were later terminated. These assorted and somewhat unsettled relationships thus provoked my interest in this group.

Finally, the fourth case is *the Osotspa group*, which is one of the oldest Thai FBGs. The group is best known for being the first and number one energy drink producer in the country, while the world-famous Red Bull, which originated and is still owned by another of the studied FBGs (FBG#150), is actually lagging behind in the home market. Regarding Red Bull, the beverage's global success is by and large due to the efforts of the Austrian partner; the Thai group has barely been involved in the product's internationalization strategy, which makes the group not as interesting as they might initially seem [29]. Likely inspired by Red Bull's international success, the Osotspa group later embarked on a similar international venture by first launching its product in Austria, the global strategic center of Red Bull. How this "me-too" strategy has turned out to be and impact to the whole group thus present an intriguing focus of this investigation.

6.3 Data Materials and Collection Methods for the Case Studies

As mentioned, case study research can accommodate a rich variety of data sources of both the primary and secondary categories. For the secondary data, the FBGs' profiles plus other materials covering their international business activities were collected and codified into the database during the case survey research phase. At this stage, the data collection thus focuses on primary data via interviewing in order to rationalize the FBG's internationalization process. Particular to the 11 FBGs targeted for case studies, an extended search for the secondary data is used to gather richer materials and triangulate them with interview results.

Interviewing

In investigations where the research topic is not part of firms' everyday routine but rather is an intermittent and strategic phenomenon, interviews are considered the most important way of collecting data (Eisenhardt & Graebner, 2007). In other words, the processes and mechanisms by which FBGs come to engage in internationalization are unlikely to be observed in the daily work routines of the organizations; instead, they involve the decision-making processes of key strategic persons. In this sense, interviews are instrumental in extracting multifaceted stories that encompass the rationales, beliefs, and values of the individuals making the decisions (Rubin & Rubin, 2005). Moreover, interviews are suitable ways to understand past events

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[29] As mentioned in Chapter 4, organizational characteristics are not sufficient to reflect the real areas of competence of the FBGs, which further confirms the need to conduct case studies for closer investigation.

that may be unobservable to the researcher, especially when formal records of the events are not existent or are not readily available.

On the negative side, data gathered via interviews is subject to prejudice and retrospective sensemaking of the informants (Eisenhardt & Graebner, 2007). To counter these concerns, the researcher must rely on multiple informants representing diverse perspectives, i.e., personnel from different positions in the hierarchy, as well as outside observers from other relevant organizations. Likewise, the data triangulation can extend further to other sources such as archives, historical books, observations, and so on. In practice, the non-interview materials are crucial for conducting interviews in a manner that allows the interviewer to be more aware of the situation and not overly swayed by informants' attempts at impression management. In this aspect, my prior knowledge about the targeted FBGs, accumulated throughout the research process by constructing the database and selecting the cases, was indeed helpful.

Accordingly, I adopted a semi-structured approach and designed interview questions based on the overview of the FBGs' development and internationalization processes that was obtained via the quantitative lens. In this way, the interviews rest upon the specified scope of interest but still allow some room for unexpected accounts.

Interview Targets: Who to Approach and How to Approach Them

In identifying interviewees and information sources for the current study, the ideal plan is to first obtain interviews with top executives of the targeted groups or of the companies pursuing international expansion (especially in the cases of more secretive FBGs), and to later attempt to connect with some other personnel pertaining to the organizations. The top executives of FBGs are presumably responsible for the group's strategic decision-making, i.e., determining how the company should grow and internationalize, and are thus aware of the interconnectedness of the group as a whole. For that reason, they are typically key members of the controlling families, as well.

Approaching and gaining access to the leaders of the country's top business groups proved to be tricky. Initially, as previously mentioned, each of the 11 FBGs were approached via their formal contact addresses as well as via my personal connections. When approaching the leaders via the formal business channels, I usually telephoned and asked specifically how to request for interview with certain key figures in the organization concerning my research topic, asking, for example, to whom I should send an interview request letter along with a list of tentative interview questions and my CV. This method proved effective in the case of only two FBGs. For the rest, I relied on personal networking tactics, i.e., tracking down friends of friends and obtaining references from noteworthy persons in the business community to connect me with some organizational personnel or family members of the targeted FBGs. This informal channel helped me gain access to key leaders and schedule six more interviews.

The remaining three FBGs declined to participate. Remarkably, in the case of one of these three groups, I was initially granted an interview with the ideal target, i.e., the group's top executive who is also head of the controlling family. This transpired via a simple verbal introduction. Unfortunately, the interview time suggested overlapped with an earlier scheduled interview with another group. Hoping to reschedule, I forwarded my CV and a few sentences about the research. As a result, the original decision to participate in the research process was reversed.

Apart from conducting the semi-structured interviews with people inside the organization and closely observing the FBGs, I also discussed my overall research topic with a broad set of people from different organizations, focusing on areas of overlap between the research topic and each person's area of expertise. For example, I consulted staff at the Board of Investment and Department of Export Promotion under the Ministry of Commerce about the policy issues pertaining to Thai firms' internationalization; I discussed governance issues with staff at the Stock Exchange; the topic of capital movement was broached with staff at the Central Bank; and I investigated local and regional business practices in discussions with local experts and friends working in various industries. The conversations were rather informal and unstructured, but proved to be fruitful in terms of helping me to grasp the import of these surrounding factors.

Interview Formats and Questions

Regarding interview questions, the ultimate aim is to make sense and figure out causalities between the key constructs, guided by the findings of the quantitative analyses. However, owing to the secretive nature of FBGs in general, questions about the implications of their personal relationships, i.e., the bamboo network, could be regarded as offensive and limit the effectiveness of the interview process. Adopting a more guarded manner, I deliberately downplayed the aspect of family ownership and control. Instead of using the term *family business group*, the term *diversified business group* was used in describing the research project, while my questions and supporting materials emphasized the issue of business synergy and relatedness. This allowed me to present my interests in terms of diversification vs. internationalization strategies and to anchor the internationalization investigation with information about organizational development and competitiveness. However, for cases like Double A of the Soon Hua Seng group, the interview request letter and questions were modified to avoid using the word *business group*, to give the impression that I was not aware of the group and that my focus was only on the company.

Correspondingly, a set of tentative interview questions was tailor-made for each group, based on the full list of interview questions shown in Appendix E. The tentative list of questions, which was made available to informants prior to the interviews, was basically used to stimulate conversation. For example, I might begin the interview process by asking, "How has the group grown and changed over time? Why has it evolved in this way?" During the course of responding and telling illustrative stories, informants usually touched upon some relational aspects. I then brought in the previously concealed set of questions. Note that in most cases, interviews took place at the organization's facilities, except for a few interviews that took place over the telephone due to inconvenience for the informants to meet up. Also, respondents were usually cooperative if I wanted to pose follow-up questions after the interviews.

Approved Interviews: A Mixed Bag

From the eight FBGs who granted interview access, I conducted a total of 14 semi-structured interviews (as listed in Appendix E). This included two interviews with family top executives, four with non-family top executives, two with family members at the middle management level, four with non-family members at the middle management level, one family member outside the domain of the family business, and one top executive of a professionally run company that is the main competitor of one of the FBG's in the study.

The actual informants were diverse in their responses to the process. In some FBGs, top executives were unwilling to give interviews, offering the simple excuse that they are privately owned entities. Along this line, access tended to be somewhat easier to attain in listed companies or publicly recognized groups. For example, the two interviews that were consented to via the formal channel involved the CP group, one of the most prominent business organizations in the country, and Banpu Pcl, a coal and energy provider and one of the most high-profile listed companies on the Stock Exchange of Thailand as evidenced by several corporate governance awards. In the case of the CP group, the public relations department was highly responsive in helping me to reach the top executive in charge of the company's non-agricultural business activities in China and also in supplying me additional materials pertaining to my research topic prior to the interview. For Banpu, which is one core firm of the Mitr Phol group, a top sugar producer in Thailand and China, the company's chief executive officer explicitly said that he provided me the interview for the sake of corporate social responsibility. When I told him about my contact attempts at the Mitr Phol group, which is under the control of his older brothers and remains privately owned, he remarked that it is generally not accessible. This turned out to be quite accurate, and as a result, the group is not one of the finalized case studies.

Still, it is nevertheless worth stressing that not all of the listed companies were easy to access. Two of the three FBGs that declined my interview requests have most of their core firms listed on the stock market.

Regarding the middle management informants, particularly of the controlling families, they usually were substitutes for top executives (such as their fathers or uncles) who felt uncomfortable participating in an interview or who regarded the process as unnecessary. Still, via my personal connections with the family and the firms' mid-level managers, they could not simply turn me down. Instead, they took the list of interview questions and consulted with others in the organization or the family before providing answers on behalf of the top executives that would represent the group's view. In these cases, the interviews were provided in favor of the personal relationships.

To reflect on the issue of interview access, the degree of organizational openness was quite varied and overall, was relatively constrained, as would seem logical when considering the very nature of FBGs. Meeting with and answering questions posed by outsiders was not a practice with which many of the FBGs appeared to be accustomed. Moreover, in this context, the people assigned to give interviews could be seen as the only access point within the organization. Informants were often keenly aware of what they should and should not talk about. In most cases, it was unlikely for them to lead to other people within the organization or to introduce me to their peers in other FBGs. Basically, it is quite a custom in this context that you should not interfere other people's business. Hence, unlike the "snowballing" metaphor often used in the Western context to describe how researchers might gain more interview opportunities from previous interviewees, here, the proverbial snowball didn't roll on and gain momentum – it melted.

Furthermore, even if the snowball had rolled on, it would not necessarily have enhanced the reliability and validity of the interview results. In this concealed context, it is simply unlikely that interviewees would recommend anyone who might provide more exposure to the organization, especially in a potentially unflattering light. As such, in this context, it is probably better not to rely on the snowballing effect, but instead to identify and approach additional informants independently, "off the radars" of the existing informants. This is particularly true when the interview results that have already been gathered are of low quality. Along this same line of thought, it is worth stressing that interview materials are necessary but not sufficient in the research process; additional secondary materials (to be illustrated further) are needed for triangulating the overall data and thus enhancing the reliability and validity of case study research.

Quality of the Interviews

Of the mixed informants, i.e. interviewing family vs. professional, top vs. middle-level managers, how did they differ in quality? During the interview process, I realized one key distinction: family members (regardless of their positions in the organizations or even whether or not they worked outside the organizations) were more outspoken in answering questions, telling stories, and criticizing themselves than were the professional managers. As owners, the family members simply were not afraid to express their opinions if they had already agreed to provide an interview. Nevertheless, they tended to lack the comparative view of professionally managed organizations that non-family managers might have. Thus, the family member interview results are generally useful and consistent.

The interviews with the professional managers yielded more mixed results and a wide range in terms of quality. On one hand, some were very image-conscious and acted as if they were hired to guard the interests of the controlling families. The most disappointing case was a reputable top executive who continually led the conversation back around to "presentable" aspects of the organization, studiously avoiding "unpleasant" topics and mentions of the controlling family, as well as other relational aspects like collaborations with foreign partners. Some middle managers refused to answer any queries that fell outside the scope of the previously furnished list of questions. However, they usually tended to loosen up a bit after getting more acquainted with me.

On the other hand, some professional managers were willing to share their experiences, whether good or bad, and the counterexamples to 'textbook' notions of international business that they had witnessed, as they recognized the educational value of these observations. Nevertheless, even these relatively outspoken professional managers tended to be most careful in areas of conversation directly involving the controlling families, especially when it came to mentioning them in potentially disapproving ways. Along the course of a conversation, for example, the key issues might become more apparent and the discourse would veer toward criticism of the family's influence. Remarkably, one non-family manager became quite critical toward the end of the interview; that informant had explicitly asked to review and pre-approve the questions beforehand. Nonetheless, the review process went quite smoothly. Instead, it was another professional manager who had not expressed any concern during the interview process that ended up refusing to be named as one of the informants in the study.

Despite these problems, the interview process, from approaching the target to reviewing the interview results, simply confirms the difficulties of conducting research in this context, as earlier indicated by researchers including Redding (1990), especially when the research topic concerns issues of strategic management and organizational practices.

Hence, of all the interviews conducted, both the best (i.e., the most insightful) and the worst interviews were those with professional managers, while the interviews with family members were of consistently high quality. This cultural tendency to say neither too much nor too little is a manifestation of the relationship-based world in which these controlling families have long been immersed. Overall, I am satisfied with the interview results. Together with the secondary data, the data materials are satisfactory for compiling the four case studies.

Other Materials: An Extended Collection of Secondary Data

In addition to the interview materials, a wide range of secondary data was gathered for the four selected cases, as summarized in Table 6-2 (details are illustrated in Appendix E). Note that this is an extended collection of secondary data from the existing dataset used in the quantitative analyses and case selection.

This compilation was deliberately undertaken to enhance the data richness and triangulation potential of the case study research. The data sources are composed of academic publications, international press articles, local press articles, industry-focused publications, press releases and annual reports of related companies, and other narrative books like family histories and personal biographies.

Among the four cases, CP is clearly distinct in the level of information available, as well as having been covered by all kind of publications, especially the academic and international press. Note that there have been a large number of narrative books written about CP and the controlling family in Thai, but most of the contents therein are basically repeated from those already printed in other publications, so only one of these books is used as case material.

For the other three groups, their international coverage is relatively scant compared to the CP group. Central and Osotspa have drawn attention primarily because of the controlling families' affluence, with some largely incidental attention paid to their international business activities, e.g., entering the Chinese market (the Central group) or challenging Red Bull (the Osotspa group). For Double A, press interest has largely been from the pulp and paper industry, which has offered with both praise and concern. Relevant information regarding this secretive controlling family has been attained from various data sources, not only inside but also outside the organization.

Table 6-2: Materials used in the four case studies

Types	*CP*	*Central*	*Double A*	*Osotspa*
Interview	1 person: One non-family top executive	4 persons: one family executive; one family outside business; two non-family mid-level managers	3 persons: one non-family top executive; one non-family mid-level manager; one top executive of the main competitor	1 person: one non-family top executive
Additional facts and figures of related companies	CPF's annual report 2008; CP and Chai Tai information booklets; a number of press releases from the CP group	CPN's quarterly report 2009; a number of press releases from CRC	Prospectus for Double A's common stock offering; Double A's annual report 2001, 2003, 2004, 2007; a number of press releases from Double A	Additional figures provided by OSI; a number of press releases from Osotspa
Academic publications	3 Journal articles and book chapters: Pananond (1998), Viraphol (2006); Pananond (2007); 3 teaching cases (3: HBS, 1 INSEAD)	Thai Development Research Institute	-	-
International press	AsiaWeek (2000); BusinessWeek (1997); Far Eastern Economic Review (2000); Fortune (1994, 2003), Forbes (2003; 2009); The Economist (2001); Time (2004)	Forbes (2007; 2009)	Forbes (2003)	Forbes (2007; 2009); The Economist (2002); The Japan Times (2008)
Local press (in both English and Thai)	Several issues	Several issues	Several issues	Several issues
Industry-focused publications and other business intelligence sources	Feed Business Asia (2009); World Poultry News (2004; 2010)	China Chain Store & Franchise Association (2010); Li & Fung Research Center (2009)	Moody's (2009); Pulp Mill Watch (2007); Thai Pulp and Paper Industries Association (2004, 2008)	Food & Bev International (2009); Kasikorn Research Center (2008, 2009)
Narrative books, e.g., biographies	Survival Strategies	The 70-year Chirathivat: Central, the tougher, the better	Living in the Thai Countryside	-

6.4 Concluding: Research Design (2)

To build upon the survey results attained in Chapters 4 and 5 via the quantitative lens, this chapter adopts the qualitative lens of the comparative case study method, as a means of spurring more comprehensive theory development (Eisenhardt, 1989; Yin, 2003). Accordingly, the theoretical sampling is used to identify a number of FBGs with interesting characteristics that correspond to the key constructs and nascent causalities emerging from the population data. To reveal how the different constructs have interplayed and influenced the internationalization of FBGs, which is not a routine but strategic phenomenon, the interview approach is applied. Through this way of collecting the fine-grained primary data, the analysis thus takes a closer look into the organizations and tries to see from their view how things evolve over time and why they evolve in this way.

However, the process necessary to approach virtual organizations like FBGs and to gain access to them for the purpose of conducting interviews was not straightforward; indeed, personal connections were crucial. The interview results were of mixed quality. Based on the richness of data obtained, both in terms of the primary data via interviews and the secondary data from various sources, the case selection process is finalized with the selection of four groups (CP, Central, Double A, and Osotspa). Their narratives are outlined and discussed as the case studies in the next chapter. Then, Chapter 8 deals with recognizing patterns of relationships among constructs within and across cases to conclude the qualitative findings, which are then juxtaposed with the already-established quantitative findings in Chapter 9.

Validity and Reliability of Mixed-Method Research

With respect to the research design discussed in Chapter 3, the research is expected to achieve sufficient rigor by utilizing multiple methodologies, rather than by relying on a single approach. The case survey application has pointed out key constructs and provided some clues on their causality; however, the method is far from perfect. The comparative case study method is hence employed to further refine this theoretical induction process (Eisenhardt, 1989; Yin, 2003), while the between-method triangulation (Jick, 1979) is expected to enhance the validity and reliability of the overall research.

Following the traditional criteria (Cook & Campbell, 1976), the case study approach is methodologically assessed (Gibbert, Ruigrok & Wicki, 2008) and argued in relation to the case survey approach applied earlier. As discussed, the main concerns of case survey research are in terms of internal and external validity. With the richness of empirical data, especially stories and narratives, obtained from the interviews, the case study research is expected to build on and tease out the nascent and somewhat perplexing causalities between the key constructs and variables obtained from the quantitative analyses. For example, this process might result in a complex relationship between the internationalization and diversification of FBGs, instead of the more simply complementary model yielded from the parsimonious statistical models. Moreover, the multiple cases are deemed to involve cross-checking for internal consistency, i.e., within-method triangulation, and possibly to develop more robust theory, which is also linked back to the population database in this particular research design.

Altogether, both the within-method and between-method triangulations would thus bolster the rationalities of FBGs' development and internationalization as well as *the internal validity* of the overall research. In addition, it is hoped that the use of mixed methods will help the study transcend *the external validity* question, rendering it applicable outside the studied context of Thailand. Thanks to the theoretical sampling used for the case selection, the analytical generalization will relate the research findings to the wider context of business organizations from weak institutional settings, and thus relate back to the research motivation.

On this account, the richness of cases and juxtaposition of findings would also improve *the construct validity*. The meaning and implications of the existing constructs, which are crudely extracted based on the manifest data content and dependent upon the quality of the secondary data gathered during the case survey process, are likely refined, while some new constructs might also emerge. Overall, the between-method triangulation has the potential to balance out methodological flaws and thus improve the overall *reliability* of the research.

Lastly, this anticipated rigor would also ensure the managerial relevance of the research (Scandura & Williams, 2000). In other words, the research is likely not only to enhance the existing knowledge of how business organizations in developing economies have evolved in the globalization era and have embraced the internationalization strategy, but will also provide thought-provoking insights for people steering similar business organizations. Particularly, it is likely to shed light on how their decision-making processes, which are not always easy to justify based on conventional economic reasons, have played out in terms of firm-level as well as country-level competitive advantages. Likewise, this kind of logical argument could very well have significant policy implications.

Chapter 7

The Four Cases: CP, Central, Double A, and Osotspa

Through the process explained in Chapter 6, four groups have been selected for conducting the multiple case studies in order to clarify the causalities emerging from the quantitative analysis and to enhance understanding of the internationalization of Thai family-controlled business groups. The first case, as mentioned, is CP, due to its outstanding characteristics, particularly in terms of its international business presence. Because the group functions as something like a role model in the Thai business world, the CP case is regarded as a benchmark for comparison with the other three cases: Central, Double A, and Osotspa, which are expected to highlight different analytical angles along their idiosyncratic development and internationalization processes. Note again that the data materials used for these four cases are as reviewed in the previous chapter (Table 6-2); detailed references are shown in Appendix E.

This chapter deals with case descriptions and within-cases analyses of the four cases in the *four parallel sections*. As motivated by the quantitative results, along with causal conjectures that emerged from the sensemaking process of this qualitative investigation, each section for each group is systematically divided into *six parts*. The first five parts tease out key organizational features in relation to the overall development and internationalization of that particular group. More specifically, the *first part* lays out the family histories and business backgrounds. The *second part* focuses on business development with the aim of pinpointing certain competitive advantages, which can be technological, organizational or relational traits at either the strategic business unit or group levels. The *third part* spells out the groups' diversification, which presumably intertwines with personal relationships and the bamboo network. Since organizational growth is not always positive, the *fourth part* delineates concerns and weaknesses entailed in the group's development, especially during their rough periods. Along the respective development paths, the *fifth part* takes into account strengths and weaknesses of the FBGs and consequently discusses why and how the groups have established their internationalization processes. Finally, the *sixth part* sums up lessons learned and challenges facing the groups in their respective international ventures, offering within-case analyses plus some remarks in relation to the CP group, the benchmark.

Lastly, the *fifth section* concludes the chapter, discussing these four distinct cases as the basis for the cross-case analysis in the next chapter.

7.1 CP: Converting to the Mainstream MNC?

Charoen Pokphand (CP) is today one of Asia's biggest agro-industrial and food giants, with annual sales of around US$19 billion and employment of over 250,000 people worldwide. CP has engaged in a wide range of activities, but its strength lies most in its vertically integrated agribusiness, i.e., from seed to feed to food. The model was first developed in the poultry business, and was later applied to other agricultural products (such as duck, swine, and shrimp). From its home in Thailand, CP has replicated the model across multiple national borders, particularly in developing countries that tend to share the problem of subsistence farming and a lack of basic, affordable, high quality products. Via this edge, CP's operations span over 15 countries; its products are available worldwide. Based on the position of being the world's largest producer of animal feed and tiger prawns as well as the number one poultry producer in Asia, CP is now targeting the higher value-added segments of the food chain with the aim of being the "Kitchen of the World."

Undoubtedly, CP has gained a lot of attention from both academia and the media. Harvard Business School published four case studies on CP in 1992, 1995, 2003, and the latest in 2010. INSEAD under-took a case study in 2003. CP was used as the main data point in a Ph.D. thesis and in several journal articles published by Pananond (e.g., 1998 with Zeithaml, 2001, and 2007). In the popular press, in 2003 *Fortune* listed Dhanin Chearavanont, Chairman of the CP Group, among top 50 business leaders that have the greatest influence in the world. In 2004, *Time* described the Chearavanont family as one of Asia's most powerful families. In 2006 and 2009, Boston Consulting Group (BCG) ranked CP as one of 100 global challengers from rapidly developing economies[30].

Along with the praise, CP has constantly been criticized for its "chicken to telecom" style of diversification. However, exploiting opportunities or filling in institutional voids is nevertheless common in developing countries. The strange part is that the group's pervasive diversification can be found not only at home in Thailand but also in a foreign country, i.e., in China. In addition to its agribusiness, which has a presence in 29 of 31 provinces in China, CP has involved in a long list of other activities in associations with different strategic partners. In this aspect, the cultural sharing of being Overseas Chinese, i.e., the bamboo network argument, and political connections were particularly highlighted and also explained why CP was the first foreign investor to enter China, shortly after the "Open Door Policy" was introduced in 1978. Other reasons, e.g., entrepreneurial skill, strategic commitment, ability to secure partners, and lack of contestants at the time were also relevant.

With respect to the rising competition, especially in China, the power of connection tends to diminish over time. How would CP adjust its dilettantish side? Also, how would CP as a whole evolve further? Would CP become more like the mainstream MNCs?

Family History and Business Background

The origin of CP can be traced back to 1921 with a classic story of Overseas Chinese escaping the difficulties of Mainland China at the turn of the century to seek opportunities in port cities around the South China Sea. Two brothers, Chia Ek Chor and Chia Seow Whooy, emigrated from their native Shantou City, Guangdong Province, China, to Bangkok, Thailand, where they set up a small shop, called "Chia Tai." Modestly, the two Teochew-dialect brothers started the

[30] The BCG ranking in 2006 was based solely on Charoen Pokphand Food (CPF), the group's core business, while the ranking in 2009 accounted for CP as a whole.

business by selling vegetable seeds grown on the family farm in China and other related products, e.g., fertilizers and insecticides, and later also began exporting basic food items from Thailand back to China via Hong Kong.

In a typical sojourner pattern, the older brother Ek Chor did not really detach himself from his homeland. In 1945, he left his younger brother and other family members to take care of the shop in Bangkok, while he returned to develop the seed farm in Shantou as well as voyaging between China, Hong Kong, Singapore and Malaysia to promote the trading business. It was actually after the communist takeover of China in 1949 that the brothers decided to base their operations in Thailand. The family name "Chearavanont" was commonly adopted; the business name "Chia Tai" was replaced by the Thai name "Charoen Pokphand" in most occasions. Notably in China, the name "Chia Tai" has been kept and is still used.

Growth Philosophy and CP's Vertically Integrated Model

The cross-border trading of seeds and related products continued as the only operation of Chia Tai until 1954, when a new venture was added. By leveraging his knowledge of planting seeds, Jaran, Ek Chor's eldest son, entered the chicken feed business. A feed shop was set up under the name "Charoen Pokphand," meaning "commodity development." Subsequently, CP progressed from its commercial basis to the manufacturing sector, as the first feed mill operation was established in 1959. The development continued, and by 1968, CP dominated Thailand's animal feed industry, holding around 90 percent of the market. Apparently, the improved feed quality had raised farmers' productivity, which benefited both the individual farmers and CP.

The same logic was then applied to the quality of chicken breeding. In the late 1950s, CP began to purchase high productivity, disease-resistant hybrid breeding stock from Arbor Acres, a leading U.S. poultry-breeding company. This relationship later evolved to be the first joint venture in 1970. It was a major milestone in the development of CP that a scientific research division was founded to breed its own stock specifically for the Thai environment. Via the joint venture, CP acquired some basic breeding technologies and learned about the broiler industry. However, it was not enough to raise productivity in the meat production sector, while the supply and distribution chain was still under-developed, i.e. a series of middlemen to go through and a lack of assured demand. Thus, by 1971, CP had become further integrated in the processing and marketing part of the chain.

Connecting the chain from feed to breed to broiler and to processing and more was a process driven by Dhanin, the youngest son among the four sons of Ek Chor, who is currently Chairman and CEO of the CP group and who naturally took over as the leader of the clan in 1963 at the age of 25. In a report published in the *Nation* newspaper as of December 27, 2002, Wanlop Chearavanont, Dhanin's first cousin, thusly described Dhanin that:

> "Dhanin was a flamboyant young man. He possessed charisma and leadership qualities. He was always the leader who could convince people to go along ... What sets Dhanin from the rest was his vision. He can calculate things beyond most entrepreneurs. I thought I was pretty apt ... But Dhanin was the most able in realizing the fullest potential of our ventures. None of us thought we could come this far. But he did."

In the 1970s, CP's vertically integrated agribusiness model had thus begun to take shape, alongside the country's economic development. It was reasonable for Dhanin, as he explained in the same newspaper report, to believe that:

> "As a developing country like Thailand grew, meat consumption will catch up with those levels in developed countries."

For the record, CP was the first Asian company to use the vertically integrated farm-to-market production technique, resembling Tyson Foods, a U.S.-based multinational (Forbes, 2003). Yet, to its distinct advantage, CP chose not to enter industrial-scale farming. That is, it internalized the research front of the farming operation but externalized the massive production component by introducing a system of "contract farming." Basically, CP guaranteed loans for farmers to set up CP-standardized chicken farms and to buy breeding stock feeds, veterinary care and other technical services from CP. In return, farmers were contractually bound to sell their produce to CP at predetermined prices. Within 5-7 years, most farmers could repay the loans and be free to sell their produce to any buyers (Pananond & Zeithaml, 1998).

As a result, CP had created and controlled its vertically integrated chain of chicken businesses with many small-scale farmers competing in the middle. Undoubtedly, it was not easy for CP to implement the system. During the early days of the operation, CP was confronted with skepticism and mistrust from both the government and the farmers. CP was also criticized for its excessive market power, especially when there were not that many other buyers in the country[31]. Nevertheless, CP's contribution was impossible to deny. Its model streamlined fragmented and inefficient supply chain in the poultry sector as well as other food product industries, which improved food quality at relatively low cost in Thailand and later in many other countries. Making food affordable to everyone was indeed fundamental to the country's development.

The group's *horizontal expansion* began in the 1980s. CP applied its vertically integrated agribusiness system to other product lines such as swine, duckling, black tiger prawns and fish. Knowledge specific to each line was nonetheless needed. For example, for the shrimp operation, it created a joint venture, called CP Aquaculture, with Japan's Mitsubishi, which sought to recruit Taiwanese technicians to assimilate breeding know-how[32]. By incorporating the additional knowledge into its established model and having Thailand's locational advantage for growing shrimp, CP has again transformed small-scale farming and aquaculture into an organized production system. Equipped with modern technology, CP is today recognized as the world's leader in the shrimp industry with a number of overseas production units in locations such as India, Indonesia, and Vietnam.

Accordingly, CP's vertical integration model has been successfully developed corresponding to the ill-functioning market environment of Thailand and other developing countries by obtaining distinct sets of technical know-how for different parts of the food chain from various strategic alliances. Considering the learning process, CP typically begins with creating joint research facilities with leading multinationals in different parts of the value chain, e.g., Arbor Acres in poultry and Dekalb of the U.S. in the seed sector. Later, CP developed its own R&D units as a means of building up its technical capabilities. Also, in many of the developing markets in which it operates, CP tends to

[31] During this period, a number of companies sprung up to handle different business activities. To organize all the investments, the "Charoen Pokphand Group" company was found in 1976 as the group's holding company. During that time, CP also started to recruit actively and to rely more on professional management.

[32] Taiwan was first to develop shrimp farming systems and was the world's leading producer of black tiger prawns until the industry collapsed in the late 1980s.

set up its own research centers to customize its integrated business model.

To credit the success and withstand the criticism, all CP executives have constantly argued in the same voice for *CP's growth philosophy* that stresses mutual benefits for sustainability. Originally, in the period of 'feed and breed,' the company's motto was "CP benefits if farmer benefits," which later in a wider sense became the three-benefit philosophy: "Benefit to the Country, Benefit to the People, and Benefit to the Company." During my personal interview (December 11, 2009) with Thanakorn Seriburi, Vice Chairman of the CP Group, he plainly stated that:

> "If we think we are going to rip others off, don't! We must have the policy to create prosperity for others; then we will be invincible."

This kind of value and belief system is what is claimed to underlie CP's operations and investments in general. For that reason, it is sensible for CP to replicate the vertically integrated agribusiness system into other developing countries, while presumably exporting part of the end products to developed countries.

Diversification: When Reputation and Commitment Led to Many Others!

In developing countries, opportunities tend not to be limited to the company's area of specialization but rather are wide open for organizations as strong a presence as CP. On one hand, its impressive business development has over time made CP a trustworthy organization, in comparison with ordinary fellows. On the other hand, it could easily be seen as nepotism, i.e., as CP exploiting its overriding power to participate in other thriving areas. Regardless of the means, CP has evidently engaged in a wide range of business activities. Of these, some are de facto sensible for the sake of filling in institutional voids, while others might not be easy to anchor with the group's self-asserted philosophy.

As mentioned, CP's diversification happened not only at its Thai base, but also in China. There, CP, or better known as "Chia Tai", was regarded as the first Chinese Diaspora to return home in 1979, in response to Deng Xiaoping's Open Door Policy. The group was also granted foreign investor license number 0001 for its joint venture with U.S.-based Continental Grain Corp to build and operate a feed mill in Shenzhen's Special Economic Area. (Note that details about the internationalization process of CP's agribusiness are to be discussed later.) At that time, China was a business environment with substantial risk and strict capital control, meaning that CP could not directly transfer back its return on investment in RMB but rather had to export the products to earn remittable foreign currency; this was mainly to press for reinvestment. Return on such risk was basically in terms of the first mover advantage. The competition in the market at the time was trivial. There were only inefficient State Owned Enterprises (SOEs) that were regarded as the main obstacle for the country's economic reform, whereas privately owned companies did not exist.

"The situation created a hero!" were the punching words of Thanakorn in explaining why CP was able to branch out into many unrelated activities in China. Literally, it was the combination of the fact that CP could operate more efficiently than the Chinese SOEs did and that there were no other competitors in those days. After a period of building trust and experience in China, CP was approached by the Chinese government to help address the country's lack of inexpensive transportation options for this increasingly vibrant society. In 1985, Ek Chor China Motorcycle Co Ltd, named after the group's founder, was found to set up a manufacturing plant in Shanghai. Apparently, CP did not possess any know-how in this area, so it acquired a license from Honda to manufacture a motorcycle model that Honda no longer produced for executing its first diversification project.

Quite simultaneously, at the liberal home in Thailand, CP was enjoying the country's rapid economic growth during 1985 to 1996, i.e., the Asian Economic Miracle, by sprouting their sphere near and far. To begin with, CP expanded into the retail business sector in 1988. This was justified as taking its vertically integrated system down to the end customers. The first gambit was a joint venture with Netherlands-based SHV Holding to set up Makro, a warehouse supermarket. In 1989, a franchise agreement for the convenience store chain 7-Eleven was signed with U.S.-based Southland. Through these foreign partnerships, CP began to learn how to run retail operations and thus established its own chain of supermarkets called Sunny and its own chain of hypermarkets called Lotus Supercenters in the early 1990s.

Furthermore, in 1988, CP also entered the petrochemical industry. The idea was to provide the basic materials necessary for the country's development, in a similar manner to how it had foreseen the growing demand for chicken. Through a joint venture with Belgium-based Solvay, Vinylthai was established to manufacture PVC and vinyl chloride monomers. Subsequently, in 1993, CP joined with the Thai state-owned Petroleum Authority of Thailand (PTT) to establish a petrol station network under the name Petro Asia.

Along the argument of filling in the country's infrastructure, CP also entered the telecommunications market. In 1990, CP formed a new subsidiary, Telecom Asia (later renamed True), which in 1991 won a license to install and operate phone lines from the Telephone Organization of Thailand (TOT). This deal, however, turned out to be one of the most controversial privatizations in the country. Technology-wise, CP first sought know-how from British Telecom, which pulled out during the scandal, and later replaced with U.S.-based Nynex (which later became a part of Verizon Communications). Despite its obscurity, the group secured a strong position in the fixed line space and then expanded to mobile phones, cable TV, and broadband Internet, as well as other data communications services. The expansion also went across borders, allowing the company to take part in different ventures in Hong Kong and China. For example, it produced a TV program called "Zheng Da Zong Yi" (The Chia Tai Hour) that brought the group more public recognition in the Mainland.

Back to the big brother China, the relationship between CP and the Chinese government has been secured and cultivated over time. Thanakorn, who currently takes care of CP's non-agribusiness activities in China, explained:

> "When we gained profits, we gave back [apart from paying taxes], partly to the society ... The Communist country cared a lot about this. Due to the centralized system, the government needed references to give favors ... During the Tiananmen Square incident they saw that this group didn't leave, while others – the Westerners – all packed their bags and left. Besides, in that year, 1989, CP even invested in 8 more projects in China. These basically gave the Communist Party's leaders an excuse to help us."

In return for being calm and committed to the country regardless of the political turmoil, CP was awarded a large parcel of land (around 42 hectares) at the heart of Pudong New District of Shanghai. Primarily taking the role of land developer, CP allotted and sold parts of the land; Shangri-La Hotel and Citibank are now located there. For the reserved part of the land was developed to become China's first and largest one-stop shopping and entertainment complex, namely the "Super Brand Mall."

Unlike the motorcycle branch of the business, the real estate and retail businesses were not entirely new to CP. In Thailand, CP had already jumped on the bandwagon of the real estate boom with a variety of projects, through its own subsidiaries and joint ventures with other Thai business groups. For the retail side, CP also utilized its home-based experience in Thailand to introduce its Lotus Supercenters to China in 1996, after a planned joint venture with U.S.-based Wal-Mart broke off. The separation was said to result from Wal-Mart's reluctance to relinquish its control and technology as well as the two groups' clashing corporate cultures. Still, CP seemed to benefit from this ill-fated relationship, as it could enlist some of Wal-Mart's expatriate employees in its workforce, though Wal-Mart also entered China by itself in the same year.

Given all of these diversification examples, it is clear that CP became quite skilled engaging in many different business activities outside of its comfort zone. The group was at the top of its game in the agribusiness system for developing countries, which opened up countless windows of opportunities in each respective setting. Also, CP was not afraid to venture into those unfamiliar industry settings; it succeeded by utilizing its networking capabilities to seek technical know-how from skilled partners in each field. In this respect, CP's partners could be renowned multinationals or other experienced parties, depending upon various factors. For multinationals from advanced economies that wish to enter this part of the world, CP's contextual knowledge and networking reach is often desirable. For other Thai or Asian fellows, tapping into the resources and capabilities of CP would be valuable and even instrumental for their own internationalization. Taking an example from the beer industry, CP took part in two brewery projects in China: one with a global lager house, Heineken of the Netherlands, and the other with Boon Rawd Brewery, i.e., Singha Beer of Thailand.

Streamlining in Response to Tougher Competitive Landscapes

The list of CP's diversification activities went on and on into electronics, machinery, pharmaceuticals, and more, roughly until the Asian financial crisis erupted in mid-1997. This definitely woke CP up from the linear perception of the Asian Economic Miracle, as it did to everyone else. The group that had ventured into so many different activities, unsystematically spun off new firms every now and then, and listed many of those on various stock markets ranging from Hong Kong to New York, was, for the first time, forced to be more focused, organized, and transparent in order to raise capital from arm's-length investors during this turbulent period.

Without a doubt, this involved ceasing some of the group's most lavish investments, freezing some ongoing or potential projects, turning down new offers, and streamlining the remaining activities – going back to basics, as it were. For instance, CP had to sell its stakes in the Shanghai motorcycle factory, in the brewery joint venture with Heineken, in a Chinese satellite operator called Apstar, in a NASDAQ-quoted high-tech electronic R&D firm called Kobin, and so on (Goldberg & Reavis, 2003).

In the retail sector, CP chose to hand off the overly heated hypermarket segment in Thailand by selling 75 percent of Lotus to Tesco, while keeping its position on the 7-Eleven convenience stores that were comparatively less demanding in terms of capital[33]. In China, the situation was different; CP did not have any other alternative but to keep Lotus as the only retail arm in penetrating this rapidly growing economic mammoth. The "Super Brand Mall" project, which was in the middle of construction, was put on hold by the Thai financiers that were all suffering from the economic meltdown at home[34]. Likewise, other Thai partners that had embarked on their international expansions in China via the hand of CP largely withdrew. With the brewery project that was initiated by Singha Beer and Siam Commercial Bank, CP managed to maintain control of the business by replacing the Thai partners with Tsing Tao, the Chinese beer maker.

Apart from the ground-shaking financial turmoil in Thailand, CP also began to realize that the competitive landscape in China was growing more intense due to the rising number of local competitors in

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[33] Following the WTO agreement in 1995, the retail liberalization attracted many global retailers into Thailand, which led not only to cutthroat competition in the hypermarket sector, but also to many "mom and pop" grocery stores being driven out of business. During the crisis, CP sold a small stake (10 percent) of the 7-Eleven operations to the Singaporean Government Investment Corp. for liquidity and maintained its control over this fine-grain retail channel. At that time, there were more than 1,000 of the 7-Eleven convenience stores established in Thailand; the number of stores multiplied to over 5,000 by 2009.

[34] The project was later refinanced by Chinese banks and opened in 2002.

terms of both public and private enterprises, as well as a flood of mainstream foreign investors. The Chinese government no longer needed CP to help initiate new projects, thereby limiting opportunities for more unrelated diversification. The "Beijing Frost" became evident in 1996, as the government broke a promise to allow CP to take part in a silicon-wafer fabrication plant project in Shanghai and instead allowed a local Chinese company and a Japanese technology partner to set off without CP (BusinessWeek, October 6, 1997).

Under these circumstances, CP was obliged to shape up its core agribusiness, largely by restructuring and consolidating all of the food-related activities under the organizational umbrella of Charoen Pokphand Foods (CPF). As a result, a rather messy and ad hoc set of firms that had sprouted up to handle different activities in CP's food chain over the years was transformed into a clearly defined corporation in 1999[35]. This streamlined structure was also coupled with a bold mission to be the "Kitchen of the World." To achieve that, CPF has carried on upgrading the organization and management by means of information technology, e.g., creating software applications based on human experience and building up an integrated information system to link and share resources across different activity units as well as between headquarters and foreign subsidiaries.

Moreover, this modernized corporation has geared itself from the manufacturing phase to the marketing phase of value-added activities, i.e., closer to the end consumers. This meant lowering the amount of fresh meat but increasing that of processed, cooked, and ready-to-eat products. In the fast food business, the group also developed its own chain called "Chester's Grill" by making use of the previous knowledge gained from operating KFC franchises both in Thailand and China. This strategic move turned out to be even more vital in 2003, when an outbreak of avian flu was reported in Thailand and several other East Asian countries. This triggered a great concern on the issue of food quality, especially from consumers in advanced economies, which in turn altered the basic structure of the Thai broiler industry (World Poultry, May 27, 2004). In this respect, CP was ahead of the game, given its closely controlled production system via

[35] Prior to the consolidation of CPF, the food-related business was the most unorganized part of the CP group. The other business units, e.g., telecommunications or petrochemicals, were more structured, because they were formed as joint ventures with incumbent multinationals from the start.

the contract farming and the incorporated line of food processing. To stand out in the midst of the global concern over food safety, the single house brand "CP" was implemented first in Thailand and then in many of its established international markets with the plan to make CP a global brand (The Nation, October 1, 2008).

Overall, CPF has shined through all the difficulties it has faced as a multinational corporation within the CP group that is still involved in many other non-food activities. At the core is the vertical integration from feed to fowl to food to distribution and retail, an approach that is particularly sensible in the context of developing economies. At the side, CP labels its telecommunications activities in Thailand as food for thought; however, this logic is unlikely to stretch further to apply to its eclectic activities in China. To be fair, this portfolio is still viable in this context, at least for the time being.

Internationalization: Replicating CP's Model for Developing Countries

Historically speaking, CP was international from the beginning by dint of its cross-border trading within the Overseas Chinese network. Besides, its specific link to China and its international exposure in general had barely faded away through the process of settling down in the new country, unlike many other compatriots. Of the two "Chia" brothers, Siew Whooy adopted the Thai name Chorncharoen Chearavanont, while Ek Chor did not. He was known to be a patriotic Overseas Chinese. He kept the Chinese connection alive and passed it on to his children by means of education. The youngest son, Dhanin, who was born and raised in Bangkok and first attended a Catholic school, had to join his father in Shantou when he was 14 to complete his schooling. Shortly after Ek Chor left China for good in 1958, CP set up its first international branch in 1960, which was located in Hong Kong, a regional hub for international business activities. This alertness, endorsed by the core competence, thus explains why CP was among the first international player emerging from the region.

As the group was sharpening its competitive edge in the agribusiness industry, an overseas investment opportunity came into sight via Montri, Ek Chor's second son, who worked with Japanese Nippon Paint in Indonesia during the late 1960s (cf. Thanakorn's interview). That was when President Suhator's rule became stabilized, while the corporate farming style did not exist, so CP began examining the Indonesian market. In 1972, feed mill operations were set up. This was the first international expansion of CP, and was followed with investment in poultry farming and fisheries in 1974 and 1976, respectively. Around that time, CP also received assistance with the food processing technology from Japan and began its first exports of frozen chicken there in 1973.

For more of the production units, CP expanded its feed mill investment in Hong Kong in 1974, Singapore in 1976, and Taiwan in 1977. Simultaneously, the preparation to enter China had begun to take shape in Hong Kong. The group invested in an insurance company and at least three investment and finance companies to serve as sources of funding for its upcoming endeavor into China, because Thailand still imposed strong control over the currency outflow. Thanakorn, who was one of CP's taskforce back in the days, elaborated on why CP was so eager to enter China:

> "Prior to the entry, we saw that China's time was coming to an end. The Communist system would not survive … The government's resources were being eaten up. It had to swing back … The reform was gradual, starting with opening the 4 Special Economic Zones, which coincidentally happened to be where our ancestors resided … In addition, Dhanin's father who was once kind of a farm manager / leader during the Communist period was well connected with the high-ranking officers. They recommended that China would certainly open and we should come in and try. Another coincidence was that the Chinese ambassador to Thailand at that time was a Teochew dialect. He also recommended that we enter the country … Lastly, Dhanin's father…said to us that we had invested in Indonesia and Taiwan; why not go back to our home, to China?"

As mentioned, CP was the first foreign investor into China and opened its first feed mill in Shenzhen. This was followed by the establishment of many more of agribusiness activities spanning 29 of 31 provinces in China; also, a research facility was set up in 1996. Hence, the CP model was thoroughly rolled out and considered a driving force behind China's agricultural reform (Viraphol, 2006)[36].

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[36] Together with the other business activities, CP in China was reported to generate around US$6 billion of total sales in 2008 or approximately 30% of the group's turnover. As a result, in 2009 CP was ranked number one in the top 500 Overseas Chinese businesses in China, a ranking that was first conducted by Tsinghua University together with Da Gong, a leading newspaper in Hong Kong, Global Chinese Entrepreneur Magazine and World Chinese Business, a research center. At a more personal level, Dhanin was concurrently appointed Chairman of the China Overseas Entrepreneurs Association to honor the contribution of CP in China.

Distinctly, the CP model was proven to be beneficial in the context of developing economies as it was also successfully implemented in nearby countries such as Indonesia, Malaysia, and China. However, it had less to offer in the context of developed economies where the market institutions were already in place. Evidently, CP had previously backed out of the fierce competition in the U.S., while its later attempt in the mid-1980s to penetrate the European market was achieved through expansion in Turkey but not in Spain and Portugal owing to the relatively more developed logistics, trading and marketing infrastructures of those countries.

With respect to its expertise in developing countries, the later international expansion was also motivated by foreign governments. In 1993, the President of Vietnam invited CP to set up agribusiness operations in this emerging economy. Yet, the key criterion for CP's investment has in fact been the market size. Notably, the group entered India in 1994; it extended into Russia with both agribusiness and retail activities during the 2000s; and it recently reported that it was conducting a feasibility study for investing in Kenya and Tanzania (World Poultry, May 26, 2010).

On the whole, notwithstanding the locations' attractiveness, CP has always been prudent in entering new overseas markets, proceeding by gradually building up its chain of activities and adapting to local conditions. Typically, the process starts with a small feed mill and then moves on to the production of broilers, crops and processing plants, usually taking at least 10 years to create a sizable integrated system. Over time, this translates into a substantial depth of local market know-how, i.e., which is an advantage that CP has over other leading-edge MNCs like Cargill of the U.S. that cannot afford to send their costly expatriate staffs to remote areas in the middle of nowhere. In terms of local responsiveness, CP has taken the multi-domestic approach for managing its international operations, while still receiving its strategic directions from the headquarters. In other words, Thailand serves as the experimental base, e.g., when it comes to promoting CP-branded products, before applying the idea to other countries.

Lessons Learned and Challenges

Without a doubt, CP's strength resides in its vertically integrated agribusiness model that has been tailored for addressing market deficiencies in developing countries. To make food affordable to everyone and raise the living standard is certainly a great contribution to society, and it is one that often brings other sideline investment opportunities along with it. On the other side of the same coin, the model is of little value in advanced economies, where the group has to deal with competition in each part of its value chain from experts in that particular field. For example, CP is battling head-on with Tyson of the U.S., one of the world's largest chicken producers, in many important export markets like in Japan.

Towards the downstream, the group's "Kitchen of the World" mission means that CP ought to challenge a number of established players, such as Pillsbury, Nestle, Meiji Foods and Danone, which have largely been present in developing countries. Besides, it seems that CP is still in need of technical know-how from these specialists in order to enhance its end-product development; markedly, CP has been in collaborations with a number of Japanese partners starting from the early days of exporting frozen chicken. More recent partnerships include a joint venture with Meiji in the making of dairy products, and another joint venture with Yoneku in the area of processed pork. In this aspect, it thus remains to be seen how far CP could proceed. Thanakorn concluded the interview by stating that:

> "At the headquarters we are now emphasizing brand-building. We have to upgrade to the next step...to build our own brand and to sell our own know-how ... In the future, in developing countries, whoever would like to enter the livestock business might come to buy know-how from us."

Taking into account the growing number of copycat competitors from developing economies, it is obvious that CP has to move away from its commodity-provider roots. For the same reason, it is however doubtful whether CP could become a technical provider. At home in Thailand, its 'feed-to-meat' line has faced competition from rivals like Betagro for the last three decades. In the spacious market of China, domestic competitors like Hope Group and Tongwei, which are among the largest private enterprises in China, have matched CP's integrated supply chain, outpaced their feed volume via their cost-cutting schemes in their domestic market, and aggressively extended themselves to challenge CP in many other locations. Evidently, the Hope Group has quickly expanded to Southeast Asia, CP's own backyard, South Asia, and has even made tentative inroads into Russia (Asia-

Week, 2000). Accordingly, CP has realized the need to put more emphasis on the forward integration and to satisfy the consumer markets by capitalizing on the food quality issue, creating savory food items and anchoring its products to the CP brand. Along this line, it also explains why Dhanin has been so committed to boosting its Lotus Superstores in China, despite battling against a long list of world-class retailers.

In terms of peripheral business activities, Thanakorn accepted that the chance for any more callow investments is close to zero. However, this does not mean that the group would cease its current peripheral business activities. For example, in 2006, CP pooled the funds to build its third motorcycle manufacturing plant (The Nation, 4 Dec 2006). Moreover, the Chinese government seems to still provide CP opportunities in the property development area where, for example, CP could go in and set up a complex featuring a Lotus Superstore, a shopping mall, recreational facilities, and government offices. However, this would not last if CP could not live up to the professional standards that apply in today's highly competitive environment.

Consequently, in every business area, the game has geared up for the specialization basis. CP as the group's holding company has reorganized to cope with this market-driven principle, having its core competence mainly linked with the agribusiness of CPF, CPALL on the retail front, TRUE in telecommunications, and ten other business lines[37]. Thus, the organization is highly decentralized; each business line operates independently with its own president who reports to the corporate level that handles the group's strategy and finance. For the management, the group has promoted professionalism and has reduced the family involvement in business oversight since the late 1970s. As a result, not that many members of the Chearavanont family play active roles in the day-to-day operations, e.g., none are present in the management team of CPF, but they tend to maintain the financial control (Goldberg & Reavis, 2003)[38]. Besides, most of the

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[37] CPF, CPALL and TRUE are the key companies in their respective business lines, which are all listed on the Stock Exchange of Thailand. The group also has a number of its foreign subsidiaries listed on different stock exchanges overseas. According to CP's structure as of 2009, its ten other business lines are: seed, fertilizer, and plant protection; international trading; crop integration; plastic; pet food; land and real estate development; feed ingredient trading; automotive; finance and banking; and pharmaceutical.

[38] One of the internal policies is that spouses are not allowed to work for the group.

top executives are the old batch of Dhanin, who turns 72 years old in 2010 and still carrying on his vision.

It indeed will be interesting to follow CP in the future, not only in terms of competitiveness on the agribusiness front, but also concerning the organization and management of this vastly eclectic FBG. Apart of the old pals, Dhanin seems to count his youngest son, Supuchai, who is currently serving as CEO of TRUE, as his business heir. Yet, it remains to be seen how this succession would come about. With the rising pressure toward specialization, would the collective group structure prevail? Would CPF, which has already transcended the rest of the group, set apart its own development path and progress as one of the mainstream MNCs?

7.2 Central: Streamline the Business, Discipline the Family, and Gear up the Internationalization

Given the outstanding case of CP, the following cases are relatively minor in terms of the international involvement, but presumably are more extreme in other elements of comparison and also full of interesting anecdotes. Starting with the Central group, it is best known in Thailand for operating the number one department store chain, Central Department Store (CDS). Surrounding the retail business are property development, hotel, restaurants, and other supporting activities, comprehensively under the corporate label of the Central group.

Through its heritage of pioneering the country's modern trade, bringing in upscale products and a cosmopolitan way of life, the Central group can be regarded as a symbol of the modern society in Thailand. Over 60 years, its retail business has withstood a series of both local and capital-rich foreign competitors in different market segments, thereby refining its own competitive edge and beginning to gain international recognition from a number of retail forums. Accordingly, this service-oriented group has recently decided to transfer its expertise across borders by opening the first CDS in China in early 2010. Additional projects at different locations and in different business lines are also under consideration, thus drawing attention toward its ongoing internationalization process.

Behind the interesting business development is the perhaps even more fascinating story of the group's controlling family, the Chirathivat family. Their economic wealth is unquestionably substantial, but even more attention-grabbing is the harmony of what is most likely the country's largest clan (numbering nearly 200 members), which has not only supported the Central group's successful evolution from a small family-run shop into a sizable empire but has also won admiration from other family business entities.

Family History and Business Background

The tale of this prolific business clan all dates back to Ni-Tiang, or Tiang Chirathivat, who traversed the sea from Hainan, China to settle down in Siam in 1927 at the age of 22. He married Whan and started working at a grocery store owned by his parents-in-law before setting up his own tiny retail outlet in Bangkok. After the end of the Second World War, the business had taken shape with the establishment of "Central Trading," which imported books, clothes, cosmetics and other miscellaneous items to serve the growing overseas educated elite class in the society.

During this period of business formation, Tiang had Samrit, Vanchai, and Suthiporn his first three children as the main driving force. Samrit, the eldest son, was chiefly instrumental in contacting foreign traders. Later, Samrit also brought up the department store idea. As a result, the country's first department store was established in 1956 at a bustling corner of Bangkok, along with the implementation of the "price tag" model instead of traditional-style bargaining. Following the customer satisfaction, two more branches were also created, but these were not successful. One failed because of its inappropriate location in the middle of price-conscious Chinatown; the other was located in the downtown area but faced stiff competition from Daimaru of Japan, the first foreign department store and also the first to be furnished with escalators and air conditioners. To outshine the foreign competitor, the major investment was made in 1968 to create a stylish four-story store in Silom, which later became Bangkok's financial district. Still, the project was quite ahead of its time, which resulted in a rough opening and forced the store to incur a heavy load of debt. Under this shadow of doubt, the days got even gloomier with the death of Tiang, leaving his 26 children from three wives[39] behind.

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[39] Tiang's first wife, Whan, passed away during the Second World War, after giving birth to their eighth child. Tiang then remarried Boonsri and had another 13 children, while he had another 5 children with Vipa, the third wife.

Samrit, who had always partnered with Tiang in pioneering the business and functioned as the big brother taking care of all the younger ones, naturally took control. During that time, some of the siblings had also finished their overseas educations and had come back to assist the business. Idiosyncratically, Tiang had always urged all his children to excel in English language studies and to pursue higher education, in line with the cosmopolitan characteristics of the business[40].

Growth Philosophy: Groundbreaking and Risk-Taking for the Modern Society

To solve this difficult situation, Samrit first had to deal with all the bankers to renegotiate the loan repayments. Simultaneously, different marketing techniques were implemented in order to educate consumers, to make them more familiar with ultramodern shopping facilities, and also to convince them that the beautifully decorated, air-conditioned department stores did not necessarily mean overpriced goods. At the newest branch in Silom, special events for product exhibitions were introduced to attract the customers, beginning with an Italian Week supported by the Embassy of Italy and quickly following up with several other themes. In due course, this kind of fancy event was not only established as the marketing routine of the Central Department Store (CDS) but was also adopted by other competitors.

Along with this receptive trend, Central continued to aggressively expand by resuming its position in the downtown area. In 1973, a prime location in Chidlom, which tripled the size of the Silom branch, was secured and promoted as "One-Stop Shopping." Regardless of its highly leveraged stance, Central financed 75 percent of this project via bank loans, which turned out to be the most lucrative bet ever. The Chidlom branch gained massive popularity and profitability right from the start, thereby being established as the flagship store of the CDS chain.

Built upon this success, the next investment was even bigger and bolder. In 1979, Central positioned itself in opposition to the sociopo-

[40] At the primary level, the boys were usually sent to Assumption College and the girls to Mater Dei School. Both are top private Catholic schools in Bangkok. Of his 26 children, everyone except Samrit, Vanchai, and Suthiporn continued their education abroad.

litical and economic conditions[41] by building CentralPlaza, the first retail complex featuring a CDS, a shopping arcade for small-scale stores, a large-scale hotel, a conventional center, theaters, and parking lots for 3,000 cars[42]. This sizable venture was however not situated in central Bangkok but in a rather suburban area called Ladprao, arguably to accommodate this rapidly growing city. Besides, Central did not own this piece of land but rather leased it from the State Railway of Thailand. Concerning all the risk factors, the group did not receive much support from the local financial institutions, so it looked offshore to borrow at a lower rate. Later, this unhedged foreign debt landed Central in serious trouble, after the devaluation of the Thai baht in 1981. Irrespective of all the difficulties, this Central Plaza Ladprao project was seen through to the end and become the model for several other development projects to come. Throughout the 1980s, Central continued extending its geographical coverage in Bangkok and then began expanding to other big cities in Thailand in the 1990s.

In these early days of modern trade, a series of competitors of varied retail formats, both local and foreign in origin, also made an appearance. Within the department store sector, Robinson was formed in 1979 by one of Dimaru's local executives; the Mall, today Thailand's second largest department store chain, was founded in 1981, the same year as SOGO of Japan. The following Japanese players were Isetan in 1989 and Yaohan in 1991. Outside the department store sector, 7-Eleven convenience stores and Makro warehouse supermarkets, the joint ventures of the CP group with its multinational retail partners, were launched in 1987 and 1989, respectively.

In response to the threat from new retail formats, Central also experimented by introducing "Central Minimart" to compete against 7-Eleven in 1987 and "BigC," Thailand's first hypermarket, in 1994 to serve the lower end market. However, the knowledge and experience gained from running the department stores and shopping malls was not sufficient to assure Central's success in other market segments[43].

[41] The country was put at risk by the Communist Domino Theory in Southeast Asia and was mired in the Second Oil Crisis.

[42] This project led Central to engage in a number of new business activities, i.e., embarking on the diversification process, which is discussed in the next part.

[43] The Central minimart fell flat, so it was quickly closed down. BigC was handed over to the Casino group, one of the world's leading food retailers from France, after the 1997 crisis.

Eventually, the attention was drawn back to its own strengths in order to maintain competitiveness. In 1988, Central adopted the barcode system for enhancing the efficiency of inventory management and to improve customer satisfaction. In 1989, it opened the Zen department store to serve the high-end market and to distinguish itself from other department stores. Altogether, the early 1990s could be seen as the beginning of a new and even more challenging era of retail competition in Thailand.

Again, coincided with the glimpse of the business concern was the transition of the family and business leader. Due to illness, the role of Samrit was fading away and ended altogether in 1992. Smoothly, the family and corporate head was assumed by Vanchai, the next brother in line and Tiang's second son. Specific to the retail operations, e.g., CDS, BigC, and more, were also systemized and consolidated in the form of the Central Retail Corporation (CRC) as the group's spearhead, which was then carried on by Suthichart, Tiang's tenth child. To conclude the life of Samrit, for the past two decades, he and his closer brothers had laid out the business foundation and worked to put the Central group on the map as the first and foremost modern trade retailer in Thailand. Samrit once proclaimed:

> "Our success grew out of our determination to bring Thailand into the modern world, we are committed to its prosperity and enhancing the quality of life of all its people."

Not long after his death, the competitive tension became even more pronounced, as the intrusive breed of Western hypermarkets like Tesco and Carrefour began parading into the country. This trend was partly inspired by the inauguration of the WTO in 1995 and then was propelled by the financial crisis in 1997 that knocked down asset prices in Thailand (Thailand Development Research Institute, 2002).

To withstand this challenge from the global giants rich with capital and know-how, Central chose to further sharpen its edge by introducing its "category killer stores" such as Supersports, Power Buy, Office Depot, HomeWorks, B2S and Tops, in 1996 to generate brands and positioning for each niche area. Consequently, this led to a more flexible system of operations, because each store became independent of CDS and could simply be put up as stand-alone or in other retail chains. In addition, these specialty stores could establish their own links with expert partners in their respective areas. For example, the expertise in handling fresh food and the supermarket operations of Royal Ahold of the Netherlands was brought in through the chain of Tops Supermarket[44].

Thanks to the market segmentation and positioning strategies, Central has not only strengthened its retail business portfolio but also altered its attitude to be more positive toward the retail liberalization process. In a way, this intense competition has influenced Central to redefine its focus on what it is really best at, i.e., serving the upscale market, downplaying other cost-conscious areas, and improving on additional skills, e.g., logistics and supply chain management, by collaborating with different foreign partners.

Accordingly, the Central group has throughout its development been at the forefront of Thai retail business, driving the modernization of Thai society, in line with the cosmopolitan tastes of the Chirathivat family. In addition, the dynamic spectrum of competition, which makes Thailand one of the highest retail densities in the world, has concurrently raised the level of sophistication of retail operations in terms of merchandising, service, store design, and marketing promotion. In this realm, the expertise of Central has increasingly gained international recognition. For example, in 2004, the Intercontinental Group of Department Stores (IGDS)[45]appointed Yuwadee Bhicharnchitr, the president of CDS and Samrit's daughter, as its first female president. In 2005, the Central Retail Corporation (CRC) representing the group's overall retail operations was awarded 'The Best of the Best Top Retailer – Asia Pacific' in 2005 by Retailer Asia magazine, in partnership with Euromonitor and KPMG. Correspondingly, in 2006, the 'Central Department Store' brand ranked 175th in Asia's Top 1000 Brands in a survey by Media Portfolio.

Diversification: Motivated by Government, Multiplied by Family Members

Regarding the group's development story, Central is not simply a retailer. It has always been about offering the modern lifestyle to Thai

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[44] Since the year 2000, the Japanese players, including Dimaru, SOGO and Yaohan, have started to pull out of the country; only Isetan remains as a tenant in one of the shopping malls owned by the Central group. Robinson has also been taken over by Central Retail Corporation (CRC). The only key competitor left in the department store sector is the Mall group, which is loosely in collaboration with the CP group that is a key player in other retail markets.

[45] IGDS is the largest association for department stores worldwide, counting 33 members from 29 countries on five continents.

society, which could involve any of a wide range of consumer products and services. Under the market imperfection of developing economies like Thailand, it often resulted in the internalization of production facilities, i.e. stretching the logic of diversification rather than procuring it from outside. This is also what occurred in the case of Central.

The first step outside the retail business was not at will but rather was incited by the import substitution policy and nationalistic wave that swept over the country in the mid-1970s. At that time, Central was constrained not only from putting out its label in English but was also pressured to enter manufacturing in order to supply some of its own products. For example, a garment factory was set up during this period. Later, in the early 1980s, following the birth of the Central Plaza Ladprao, the large-scale construction project induced the group to start its own property development arm. Likewise, another arm was added to operate the hotel business in the complex. Of note, this undertaking was partly instigated by the government. The hotel project was initially planned for around 200 rooms and then got raised to 600 rooms plus a convention hall, when applying for the investment promotion from the Board of Investment. As a result, Central landed in a fairly frustrating situation, i.e., having to handle this set of new and complex activities.

Up to this point, the Central group had focused on creating a large shopping and recreation space. In addition to the CDS store, there were a lot of rooms left to lease out. However, it was not easy to attract tenants in the beginning, so Central had to come up with its own outlets, which was partly done through securing franchises and licenses from abroad, e.g., Marks & Spencer, KFC, and Pizza Hut. In due course, an increasing number of shops offering a variety of products and services that were brought in by members of the Chirathivat family, as they could easily spin out their own pet projects under the auspices of Central. Moreover, the more widely connected family members like Vanchai often got invited to take part in the projects initiated by friends and business associates. Over time, the Central portfolio was broadened and less value was concentrated at the core.

Imposing Structures: A Family Council and Respective Boards of Management

In line with the organic growth of both the family and the business, there was not much structure and systematic oversight in place in the beginning. Samrit and the following brothers in line[46] were together responsible for all of the decision-making and everyone was practically living under the same roof. However, this could not go on forever, both with regard to the business development as well as the multiplying number of the family members, which exceeded 160 members as of 2000 and presumably approached 200 members by 2010.

On the family side, after the passing of Samrit in 1992, Vanchai, the new leader, and the other key family members had realized the need to maintain the family discipline as well as draw a clear line between the family and business affairs. As a result, the "Family Council" was set up with the intention of ensuring order, transparency, fairness, and above all harmony in the Chirathivat sphere, primarily by administering the issue of rights and duties of the family members, recording the family history, and instilling the family's values. For example, the rule of acknowledging seniority by age is put in practice instead of ranking by the bloodline to settle issues such that the last child of Tiang (a second-generation member) is in fact younger than the first child of Samrit (a third-generation member). Note that the Family Council is composed of ten members from different generations under the four-year term, currently having Vanchai as the chairman and Dr. Suthipand[47], who has been least involved in the business, as the secretary.

In practice, the Family Council had not been seriously implemented until the business side was pressed by the 1997 crisis. Like everyone else, Central had to streamline its overall business operations. A number of sideline activities were closed down to focus on the retail business, which was also overhauled by cutting out BigC and Tops[48]. Yet, in comparison to many other FBGs, Central had a relatively strong cash flow and no significant foreign debt thanks to

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[46] The first batch of brothers consisted of Vanchai, Suthiporn, Suthichai, and Suthikiati. Each handled a different area in the organization according to their personal characters. The team was later reinforced by the second batch of brothers, e.g. Suthichart, Suthisak, and Sudhitham.

[47] Dr. Suthipand Chirathivat is the seventh son of Boonsri, Tiang's second wife. He received a government scholarship to work toward a Ph.D. in economics. After that, he pursued an academic career and is currently working at Chulalongkorn University, a top university in Thailand.

[48] Tops Supermarket chain was later bought back at a lower price.

the lesson learned from its earlier offshore borrowing experience. For that reason, the group had well weathered the crisis.

Yet, the crisis was harsh enough to trigger an effective formalization of the group's overall business organization and management. As mentioned, Central Retail Corporation (CRC), the group's spearhead, was incorporated in 1990. Gradually, other activities were also sorted into the four additional distinct business units: Central Pattana (CPN) dealing with the property development; Central Marketing Group (CMG) for carrying out manufacturing, wholesaling, and marketing for franchises of foreign products such as apparel, cosmetics, and electronics; Centara Hotels and Resorts (CHR) for managing hotels, resorts, convention centers; and Central Restaurants Group (CRG) for operating fast-food chains[49]. Eventually, a board of directors was installed for each business unit, so this well-defined corporate structure that had gradually been built over time was then come out of the crisis.

By imposing these governance structures on both the family and business sides, the group has thus become more efficient in running the businesses and making decisions, which in turn promotes specialization and the use of professional management systems, as well as autonomy within each business unit. Regarding diversification, the clear organizational boundaries have also limited the chance that any unusual activities will emerge that fall outside the scope of the dominant management logic. In relation to the family members, their business ideas are supposed to be evaluated by the relevant boards and, if deemed acceptable, they are then to be included with these existing organizational bodies. This implies that similar business activities to those within the group's portfolio should not be repeated at the personal level. Moreover, any personal investments made should not cause adverse effects at the group level or consume the company's working time[50]. Nonetheless, there is some gray area left in practice, by virtue of the fact that the family business sometimes has to compromise business optimization to maintain family unity. Likewise,

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[49] In terms of financing, the hotel (together with the restaurant business) and property development businesses, which emerged from the Central Plaza Ladprao project in the 1980s, were listed on the Stock Exchange of Thailand in 1990 and 1995, respectively, because both tended to require a large sum of capital for expansion. This also allowed CRC, the heart of the Central group, to remain private.

[50] Apart from Dr. Suthipand, most members of the Chirathivat family, including the in-laws, usually work for the Central group.

succession plans and leadership changes might not necessarily always be ideal. Dr. Suthipand remarked (interview, November 2, 2009) that:

> "We have to prepare the best persons ... but most definitely, for the top positions, the chosen candidates are still from the inner circle of the family. Whether they are most capable or not is difficult to say; it has more to do with the circumstances under which they have climbed up. We think it is almost the best. If it is not first best, then it is second best ... it is also influenced by seniority, chosen from children of the eldest brother, but they certainly have to do their homework ... given that they have more opportunities."

Following the latest group restructuring at the end of 2009[51], its retail business, which accounts for about 70 percent of the group's revenue, is under the reign of Samrit's children. Tos, Samrit's son, is CEO of CRC, which has Central Department Store (CDS) as the main anchor, running by his elder sister, Yuwadee Bhicharnchitr. Successively, Kobchai, Vanchai's son, is CEO of CPN, overseeing the property development arm, while Pichai, another son of Vanchai, is in charge of CMG, the wholesale arm. For the hotel business, management duties have recently been assigned to Mr. Gerd Steeb, the foreign executive with previous experience at hotel chains like Hilton. Lastly, the restaurant part is secured by Thiradej, succeeding his father, Suthikiati, the fifth son of Tiang. As a group, these five top executives plus Suthilaksh, of the second-generation members, looking after the group's land bank, and Prin, another son of Samrit, as the CFO taking care of the group's finances, constitute the newly created CEO Management Board (CMB) that has Sudhitham Chirathivat, one of the key second-generation members, as the executive chairman.

Mirroring the corporate positions are the patterns of wealth distribution in the family. In the list of Thailand's 40 richest families that was compiled in 2007 by Forbes, the bloodline of Samrit was ranked number 13, while the lines of Vanchai, Suthichai (past CFO), and Suthikiati followed at the 25, 36, and 37 spots, respectively. For the clan as a whole, it was later aggregated and raised up to number

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[51] This represents the transformation from the second to third generation of the family management. Vanchai has stepped down from the oversight of routine operations, same as many of his brothers like Suthichart, who was in charge of CRC, Sudhitham, who was running CPN, Suthisak, who was behind CMG, and Suthikiati, who was handling CHR & CRG.

3 in the 2008 and 2009 lists. Concerning the possibility of bias, the Family Council is thus crucial in caring for benefits of the other family members to sustain the solidarity of both family and business.

Considering the group synergy, CRC is apparently in command of the group, supported by CMG in some of the merchandising and by CHR & CRG in parts of the service sector. In the expansion process, CRC primarily operates side-by-side with CPN (the property arm) and occasionally brings along the hotel business. Isareit Chirathivat, a rising member of the family's third generation and CPN's business development manager, explained in an interview (November 12, 2009) that:

> "For retail [expansion], usually, it starts from this side, CPN. Assume that CPN surveys an attractive piece of land, say, in Pattaya; then we discuss it as a group, that is, CRC and CPN. Because when we expand, we try to have our anchor. ... CRC has the department stores, bookstores, sport outlets, ... altogether the mall is already leased out for 60 percent of the space; the remaining 40 percent is open for other retail shops. The strategy is around this ... But if CRC is not interested, it will be difficult for CPN. There won't be any attraction. For the hotel business, it is actually not related. They do their own research."

Along the same lines, it is apparent that the group effort has been tight between CRC and CPN, while the other business units are relatively more separated, particularly the hotel business, which tends to expand more into holiday resorts than city hotels. Organization-wise, how would the group evolve further with respect to the internationalization strategy is therefore interesting to follow. Would CRC become independent of the group and come to more closely resemble CPF of the CP group?

Internationalization: One Spearhead by Means of Specialization

Due to the flood of retail players into the relatively small economy of Thailand, the domestic market has been saturated, especially since the beginning of the 2000s. Specific to this point, Tos Chirathivat, CEO of CRC, commented in *Forbes* Magazine (July 23, 2007) that:

> "Central doesn't know where to invest ... We'll either have to enter another industry or stick to retail and move international."

Steadily, the preference has veered toward internationalization with the intention to utilize its advantage in department store operations. In this retail format, Tos expressed his confidence that the Asian players have generally done better than their European and American counterparts, and Central is among the tops in Asia (BusinessThai, June 29, 2006).

In the preparations leading to the debut of 'CentralWorld', its finest and largest complex of shopping malls, office towers, and a luxury hotel in the heart of Bangkok[52], the project has been marketed to foreign media with the aim not only of attracting foreign visitors but also familiarizing non-Thais with the brands prior to the overseas expansion. Correspondingly, a team responsible for the international expansion was formed in conjunction with the recruitment of foreign experienced executives (Manager Daily, May 27, 2004). Then, surveys were conducted in several locations including Indonesia, Malaysia, the Philippines, Singapore, Vietnam, China, and India.

After a period of careful consideration, which was criticized for being too conservative by one of the foreign executives (*Forbes*, July 23, 2007), the final decision was made in favor of China. At the end of 2007, the first international expansion project was announced to establish a branch of CDS in Hangzhou, one of the top tourist destinations and wealthiest cities in China, scheduled for opening in early 2010. Furthermore, an aggressive plan was set into motion "to open about 40 department stores in China in the next 10 years" (The Nation, December 21, 2007)[53].

Regarding the location-specific grounds for China, the cultural affinity, which inherently lies in the Chinese heritage of the family[54], is regarded as one of the supportive factors. That is, it has basically

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[52] CentralWorld was originally called World Trade Center and was owned by the Wang Petchaboon group of the Tejapaibul family (FBG#126), which suffered severely in the 1997 crisis. Central (via CPN) took over the property in 2002, renovated and resumed the unfinished construction, and then reopened in 2006. Regarded as the pinnacle of modern Bangkok, a significant part of CentralWorld was seriously damaged by a fire that rioters caused in the aftermath of a military operation against anti-government protesters known as Red Shirts on May 19, 2010.

[53] Prior to this international expansion, in 2006 CRC invested 39.1 percent in Page One Holding Pte. Ltd. of Singapore, a leading book retailer and publishing house in East Asia.

[54] Evidently, the family has continued giving their support to China over the years. The joint project with other Thai-Hainanese families, as discussed in Chapter 4, is an example.

eased the group in dealing with local partners. This understanding is also expected to assist Central in further pleasing its new customers' desires. Nevertheless, it is worth highlighting that in reality the process has required a lot more than just the ethnic tie, as Preeraphon Nonthasoot, general manager of CRC, described (interview, November 12, 2009):

> "It is not easy to grow internationally. First you need vision, you need resources. Entering China, you must know their culture, know the language, know the local context, and then the relationship, which is very important ... In practice, we set up a team to pioneer there ... to create relationships ... Quanxi is certainly crucial in China for any level like central government, local government, and also media networking ... for our local management in China we have Japanese, Chinese, very multinational staffs ... We hire local experts there ... also, we send staff with expertise in merchandising ... [and] teams from here that take turns supporting ... the team there also come to study our [retail] formats ... there is cross learning."

Above all, the investment would not be realized if it did not make economic sense. This is obvious with regard to the rapid economic growth of China that has propelled their consumers to aspire to top international brands and the accouterments of the modern lifestyle that are presumably available at department stores. This contention is further confirmed by the annual survey of China's top 100 chain retailers by China Chain Store & Franchise Association (CCFA), which found that the sale growth rate of the department store format in 2009 was higher than that of the supermarket format, which is mainly penetrated by the large-scale foreign-funded chains. Notwithstanding the market cannibalization from other retail formats, the competitive landscape of department stores in China is still highly fragmented with no significant market leaders[55], thanks to the country's substantial size. In addition, economic prosperity has steadily spread out from the first-tier cities like Beijing and Shanghai and has raised the market potential of a number of the budding cities. Furthermore, little attention has been paid to differentiation and brand management by department store operators (Li & Fung Research Center, 2009).

[55] Foreign players, e.g., Parkson Retail Group of Malaysia, tend to have broader national footprints and they mainly target the country's higher-income classes. Domestic department store operators mainly focus on regional markets.

Altogether, the market situation has allowed Central, which has excelled in the upscale retail business, to transfer its specialization to this vast and growing market by focusing the expansion on the wealthy lower-tier cities. This is supposed to counter the group's rather late entrance into the space, which has already become a challenge for Central in terms of local suppliers[56] being locked into other department store operators. In other words, it is not easy to construct and implement a new supply chain in the bustling retail market of China. Concerning this issue, it is important to stress that international expansion has so far been pursued by CRC without the escort of CPN and the rest, as it is accustomed to at home in Thailand.

Of note, the CDS Hangzhou is a part of the MIXC complex owned by China Resource Corporation (also CRC), one of China's leading state-owned enterprises. For other CDS projects in the pipeline, they would also be undertaken in collaboration with different property developers of this kind, which basically replaces the role of CPN. Nevertheless, this does not mean that CPN has not tried to perform its task outside the country's borders, even though the industry by nature is rather locally oriented. Previously, its international business department had eyed some potential sites in Vietnam, where the modern retail business was virtually absent. However, it was hindered by complicated business retail regulations and economic uncertainty in terms of another economic bubble forming in Vietnam, which had made CPN reluctant to invest back in 2007 (Isareit Chirathivat, interview, November 12, 2009).

The other business units' internationalization are likely even less in line with that of CRC. For CMG, a large part of the business is in the form of country-specific production licenses and distribution franchises, which limits the chance only to its in-house brands with no international presence. This situation is also applicable for the restaurant chains, while the aforementioned hotel business has put its emphasis on resorts rather than hotels in shopping complexes. Rather it prefers to grow by means of managerial know-how, i.e., to sign "Centara" contracts to operate existing hotels and resorts without having to own the properties. Currently, the Centara chain has an international presence in Maldives, India and Egypt.

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[56] On this count, Central has tried to realize this as an opportunity to push other Thai products into the regional market.

Accordingly, by coupling the states of the other business units with the international ambition of CRC, it is possible to speculate not only that the size of CRC's subsidiary in China might soon surpass that of its headquarters in Thailand, but also that CRC might grow apart from the rest of the group in due course.

Lessons Learned and Challenges

Based on this evolutionary story, the strength of Central lies most in its upscale retail operation that has been grounded in the upbringing of the Chirathivat family, building up the professionalism of the organization over time, and refined through the country's vigorous retail competition. As a result, the group's contribution has extended beyond the retail business. Central is well regarded as a main driver of the country's modern society via its endless series of introducing stylish products, novel retail practices, and other sumptuous services that in some way imitate the lifestyle of developed countries. With respect to this attitude, Suthichart Chirathivat, the former CRC's president, stated to the *Nation* newspaper in an April 1, 2002 piece that:

> "Running a business is like building a house ... every time you want to build a new house, you have to look at better, modern designs."

Through its accumulated experience, Central has thus become confident that its cosmopolitan tastes and sophisticated system of operations are also applicable to the broader context. In response to the domestic market saturation, the first round of international expansion has been carried out in China because of the country's economic boom as well as its cultural similarity. Still, the challenge is clear in this highly competitive and vibrant corner of the world. It remains to be seen whether Central via the spearhead of CRC would be able to effectively lay out the new supply chain of merchandise and supporting activities in China and perhaps other locations to come, while the other relevant parts of the group are still confined inside the country.

Organizationally, the group development has also gone quite far in formalizing its well-defined structure of work routines in its respective bodies, as well as raising the level of professional management in the group. At the top of the corporatization is the unique setup of the Family Council that has presumably accounted for the clear direction, order, and harmony in this entangled world of the prolific family and their numerous businesses. On a positive note, this doublelayered organization of the Central group and the Chirathivat family should be a strong foundation for the business in fulfilling its internationalization strategy. However, it might lead to the further isolation of CRC from the rest of the group, similar to the speculation that has surrounded the case of CP.

In relation to the CP group, Central is also comparable in terms of the overall business development that has not only resulted in the creation of its own competitive edge, but has also made a significant and readily visible contribution to the home country. Moreover, it is primarily the firm-specific advantage of CRC that has driven the internationalization process, which is even more demanding than in the CP case, which also gained support via the ethnic link and personal connections. For Central, it was merely coincidental that a shared cultural context has more or less facilitated its investment. Furthermore, Central entered China when the business has already been more about competence than connection. Certainly, it is the same situation that CP is now facing. Specific to the retail business, the presence of both CP and Central in China makes it very interesting to find out whether they would continue to compete or somehow collaborate in the future. As mentioned, CP has its property arm established and its special connection has still paid off in terms of new grants to create mixed-use development complexes in various cities. It might be tempting for Central to erect its department stores there if CP decides not to do everything by itself.

7.3 Double A: Reaching the Limit of Commercializing Model?

For the third case, it is famous for "Double A" branded copy paper, which is the most exposed business of a rather reserved group called "Soon Hau Seng," or in Thai, "Kaset Rung Ruang" group. From its agricultural trading origins as one of the country's major rice exporters, the group later rolled out eucalyptus plantations, pulp mills, and paper machines, becoming the country's first integrated pulp and paper manufacturer. Based on this production line, Double A has developed a clear strategic domain in the making of copy paper (a specific niche of the printing and writing paper market) and has coupled that with skillful marketing in presenting the products as branded rather than as commodity goods. Accordingly, this model, which promotes brand awareness in association with high-quality production, has proven successfully not only in Thailand but overseas. Via exporting, Double A copy paper has penetrated over 120 countries worldwide; 19 overseas offices have been founded to handle international marketing and distribution activities. *Forbes* magazine recognized Double A as one of the 200 best small companies, or "Best Under a Billion" in 2003.

The company's unique business plan is now set to make "Double A" into the most recognizable copy paper in the world. However, is it possible to achieve this feat simply by means of marketing and brand-building activities? Would it be constrained by the single production location, i.e., Thailand? Would the group invest in overseas production facilities? Or, what else might hold it back?

Family History and Business Background

Behind this internationally rising business is the rather low-profile Dumnernchanvanit family from Chachoengsao Province (50 kilometers east of Bangkok). The group's founder, Kitti, was born to a family of Chinese emigrants from Shantou City in China. Kitti grew up in the countryside with almost no formal education; this meager background had in turn pushed him to be an ambitious and risk-taking entrepreneur. In 1945, Kitti started to work in a rice mill, which was partly owned by his family. Later, in 1969, he incorporated his own business under the name "Soon Hua Seng" and started to export rice and other agricultural products[57] first to Singapore and Hong Kong before pioneering to new markets in Africa, Europe, and the Middle East. Soon Hua Seng was the first Thai exporter that dared to challenge the existing brokering system by setting up its own offshore representative offices started in 1984 in Hong Kong, Rotterdam, and Paris, and further to Lomé (the capital of Togo in Africa) to handle direct exports. Kitti's first son, Yotin, was instrumental in building this international wing, while he was pursuing his higher education in France (*Manager* magazine, August 1986).

Over the years, Kitti's wife had quietly accumulated an abundance of land in the rural area and embarked on a sizable plantation of fast-growing eucalyptus trees in the early 1980s, with the initial idea of exporting wood to Japan (*Manager* magazine, September 1995). By the late 1980s, the project began to evolve into the large-

[57] To support the export business, Soon Hua Seng also carried on its own silo and shipping activities.

scale pulp and paper industry. However, the plantation faced accusations of encroaching on government land, which almost put the entire project, as well as Soon Hua Seng, to an end. In response, Kitti proclaimed that he would instead relocate his dream to China (*Manager Monthly*, September 1995) where he had taken part in some investment projects since the 1980s (*Manager* magazine, August 1986).

Nevertheless, after a few years the scandal faded and the prospects turned positive. In 1991, Kitti thus renamed the project from "Suan Kitti Reforestation" to "Advance Agro" in order to mitigate the negative image. In addition, Kitti kept himself away from public attention by placing Dr. Virabongsa Ramagura, a former finance minister, as the chairman of the executive board. The controlling family also becomes rather concealed, which might explain the lack of evidence of collaborative partnerships with other business groups, despite of several anecdotes about their political connections in the past. Note that latest in 2010 the corporate name was changed again to "Double A," denoting a shift in the company's global-brand mission.

Growth Philosophy: Coupling Foreign Know-How With Marketing Embellishment

Regarding the root, Soon Hua Seng is clearly a resource-based group that has evolved from traditional agricultural trading to the large-scale pulp and paper manufacturing. This is explained by Dr. Virabongsa during a personal interview (November 13, 2009) as the driver for the long-term sustainability of the business:

> "The trading business is reliant on personal skill, so the owner thinks that they have to progress beyond that."

Even with a land endowment and trading skill, the group however still lacked the technical know-how needed for development. Moreover, this set of knowledge was not available in the country. To begin with, Kitti went around the world to study several plantations and pulp projects; one of the inspiring examples was Aracruz of Brazil, the world's leading producer of bleached eucalyptus pulp. As a result, a Norwegian technical advisor, who used to work in Brazil, was solicited to help the group in fulfilling the vision. This led to a turnkey contract signed in 1993 with Jaakko Pöyry, a Finnish consulting and engineering company, to lay out the overall process design of the factory. Later, additional technical experts, mainly from Scandinavian countries, were recruited to supervise the operations, fine-tune product and process equipment, establish R&D functions, train local staff, and so on. In this aspect, Håkan Komodin (interview, January 12, 2010), Double A's former director of research and development, remarked that:

> "There are limitations in Thailand when it comes to technology. There are not too many experienced paper makers in Thailand. At least the company has tried to close the gap here by recruiting people with technical experiences from abroad."

By the mid-1990s, Double A emerged as the first integrated pulp and paper manufacturer in Thailand and the first in Southeast Asia to be certified with the ISO 14001 environmental management standard. Starting with eucalyptus trees, moving to bleached eucalyptus pulp, and then to printing and writing paper, the company has spotted its own niche in manufacturing A4 copy paper, which today accounts for around 75 percent of its production. Importantly, the market for copy paper is totally different from other kinds of printing and writing papers, i.e., selling directly to the end users. For that reason, the "Double A" brand standing for "Advance Agro" was launched in 2000 with a splash of advertisements and an opening of Double A copy centers. Since then, a series of TV commercials has been released, many of which were lavished with awards in several media contests around the world. Accordingly, by combining the modern production line with aggressive marketing activities, the group has managed to transform copy paper from a commodity good into a branded consumer product. Moreover, Double A copy paper has gained the perception of being high quality and is regarded as an industry benchmark.

Indeed, this development has altered the competitive game of the country's paper industries. Specific to the copy paper niche, Double A currently occupies around 60 percent of the market share, followed by Siam Cement, the country's largest industrial conglomerate, at 20 percent (*Marketeer*, February 2010). Distinctly, Siam Cement offers a wider range of paper products[58], yet it has recently started to imitate Double A by applying different marketing techniques for product dif-

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[58] Unlike the case of Double A, the pulp and paper business of Siam Cement was not deliberately created. Instead, it was because the supplier of kraft paper bags for holding cement had financial difficulties. To secure its own business, Siam Cement had to inject capital and later internalize this paper factory.

ferentiation, installing a new paper machine specifically designed for producing copy paper, as well as streamlining its pulp and paper production facilities.

For the pulp industry, the production of Double A, which is mainly short fiber pulp from eucalyptus[59], accounts for around half of the country's total pulp manufacturing (Thai Pulp and Paper Industries, 2004 and 2008). However, the supply of short fiber pulp has recently become a concern, in that it would not be able to expand much further due to the country's limited agricultural area. To address the issue, both Double A and Siam Cement have thus put more emphasis on R&D to raise the yields in their eucalyptus plantations, i.e. the main competitive factor in this industry. So far, the average yield of eucalyptus plantations in Thailand is nevertheless far below that in Southern hemisphere countries like Brazil (Paiboon Pongchairerks, interview, November 9, 2009).

Diversification: All about Supporting Activities, or More Behind the Curtain?

From the first core business in the agricultural trading of Soon Hua Seng to the second core business in the integrated pulp and paper business of Double A, the group has well synergized the main activities, particularly in terms of utilizing the resource-based endowment and distribution network (to be discussed further). Aside from the two cores, the group has engaged in other supportive business activities, including housing, hotels, electricity, and water supplies, around the factory as an industrial compound. Moreover, it has been involved in conventional sideline activities like insurance and real estate. For the real estate business, a number of projects were carried out around Bangkok's suburbs to make use of the group's substantial land holdings.

Overall, the group seems to have quite a limited number of peripheral business activities, in line with the private nature of the controlling family. Nevertheless, there were several verbal remarks heard during the data collection process indicating that the family has had a growing interest in the power generation business in China, corresponding to the earlier attempt at relocating or diversifying the family business into China and some minor investments that had been

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[59] The tropical climate of Thailand is suitable for the production of short fiber pulp but not for that of long fiber pulp, which is essentially imported from Northern Europe and North America. Overall, Thailand has been a net importer of pulp.

made in the past. However, this contention lacks solid evidence from the company's own information.

The One-Man Show

With respect to its marketing strength, its Scandinavia-grounded production line, and its rather focused business portfolio, Double A appears to be a commendable case. Nonetheless, valid concerns can be raised from considering the financial side of the company's activities. In 1995, the company was listed on Stock Exchange of Thailand, supposedly at the request of some of the financial institutions backing up the project, in order to raise public interest and to make sure that the investment would be well managed. Yet, this did not seem to strengthen its financial position; the company was highly leveraged and faced serious financial problems during the economic crisis in 1997. To save it from going bankrupt, the solution was to invite foreign partners to invest. As a result, a capital injection was made in 1998 by Stora Enso, the largest pulp and paper producer in Europe, for 18.88 percent of Double A, as well as Oji Paper, the largest pulp and paper producer in Asia, for 5.53 percent.

With the two leading multinationals of the pulp and paper industries on the board, it was unfortunate that Double A did not seem to consider the potential benefits of these strategic partnerships. Taking the view of Stora Enso, the investment was perceived as an entrance to the Asian market by means of utilizing Double A's marketing channels. In addition, there might have been an idea to incorporate Double A into the realm of Stora Enso, which was certainly not acceptable to the Dumnernchanvanit family currently under the control of Yothin, Kitti's son. As the president of Double A, Yothin was reluctant to share control with the qualified partners, or even to take advice from them. For example, in terms of production, an agreement was made that the pulp phase would be taken care by Stora Enso and the paper phase would be handled by Double A; however, in practice, Yotin continued to make decisions pertaining to the pulp phase, as well.

Due to this management style, the collaborations could not be realized as planned. In 2006, Stora Enso and Oji Paper divested themselves of the venture. In the same year, Yothin also bought back all the trading shares and delisted the company from the stock market. This was argued to be a part of its restructuring plan, so the company might later come back to raise capital for further business expansion, preferably from capital markets abroad, which would likely provide more liquidity and better price valuation (Krungthep Thurakit, December 11, 2007).

Accordingly, it is apparent that Double A has remained under family management whether it is listed or not. There seems to be little room for autonomy of any outsiders. The professional managers are hired to function more like advisors to Yothin, who dictates all of the decision making in the end. On the positive side, this allows Double A to be decisive, speedy, and sometimes bold in its propensity to experiment with different strategies. On the negative side, the attention afforded to the firm has been rather limited, focused mostly on cost cutting and marketing activities. Evidently, the company received criticism from the marketing embellishment (BusinessThai, July 29, 2002), while the technical aspect has not been prioritized and could be adverse to the company's sustainability. In this aspect, Håkan Komodin commented that:

> "There has been no major technical development during the last 15 years. Sooner or later, process equipment like this get old, but there are no plans so far about upgrading the existing facilities ... Not only machine but also technical people, there is no clear plan about how to develop the technical knowledge of the staff. They are recruited and trained to operate the mills, but there is a limited deeper understanding of pulp and paper technology."

Superficially, this might be seen solely as a lack of technological appreciation on the part of Yothin. However, by taking into account the group development and the surrounding context, another explanation could be that there are other business activities, visible or not, concerning Yothin and his family apart from Double A. Thus, in this case, personal and family interests do not seem to coincide with the company's optimal management. To some observers, Yothin's decision making as the president of Double A has sometimes come across as absurd, not only in the eyes of hire experts and professional managers, but also in the eyes of competitors.

Internationalization: Stretching the Marketing Arm, Staying Put the Body!

Due to the nature of large-scale pulp and paper industries, it is crucial to achieve production efficiency targets in terms of volume. Given the limited level of paper consumption in Thailand[60], the international exporting channel was thus considered essential to ensure project feasibility. As a result, this integrated pulp and paper venture was initiated to serve both home and overseas markets from the start. In addition, the establishment of Double A has shifted Thailand from being a net importer to a net exporter of paper products.

Concerning the export market, the group has been well exposed to international business activities from its previous experience in aggressively handling the direct export of agricultural commodities and setting up its offshore sales subsidiaries in several locations. On this count, the group has simply utilized and built on top of Soon Hua Seng's existing distribution network. Within the first few years of the operation, Double A thus exported paper products to over 40 locations worldwide covering Asia, Australia, Europe, the U.S., Africa, and Middle East. For more than a decade afterwards, Double A has continued stretching the international arm further and is currently distributing to over 120 countries. Among these, there are 16 countries where the direct export channel has been implemented by forming 19 overseas offices: three in Mainland China, two in Vietnam, and one each in Hong Kong, Singapore, Malaysia, the Philippines, Taiwan, Korea, Sri Lanka, Bangladesh, Pakistan, Iran, the United Arab Emirates, Mongolia, Australia, and the Netherlands.

In many of these countries, the company has also installed an integrated marketing communication system to carry out full-scale marketing and distribution activities. By creating brand awareness and product differentiation, Double A has proven to be very successful in countries like South Korea as the top export destination and Singapore where the company won the central procurement contract to supply copy paper for the Singaporean government agencies (Dr. Virabongsa Ramagura, interview, November 13, 2009). To reinforce that, the company has also put up Double A copy centers in different locations; currently there are around 57 centers in Malaysia, 50 in Korea, 44 in Singapore, and1 in Laos. Accordingly, about 60 percent of Double A's paper production is for export, together with a recently added line of stationery products, e.g., notebooks and notepads.

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[60] In 2002, paper consumption per capita of Thailand was 39 kilograms, compared with 54 kilograms for the world average, and 273 kilograms for the top five countries, including Finland, the U.S., Sweden, Canada, and the U.K. (Pulp and Paper International (PPI) annual report, 2003).

Growing international markets inevitably led to rising demand for short fiber pulp. However, the company is unlikely to further enlarge its eucalyptus plantations due to the limited agricultural area in Thailand. To break free from this constraint, Double A has tried to promote the farming of trees in neighboring countries, including Cambodia, Vietnam, Bangladesh, Myanmar, and Laos, which all feed back to its single production site in Thailand. In terms of more advanced internationalization efforts, there is so far no plan to establish any overseas production facilities. Dr. Virabongsa argued on this point that Double A prefers to create jobs for local people and farmers and that exporting is not only feasible to serve even distant locations but is also good for the country in earning foreign exchange.

Lessons Learned and Challenges

At first glance, Double A is an impressive company in terms of having cultivated a high level of brand awareness not only in Thailand but also in foreign countries. This is thanks to three competitive features. The first feature is derived from the group level, that is, the well-grounded distribution network and trading skills attained from the early days of Soon Hua Seng. The second feature is the integrated production line with the clear focus on manufacturing bleached eucalyptus pulp for a specific type of uncoated paper, i.e., Double A copy paper. Coupled with the third feature, the company's effective marketing activities, these strategies have been successfully implemented to secure high levels of end demand. Altogether, Double A has been able to project itself to the public as a high-tech, environmentally aware, and socially responsible company.

However, looking closer, the veracity of this carefully cultivated image is in fact doubtful. The disturbing part is not that the company lacks competitiveness, but rather that is unclear how long it will be able to maintain its current position given the ongoing organization and management challenges it faces. In comparison to the case of CP, Double A has not quite achieved the level of technical competence that is usually fundamental to sustainable development as well as internationalization. Furthermore, Double A had rather shortsightedly turned down opportunities to sharpen and perhaps develop its own technological know-how, despite having collaborative agreements with the two leading multinationals in the field. So far, the company has been relied on hiring foreign consultants and experts to address problems on the technical side, but little of this knowledge seems to be transferred to the local staff.

Moreover, regardless of the company's qualified board members and operational managers, the decision-making is in practice the sole responsibility of Yothin on behalf of the Dumnernchanvanit family. Arguably, decisive and committed ownership and control has brought Double A far. However, the fact that the company is still like a personal business of Yothin and the family has raised some concerns about its future prospects. Correspondingly, this also brings to mind a fundamental point raised by Dr. Virabongsa, namely, that Double A was in a way created to overcome the heavy reliance on personal trading skill that was prevalent in the days of Kitti and Soon Hau Seng. With regard to the ongoing one-man show of Yothin, it is apparent that the controlling family has not really solved this tacit knowledge issue and promoted the long-term sustainability. In reality, the group might have matured in terms of industrialization but it has not achieved similar gains in terms of organization and management. Furthermore, there has not been any clear sign of power delegation from Yothin.

Under this management ideology, group synergy and limited diversification might actually result from the constraints on the managerial capacity of the controlling family. In other words, without making a serious commitment to enhance the professional management system undergirding Double A and to clearly define its organizational boundaries apart from the other business interests of the family, the group is unlikely to be able to handle a wide range of unrelated business activities as in the case of CP.

For the same reason, it would also be difficult for Double A to develop further along the internationalization path. Indeed, this might explain why the company has opted not to replicate its production system (or even just the less-complicated paper production phase) at multiple and/or foreign locations, but rather has elected to keep stretching the capacity and viability of its existing setup. It is nevertheless possible for Double A to continue on its current business model, that is, to serve the international market from one production unit. It would simply have to expand its production capacity[61] and

[61] In 2010, to finance the installation of additional paper making equipment, Double A issued a BBB-rated corporate bond. Of note, this credit rating is consistent with the company's highly leveraged and gloomy stance, as reviewed by the

replace existing machines (and perhaps also the foreign experts) once they exceed their useful life, ceteris paribus. Along this same line, power delegation and organizational upgrading are not quite needed.

In this regard, the group might again have reached the limit of its current commercial model. Unless the controlling family could alter its management style in a way that acknowledges and embraces resources and capabilities gleaned from outsiders, it is doubtful how far Double A can propel its global-brand mission, while the organization is still far from operating like a multinational. In the meantime, the family might probably look for a new business platform to attend to.

7.4 Osotpsa: Restrained by Its Own Heritage?

The last case focuses on the energy drink industry. In the Western world, the best-known energy drink is definitely Red Bull. This carbonated energy drink is widely known as an Austrian invention, since it was first introduced there in 1987 and quickly spread throughout Europe and from there moved into the U.S. However, Red Bull is in fact a remodel of a non-carbonated energy drink that originated in Thailand named "Krating-Daeng," which literally means 'red bull' in Thai. Started in 1975, Krating-Daeng was launched as a new product of the TC Pharmaceutical of the Yoovidhya family (FBG#150) [62] to take part in the country's growing energy drink market, which was then wholly dominated by Osotspa, one of the oldest companies in Thailand. Yet again, Osotspa is not the originator of the energy drink. To begin with, it was Taisho Pharmaceuticals of Japan that invented "Lipovitan-D," the world's first energy drink, back in 1962. Later in 1965, Osotspa began to import Lipovitan-D and was granted a production license in 1969, which made Osotspa the second energy drink producer in the world and the first in Thailand.

As the local market leader, Osotspa has appeared to be quite passive. Its own formula and brand of energy drink was not created until

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financial analyst, which might hold Double A back from being listing on stock markets, despite previous rumors originating in the Hong Kong market.

[62] According to the ranking of Thailand's 40 richest families compiled by *Forbes* in 2009, Chaleo Yoovidhya, the founder of TC Pharmaceuticals and the originator of "Red Bull" or "Krangthing-Dang" in Thai was ranked as the richest person in Thailand, surpassed both Dhanin Chearavanont (Number 2) of the multinational CP group and the Chirathivat family (Number 3) of the Central group.

1980, after Krating-Daeng emerged as the first competitor. Likewise, the global hit of Red Bull in the 1990s was indeed an inspiration for Osotspa's internationalization, especially when considering the fact that its most successfully brand, "M-150," has consistently surpassed Krating-Daeng in the home market. For clarification, the Thai name "Krating-Daeng" denotes the local and regional rival of Osotspa, and the name "Red Bull" refers to the competitor in the Western context[63]. In addition, within the scope of Thailand, the group itself is not at all trivial but rather is one of the country's most well-established FBGs particularly in terms of a local distribution network that has allowed Osotspa to maintain its dominant position in the areas of beverages, consumer products, and pharmaceuticals for several decades. Behind the enduring business prowess is the aristocratic status of the "Osathanugraph" family, which that allowed them to participate in a long list of sideline projects and has sparked a handful of personal empires budding around the margins of this influential sphere throughout the years.

Given its solid position at home, Osotspa tended to disregard its lack of experience in international expansion, despite being aware of the fact that the Red Bull success story was largely made possible by a skilled Austrian partner, Mr. Dietrich Mateschitz, rather than the Thai controlling family[64]. Evidently, the first international endeavor of Osotspa, which was initiated in 1996 to market its "Shark" carbonated energy drink in Austria right at the strategic hub of Red Bull had undeniably turned out to be a big failure. Nevertheless, this made Osotspa realized how small and inexperienced it was outside the context of Thailand. Consequently, in 2006, the group developed a more considerate plan, setting up a subsidiary company called "Osotspa International (OSI)" as the group's international arm to implement its "Osotspa Goes Global" vision. The internationalization process undertaken has been more gradual and less confrontational.

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[63] This is also the case according to the two organizational bodies. That is, the Asian region is handled by the Thai firm held by the Yoovihaya family, whereas the Western countries (Europe, the U.S., and Australia) are handled by the Austrian-based Red Bull GmbH, which is a joint venture between the Thai family and its Austrian partner.

[64] The international expansion has mainly been under the initiative and management guidance of Mr. Dietrich Mateschitz, who holds a 49 percent stake in Red Bull GmbH, while Chaleo Yoovidhya bears the other 49 percent. Chalerm Yoovidhya, Chaleo's son, holds the remaining 2 percent.

Yet, it remains to be seen how much Osotspa can achieve this time around in light not only of the increasingly competitive international market but also taking into consideration the administrative heritage of this long-standing organization.

Family History and Business Background

The origin of Osotspa can be traced back more than a century ago, in 1891, when the founder, Lim Pae, established a pharmacy under the name "Teck Heng Yoo" in Bangkok's Chinatown to produce several types of traditional Chinese herbal medicines. Fame came to this small drugstore in 1913 when an outbreak of dysentery within the Thai Army was contained and cured by one of Pae's products, called Krisanaklan Trakilane. In recognition of his contribution, King Vajiravudh bestowed upon Pae the family name "Osathanugrah," which means "Provider of Medication".

In 1918, Pae passed away at the age of 45 leaving his pharmaceutical business to his three sons: Sawian, Wattana, and Sawasdi. On account of education, Sawasdi, who by that time had studied at the medical school of the prestigious Chulalongkorn University for two years, emerged as the leader. Under his management, Sawasdi had created additional herbal products as well as expanded the product line to include Western-style medicines. Moreover, an aggressive marketing strategy was introduced by establishing several sales teams to carry out promotional activities in provincial cities and rural areas. The primary approach used was to arrange free outdoor movies, generating a captive market for the group's medicines. This pioneering marketing scheme has considerably paid off until these days, as Osotspa's upcountry distribution network is among the most extensive in Thailand.

Along with the prosperity it has earned, the business was formally registered in 1949 under the name "Osotspa (Teck Heng Yoo) Co Ltd" and later renamed Osotspa Co Ltd[65], which remains the family's flagship holding company with the interests not only in the traditional business but also in several more recent ventures. Markedly, apart from the original Chinese name and the knowledge of Chinese medicine, there are no records of the Chinese root of the family, i.e. where

[65] The Thai name of the company was first labeled in 1932 as "Ostosatan Teck Heng Yoo," before they settled on the name "Osotspa" in 1949. The Chinese name was kept for some time to uphold traditional values.

the ancestors came from and when they settled in this Kingdom. In parallel, as the family was early on granted royal patronage, it thus became advantageous to the Osotspa group of the Osathanugrah family to auspiciously embrace and firmly entrench itself as a highly regarded Thai company.

Growth Strategy: Well-Established and Deeply Understanding the Locals

Coupled the stellar reputation of this family business with its burgeoning marketing and distribution activities, especially back in the early days of the country's development, were what together made up the basis of Osotspa's development. New pharmaceutical products and related goods could simply be added to the existing distribution network. Of the large number of possible directions the group could have decided to steer the business toward, the early and most successful extension was into the energy drink business. As mentioned, in 1969 Osotspa got the license to manufacture Lipovitan-D from Taisho Pharmaceuticals of Japan, after having seen the positive market reaction during the early import period. Following the Japanese concept, this non-carbonated energy drink was marketed as a functional product for people working long hours[66]. Without difficulties, Osotspa had wholly dominated the market until 1975, when TC Pharmaceuticals came up with its own Krating-Daeng energy drink. Due to license constraints and a rather slow organizational response (to be discussed in detail later), Osotspa had for a long while lost its market-leading position, especially in the northeast region, where the strong caffeine dose in the formula of Krating-Daeng was particularly effective in securing the loyalty of blue-collar workers, e.g., those working long hours in the field, driving trucks, and engaging in similar roles.

To reclaim its market-leading status, Osotspa renegotiated with Taisho to be able to create its own energy drinks and then adopted a multi-brand strategy. Its first brand, "Magnum," which contained significantly more caffeine than did Lipovitan-D, came out in 1980. Then, after several years of development, in 1985 the tastefully formulated and packaged "M-150" was launched as its spearhead brand. The licensed Lipovitan-D was repositioned to target the white-collar segment, while another brand, "Shark," was introduced partic-

[66] In comparison, the carbonated energy drinks later launched in the Western countries tend to have a wider range of consumers, a feat achieved by associating the beverage with sports and entertainment lifestyles.

ularly in the southern region to complement the beach-going, party-friendly atmosphere. For its M-150 formula, Osotspa also assigned the distributorship to "Serm Suk," the local bottler for PepsiCo[67], in order to utilize specific channels for selling beverages. Furthermore, an assortment of marketing techniques, ranging from conventional media like TV and billboard advertisements to other more subtle activities, e.g., instant-win prizes under bottle caps, different music marketing events tailored to local and regional preferences, and so on, have been put in practice to counter Krating-Daeng and other competitors throughout the years. This persuasive marketing has also been reinforced with a series of philanthropic activities in line with the corporate social responsibility concept. Simultaneously, improvements to the company's distribution, logistics, and supply chain management have also been implemented.

Accordingly, Osotspa has managed to boost M-150 to around 50 percent of the market share, outperforming Krating-Daeng and sustaining the leading market position for the past decade. If including the other brands of Osotspa, the group currently controls around 60 percent of this 16-billion-Baht market, while the share of Krating-Daeng is, which the company focuses on one brand, is pressed down to roughly 30 percent. The rest is divided among other small players.

Concerning this duopoly-like market structure, it is worth highlighting that the competition has been fairly dynamic, with a number of new players striving to take part in this rather technologically unsophisticated business over the years. For example, a potential threat was "Carabao Daeng," launched under the auspices of Serm Suk in 2002, after Osotspa decided to resume control of its own M-150 distribution[68]. Likewise, Krating-Daeng has constantly tried to take over the leading position in this market, particularly by utilizing the global fame of Red Bull as the basis to lay a claim for its product's superiority and to capitalize upon the trendy image the product has acquired in the West. However, the carbonated energy drink style of Red Bull, which Osotspa experimented with its own brands, e.g.,

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[67] Serm Suk belongs to another long-standing FBG, the Bulsook family (FBG#18), which has made Thailand one of the few countries in the world where Pepsi has outpaced Coca-Cola.

[68] Recently, the competitive game got heated with the entry of Thai Beverage Pcl, one of the biggest alcoholic beverage companies in Southeast Asia, which in 2008 became the major shareholder of Carabao Daeng and also took over "Wrangyer," another small brand.

"Shark Cool Bite," never really gained widespread popularity in Thailand, where most people have long associated the energy drinks with blue-collar labor.

The energy drink market is also subject to competition from an ever-widening selection of beverages. The range has stretched from canned coffee with high caffeine content to the growing health concerns of Thai consumers in favor of ready-to-drink bottled green tea, fruit and vegetable juices, and cereal-based drinks. In response to this trend, Osotspa has recently broadened its product portfolio by launching "Hang," a specialty drink for curing hangovers in 2003; "Namacha," a bottled green tea developed through a JV with Kirin Beverage of Japan in 2006; and "Peptein," a functional drink made from soy proteins and claimed to support cognitive function in 2007. Overall, the group has done well with these alternative beverages, which confirms its strong market knowledge, backed up by its medical legacy and extensive domestic distribution network.

To take advantage of such competencies, Osotspa has over time served as a local distributor for several foreign partners, as well as developing its own products. The range of products has spanned from pharmaceutical goods and medical equipment to functional beverages and later to consumer products, thus serving a variety of needs. For example, Osotspa began importing vitamin supplements from the U.S. in 1979, formed a partnership with Rhône-Poulenc of France to produce paracetamol and aspirin in 1985, and became the sole distributor of pharmaceutical products for Bayer in 1997. Likewise, in 1984, Osotspa entered the personal care, health and hygiene products market, developing brands such as "Babi Mild" (baby care products), "12 Plus" (teenage toiletries), "Mamy Poko" (diapers), and "Sofy" (female hygiene products). Some of these products are self-developed; e.g., Babi Mild remains one of the top three infant care brands in the country, battling against Johnson & Johnson, Unilever, and Avon, while some like Mamy Poko and Sofy, which have outstripped their respective competitors, were created through a joint venture with Uni-Charm of Japan.

With its broad range of products and numerous competitors, Osotspa has throughout its long existence maintained a leading position in many market niches in Thailand. This long career has allowed the group not only to accumulate and refine its understanding of Thai consumer behavior, but also to extend and improve its distribution network. As a result, Osotspa has excelled in satisfying local demands and preferences. As such, there is no doubt about the competitiveness of Osotspa within the context of Thailand; however, it is uncertain whether Osotspa could indeed apply its strengths in an international context.

Personal Empires and Deviations

Considering the corporate entity of Osotspa, its current annual turnover is around 19 billion Baht, which stems from three main product lines: energy drinks and other beverages (about 60 percent), consumer and personal care products (30 percent), and pharmaceutical products (10 percent), i.e. altogether around 1,000 items. For the supporting role, the group also compiles its own marketing research unit, advertising agency, entertainment organizer, publishing house, and even an insurance company. Yet, this list does not include many other business activities raised at the personal level of the Osathanugrah family, most of which undeniably benefited from the corporate reputation and connections.

The diversification roughly began in the third generation of the Osathanugrah family. Following the secured establishment of Osotspa under the command of Sawasdi, the second generation's leader, he decided to retire from business operations in 1956 but had not yet passed control to one of his four sons: Suvit, Surat, Surin, and Seri. Instead, he decided that each of his four sons (each also held 25 percent of Osotspa) would take turns running the business for a period of three years. The intention was to prevent family conflict, which seems to have been avoided. However, this unusual management succession plan also brought about a series of personal projects, each of which was linked to the distinct skills and interests of each of the four brothers. The new activities came in various forms, including both direct investments by members of the family and joint ventures with various partners. Likewise, these side projects had different degrees of association with the main organization, Osotspa.

Roughly, the diversification could be categorized into two types. One type was projects that the four brothers agreed upon and in which all contributed their 25 percent stakes, e.g., in a venture dealing with manufacturing glass bottles and securing the sole distributorship for state-owned milk products. Basically, these were ad hoc investments that got support from the group. The other type of diversification concerned a number of individual projects that were generally financed by one or two brothers. For example, Suvit instigated a series of finance and security companies together known as the GF Holdings group[69]; Surat funded a private university and jointly invested in an advertising agency and a cosmetic company; Surin served as a director of Berli Jucker Pcl , which produces a wide range of consumer and industrial products[70]; and lastly, Seri initiated several property development projects. Suvit and Seri together in 1974 started what became the Premier group, which spanned from international trading into manufacturing and real estate, as well as finance. Notably, many of these personally initiated ventures overlapped with those of Osotspa and thus didn't have much to do with filling in institutional voids. Also, few were sustained in the long term if they had little in common with the main organizational body.

Along the same lines of sporadically branching out and creating personal empires, the Premier and GF Holdings groups related to Suvit, the eldest brother, were the two that were most distinct within the Osathanugrah sphere and they both eventually became independent from Osotspa. Partly, this was due to the fact that Suvit swiftly passed away in 1980 at the age of 53 (even before Sawasdi). His business activities were then carried on by his wife and later were transferred to their two daughters and their sons-in-law[71]. Accordingly, Osotspa's leadership that was inclined to follow the seniority came in favor of Surat. For the two younger brothers, Surin had constantly played a passive role, while Seri concentrated on his property development activities and also assisted the business of Suvit.

Interestingly, Surat himself did not seem to pay much attention to the business activities of Osotspa. He had been involved in Thai politics since the late 1960s, beginning with running for election and be-

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[69] The GF Holding group was started in tandem with General Finance & Securities Plc (GFS) in 1966 and later invested in a number of other financial institutions and other investment projects.

[70] Many of the family members also held stakes in this company. However, the family's involvement ended in December 2001 when the company was taken over by Chareon Sirivadhanabhakdi, the owner of Thai Beverage Pcl.

[71] After the death of Suvit, the GF Holdings group was run by Chainnaves Sarasas (his second son-in-law), together with other two influential partners: Goanpot Asvinvichit and Dr. Narongchai Akarasanee. Still, the business got into trouble and ultimately failed during the financial crisis of 1997. For the Premier group, the control was transferred to Vichien Phongsathorn, the first son-in-law. The company, which was listed on the SET in 1993, underwent a period of rehabilitation after the crisis and then quietly resumed.

coming a Member of Parliament at the age of 36. In 1974, he was appointed Deputy Minister of Transport and Communications, and in 1986 he took a break from leading Osotspa to serve as Minister of Commerce, transferring the business responsibility to Vimolthip, Suvit's daughter and the eldest member of the fourth generation, who was only in her early 30s at the time. Apart from politics, Surat was also a skilled and widely revered photographer. His work was exhibited and he published three photography books in his 70s, while he was gradually detaching himself from the routine at Osotspa. In an article called "Aristocratic Artists" in *Forbes* (July 23, 2007), Surat reflected that:

> "There is a common saying that family businesses don't last longer than three generations ... Osotspa is already in its fourth. We have been very successful, but it gets harder and harder to see why we should spend our lives dedicated to business when there are so many other things we can be doing."

Surat passed away in 2008. Nevertheless, his artistic side has not only endured but is also reflected in his eldest son, Petch, whose childhood desire was to study art and music but was discouraged by the family responsibility. Audibly, at the age of 25, Petch took a break from working at Osotspa to release his first album[72] and 20 years later in 2007 he issued his second album. Petch currently holds a 20 percent stake in Osotspa, but he has not assumed his father's position of power in the company. Instead, it is his younger brother, Ratch Osathanugrah (he holds another 20 percent stake) who is now the group's chief executive.

The Age Issue

Throughout the evolution of the Osotspa group under the Osathanugrah sphere, the concurrent worlds of the business and the family seem to have grown increasingly distinct from each other over the years. On the business front, Osotspa encompasses a wide array of products within its strength in satisfying local demands through its refined marketing skills and extensive distribution channels. This solid platform has stood up to the test of time; the group was barely im-

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[72] The album title was "Thammada," which means 'ordinary.' His song "I'm Not a Magical Guy" is regarded as one of the greatest hits and most romantic songs in the Thai language.

pacted by the severe financial crisis that took hold in 1997. Likewise, the Osathanugrah family seems to have remained intact without any obvious sign of conflict. To a degree, the personal empires have faded away and thereby have become less of a drain on the resources and capabilities that support the principal activities of Osotspa. However, this does not guarantee that the family structure would still be accommodating for further business development.

From the anecdotes about the autonomy of the third-generation brothers, the political and artistic interests of Surat, and the music affinity of Petch, it is quite obvious that the task of taking care of Osotspa does not hold the family together. Yet, the collectivity might be all about sharing the monetary benefits of this cash cow operation. This has thus raised a concern about how much entrepreneurial spirit has remained within the family and particularly in the current leader, Ratch.

Whether or not he has assumed control because of a sense the family obligation rather than his own desire, it should not be a significant problem if Osotspa has skillfully developed its organizational structure, built a competent team of professional managers, and become less dependent upon the family members. Undoubtedly, Osotspa would not be able to have its storied history and have managed this large number of products without relying on outsiders and having certain systems in place, especially in its routine operations of production, marketing and distribution. However, the issue tends to be directed at the upper-level management concerning the authority, equality, and prospect of professional managers in relation to the family members. In the past, this question was clearly provoked by the rate of 'brain drain' from Osotspa, because the professional managers had all the responsibility but not the decision-making power. What's more, the strategic positions were filled by inexperienced members of the Osthanugrah family, while the financial control has always been in the family's hands. A note of concern was anonymously expressed in *Manager* magazine (September, 1988) as follows:

> "Let's consider marketing one product. Sometimes it has to go through tens of meeting just to wait for the decision-making of the children. The obvious one was Lipovitan-D. Before, it was a moneymaking product, then Krating-Daeng came in taking the market share until [Lipovitan-D] lost. Issues like this, if we let professionals tackle the games independently, products that used to hold the market like Lipovitan-D would never fail."

Along this same line, the group was heavily criticized for underutilizing its potential. However, the family was not bothered by this issue, according to a remark (in the same magazine article) made by Vimoltip, Suvit's daughter, who temporarily covered for Surat during his political career:

> "Not only Osotspa has this problem; other companies also have it. Some have quit, but there are still many who have been with us for long periods. No matter what, we believe that our family can carry on managing."

This clearly implied that Osotspa was the business of the Osathnugrah family. Even today, the privacy of Osotspa has been maintained, partly due to its impeccable financial strength. In this aspect, Suvit had in fact thought about getting Osotspa listed on the Stock Exchange, which was also agreed to by Surat. Unfortunately, the idea has been neglected since the loss of Suvit, and the gloomy profile of Osotspa seems to linger on.

Apart from the organizational slack that has been incurred throughout its long history, the group's age also affects the group from the outside. In line with the country's economic development, the extensive distribution network of Osotspa that used to attract foreign partners tends to be of less and less value. Moreover, within the Thai context, the corporate name "Osotspa" tends to carry the connotation of a pharmaceutical, prestigious but outdated image, which has arguably hindered the group from gaining the attention of younger consumers and capturing opportunities in these rapidly changing markets. Likewise, the group is not characterized as an attractive workplace compared with other leading business organizations in the country.

To tackle this issue, in 2004 Osotspa spun off a subsidiary called "Bite Bangkok" to handle some of its new beverages in disguise, as it were. Since that time, the company has embarked on a corporate rebranding scheme deliberately designed to modernize its image, by launching a reality show called "Strategy Game" in 2008 to raise public awareness about Osotspa as well as its products, especially among younger consumers (*Positioning* magazine, February, 2008).

Internationalization: Liabilities of Foreignness and Inner Constraints

Being deeply entrenched in the local context, international expansion was hardly in the mind of Osotspa[73]. The motivation was clearly derived from its main competitor, Krating-Daeng, which was discovered by an Austrian partner and made famous in the global arena in the 1990s. Owing both to inexperience and overconfidence, in 1996 Osotspa opened its first international marketing subsidiary in Austria, right at the strategic domain of Red Bull, by launching the "Shark" carbonated energy drink, which was also just like Red Bull. Moreover, managerial control of this attempt to enter the European market was assigned to a Swiss manager who, however, had long lived in Thailand.

Unquestionably, this venture turned out to be a major failure. An top professional manager, who currently oversees the internationalization, covertly described (interview, December 4, 2009):

> "I don't know [why we entered Austria first], but I would like to say that it was poor decision-making … our entry module was wrong, that is, we went in to do everything ourselves, while Mr. Mateschitz was a local. There were many cross-cultural issues that we have to learn much more about still … During that time, Red Bull was not that strong. Instead of going somewhere else, we followed its route the whole way to be "me-too" in terms of marketing. In every way we did the same, thinking only that our product [Shark carbonated energy drink] was tastier, which was true from all taste tests … but everyone said we were "me-too." … In conclusion we failed completely, because [first] we did not have much to spend; second, the channel distribution could not match our competitors. … Started from Austria, we got stuck, after that … we became a follower not even a challenger, very far away."

Evidently, Osotspa was significantly impaired in this foreign setting. It was indeed hopeless to try to match Red Bull, the pride of Austria, in its command post. The consumer's favorite would always be Red Bull, apart from the underlying fact that Osotspa had to cope with a totally different set of consumer behavior, not only culture-wise but also product-wise. Its experience of selling the traditional non-carbonated energy drinks was of little use in promoting the more stylish carbonated ones. Moreover, to access the mainstream distribution channels required a great deal of investment to pay for entrance fees, shelf space costs, and so on. Correspondingly, without sufficient

[73] The energy drinks had simply been exported to neighboring countries.

market coverage, there was no ground from which to mount the marketing activities.

The distribution issue was reemphasized when Osotspa made an effort to penetrate the U.S. market a few years later. The negative attitude toward developing countries like Thailand became another obstacle in negotiating with different retailers and other parties that were involved. Along this same line, it also affected the working culture; the locally recruited staffs showed little dedication to the company, unlike the loyal Thai employees. However, the pool of qualified personnel able to undertake international business activities was still very limited in Thailand.

All in all, Osotspa became overwhelmed with the liabilities of foreignness in the Western context where the group found itself dismissed as trivial, despite its strong market position at home. In this regard, the same anonymous informant reflected that the situation would have been much better if Osotspa instead chose to look for and secure a local partner, i.e., taking another approach to entry. This was particularly true in the U.S. market, where consumers tended to be more open to new products. In comparison with the European market, there has been a greater number of new players in the U.S. emerging to take part in this rapidly growing market, which also resulted in a higher degree of production differentiation. For example, to please the American preoccupation with size, the "Monster" brand was launched in bigger packages that contain larger quantities for the same price level and thus managed to claim a two-digit (20 percent) market share. Likewise, another product category defined as an "energy shot", i.e., a high caffeine dose contained in small bottles somewhat akin to the original carbonated version, was recently introduced. Overall, the energy drink battle in the West has become even more brutal over the course of the last decade.

Despite of all the difficulties it has encountered, Osotspa has not given up its internationalization dreams and still believes in its accumulated expertise as the second-oldest energy drink producer in the world. What's more, the group has lately begun to witness signs of market saturation at home[74]. As a result, in 2006 Osotspa commenced a more considered strategy by setting up a subsidiary com-

[74] In Thailand, the energy drink market recently grew only 1-2 percent (Kasikorn Research Center, 2009), while the world market's growth rate during 2005-2009 has been over 10 percent.

pany called "Osotspa International (OSI)" as the group's internationalization spearhead to implement its "Osotspa Goes Global" vision, which is "to become a major player in the growing global energy drink market." Without a doubt, achieving this goal would demand a full-scale commitment from Osotspa as a whole, which was clearly announced by Ratch Osathanugrah, the group's executive chairman, (The Nations, March 16, 2006):

> "We will be more focused on international business. And all working functions will work together to focus more and support our international business rather than domestic. It will be a new chapter for Osotspa to become a real global company."

Building upon the trial and error process gleaned from its previous attempts, this internationalization process has thus become more gradual along with its learning curve, "to think local," as well as less confrontational in terms of products. That is, Osotspa via OSI has shifted its focus on the nearby, sizable, and yet thirsting Asian markets by drawing on its flagship M-150 non-carbonated energy drinks and penetrating the familiar target of blue-collar workers. So far, OSI has done well in Indonesia, other neighboring countries, and some countries in Middle East like Yemen where there are crowds of laborers from Southeast Asia, while it is currently rolling out sales subsidiaries in the big markets of China and India. In these locations, there is not much concern about cross-cultural mismatch; instead, the obstacle comes in form of import tariffs (around 30-100 percent), which might push Osotspa eventually to set up its own overseas product units[75].

Moreover, it is worth noting that in the group's internationalization effort, OSI has implemented several entry modes with respect to local conditions. For example, in several markets it went in first by simply exporting and fully relying on local distributors and then later might try to set up its own marketing offices or perhaps joint ventures with local partners, in order to gain a better understanding of the local tastes. Similarly, in terms of the products, for example, the

[75] In terms of economic logic, the energy drinks are feasible to produce and export from Thailand to distant markets, especially in the West, where the price is more than double the domestic price. However, in response to the high tariff barrier in developing countries, the group has started to employ OEM in Indonesia, with the potential to build its own production facilities there in the near future.

'Shark' brand is preferable in the Middle Eastern market. For the Western countries, the existing premises are still operating with more tactics and marketing activities, while also trying to find strong local distribution partners. In addition, the group might enter new markets like Spain, Portugal, or Russia, for instance (Prachachart Thurakij, February 5, 2009).

With respect to this deliberate scheme, the anonymous informant contemplated upon this internationalization mission, recognizing that it is not far from reality at the regional level. However, it remains to be seen for the overall result, which is subject to an increasing number of risk factors, including the newly launched "energy shots"[76]. Despite all of the challenges, the anonymous informant remained positive and expressed regard for the learning experience, noting that this set of knowledge is new and valuable not only to the company but also to the country. Likewise, the anonymous informant seemed to be proud of this attempt to make Thai brands known in the global arena by means of the company's own strengths, given the fact that Osotspa is among a very few Thai firms that have embarked on international branding strategies.

Along with the learning necessary to progress amidst this international competition, it has become apparent that the biggest problems probably stem from internally imposed constraints. This is not just the lack of well-equipped human resources as mentioned; instead, staff are also reluctant to be placed in other developing countries (this is less of a problem when aiming at developed countries) regardless of the remuneration. On top of that, the success of OSI is inevitably conditional on other related functions at Osotspa, which tend to restrain rather than support this internationalization maneuver. Again, this concerns the group's administrative heritage, as the anonymous informant commented:

> "For being Thai companies, there are a lot of issues … Say, no one is more powerful than me except the owner, as it happens to be a family business … The good thing is highly flexible. Whatever we do, the top management supports us tremendously. But there is a lot of baggage, in the Thai way or the Asian way, even listed in the market … there is no real professional …

[76] The American producers have already penetrated the European market and have recently made it into Asia. For the originator, Taisho Pharmaceuticals, its internationalization process has picked up pace lately but is not aggressive, particularly in comparison with the Americans.

> However, here [Osotspa] it is good in terms of authority delegation, which is much more than other companies. I can do everything but got stuck with other issues [outside OSI] … support functions I cannot command … just complain … the only way is to be under us [OSI], which must be proven like I said. If there is no figure, how to ask for."

Correspondingly, it is fair to question why this critical task is not taken care by Ratch or the other members of the Osathanugrah family themselves, i.e. how committed is Osotspa to the internationalization path? Based on the past, it is quite unlikely for the anomymous informant, who is just a professional manager, to gain legitimacy from the rest of the group and win over the support of the whole clan. Of note, his task is in practice geographically defined to Asia and America, while the European market is the responsibility of another team.

Arguably, there is hope that international momentum could pick up and trigger changes for the entire Osotspa organization. Yet, it is hard to predict, especially when the international ventures have not paid off. Currently, international markets accounted for only one-fourth of domestic sales in terms of volume, while the expenses are still subsidized by the group. Besides, how much would Osotspa and the Osathanugrah family be willing to change? In order to achieve its global aspirations, it certainly requires not only strategic direction but also a strong organizational backup. A solid system of business operations that command sound and timely decision-making is needed, but would it be possible to impose on this longstanding FBG?

Lessons Learned and Challenges

All along this lengthy age, Osotspa has become a classic story of the deeply embedded business organization with strengths that are closely tied to the familiar local context. The reputation, the market knowledge, and related functionalities long marshaled to serve domestic needs have allowed the group to live happily without having to change much. But taking a first few tentative steps outside the home country woke up Osotspa and forced it to shake off some of its complacency. Thanks to all the family's accumulated wealth, Osotspa decided not to give up on internationalization but has since continued to struggle to understand this new world. The further it explored, the more it stumbled upon its own organizational slack, while it did not seem to know how to deal with its own past. So Osotspa has found itself mired in a major dilemma. Would the controlling family dare to change to be more compatible with the requirements of the demanding international markets? Or, would it simply maintain the status quo and hope that the winds of global change would not blow the threat into its own backyard too soon?

Moreover, this case also points toward a number of country-specific disadvantages. It is not easy for organizations from developing economies to come in and make claims about product excellence in the mainstream consumer markets of advanced economies. Apart from the inherent cultural differences, there are lower levels of trust in and appreciation for the products, while the number of qualified personnel able to handle this kind of international business and marketing activity are still limited in the country.

This was not the case for CP, despite being from the same country and also moving toward the consumer market with its branded food. This thus brings us back to the point where Osotspa became somewhat complacent, while CP exposed itself to adverse conditions early on, so its main advantages are no longer context-dependent. Moreover, CP seems well equipped to face international challenges and might even continue its own life without much attention from the controlling family, which is unlikely the case for Osotspa.

7.5 Four Parallel Paths in a Globalizing World

From the four cases of CP, Central, Double A and Osotspa, the in-depth investigation has delineated a large number of rich details into four sequences of events. These process data have revealed how things evolve over time and why they evolve in their own unique ways. Despite the case distinctions, the four narratives share the logical theme of how the four FBGs in this weak institutional context of Thailand have built up their own competitive edges with regards to both their development in general and their internationalization in particular. Correspondingly, the stories also hint at the common challenges that all four FBGs have had to deal with at some point in their evolutionary processes in order to advance further in this global game.

To tease out and highlight similarities and dissimilarities among the four development paths, the next chapter offers cross-case analysis, that is, it compares and contrasts different analytical angles across all four cases and ultimately highlights the underlying mechanism that helps to explain the internationalization of FBGs.

Chapter 8

Cross-Case Analysis

Based on the case descriptions and the within-case analyses covering how the four FBGs have evolved to more or less embrace internationalization as a viable growth dimension, this chapter continues by comparing and contrasting the emergent analytical patterns between the cases, i.e., conducting a cross-case analysis. As mentioned in Chapter 3 describing this study's qualitative research design, the multiple case study method has been deliberately adopted because the case comparisons are vital to clarify whether the findings are idiosyncratic to a single case or are consistently replicated by several cases. In this respect, the issues that have stood out from the single case analyses are sorted into five dimensions of cross-case analysis, each of which are discussed in the first five sections of this chapter.

The *first section* deals with the family and business backgrounds, concerning idiosyncratic characteristics of the founders, the ethnic and cultural context, time and place of their business formations, and other factors that have helped the four groups embark on their distinct development paths. The *second section* underlines the principal development stories of the four FBGs in terms of their learning processes, in order to identify the sources of their competitive advantages and to discuss whether their cumulative advantages are sufficient to allow them to be internationally competitive. The *third section*, labeled 'the dynamics of diversification,' examines the assorted reasons and possibilities for branching out to new business activities that are subject to forces such as the call for specialization and more intense competition. The *fourth section* discusses the organization and management of the FBGs and their controlling families that are crucial to be systematized and professionalized along with business development. The *fifth section* analyzes the logic behind the international expansions of the four FBGs, identifies how the processes have been carried out, and discusses what the implications have been for the groups as a whole.

Lastly, the chapter ends by summarizing the overall qualitative findings in terms of both within-case and cross-case analyses in the *sixth section*. At a minimum, the results are expected to illuminate on how the FBGs in the studied context would have to go through if they are determined to become active international players. With respect to the theoretical sampling of the case selections, as argued in Chapter 6, the proposition yielded is indeed expected to be analytically generalizable outside the context of Thailand. In other words, it is likely logical for other FBGs and privately formed business organizations commonly found in weak institutional settings to encounter a similar set of decisions in their pursuit of internationalization.

8.1 The Family Histories: “The Same Same but Different”

To begin with, the first analytical dimension considers how each of the four family’s histories have influenced the business formation and further development of the four FBGs. Basic information about the families and their start-up business activities are recapped in Table 8-1.

Regarding ethnicity, the four controlling families are all ethnic Chinese, as their founders were either emigrants or sons of emigrants from China. However, the four families are quite distinct in terms of settling down and carrying on their traditions, which has led to different business implications, including in terms of internationalization. Among the four cases, it is apparent that only the Chearavanont family behind the CP group has managed to keep their relationship with Mainland China intact and has explicitly utilized that link to facilitate business expansion in response to China’s ‘open door’ policy. This was particularly thanks to Ek Chor, one of the brother founders, who cherished international trade with members of the Overseas Chinese network and with Mainland China, as well as exposed his children to the Chinese language, education, and socialization. For that reason, CP is well recognized as the prime example of the return home of Chinese Diaspora and Overseas Chinese capitalism.

Table 8-1: Family and business backgrounds of the four FBGs

	CP	*Central*	*Double A*	*Osotspa*
Ethnicity	Chinese (Teochew)	Chinese (Hainanese)	Chinese (Teochew)	Chinese
Doing business in Thailand	1921 (immigrant)	1927 (immigrant)	1945	1891
Start-up activities	Trading vegetable seeds	Importing foreign books and upscale products	Trading agricultural commodities	Manufacturing Chinese herbal medicine
Family's current generation	2	2-3	2	4
Family's chief characteristic	A classic Overseas Chinese story; strong links with the Chinese government	Cosmopolitan; An exceptionally large yet harmonious clan	Rather low-profile and private family from the country	A long-established and high-status family

For the other three groups, their settlements and interests are relatively more entrenched in Thailand, regardless of the extent to which the families have maintained their Chinese heritage. This is largely intertwined with the founder's characteristics and the group's start-up business activities. For the Central group, Tiang, the founder, with the importation of foreign books and other upscale products from the Western world has ever exposed members of the Chirathivat family to the western idea, culture, and education. However, this cosmopolitan attitude is not in conflict with the family's values. The accord of the country's largest clan is admirable, and is due in large part to the "Family Council" that helps ensure fairness and discipline among the family members and has likely also helped them to apply the same principles within their extended network. In other words, since they have to regard each other in terms of seniority by age rather than by blood tie, or more like business associates than intimate relatives, the Chirathivat family seems to be capable of dealing with a variety of different partnerships. This ranges from the association with other Thai-Hainanese families to a variety of foreign collaborations.

Quite the opposite situation exists in the Double A case. The group is rooted in agricultural trading, corresponding to the fact that the family settled in the rural countryside. The founder, Kitti, as the son of a Chinese emigrant, was presumably not so well connected in the Overseas Chinese community as was Ek Chor of CP. Also, Kitti was neither well-educated nor considered to be an elite in Thailand. To overcome these deficiencies, his agricultural exporting venture thus came across as groundbreaking and innovative in terms of the new markets and approaches with which he experimented. This of course had won Soon Hua Seng recognition and popularity in the past. However, through the scandalous process of land and capital accumulation, the group image and the family appearance have shied away from the public, so as the evidences for the bamboo network. Likewise, the controlling family tends to display limited trust toward outsiders, as seeing from the evidence that it had restraint much of the control from not only the previous notable foreign partners but also from the professional managers. In this respect, it remains unclear how far Double A will be able to expand along the mainstream internationalization process, while other international investment projects of the Dumnernchanvanit family might also be carried on, in parallel.

In the case of Osotspa, the Chinese heritage is there by recalling the classic Chinese herbal medicine of Teck Heng Yoo; however, there seems to be little to no evidence of in-group favoritism vis-à-vis ethnic sharing. The collaborations with both local and foreign partners are based largely on the merit of the group's corporate reputation, coupled with the long-established distribution and marketing network in the country. This corresponds to the fact that the family has the earliest settlement history of the four FBGs studied; the business establishment dates back to 1891 was followed with the royal bestowal of the family name "Osathanugrah" in recognition of its key medical contribution in 1913, which makes them one of the longest-established elite families in Thailand. Distinctly, the family has sustained Osotspa through their fourth generation, while the other three groups are roughly in their second to third generations.

Based on these "same same but different" backgrounds, it is definitely much more than being ethnic Chinese that exposes the FBGs to business opportunities and the support mechanisms of the bamboo networks. Evidently, these unique business formations have been driven not only by entrepreneurial interests but also by idiosyncratic opportunities available at that time and place, which have more or less set the groups off on their own development paths. Furthermore, most of the families could not uphold their connections with China over the course of settlements, assimilation processes, and business developments; on this count, the Cheravanont family of CP is exceptional. Yet, as the families tend to nurture certain aspects of Chinese traditions and values, these cultural sharing elements could deftly be leveraged in facilitating business transactions when the appropriate occasion arises, as seen in the Central case. Regarding to the distinct starts, they have yet come to confront the similar issues of collaboration or competition, in-group or out-group management, domestic or international expansions, and so on.

8.2 The Sources of Competitive Advantages

The second aspect of the case comparison accounts for the competitive advantages underlying the FBGs' developments in general, as well as internationalization in particular. From the four evolutionary stories that have been presented in this study, it is apparent that these FBGs have somehow come to possess certain competitive advantages in their areas of specialization to the point that they can be considered local champions in their respective fields and thus have embarked on their own international endeavors. To account for their distinct learning processes, Table 8-2 reviews the competitive situations at home and different sources of competitive advantages for each of the four groups.

First, considering the focal core activities, CP's integrated agribusiness model and Double A's integrated pulp and paper production line represent the two groups' efforts that have evolved from resource-based agricultural-related activities. On a different note, the Central group has formed around serving their retail customers, especially through its Central Department Store (CDS); Osotspa has built on its pharmaceutical origins to later flourish in the sector of energy drinks. Of these diverse ventures, the four groups nevertheless share the same basis of having their origins in the rather liberal and contestable market situations at home, given the fact that their focal core activities are neither regulated nor technically complicated. However, they tend to require a large sum of capital investment that are, to some extent, the most natural form of barriers to market entry.

Table 8-2: Competitive elements of the four FBGs

	CP	*Central*	*Double A*	*Osotspa*
Focal core business	Integrated agribusiness model	Retail: Central Department Store (CDS)	Integrated pulp and paper line, specific focus on "Double A" printing paper	Energy drinks (M-150 and Shark)
Competition at home	Being the leader, followed by many others at different parts of the food chain	High retail density with various market segments: e.g., two local department store chains, multinational hypermarkets, etc.	Two big players with brand-differentiation strategies, plus a number of small players	Two big players (Osotspa vs. Krating-Daeng) plus a number of small players
Source of technical know-how	JVs with MNCs	Imitating foreign practices, licenses, franchises, and JVs	Hiring foreign consultants and experts	JV with the energy drink's originator from Japan
Firm-specific advantages	Vertically integrated agribusiness model suited for developing countries	Experienced retail operation with sophisticated retail formats	Integrated production line, clear position and strong marketing campaign	Deep understanding of Thai consumer behavior, plus well-established distribution network
Group-specific advantages	Connections and recognition	Supporting activities in retail synergy	Previous experience in direct export, established distribution network, and land holdings	Recognition, connection, and financial resources
Country-specific advantages	Underdeveloped food chain; natural resources	Liberal local market; Service-minded human resource	Natural resource	Strong sense of taste

Furthermore, it might not be easy to break through and compete with market pioneers like CP, Central, and Osotspa, which have more or less benefited from their first-mover advantages. Still, the case of Double A shows that it is possible to prevail over the incumbent player by means of its well-thought-out plans. In a strategic sense, the ability to offer something new and better to the marketplace is fundamental to any business's success. In the underprivileged setting of developing countries like Thailand, this usually means bringing in established sets of technical and managerial know-how from advanced economies rather than being innovative at the level of the internal organization. Based on the four stories presented here, there are various ways the FBGs have sought to channel in the missing knowledge from abroad as well as to incorporate that knowledge into their respective businesses, which might result in further refinement of their own competitive advantages.

Taking the prominent case of CP, the group's most important development milestone was its first joint venture with Arbor Acres of the U.S., which helped CP secure first-hand technology in poultry breeding and basic knowledge in the broiler industry. This was followed with a series of additional joint ventures with different leading multinationals in specific areas and parts of the food chain, e.g., in aquaculture with Mitsubishi[77]. Given the essential know-how, CP then tailored the knowledge to fit with the local environment in order to tackle the country's underdeveloped market for basic food items, which eventually led to its own vertically integrated agribusiness model suited for developing countries. This became the firm-specific advantage of CP, whereas the fame and recognition that has assisted the group in branching to other activities are basically endogenous to its successful agribusiness model. Likewise, the personal connection embedded in the Cheravanont family, which was instrumental but context-specific to Mainland China, would not have much impact without the group's revolutionary agribusiness practices.

Accordingly, the key competitive edge of CP was built upon the knowledge attained from its foreign partners. This knowledge was refined first in response to the home-country-specific situation, and it later paid off in terms of the group's reputation and credibility. This of course makes CP a very difficult competitor to challenge in the home market, especially when it has dominated a business sector as fundamental as food. This however did not impede the group from further learning and development, since CP early on realized the potential of its ownership advantages in foreign countries and thus pushed its operations into the international markets almost from the start. Through replicating and customizing its agribusiness model to suit different environments in various countries, the competitive edge of CP has been sharpened over time. In addition, there have been an increasing number of rivalries challenging the group. These rivals, which either imitate CP's integrated agribusiness model or specialize in particular parts of the food chain, has thus created a sense of urgency for CP to continue stepping up its competitive game.

For the Central group, its service-oriented business activities have entailed a rather gradual and mixed-method learning process, which is quite different from that of the CP group. Primarily, Central's learn-

[77] Joint venture learning has been used to assist CP in diversifying to other business activities as well, e.g., in the petrochemicals space with Solvay of Belgium.

ing process relied heavily on imitation. This simply started with reading the English-language magazines that Tiang, the founder, imported to sell. This gave members of the Chirathivat family their first glimpse into modern society in the West; this interest was later amplified through direct experience by means of many family members' overseas educations. Evidently, this led to the introduction of the Central Department Store (CDS), along with Western innovations such as price tags, the shopping mall concept, and others. Likewise, a wide range of upscale products and services were brought into the growing domestic market via a number of franchise and license contracts.

Regarding the competition, even though Central was not an early international player like CP, the retail business of Central has been subject to foreign competition at home right from the start. Central, as the country's modern trade pioneer, was quickly challenged by a number of both Thai and foreign (Japanese) players in the department store segment. Then the competitive game got tougher with the surge of multinational retailers from the West, mainly in the hypermarket sector. This occurred after retail liberalization in the mid-1990s and the financial crisis in 1997. This subsequent wave of competition has indeed forced Central to focus on its expertise and sharpen its edge. That is, retail segmentation and 'category-killer' stores have been implemented to strengthen the group's market positions in different niche areas, which often entail more direct collaborations like joint ventures with skilled foreign partners in specific areas, e.g., with Royal Ahold of the Netherlands in operating Tops Supermarket.

Through various means of learning and the series of rivalries it has faced over the past several decades, Central has been able to successfully combine its cosmopolitan merchandising skills, efficient supply chain management practices, and the service-minded quality of Thailand into its own sophisticated retail operation. As a result, this allows Central to stand out in the country that ranks among those with the highest retail density in the world. Moreover, the success has made Central confident that its managerial competence would be applicable overseas, thus allowing the group to embark on its first international expansion, to China. Yet, it is too early to conclude whether the retail services of Central will satisfy Chinese and other foreign customers. It also remains to be seen how competitive Central actually is outside the group's supporting mechanisms and the hospitality of Thailand.

Quite contrary to the distinct but notable learning processes of the first two FBGs, the case of Double A appears to be about "technical borrowing" rather than learning. Considering the long-standing pulp and paper industries, there is nothing particularly sophisticated about the manufacturing techniques that are used, since the technologies and machines are highly standardized; Double A has thus been set up and put into operation by hiring foreign consultants and experts. The basic motivation was to make use of the group's abundant land holdings as well as its previous experience and distribution network in the international commodity market, corresponding to the export-led resource-based profile of Soon Hua Seng, i.e. the group's strength.

For the market situation at home, there were a handful of pulp and paper producers existing prior to the establishment of Double A, unlike in the cases of CP, Central, and Osotspa, as mentioned. Yet, the competition was not very aggressive. By setting up the country's first integrated pulp and paper production system, focusing on the manufacturing of copy papers, and marketing them as the branded consumer products with attractive advertising campaigns, Double A has managed not only to outshine the incumbent players in its focal area of printing paper, but also to export its Double A paper to over 120 countries worldwide. With its international marketing activities set up in 16 countries, Double A thus aims to promote its brand awareness at the global level.

However, it is rather doubtful whether the company could create a global brand simply through embellished marketing activities, without actually possessing any technical advantages. Evidently, Double A dismissed the chance to enhance its technical knowledge from the two qualified partners (Stora Enso and Oji Paper) in previous joint ventures. This might be understandable given the fact that it is indeed difficult anyhow for a company from late-industrializing countries like Double A to transcend the technological frontiers of this long-established industry. For that reason, it is sensible for Double A to focus instead on activities such as raising the yield of its eucalyptus plantations; however, the company has not really contributed to any groundbreaking improvements in agricultural technology, i.e., it is not comparable to the forefront of CP's agribusiness operations. As a result, Double A falls somewhat short in terms of having a real international competitive edge and may be inclined to run out of the growth engine.

With respect to the beneficial joint ventures seen in the cases of CP and Central and the relatively poor handing of potential joint ventures in the case of Double A, the case of Osotspa teases out further insights into the essence of joint ventures. Unmistakably, it was through the group's joint venture with Taisho Pharmaceuticals of Japan that Osotspa secured the energy drink recipe and production technology needed to enter the market. The joint venture, however, initially constrained Osotspa, prohibiting the modification of the product and limiting Osotspa's ability to create its own brands. After the renegotiation in response to the competitive pressure from Krating-Daeng, Osotspa has come up with a number of its own energy drinks, some of which are often argued to taste better than competing drinks, such as its spearhead and best-selling brand M-150. However, the success of Osotspa might in fact come from its strong distribution channels and marketing network. Particularly, the market penetration of M-150 was at first carried out by Serm Suk, Thailand's Pepsi bottler, which belongs to another FBG in close alliance with Osotspa.

From the case history, it was evident that the experience of being the world's second-oldest energy drink producer and having a well-established position in the home market did not mean anything for Osotspa's international ventures. In their similar pursuit of the international market, Osotspa and Double A share the same entry mode but clearly differ in their international experience. Double A had the direct export skill of Soon Hua Seng to rely on, while Osotspa was armless outside the country and clueless with respect to customer behavior and preferences in the West. The constant battle with Krating-Daeng ('Red Bull' in Thai) and other small players at home did not seem to strengthen the competitive edges of Osotspa that would be applicable outside the home market. Likewise, concerning other foreign partners, Osotspa has dealt with a large number of renowned multinationals, but has hardly gained any benefits from these partnerships in terms of its international strengths. This is because the collaborations were simply about exploiting the distribution and marketing strength of Osotspa in Thailand, which is in stark contrast to Red Bull's Austrian partner, who has sought to bring the product to Western markets.

Correspondingly, the case comparison clearly points out that having joint ventures with MNCs from advanced economies is generally of value but indeed is not sufficient to ensure international competitiveness. It might in fact be the international exposure that matters. CP and Soon Hua Seng (Double A) have long been involved with exporting activities, while Central and Osotspa are rooted in the import side of the equation. Yet, in the service-oriented nature of Central, it has increasingly been challenged by a number of skillful and capital-rich multinational retailers prior to its international expansion. In terms of business associations, Central is much more open to outsiders and tends to gain more benefits from its foreign partners than does Double A. Of all four FBGs, it is apparent that Osotspa is the most sheltered and entrenched in the home market, so it would have to work (in terms of organizational learning and adjustment) more than the others, especially CP and Central, in order to push its products out to the global market.

Altogether, the four learning histories presented here reveal that the FBGs have all utilized the country's strengths, that is, the resource abundance for CP and Double A, the hospitality for Central, and the sense of taste for Osotspa, to their own advantages. Yet, the four groups are quite distinct in how they have acquired the missing technical know-how from their respective foreign contacts. Correspondingly, not every group has in fact managed to transform its country-specific advantages and technical attributes into firm-specific advantages. Only CPF of the CP group has succeeded in this regard in its vertically integrated agribusiness model. On a positive speculation, this pattern might be repeated for CRC of the Central group. For Double A, although it has been quite cunning with its brand differentiation strategy, it is hard to see significant advancement ahead for the company. The growth potential is perhaps greater for Osotspa, but it might take too long for this long-established organization to break through its routine and build up its international clout. On this count, international competitiveness (to be discussed further) is determined by how well the groups have incorporated these assorted competitive elements into their organizations, created certain superiorities of their own, and become less dependent upon environmental factors.

8.3 The Dynamics of Diversification

The next comparison concerns the intertwined aspect of business diversification and other personal investments within the four FBGs' spheres and also discusses how their portfolios have evolved in the course of development and internationalization. Along the groups' development spans, Table 8-3 summarizes the diversification profiles and underlying motives of the four FBGs as the analytical basis for this section.

Table 8-3: Diversification profiles and underlying motives of the four FBGs

	CP	*Central*	*Double A*	*Osotspa*
Core business	Agribusiness; telecom; retail	Retail; property development; hotel & restaurant	Agricultural trading; pulp and paper	Energy drink, consumer products, and pharmaceuticals
Peripheral business	Motorcycles; brewing; machinery; real estate; pharmaceuticals	Construction; spa; golf course; retail stores, e.g., jewelry, furniture	Real estate, insurance, power plants	Finance; real estate trading; manufacturing of miscellaneous items
Scope of diversification	A pervasive range both in Thailand and China	A wide range but more or less in connection with the retail business	Less visible and likely more limited than the other three groups	A wide range, quite isolated from the main corporation
Reasons for diversification	Due to the success of the main core, induced by the Chinese and Thai governments	Induced by the government and multiplied by the family members	The family interest	Personal interests of the family members

From start-up to additional business activities, whether core or peripheral, investment decisions are all the same governed by likelihoods of success, i.e., the bottom line, regardless of how the opportunities and motives have come about. In developing economies like Thailand, especially at the time when the four FBGs were taking form, there were plenty of institutional voids, but not that many business entities with the resources and capabilities to fulfill them. As discussed in the cases, all four groups have managed to fill in some voids, create new markets, and generate certain value to society. The contributions are particularly apparent for the development of their focal core business activities, like the vertically integrated agribusiness model of the CP group.

Moreover, in order to do well in their respective areas, FBGs are often required to engage in supporting activities; some of these might evolve to be additional core businesses as in the case of the Central group. Its property development arm, CPN, was developed mainly to back up the retail business. Along with the formation of CPN was the hotel business that was directly induced by government intervention. Likewise, CMG was formed to manufacture apparel, in order to avoid the high tariffs that were imposed during the import substitution regime, i.e., this business decision was indirectly shaped by macroeconomic policies. Despite these different motivations, the business activities of Central are basically anchored by its solid retail business.

According to this synergy argument, new investments could be sensible as a natural progression of value-added enhancement, such as moving from trading agricultural commodities to manufacturing pulp and paper in the case of Double A. Similarly, additional product lines could simply be added to utilize the existing distribution and marketing network, as within the house of Osotspa, which covers pharmaceuticals and energy drinks, as well as other consumer products, e.g. female hygiene products, baby care goods, and toiletries. In contrast, new ventures could also emerge without any obvious links to existing cores, but just to allow FBGs to diversify the risk of concentrating in one industry, to tap into newly emerging industries, and to learn new skills that are required in operating different industries. This "getting one's feet wet" kind of reasoning is apparent in the case of the CP group, which has spread out to activities like telecommunications.

Specific to peripheral business activities, the logic tends to get stretched even further since these ventures often entail personal interests. For example, CP embarked on the motorcycle project at the Chinese government's request, which might seem to be altruistic but was in fact essential for the overall success of the group in China. Driven by family members, Central had sprouted up numerous manufacturing and service activities that were all argued to be more or less related to the core activities. Osotspa had a number of personal empires independently surfacing around the corporate domain, following the unique interests of the key family members. For Double A, the trace of having power plants in China, whether true or not, has no clear strategic implications for the group's core businesses, but rather is just one of the family's opportunistic investments.

Accordingly, it seems like anything goes! In this context, business organizations could take on a wide range of activities as long as they manage to pull together the resources and skills needed. Yet, the level of sophistication among these groups tends to be rather low. For Central, Double A and Osotspa, most of their peripheral activities involve trading, finance, and real estate. Somewhat distinct is CP, which has embraced more complicated activities, e.g., manufacturing motorcycles and petrochemicals. This has principally been due to its ability to attract competent partners into the specific contexts of Thailand and China. In this regard, it also implies that CP has been enhancing its organizational capabilities and stretching its management logic along the diversification process. Yet again, it is mainly opportunistic-driven situations rather than in-house technological advancement that influences the investment decisions of the four FBGs, unlike the cutting-edge companies in advanced economies. Simply put, as long as competition is minimal, FBGs are able to grow without having to build up their own technical skills.

Following the four case histories, it is apparent that group diversification is highly intertwined with a variety of idiosyncratic and relational factors, such as the number of family members, their personal interests, their authority over business decision-making, the boundary line between family affairs and business interests, as well as how the family members behave toward their extended networks and outsiders. In this sense, even the most seemingly illogical investments, like CP's motorcycle manufacturing venture in China, has a fairly rational explanation, while the synergy can also be found between producing food and providing telecom services. The de facto rationalization certainly weakens the merit of relatedness diversification according to the standard industrial classification (cf. Rumelt, 1974).

In relational terms, diversification is argued to be a reflection of the bamboo network. In the case of Double A, the Dumnerncharnvanit family is not royally pampered as the Osathanugrah family of Osotspa, is not as famous as the Chirathivat family of Central, and is not as influential as the Chearavanont family of CP. So, Double A appears to be the least diversified among the four groups, i.e., it has no trace of business collaborations with other business groups. For the other three groups, it is worth noting that their diversification processes have entailed rather different relationships. The Chirathivat family is large but is quite disciplined with respect to its focus on retail. The Osathanugrah family tends to have a handful of freewheeling characters, each with their own connections and personal empires. The Chearavanont family has relied largely on a few members and has limited the rest of the family's influence, so the CP group seems ironically to come across as being not as likable and approachable by other Thai firms that are not within the inner circle of

Dhanin Chearavanont and his brothers. On this count, the management and organization of both family and business sides, to be further discussed, are thus highly relevant in governing the diversification as well as the overall development of the FBGs.

Regardless of the structure and control levels that have been imposed on the groups, it is obvious from the four cases that this kind of opportunistic-driven diversification is usually sensible when there is no intense competition in the market. Considering the most diversified CP group, although it has hitherto managed to justify its "chicken to telecom" diversification by highlighting the motto ('To benefit the country'), the group is now aware of the fact that the type of project-execution investments it used to receive from the Chinese government are becoming increasingly rare. The market institutions have developed to the point that the special connection of CP has less value. Chinese private enterprises have emerged, while multinationals from afar are no longer hesitant to enter China by themselves. These factors have thus lifted up the competitive pressure on every part of the group's broad and eclectic portfolio. Indeed, many projects were liquidated after the financial crisis in 1997.

Concerning the financial crisis, the other three groups had more or less suffered from their excessive expansion and thus had to sacrifice part of their wealth in order to weather this turbulent period. Central had to trim down its accessories. The personal empires of Osotspa faded away, though not much changed in the main corporation. Still, the effect might be that Osotspa has become less appealing to foreign partners that would like to penetrate the Thai consumer market, due to the country's improving market infrastructures and also similar to the case of CP in China. For Double A, though little was known about the group as a whole, publically available evidence revealed that the effect of the crisis was not trivial. Foreign partners were solicited to save the company from bankruptcy.

Consequently, the crisis lessons have presumably helped raise awareness of the problems that can stem from having too much opportunistic diversification. The crisis was indeed a wake-up call for the FBGs, compelling them to become more conscious of the fact that their competitive environments have changed. Their roles in assisting local governments to put up new facilities as well as in supporting foreign multinationals to penetrate domestic markets have visibly declined, in response to the country's strengthening institutional factors. In turn, this has tended to drive the FBGs toward specialization as a means of growth, which is, as earlier discussed, more apparent in the cases of CP and Central than those of Double A and Osotspa. Altogether, the dynamics of diversification in the four FBGs seem to indicate that diversification is not necessarily in opposition to specialization. In this weak institutional context, a wide range of business opportunities is often the byproduct of FBGs doing well in their respective areas of expertise. Still, their eclectic portfolios are unlikely to be sustained once the market has reached a certain level of development.

8.4 Organization and Management of the FBGs and Their Families

As mentioned, the organization and management of both the family and business sides of the FBGs are relevant to how their investments have come about, as well as to how they have coped with the assortment of business activities in which they are involved. It is obvious from the CP case that its highly diverse business portfolio has not really impeded the group from sharpening its agribusiness edge, as the group has always been fairly consistent in upgrading its corporate structure and enhancing its professionalism, especially in its core businesses. On the other hand, the least diversified group, Double A, has apparently been constrained by tight family control, while the professional managers are granted little autonomy and thus function more like buffers to the ultimate decision-maker.

Correspondingly, this section is about examining how the four FBGs have evolved in terms of organization and management, as summarized in Table 8-4, with respect to their respective business development processes.

On the surface, CP, Central, and Osotspa are similar in terms of their strong organizational presence under the corporate labels, so the groups and their controlling families are widely recognized in Thai society. Evidently, CP has utilized its respected corporate name (as CP in Thailand and Chia Tai in China) to signal its credibility and attract several lucrative investment projects. Likewise, the Central group publicizes most of its ventures under the celebrated corporate brand. For Osotspa, its wide range of consumer products has been encompassed under the corporate umbrella, while its long-established name and network are also used to prop up a handful of personal projects at the sideline.

Table 8-4: Organization and management of the four FBGs and their controlling families

	CP	Central	Double A	Osotspa
FBG Organization	A holding company at the top connecting different activities, while CPF stands out as a group within the group	A clear corporate image with CRC as the group spearhead more or less linking other activities together, at least in the Thai context	An unclear view of the group, only the pulp and paper part is visible (used to be listed in the SET)	A privately owned organization that encompasses three distinct business lines
FBG Management	A handful of strong business leaders from the family control, on top of the professional management system	Family members as top executives and in board positions, backed up by a professional management system	A professional management team in the pulp and paper part, but not at the group level, where all decisions are up to the family	Family members as top executives, but do not have a direct involvement in internationalization
Listed	Yes, many including the main core	Yes, but not the main core	Used to be	No
Family management and concern	Succession issue	The family council, a role model for other FBGs	The family interest might undermine the professional management system	Lack of passion toward the business?

Distinctly, in the case of Double A, even though the public perception of the Soon Hua Seng group is ambivalent at best, its Double A brand of copy paper as well as of the pulp and paper company is widely recognized due to its aggressive marketing campaign. Strategically, the name is used to highlight this modern part of the group and simultaneously to disguise its impaired past and the other dubious activities of the group.

By looking closer into business operations, Osotspa comes across as rather sluggish. Its well-entrenched administrative heritage that has sensibly enveloped the wide range of consumer-related products under its extensive distribution and marketing facilities in Thailand seems to hold Osotspa back in its internationalization of one particular product type, i.e. energy drinks. Slow responsiveness of the corporate arm as a whole toward the vigorous competition in the international markets has cast doubt on the authority of OSI in maneuvering this new growth dimension. Furthermore, this important task is not directly handled by any key members of the Osathanugrah family but rather by the professional manager, who has been confronted with difficulties in dealing with some related functions under responsibilities of the family members, despite having worked for Osotspa for more than two decades. Accordingly, this organizational setting, which has long ensured Osotspa's top standing in Thailand, has turned out to impede the groups from expanding beyond its embedded context. In comparison with the other three groups, their organizations tend to allow more autonomy for each of the product lines or business units, which usually are tied together only at the corporate level.

This distinction is also reflected in terms of the financial aspect of the groups. CP and Central have a number of their subsidiaries listed on stock exchanges, primarily in Thailand and also in many other locations in the case of the CP group, while Double A used to be listed as well for some years. The information disclosure required for compliance with capital market regulations has basically provided public access to certain parts of the groups and has thus increased the level of transparency of these family empires. The degree of openness is nevertheless varied. Evidently, CP has consolidated and exposed all of its agribusiness activities under the single legal entity of CPF; this is not the case for Central and its retail core, CRC, which has remained private. However, having at least some part of the groups listed tends to enhance public perception of the groups and their particular companies. This is apparent in the case of Double A, which has clearly benefited from projecting a positive image as well as from concealing its dubious past, although being a public company might not mean much in practice. On the other hand, Osotspa, which has none of its component firms exposed to the public, has suffered from the image of being outdated.

Between these two FBGs, speed and responsiveness are found in Double A but are not quite as readily apparent in Osotspa, corresponding to being the youngest and the oldest FBGs in the case comparison. For the young and relatively less-diversified group of Double A, its overall business activities (visible and not) are thus manageable and orchestrated by the family's hands; it is indeed the virtual link of the family that could bring all the puzzle pieces together in this case. Along this line, the fact that the controlling family behind Double A is reluctant to delegate authority to outsiders can be seen as a result of the strong business passion that is still prevailing in the family's second generation, plus the fact that the first generation's leader is still alive. Again, the opposite situation applies to Osotspa; many of the family members seem to have lost interest in the business and have come to regard this long-standing organization as a family obligation.

Yet, as mentioned in the case, this declining entrepreneurial spirit among some of the family members would not be much of the issue if there had been a well-founded organizational structure and management system in place. In terms of professionalism, the cases of the young and strictly controlled Double A and the old and frankly somewhat passionless Osotspa appear to have lagged behind CP and Central, which have over time rearranged themselves toward being clearly defined and professionally run organizations. Manifestly, both groups are now composed of a number of strategic business units. Each of these units tends to have its own independent life, to be responsive to its own product markets, and to be connected at the level of corporate strategies.

It is notable that these organizational forms have organically evolved throughout each group's development, but that each became more clearly recognizable after the 1997 financial crisis, which indeed pushed both groups to refocus their own expertise, streamline the organizations, and upgrade the systems of operations. In turn, their key companies (CPF of the CP group and CRC of the Central group) have stood out within the groups in terms of performance and success. Furthermore, the opportunities for casual diversification activities that used to happen at the behest of the family members have seemed to decline, since new opportunities are now supposed to be filtered through the established decision-making processes of the corporate bodies.

Even in light of the more structured, transparent, and professional organizational image that both CP and Central have attained, these two groups are distinct in terms of their family management styles, primarily due to their different family structures. For Central, the members of the sprawling Chirathivat family have usually worked for the group; later, the gray area between the family and the business also became more clearly distinct with the introduction of the Family Council in addition to the management boards already in place at each of its main business units. In this way, the family accord seems to have endured without hindering professionalism in the business sphere. Still, it is indeed worth following how effective the Family Council will be in handling delicate issues like power hierarchy and benefit arrangements among the growing Chirathivat family, which undoubtedly will become increasingly complicated over the span of generations. So far, it is quite apparent that the family members who are involved with the retail operations, which tends to fall to the bloodline of Samrit (the eldest brother of the second generation), are in organizationally superior positions to the other members handling other parts of the Central empire and surely have more sway than those who are not working for the group.

Quite the opposite for the CP group, family involvement is much less visible; in fact, in-laws are even prohibited from being involved in business matters. Correspondingly, professional managers have gained much more presence in this vast organization, while a few key family members, chiefly Dhanin Cheravanont, play roles such as serving as board members. Moreover, none of the family members have been reported to create their own offshoot businesses, unlike members of the Osathanugrah family of Osotspa. The sideline projects of CP have mostly been undertaken with skilled foreign partners, while only family associates with personal connections to Dhanin and his brothers are able to tap into the CP sphere. In other words, CP does not seem to pamper or coddle its extended network; the group has generally come across as tough and difficult to work with in the eyes of the Thai business community. However, the discipline of CP and the controlling family tend to hinge upon the strong leadership of Dhanin. Little is known about how the Cheravanont family has managed their interests among the bloodlines of the two founding brothers, as well as that of Dhanin, his brothers, and his cousins. That is, it is unclear whether there is a certain form of family council comparable to that of the Chirathivat family. This issue might later be revealed in the course of succession.

Nevertheless, since CP has basically transformed the family role from being active managers to passive shareholders throughout the years of its substantial growth, it is thus unlikely that the Chearavanont family would evolve to be like the Osathanugrah family. That is, their members are rather scattered with each individual holding different stakes in Osotspa (not having a certain form of family holding companies like CP and Central have), while some of the family members, willingly or not, are still involved in the daily operations of Osotspa, however in a way of protect that may hinder organizational professionalism. In this regard, it is perhaps more appropriate for the controlling family of Osotspa to follow the CP path, by jointly letting go of their management responsibilities and simply playing the roles of board members and shareholders. Considering its age, Osotspa is in fact one of the earliest companies in Thailand that started to formalize functional departmentalization and employing professional managers, yet the fragmented family seems to have obstructed further corporatization. For Double A, it is similar to Osotspa in the sense that many managerial professionals have been hired but the decision-making remains highly centralized within the family. Nonetheless, the Soon Hua Seng group of Double A is comparatively much younger than Osotspa, so the group might gradually lean toward the CP and Central cases in due course, especially if Double A continues to expand into the global market.

Fundamentally, international business at the level of MNCs is not personal business. Structure and systematization are definitely needed, while business interests should not be intermingled with family affairs. From the four cases, varying degrees of organizational adjustment, i.e., how far the FBGs have moved away from the organic form of family-run organizations to the bureaucratic form of professional-managed organizations, have been revealed. In relation to their overall development, the cases of CP and Central demonstrate that the creation of well-defined organizational structures and effective operational systems, along with the decentralization of family power, have allowed them not only to take on new business ventures by incorporating resources and capabilities gained from outsiders but also to resume and refine their routines and specializations once being pressed by increasing competition. Due to both family constraints and other circumstances, this kind of organizational platform is not quite in place in the cases of Double A and Osotspa. Taken together, the four stories stress the need for the FBGs – and particularly, their controlling families – to keep pace with institutional developments and to transcend their own entrenched legacies and networks in order to ensure international competitiveness. Along this line, the organization and management of the FBGs is seen as a manifestation of the degree to which the groups would be able to advance themselves along the path to internationalization.

8.5 Internationalization of the Four FBGs

Last but not least for the case comparison is the examination of the internationalization of the four FBGs in terms of timing, reasoning, processes, constraints, and management of their focal core activities (and, in some cases, of other sideline international investments). Details about the international business activities of the four groups are shown in Table 8-5.

To begin with, let's simply consider how early the four groups have embraced internationalization as their growth dimension. As earlier discussed with respect to the different natures of each group's focal core activities, CP and Double A are similar in that they are both agriculturally rooted and export-led groups, while Central and Osotspa are more about trading in and serving the domestic markets. Thus, the first two groups have expanded outward almost from the start and are thus regarded as the early internationalizing groups. On the other hand, the latter two can be regarded as the late internationalizing groups that waited until the home market had become quite saturated before venturing overseas[78].

Still, it is worth noting for the early internationalizing groups that it took CP quite a number of years to develop its competitive edge, i.e., the vertically integrated agribusiness model, in Thailand prior to its international expansion. Likewise, the Double A brand and its marketing campaign were first proven a success in the Thai market before being applied in other countries. Accordingly, all four groups have embarked on their internationalization processes by exploiting certain sets of competitive advantages that already resided within the organization (at either the firm or group levels, or both, as teased out in section 8.2), and not quite with the recent idea of exploring and acquiring new resources and capabilities (Mathews, 2006; Luo & Tung, 2007).

[78] Considering the macroeconomic condition, the overall growth rate of Thai economy in 2000s has not been as strong as that in the 1990s during the Asian Miracle. The economy is highly dependent on the export markets especially to developed countries, which has also been in the downturn, while the Thai Baht tends to pick up in its value. Altogether, this has led to the internationalization promotion policy of the Thai government, which basically aims to increase the capital outflow and hold back the strong currency in favor of the country's export-dependent economy.

Table 8-5: Internationalization of the four FBGs

	CP	*Central*	*Double A*	*Osotspa*
Early or late internationalization	Early	Late	Early	Late
Reasons for internationalization	Exploiting FSA in other developing countries	Saturation of Thai market; exploiting FSA rather than diversifying to other business lines	Exporting to reach economies of scale; exploiting the group's existing international business experience and facilities	Inspired by Red Bull's success; saturation of Thai market; strength of the products?
Extent of internationalization	Laying out its vertically integrated agribusiness model in roughly 20 countries, together with its retail operations in China and Russia, while exporting parts of its products to developed countries	Opening its Central Department Stores (CDS) in a number of cities in China, with possibilities to expand in other regional countries	Exporting to over 120 countries, setting up its own marketing offices in 16 countries; enlarging plantations in neighboring countries	Setting up marketing offices first in Europe, the U.S., and later in some Asian countries; then OEM in Indonesia, with prospects to build up its own production units in high-tariff countries
Limitation in internationalization	Market development	Business nature; not much support from the rest of the group	Lack of technical superiority; resources	Lack of experience, resources, network; constrained by the administrative herit-age
Internationalization process	Gradual: started with neighboring countries and then moved on to other developing countries	Gradual: careful study before the investment; also started with a culturally familiar country	Gradual: indirect export, following with sales subsidiaries handling marketing activities in some big markets	Jumped directly to head-on competition, but had to retreat and restart more gradually
Sideline international investments	Yes, many projects in China	An ethnicity-sharing project	Power plant business and more? in China	No evidence
International organization and management	Multi-domestic for the agribusiness of CPF; other international projects in China are under "Chia Tai" name	An operational team of CRC in China, while other business units have their own international business teams	A department taking care of international business activities, just like a stand-alone firm	OSI as a separate entity handling internationalization, but constrained by the main body of Osotspa

Notably, the drive for CP's international expansion, which is in terms of its expertise in unraveling inefficient food chain and substandard food quality in developing countries, has allowed the group, via CPF, to implement its revolutionary model in approximately 20 countries (together with its retail operations in countries like China and Russia) and to supply its products worldwide. Nonetheless, the limitation of CP's model is obvious in that it has little to offer in well-developed markets, and, over time, many of its current locations will also likely move up the level of economic development and begin to attract more competitors in various parts of its chain activities. On this count, CP has thus tried to advance the business closer to the brand-building game for consumer markets.

Similar to the CP case, the internationalization of Central, despite being late, has also relied on the group's managerial competence in serving the upscale retail market. Yet, it remains to be seen how well Central would be able to translate the experience it has accumulated in Thailand to the Chinese market and beyond, which might not be easy by the local-oriented nature of the department store business and also without much support from the other parts of the group.

On the other hand, in the case of Double A, gaining access to the international markets was considered compulsory from the start as a means of attaining economies of scale in their pulp mill operations. Simply put, this project was made possible due to the prior experience in direct exporting and the existing international distribution network of the Soon Hua Seng group, which has later been augmented with the advertising skills developed specifically to appeal to the consumer markets of Double A. Evidently, this combination of skills has allowed Double A to spread out over 120 countries by means of export and to establish its own marketing offices in 16 countries. However, Double A might not excel much further with this business model because it does not possess any technical superiority; the company still has to rely on hiring foreign experts on this front. Furthermore, the natural resources on which the group depends are quickly being used up. As a result, Double A has recently tried to expand its area of eucalyptus plantations into adjacent countries.

Limitations in firm-specific advantages are even more apparent in the case of Osotspa. The group was overly confident in its market-leading position at home and was inspired by the global hit that Red Bull became, a success story that had been initiated and pursued by an experienced Austrian partner. Facing failure in its first international attempt, Osotspa then realized that its competitive advantages are mostly context-dependent. For that reason, the group should have been more explorative in its internationalization strategy, that is, it should have tried to secure local partners and tap into their established distribution networks rather than building its own from scratch in unfamiliar environments. Along this steep learning curve, Osotspa later resumed its international venture by diverting its interest into familiar markets of blue-collar workers in countries in the region. As such, the company's products no longer had to compete head-on with Red Bull and other mainstream beverage producers. Consequently, the response has turned positive, so Osotspa might attempt to follow up by establishing its own production units, particularly in countries with high import tariffs. Nevertheless, it remains doubtful how committed the group is toward this new growth dimension, given its well-entrenched market at home, coupled with its administrative heritage.

Considering the four FBGs altogether, the importance of possessing technical or managerial superiorities at the firm level is particularly highlighted. The internationalization process, which takes place at the level of firms or of certain business units within the FBGs, cannot rely upon group-specific and country-specific advantages that are largely meaningless in foreign contexts. However, it is apparent that not every group has managed to transform their endowed factors into "borderless firm-specific advantages," or was aware of this point. Correspondingly, it is indeed difficult, particularly in the cases of Double A and Osotspa, for the groups to move beyond being exporters, when their strengths are not really groundbreaking and yet homebound.

Next, regarding these internationalization processes, Osotspa is the only group that did not spread from proximate countries outwards, but rather jumped directly into unfamiliar markets in the West. For the other three groups, the expansion process has been rather incremental, i.e., in line with the Uppsala internationalization process model. This is not just in terms of geographical locations; their commitment to internationalization has also been reflected in entry modes and investment forms. For example, CP has usually started by establishing a feed mill and later laid out the downstream activities in a step-by-step manner. For the service-oriented Central group, a number of feasibility studies were conducted in different locations; refinements were then made with a few more years of groundwork in China prior to the opening of its first Central Department Store. Double A tends to penetrate new markets by relying on local agents for distribution and marketing before choosing to establish its own units in the countries with high potential. Again, this points toward the group's understanding of its own ownership advantages in relation to new markets.

Apart from the distinct internationalization processes of their focal core activities, three of the four FBGS, i.e., not including Osotspa, also have some evidence of being involved in sideline investments abroad. The most obvious case is incontestably CP, with its long list of non-agribusiness activities in China. Most of these have usually resulted from the combination of CP's special connection there and foreign partners' technical know-how. Somewhat akin to the Chinese tie of CP, the Central group was once reported to be jointly investing with other Hainanese families in a project in Hainan. For the Soon Hua Seng group of Double A, there have been traces of business interest in China from its early days through the present (e.g., with the rumors about its power plant business); however, it is unclear whether or not such investments have been carried out.

Similarly, the sideline projects of the three groups have all been in China, in line with the controlling families' ethnic identity. This thus enhances the bamboo network argument in determining the flow of international investments. Furthermore, these relational-driven activities seem to have more or less facilitated the overall internationalization processes. Yet, as discussed in the CP case, this opportunistic kind of international ventures has decreased along with the economic development and the rising competition in China, which is likely applicable for both Central[79] and Double A.

Taking into account all of their international business activities, at both the core level and the peripheral level, the four FBGs have organized and managed this growth dimension in different ways. Within the massive body of CP, on one hand, there is CPF, which has carried on the mainstream internationalization of its agribusiness. Markedly, throughout its ongoing international expansion, CPF has transformed into a multinational corporation, operating with a multi-domestic management style that supports its high degree of local responsiveness. On the other hand, all other non-agribusiness activities in China are fall under the control of Chia Tai, which serves as a holding company of CP in China. Altogether, via these autonomous yet coordinating arms, CP is thus able to maneuver in different markets and business domains. With respect to its multinational status, the international organization and management of CP have developed

[79] Particularly in the Central case, its ethnic-sharing project was quite dated, which would be of much lower chances to occur under its modern corporate structure.

to be much more prominent and complex than those of the other three groups.

For Central, since its internationalization has been relatively recent, the process has so far been carried out by an operational unit of Central Retail Corporation (CRC), without much link to the international trials of the other parts of the group. This is mainly due to the difficulties for the different business units of Central to hinge upon each other in international markets as they do in Thailand, so further expansion of CRC abroad might not only set this unit apart from the group but may also induce more sovereignty in the other parts of the group. Still, it is too early to say how effective the overall system of Central will turn out to be. For Double A, the process of distributing copy papers to export markets worldwide is simply confined within the company in response to its strong public image, while the other activities seem to be totally separated and directly handled by the family members. Despite these seemingly independent organizational bodies, management power is still likely concentrated among the controlling family. Distinctly, Osotspa has spun off the internationalization task in the professionally run unit known as OSI, which is still attached to the main corporate body in a number of support activities. This organizational form, as discussed, tends to be unwieldy and thus causes OSI some difficulties in keeping up with cutthroat international competition, especially when the professional managers cannot exercise authority over the family members in control of the relevant business functions. Above all, it is indeed hard to foresee any revolutionary change in such a long-established organization like Osotspa.

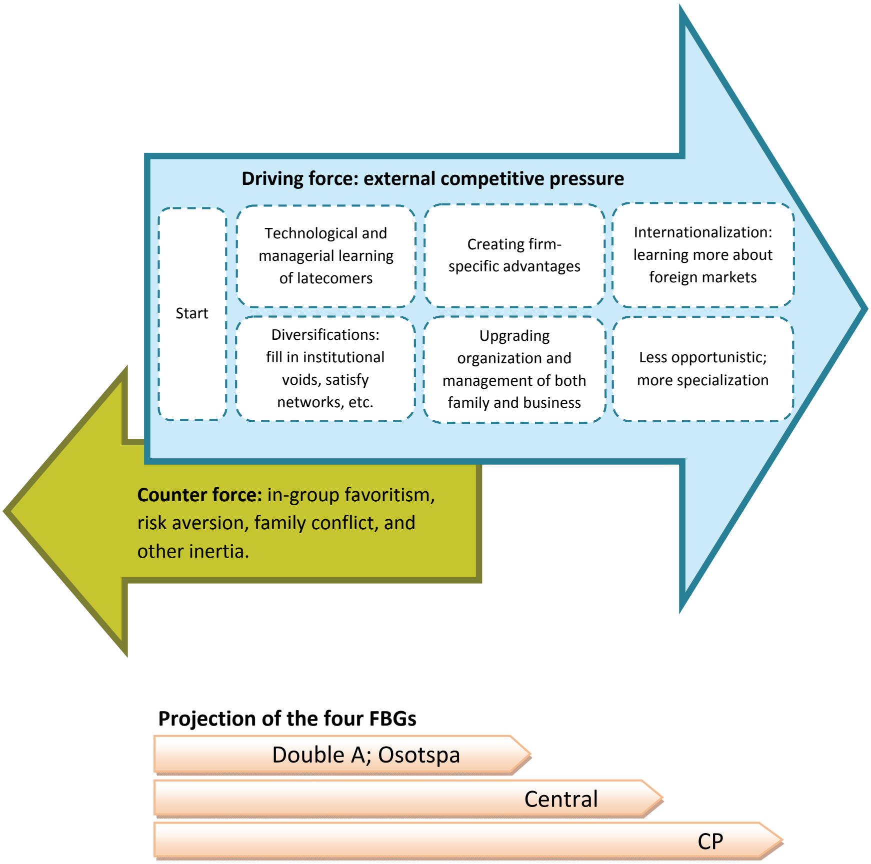
Consequently, these four internationalization case stories have not just confirmed the notion of the importance of firm-specific advantages but have also highlighted the limitations of relying upon other context-dependent factors, which the groups might not be fully aware of until they have to confront mainstream multinationals that are fully-equipped with cutting-edge technologies, managerial skill, and international market knowledge. To keep up with such competitive environments, it is certainly important for the FBGs to be prepared to face and address their own internal issues and shortcomings, as well as learning and incorporating knowledge from outside. This corresponds to the conjecture advanced in the previous section, namely, that the international expansion and advancement of the FBGs hinge upon how well the groups have adjusted their organization and management styles to support specialization and professionalism (rather than opportunism and relationships), especially in their strategic business units.

8.6 Summary: Looking through the Qualitative Lens

Through this qualitative lens, the four FBGs have been closely investigated by means of interviews and other fine-grained data collection processes that are pieced together in terms of the case studies and analyses. The findings are therefore manifested in the complexity and dynamism of causalities inferred from these four development stories that enrich the meanings and illuminate the underlying mechanisms behind the crudely defined constructs and static results earlier attained from the quantitative analyses. Evidently, the four FBGs have detailed their respective internationalization processes, with respect to their diverse family histories, business philosophies, competitive pressures, learning curves, and so on. Despite the distinct paths and idiosyncratic characteristics that the four FBGs possess, the case analyses have revealed that there are certain fundamental rationalizations that have influenced the internationalization of the four FBGs, which are likely applicable to other FBGs or privately-run business organizations in weak-institutional contexts, as argued in the research design.

In this regard, Figure 8-1 displays a generic development process of FBGs in terms of *technical learning* and *organizational adjustment*, which are depicted in a set of text blocks (inside the big arrow) and together represent how FBGs would likely transform along the internationalization path. Markedly, underlying this generic development process are two contradictory forces, i.e., represented in the form of two opposing arrows. On one hand, the big arrow represents the selection environments the FBGs are subject to, which are presumably inclined toward the course of globalization over time and thus are regarded as a *driving force* of internationalization. On the other hand, the small arrow represents the endogenous characteristics of FBGs and their controlling families, which tend to be private and guarded by nature and thus are regarded as a c*ounter force*. Correspondingly, the respective progress of each of the four FBGs along the mainstream internationalization path is also projected in Figure 8-1 as an illustrative example.

Figure 8-1: A generic development process of FBGs along the internationalization path



Business Formation in Weak Institutional Settings

When initiating business activities in the weak institutional contexts of developing countries like Thailand (particularly in the early phase of the country's economic development, as described in the cases), *family ties* as the most organic and pervasive form of personal relationships are thus considered to be the prime basis of private capital accumulation and business formation. Particularly, with regard to the Overseas Chinese accounts characterized this study, the difficulties of struggling for survival through a series of migrations and settlements in a new environment have thus elevated the value of strong family ties and of other types of in-group favoritism among people sharing the same ethnicities, dialect groups, or cultures, a phenomenon that is labeled here as *the bamboo network*.

On this count, the backgrounds of the founder families, their extended relations (within familiar counterparts like the bamboo network and beyond), plus other factors are thus relevant in explaining how business organizations in disadvantaged settings have come to realize certain opportunities, gather resources and capabilities needed, and put operational bodies into motion. Corresponding to all of these idiosyncratic elements, the four groups have apparently set off on their own path dependency. Nevertheless, the *entrepreneurial spirit* of the groups' founders and some of the key figures from subsequent generations, which manifests itself in terms of striving for success, risk-taking, creative thinking, and strong leadership, is commonly found to be responsible for the robust inception of these four groups. Altogether, the *families, the extended network, and entrepreneurship* therefore constitute the elementary basis for FBGs' creation.

Between Opposing Forces

Over time, this relatively weak form of business organization would be forced to experience different competitive pressures as well as strings of internal affairs that are indeed influential in shaping the further development of FBGs. As portrayed in Figure 8-1, the generic development process is basically a response to the *driving force* that helps prepare FBGs for international competitiveness, while also regarding the *counter force* that might hold them back from becoming global players.

The *driving force*, i.e., the big arrow, highlights this study's finding that being in a constructive environment is the prerequisite for the local firm development and particularly for propelling FBGs toward internationalization. Evidently, in addition to the innate entrepreneurial traits of driving for success, the four FBGs have all arisen from open and contestable market conditions and also become second to none in Thailand in terms of their focal core activities, even though they are quite different with regard to their international operations. In other words, since their core business activities are not protected by monopoly rights or concessions, which are a common way of building up powerful business empires (via political connections) in developing countries, the domestic market conditions have somehow facilitated the groups' abilities to create certain competitive advantages that are more or less applicable across borders. In turn, this allows the four FBGs to pursue internationalization in their core activities.

Nevertheless, it is not at all easy for FBGs to take this challenging path, which often demands a great deal of *technical learning* and *organizational adjustment* (to be discussed later) in order to overcome both the "latecomer disadvantage" (cf. Hikino & Amsden, 1994) and the "liabilities of foreignness" (cf. Zaheer, 1995) incurred in the internationalization process. Furthermore, competing at the global level is not a safe bet; many players from various parts of the world with different bundles of resources and capacities are trying to take part in the international market. As such, it is not surprising that FBGs and other newly emerging business organizations from developing counties would be hesitant to take on such a high degree of risk in the mainstream internationalization process. Many might instead prefer to continue expanding by means of personal relationships within their familiar country and cultural contexts. Based on the four cases, it is also apparent that how the groups have dealt with such systematic risk is often aligned with how their controlling families have handled their own internal affairs. For example, too much in-group favoritism and frequent family conflicts tend to prevent the groups from being fully committed to the international growth dimension, which can translate to greater risk-aversion. Correspondingly, all of these difficulties are regarded as the *counter force* and are symbolized as the small arrow in Figure 8-1.

With respect to these opposing forces, it is worth stressing that the four FBGs are argued to represent cases in which the *driving force* has overwhelmed the *counter force*, as illustrated by the sizes of arrows drawn, thereby resulting in their respective international expansions. Other FBGs might have to cope with different sets of external environments and internal traits in a way that discourages them from growing across borders, i.e., the *counter-force arrow* would instead be bigger than the *driving-force arrow*. Note that this point is to be expanded further in relation to the quantitative results in the next chapter. For now, the main focus is to encapsulate from the four case studies the generic development process of FBGs, which can broadly be sorted into two interrelated sub-processes of *technical learning* and *organizational adjustment*.

Technical Learning Along the Internationalization Path

In late-industrializing countries like Thailand, *technical learning* is not only inevitable but is also very demanding for FBGs that are motivated to grow along the mainstream internationalization path. Basically, since there is not a strong foundation of technological and managerial advancements in place, business activities tend to start with simple trading and later attain further development by channeling in missing knowledge from advanced economies, following the metaphor of climbing up the technological ladder (e.g., Dunning, 1981; Tolentino, 1993; Hobday, 1994). In this respect, the four cases have encompassed various ways of sourcing novelties from abroad, ranging from simple imitation to different degrees of collaborations with foreign experts. Regardless of the means, the key is to incorporate the new knowledge into FBGs, as the recipient organizations, with the aim of enhancing their productivity, i.e., not just simply engaging in arbitrage without much learning involved. In relation to their international achievements, the cases have further verified the essence of technical learning, particularly in terms of creating firm-specific advantages that are more likely applicable across borders in line with the conventional international business literature, i.e., "Hymer's notion."

Taking the competitive advantage of CP in its vertically integrated agribusiness model as the exemplar, the attempt of Central to replicate its sophisticated department store format in China thus follows the same logic. Although it might be too early for Central to confirm the strength of its business model in a different context, as CP has proven, these two FBGs are comparable in that both are well aware of and confident about their core competences and have thus invested in those skills in order to make gains in following the internationalization path. On a different note, Double A has exploited its marketing skill and upgraded its prevailing distribution network to facilitate export of its branded copy papers, but further internationalization is likely to be constrained by its weak level of technical competence. The struggle is even more apparent in the case of Osotspa, which rather recklessly jumped into advanced economies and then realized that its key competitive advantages were either contingent upon the home environment or were of little use in these new markets. Whether aware of their limitations prior to embarking on internationalization or not, the two groups have much to work on in terms of building up their own technical or managerial superiorities if they would like to advance in this path.

Accordingly, the intertwining relationship between learning and commitment that is conceptualized in "the internationalization process of the Uppsala model" (cf. Johanson & Vahlne, 1977) is undoubtedly relevant for FBGs rooted in this weak institutional context, with a key distinction in terms of learning. That is, the learning process has to begin with defining a core competence within this relationally grounded form of organizations, which often entails diverse business opportunities, and then follows with refining that edge to attain certain superiority, not just in the domestic context but beyond it. In this aspect, the cases have also confirmed the merit of transforming the homebound (country-level and group-level) advantages of FBGs into more flexible "knowledge-based firm-specific advantages" that support internationalization (Rugman, 2008). This part of the learning process, which has been taken for granted in the context of advanced economies, is indeed fundamental in determining the level of commitment that FBGs display toward internationalization. Given that, the international commitment would be subsequently enhanced by learning further about foreign markets and other cross-cultural issues, along the internationalization process. In other words, business organizations from this context would have to first prevail over "latecomer disadvantages" prior to dealing with the "liabilities of foreignness."

Organizational Adjustment along the Internationalization Process

In relation to the learning aspect, the extent to which FBGs can excel in the global market is also linked to their level of *organizational adjustment*. Considering the role of FBGs as prime capitalists, particularly in the early stage of economic development, these conditions have generally brought about a wide range of business opportunities in terms of filling in existing institutional voids, responding to the needs of surrounding networks, and so on. In this regard, the FBGs' sideline investments are often seen as sensible. Besides, this process might even take place across borders, like all peripheral projects in China in this study, due to personal connections and plenty of opportunities in that newly opened economy. Evidently, diversification does not necessarily come at the cost of specialization and internationalization, as it is basically dependent upon how well FBGs can organize and manage their business portfolio.

Still, it is definitely not easy to transform this organic kind of organization into the formalized and structured format that can readily handle factors like unfamiliar associates, professional managers, and such, all of which are inevitably needed for growing, in terms of either diversification or internationalization. Based on the four cases, the pattern is revealed that the discipline has to originate from within the controlling families and how they deal with their extended networks before it can be effectively imposed on the business side. In relation to the technical learning, the foreign partnerships have, in a way, forced FBGs to upgrade their working formats in order to be more compatible with their qualified counterparts, particularly leading multinationals. Also, corresponding to the international exposure the groups have been put up with, CP and Central are thus the cases in which the division between family affairs and business interests has been more visible than in the cases of Double A and Osotspa. Likewise, the ambitious internationalization strategies set by all four of the FBGs are unlikely to be achieved without strong organizational support and professionalism in their respective operations. CP is an outstanding example in its international achievement as well as its pervasive diversification, followed by Central, while Double A and Osotspa remain questionable in terms of organization and management.

Along this line, diversification tends to fade away along with economic development that basically increases the stringency of the selection environment. In other words, it would be less reasonable to tap into unrelated business activities in these conditions, as FBGs have to focus more on their own area of specialization to keep up with intensifying competition. In turn, modernizing organizational structures, together with more systematic and transparent decision-making processes, would help to draw the line between family and business activities and also decrease the chances to expand opportunistically. As a result, the group portfolio would become more coherent, while the boundaries between strategically significant firms would be more clearly demarcated. Even so, it is likely that personal connections due to shared ethnicity, culture, or other social aspects would maintain their facilitating role in the process, though they likely would not be as critical as in the past. In other words, the internationalization of FBGs can successfully be achieved with the right mix of connections and competences.

The Co-Evolutionary Process in Response to the Globalizing World

Altogether, both *technical learning* and *organizational adjustment* are the changes in business organizations that are expected to entail along the internationalization process. This is basically in line with the co-evolutionary studies that associate organizational changes with institutional transitions (e.g., Carney & Gedajlovic, 2002; Peng 2003; Meyer, 2006b).

Based on the case studies, how far the groups have progressed in these intertwined sub-processes is evidently consistent with their international achievements or the extent to which they have come to embrace the internationalization path as a growth dimension. Of these four groups, CP is clearly ahead in this game, following with Central, while there are some doubts for both Double A and Osotspa. The latter two cases also hint at the need for the groups to keep up with the evolving business environment and not get locked into their respective heritages, because these might be the most difficult part for them to overcome in order to sustain the competitiveness in the long-run. Particularly, it is hard for anyone to remain unaffected by the international competitions in due course.

To expand on these difficulties, the next chapter is thus about reconciling the explanatory answers obtained through the qualitative lens and the broader view attained through the quantitative lens. In order to make the most of the two methodologies used, this approach of between-method triangulation (Jick, 1979) is expected to enhance the overall validity and reliability of the research.

Chapter 9

Juxtaposing the Two Analytical Lenses

Following the research design discussed in Chapters 3 and 6, the dissertation has hitherto completed the applications of the two distinct analytical lenses on the subject of the internationalization of FBGs. Starting with the quantitative lens, the population set of Thai FBGs was first investigated by means of the case survey method (Larsson, 1993) to quantify their subtle organizational characteristics and then was analyzed through a series of simple and sophisticated statistics. As a result, the aggregate picture of the FBGs' development and internationalization has been laid out. Built upon that, the qualitative lens was subsequently adopted for carefully examining the four selected FBGs. Consequently, the comparative case study research (Eisenhardt, 1989) has illuminated the underlying mechanisms, shed light on the rationalities of the studied organizations, unearthed the other relevant factors, and, overall, attained a level of explanatory richness with respect to how FBGs evolve along the internationalization path.

Altogether, this chapter will juxtapose these two sets of the findings, i.e. "between-method triangulation" (Jick, 1979) in order to exploit the merits of the two methodologies used, reconcile both positive and interpretive approaches, and enhance the external validity of the study. To do so, the *first* section begins by reconciling the results attained from the two analytical lenses. The *second* section deals with the discrepancies found between the two approaches in a way of refining meanings and implications of the key constructs. Lastly, the *third* section relates the overall findings to the population level of the 139 FBGs as well as translates that to other privately owned business organizations in developing countries, with the aim of strengthening the conceptual generalization.

9.1 Reconciliation Between the Two Analytical Lenses

To start this triangulation effort, the key findings from both analytical lenses are recapped in Table 9-1, as the basis of the discussion. The quantitative results are listed on the left side in the light shade, whereas the qualitative results are presented on the right side in the dark shade. Of note, at the top and the bottom of the table are results exclusively derived from each analytical lens, while in the middle are corresponding results that were first implied by the statistical evidence and then were justified by the qualitative investigation. By putting together all these complementary findings, the reconciliation is thus expected to further enhance the understanding of the FBGs' internationalization.

The Aggregate View: Only from the Quantitative Lens

Based on a large number of observations, the quantitative lens is normally useful in comprehending an overview of studied phenomena. In this thesis, the population set of Thai FBGs thus provides solid ground for spelling out general characteristics in terms of size, level, and kind of the FBGs' development and internationalization, which are mostly addressed and refined by the follow-up case studies. Yet, there are two main aspects of the quantitative findings that are not substantiated by the case narratives but remain highly relevant for the reconciliation process, especially in enhancing the generalizability of the findings. In other words, these findings are the basis for contemplating other factors as well as relating to other comparable contexts, primarily of other developing countries.

The first aspect concerns the *size and sophistication* of FBGs and their business activities, respectively. The empirical evidence clearly shows that only a handful of the FBGs have in fact grown to be sizable organizations with a wide range of business activities, especially in technically advanced areas. The majority is small and medium-sized enterprises engaging in rather simple and traditional activities, in line with an earlier survey conducted by the East Asia Analytical Unit (1995).

Table 9-1: Reconciliation of results from the two analytical lenses

<table>
<tr><th>Via the quantitative lens</th><th>Via the qualitative lens</th></tr>
<tr><td colspan="2">Size and sophistication: not many groups have evolved to be sizable organizations and engaged in a wide range of business activities, especially in sophisticated areas.</td></tr>
<tr><td colspan="2">Ethnicity: mutual supporting mechanisms of people sharing the same ethnicity or dialect of the ethnic Chinese is applicable to other ethnicities, as found also among the ethnic Indians.</td></tr>
<tr><td>Growing via the bamboo network:
▪ The intertwined relationships are found among the groups' background characteristics, the groups' diversification and their core firms' internationalization.
▪ Traditional business activities.
▪ Pure opportunistic: the evidence of having overseas peripheral activities without internationalizing at core, i.e., being coddled by the bamboo network.</td><td>"Same same but different" in each path dependency:
▪ The family backgrounds shape the business developments;
▪ The strengths of the ethnic ties vary on the families' settlement processes;
▪ Chinese heritage tends to be handy when entering China.</td></tr>
<tr><td>Learning via but not relying upon the foreign partners to support internationalization:
▪ The positive association is found with foreign involvement for technical transfers;
▪ The positive association is found with the foreign involvements during their business expansion, but not during their establishment.
▪ More sophisticated business activities</td><td>Learning from advanced economies, i.e., "climbing the technological ladder," which can be done through various means, is vital for the FBGs' development.
▪ The key is to incorporate new sets of knowledge into the organizations and to create "firm-specific ownership advantages" needed for growing along the internationalization path;
▪ In parallel, to facilitate organizational learning especially for technical transfer; this often requires close collaborations with qualified foreign partners that in turn foster organizational adjustment.</td></tr>
<tr><td>Networking capability, which applies to both bamboo network and foreign partners, have allowed the FBGs to grow in size as well as in both the diversification and internationalization dimensions:
▪ Diversification and internationalization appear to be complementary, i.e., opportunistic as well as learning</td><td>The organizational adjustment in response to the evolving institutions justifies the coexistence of diversification and internationalization:
▪ Yet, the call for specialization would come in place the opportunistic diversification with the intensifying market competition.</td></tr>
<tr><td>The cross-sectional data suggests the Uppsala internationalization process model:
▪ In terms of both stage and distances of internationalization
▪ The ethnicity seems to also affect internationalization location.</td><td>The Uppsala model is confirmed:
▪ In line with learning about foreign markets, the gradual internationalization processes in terms of locations, modes, and investment sizes are found in most cases (except Osotspa's first attempt).
▪ For Osotspa, it was overly confident at first, not being aware of its own limitations outside the embedded context.</td></tr>
<tr><td colspan="2">The driving force: Being in a healthy competitive environment is a prerequisite to local firm development.</td></tr>
<tr><td colspan="2">The counter force: Internal issues, e.g., risk aversion, in-group favoritism and family conflict, might hinder the FBGs' internationalization.</td></tr>
</table>

This population composition of Thai FBGs is thus the first signal of difficulties in creating business organizations given the weak institutional setting of developing counties. In other words, it is indeed a long and demanding journey for loosely formed organizations evolving around families and personal networks to emerge as corporations with credibility and competence.

The second aspect regards *ethnicity* and its implications. As revealed, most of the FBGs are ethnic Chinese with traces of the mutual supporting mechanisms among people sharing the same ethnicity or dialect, according to the bamboo network concept. On this similar note, the case survey also detects that this kind of cultural sharing is not limited to ethnic Chinese; that is, the patterns are found among ethnic Indians, who make up a small part of the population in the study, and thus are labeled as "the curry network" (as discussed in Chapter 4). Moreover, this result confirms several previous studies (e.g., Redding, 1990; Gillespie, Riddle, Sayre & Sturges, 1999; Kapur & Ramamurti, 2001) on the specific role of Diasporas toward their homelands. For that reason, the bamboo network concept, motivated by the dominance of ethnic Chinese in this study, is just an example of how personal ties based on certain sociological factors could have some bearing on investment decision making in general, as well as internationalization in particular (Yeung, 1997). The logical generalization is thus possible for other social aspects.

Accordingly, the two aspects solely attained from the quantitative analyses have been used to create the analytical frame of the study. The following discussion pertains to the corresponding results between the two analytical lenses. As exhibited in the middle of Table 9-1, there are four sets of the findings that neatly paired up.

Growing Via the Bamboo Network: The Comfortable but Constrained Path

To start with, *the first pair* concerns the bamboo network as the basis of how firms grow in a weak institutional context. Evidently, the importance of family relations as well as other extended networks is confirmed by both analytical lenses.

The quantitative results show that the family links and relational means, captured by the bamboo network, ethnicity, and founder's background variables, are more or less intertwined with the group diversification level and are together influential in explaining the

FBGs' internationalization. However, it also hints at the limitation of the bamboo network, as this facilitating role tends to be personal and to concentrate on certain countries or locations. Likewise, these business activities are far from being advanced for the FBGs that are overly embedded in the bamboo network. The comfort of expanding via the bamboo network is particularly evident from the overseas peripheral activities that are found in a number of relatively small FBGs that have not internationalized their core activities but have taken part in sideline projects abroad via their connections with influential FBGs.

Based on this overview, the qualitative results then provide the accounts that substantiate how important the families have been in the development of the four groups, especially during the process of business formation. Moreover, the case narratives indicate that the implications of being ethnic Chinese upon business entry to China are highly contingent upon the founders' characteristics and the families' settlement processes. In most cases, the merit of being ethnic Chinese is realized in the sense of having the cultural understanding necessary to facilitate (but not to determine the outcome of) the investment, which is likely akin to expanding to other regional countries; the strong tie found in the CP case is exceptional.

Altogether, the two results have not only agreed upon the significance of the relational basis in setting up business organizations in weak institutional settings but have also underlined the limitations and risks of being overly mired in the embedded network. In this regard, the tension between the easy and difficult paths of the FBGs' development and internationalization has thus started to reveal itself.

Learning and Growing via Foreign Partners: The Difficult but Constructive Path

As evoked, relationships are crucial but they tend to restrict FBGs to engaging in business activities only within the familiar context. To enhance organizational development, both analytical lenses thus point out that it is important for FBGs to extend their network further to distant partners, especially those who possess strong technical knowledge. This is *the second pair* of the corresponding results.

Starting with the quantitative results, foreign involvement tends to assist the groups in entering more technically advanced industries; the core firms coded as having foreign partners specifically for technical transfers are also prone to be more internationalized. In relation to the bamboo network, these groups that manage to collaborate with foreign partners appear to be the ones that are more in control, have not been made complacent by the comfort of the bamboo network and thus are able to grow beyond their comfort zones. Yet, the sense of difficulty involved is noticeable regarding foreign involvement. A negative influence is found when foreign partners are crucial for business development from the start; this highlights the need for FBGs to learn from and not simply rely upon the foreign partners. Again, this implies the easy versus difficult development paths.

Correspondingly, the case studies expand on this learning aspect by delineating the development process, starting with channeling in missing knowledge from advanced economies, incorporating that to their strategic business units, and then building up their own competitive edges. In other words, foreign partnerships are supposed to induce *technical learning* and not just *technical borrowing* in order to allow firms to successfully climb up technological ladders and overcome latecomer disadvantages. Along this line, the qualitative results also point out that technical learning, especially for tacit knowledge, is usually required for the FBGs to closely cooperate with their competent partners. This in turn demands that the groups shape up their organizations and management styles in favor of specialization and professionalism, especially at their strategic business units.

Accordingly, both sets of findings share the same view that growing via foreign partners is not easy, as it presumably induces changes in these weakly formed organizations, but it tends to be constructive in the long run.

The Twist of Diversification vs. Internationalization

The third pair accounts for the relationship between diversification and internationalization. With respect to growing both via the bamboo network and via the foreign partners, this combination basically constitutes the kind of *network capability* that is instrumental in accumulating the resources needed for business development in a weak institutional setting. In practice, this organizational strength can help firms overcome market failure, handle inefficient factors, and execute projects (Amsden and Hikino, 1994; Khanna and Palepu, 1997), which fundamentally justifies the coexistence of diversification and internationalization found in the quantitative analyses. In other words, strong competencies and reputations in certain areas often bring about more chances for FBGs to take care of other institutional voids or take part in new business projects, thereby resulting in a more eclectic portfolio. Accordingly, FBGs with strong network capabilities are usually keen on *both* opportunistic investments in relation with familiar faces in the bamboo network *and* sharpening their own edge by means of cooperating with skilled foreign partners. On the other hand, some small FBGs, especially those without any serious internationalization at the core but yet having overseas peripheral business activities, tend to be spoiled by the bamboo network and less prone to strive to collaborate with distant partners, often at the cost of their overall business development.

Following the two relational constructs defined in the quantitative analysis, the case studies further clarify the assorted reasons underlying the long list of the FBGs' diversification. Basically, anything is possible as long as the selection environment is based on connections rather than technological or managerial competencies. In most cases, the sideline activities are locally dominant, except for the CP group that has also expanded into China via its special link with that country. Moreover, the case analyses stress that diversification does not necessarily prevent the groups from specializing and thus internationalizing if they have over time managed to upgrade their organizational structures and management styles as well. This thus boils down to how the controlling families have responded in relation to outsiders, especially concerning power delegation and business collaboration, as well as how the family members have navigated the distinction between business interests and family affairs. In other words, FBGs with better organizational control and family discipline are likely to be more capable of handling a wide range of business opportunities with different partners; simultaneously, the groups could also learn and refine their strategic business units. Nevertheless, the case studies demonstrate that the assorted activities have gradually declined in response to the tighter selection environment and the call for specialization, as manifested in terms of the economic crisis and rising international competition.

Hence, both the quantitative and qualitative results indicate that the two growth dimensions are highly related to how well the FBGs have handled their relationships with the bamboo network and beyond and have adjusted their organizations accordingly. Indeed, this demanding process adds on the difficult aspect of growing along the mainstream internationalization path, so most of the groups would not bother much to break out from the comfort zone and simply go on with their casual diversification.

Internationalization: The Learning Notion of the Uppsala Model

Drawing upon the importance of *technical learning* and *organizational adjustment* in the internationalization process, *the last pair* in the result reconciliation section thus seeks to contemplate how the internationalization process has generally come about. Given the cross-sectional data, the quantitative lens suggests that both the stage and distances of the FBGs' internationalization are in line with the Uppsala internationalization process model. That is, most of the groups are involved in internationalization only at the least committed stage and nearest distances. Also, the statistic reveals that the ethnic Chinese FBGs tend to span their activities not much far from China, probably as a result of being constrained by the bamboo network. On the contrary, the groups that are not found in the bamboo network have instead jumped to more distant locations.

Based on these clues, the case narratives then provide insight into the chronological aspect of internationalization. As a result, the qualitative finding confirms that internationalization has been carried out in gradual processes with respect to entry modes, investment sizes, as well as distances across the cases, expect for the first internationalization attempt of Osotsoa. Particularly, the distinct case of Osotspa stresses the point that internationalization strategies basically correspond to how the groups have perceived their own competences prior to the implementation. So, the highly embedded group like Osotspa turned out to be overly confident and as such initially miscalculated the international challenges; later, the group reverted to more familiar markets and made a diligent effort to close the realized knowledge gap (Peterson, Pederson & Lyles, 2008). Along this line, the case studies also highlight the need for FBGs to keep up with institutional development and not get stuck in their own heritages. FBGs are supposed to comprehend their own strengths and weaknesses, not only within their home context but also in other settings, so the groups can unravel their drawbacks and be prepared for handling the complexities incurred along the internationalization path.

Altogether, from both cross-sectional and longitudinal data of the two analytical lenses, the internationalization of FBGs is largely in line with the learning notion of the Uppsala model, with the distinction that the learning process is about much more than just foreign markets, as firmly established by the conventional model (Johanson & Vahlne, 1977). Indeed, the aspiration is not enough; international advancement cannot be realized if the FBGs do not work on their *technical learning* as well as *organizational adjustment* to overcome assorted kind of difficulties entailed in terms of latecomer disadvantages, liabilities of foreignness, administrative heritages, or other internal constraints.

The External Environment and the Internal Affair: Only from the Qualitative Lens

Apart from the aggregate view derived from the quantitative lens and the resulting reconciliation of the two lenses, there are two additional notions gained from the holistic view of the comparative case studies. Referring back to Figure 8-1, the two notions are the *driving force* and the *counter force* underlying the generic development process of FBGs, as recapped at the bottom of Table 9-1.

For the *driving force*, it is reflected in the FBGs' evolutionary stories, though it is not directly captured from the tally of the FBGs' characteristics. Based on the four stories, having a healthy competitive environment is regarded as the prerequisite for local firm development. Their focal core activities have evidently evolved in open and contestable home markets, which thus allow the groups to build up certain competitive edges and to begin the process of taking on the internationalization agenda. Yet, being the local champion positions might not translate to international achievement, especially if the groups have not been much exposed to global competition, as in the case of Osotspa. Accordingly, the competitive exposure should not be limited to the local level but should also embrace uplifting experiences from the global challenge.

For the *counter force*, the concept is difficult to quantify, because it concerns the inherent traits of the organizations that may be inextricably linked with their controlling families. For example, issues like family conflict or the risk aversion (rather than risk-taking) of certain FBGs' leaders may make the groups hesitate in venturing into unknown territory. Given the in-group favoritism natural for FBGs and particularly prevalent in the mainstream ethnic Chinese businesses the case narratives have delineated further the intimate relationship between the family and the business sides. The mix of economic and sociological reasoning tends to complicate decision-making process of these family-controlled organizations. Thus, it is of fundamental importance to follow how the collectivity of family members would transform and influence business development over time.

9.2 Discrepancies Between the Two Analytical Lenses

From reconciling the two analytical lenses, this has led to a more complete understanding of the studied phenomenon, as both sets of findings are quite coherent and complement each other. For example, what might come across as odd via the quantitative lens has largely been made clear by the narratives of the qualitative lens. Yet, during this series of analyses, there are small discrepancies that have been found between the distant exploration perspective of the customized case survey and the granular investigation of the case studies. This section seeks to zoom in on the differences between two things that should be the same, in order to resolve and attain richer meanings and implications from the key constructs, which should contribute to better research operations and more sensible and comprehensive measures in the future.

Founder's Background: The Merits of Foreign Experience and Education

To begin with, the first inconsistency is found in the coding of the founder's background variable, which concerns the foreign experience and education of the group founders. Based on the quantitative result, groups whose founders had foreign experience but no high education, i.e., at the tertiary level, are on average the oldest and the most internationalized groups. This proposition is conceptually in line with the Chinese sojourner stories and is empirically confirmed by the cases of CP and Central. In the case of Osotspa, the founder, Pae, had no trace of migration, despite his age, so he is coded as having neither foreign experience nor high education, which is the least internationalized category. Again, this is supported by the locally entrenched characteristics of the group.

However, the coding error is revealed in the case of Double A. Kitti, the founder, is coded as having high education based on his profile in the compendium book about the 150 prominent business groups in Thailand. With the fine-grained data collection process, it was revealed that Kitti in fact grew up with only a bare minimum of schooling; he later attained the university degree that was recorded in the book after having achieved business success[80]. As the son of a Chinese emigrant, Kitti thus should be sorted in the same category as Pae of Osotspa. Also, the export-oriented stance of Double A should not be accounted for by his education merit. Quite the contrary, it resulted from the personal drive of Kitti to overcome his meager background. In this regard, the merit of high education, which is commonly found among relatively young groups and tends to facilitate the internationalization process, according to the quantitative result, is not proven by any of the case studies. Nevertheless, since the early internationalization found in the case of Double A is also coupled with the fact that the group was not a pioneer in the pulp and paper industries and had to export its products from the beginning in order to achieve scale economies, the effect of being fairly young (the youngest of the four selected FBGs) still seems to have come into play. Particularly in comparison to Osotspa, Double A is much younger and has less of administrative heritage in which to get mired.

Taking into account all of the issues that surfaced from the first spotted discrepancy, the value of having foreign experience is specific to the Diaspora cases, since FBGs with such traits are inclined to be less embedded in the domestic market, are likely to be more open to new ideas from abroad, and are likely to take their international business activities back to their ancestral lands. Yet, business implications are subject to many other idiosyncratic features. For example, although educational merit is not strongly evident among any of the four founders, it tends to have some bearing in the later generations, particularly with regards to how the groups gain novel ideas from abroad and, in some cases, also has an impact on the group's ability to deal with different foreign experts. Altogether, the founder's background variable is a way to reflect on the entrepreneurial spirit that may indeed have set the groups off on their own development paths.

[80] Also, it is quite common among business entrepreneurs in this context to later attain university degrees for enhancing their credibility, or to be granted honorable (i.e., non-academic) degrees based on their successes.

The Bamboo Network: Sensing its Multifaceted Meanings and Implications

Central to the study is the bamboo network concept, as FBGs in this context are argued to primarily take shape and advance via this kind of personal interconnectedness and reciprocal help, inspired by the ethnic Chinese business literature (cf. Redding, 1990). For the quantitative analyses, being in the bamboo network is roughly coded by evidence like co-investments, offering or receiving financial support or seed money, marriages of family members, and so on, with regard to other FBGs. In this regard, the bamboo network is thus manifested in the form of several sideline activities both in and out of the country, while the influence is also found to facilitate the internationalization of their core firms.

With a closer look at the four case studies, the complexity of these relationships is thus revealed. Three of the four FBGs are coded as being in the bamboo network, while Double A is not. However, this tends to be because of the private and spotlight-shunning character of the controlling family behind Double A rather than a lack of connections with other business partners[81]. Nevertheless, the visibility of the bamboo network still explains why Double A comes across as the least diversified among the four FBGs. For the other three groups, their bamboo networks are also distinct. Clearly, CP is the only case in which the bamboo network refers directly to a personal connection with the Chinese government. Also, this special relationship has over time brought CP a wealth of business opportunities, which in turn has influenced the group to become rather disciplined with regard to its peers. As a result, CP is perceived as being not so friendly by other Thai firms, a finding that is quite paradoxical in relation to the simple connotation of the bamboo network that is used in the quantitative analyses. For the Central case, the bamboo network tends to start from favoring its own prolific clan before turning to other extended relations. Distinctly, the bamboo network of Osotspa has been quite decentralized to each member of the controlling family, as seen by their personal empires.

Accordingly, the qualitative findings describe the multifaceted meaning and implication of the bamboo network, which are in stark

[81] As revealed in the case, the group founder, Kitti, had been involved with politicians and had some traces of joint projects in the past. However, he and the whole controlling family have been much more reserved since the business stumbled with its controversial incident of forest invasion.

contrast to the dummy variable of being in or out of the bamboo network. Also, it is indeed hard to draw the line between in-group and out-group relationships here, as it seems to vary on a case-by-case basis. Besides, having several relational traces, e.g., collaborative projects, might not be positive to the overall development of FBGs. Evidently, the proper organization and management are essential to tame the sociological aspect and embrace economic sense in favor of business development. Along this line, it is thus important to keep in mind that being in the bamboo network implies the ability to ask for favors, especially when struggling through difficulties, but it also means handling personal relations with multiple partners that might not be on the same page with respect to the business interest.

Foreign Involvement: The Learning Aspect

In acknowledging the differences between the simplified and sophisticated versions of the bamboo network, this kind of gap is also uncovered in the relationship between FBGs and their foreign partners. In late industrializing countries, the main source of technical and managerial knowledge needed for firm development is typically not endowed within the local context, but derived from abroad. To capture this important aspect via the quantitative lens, this learning construct is first teased out by the stages of foreign involvement, i.e., at the time of establishment and expansion. In terms of expansion, it is further classified according to the countries and roles of the foreign partners. On the whole, these variables are found to be positively correlated with other variables capturing the size and internationalization stage of the FBGs, especially thanks to technical transfers undertaken during joint ventures with foreign partners.

Later, the qualitative results spell out that the organizational learning is not determined by the roles of foreign partners per se, but rather it is about *how the groups deal with* their foreign partners as well as rising competitive pressure, especially through the waves of globalization. This point is particularly elevated by the case of Double A, which is coded as having foreign partners for technical transfer in the quantitative studies, based on the two joint-venture records with the two leading multinationals in the pulp and paper industries. The close investigation revealed, however, that the joint ventures did not lead to organizational learning, owing to the reluctance of the controlling family to share control with these qualified partners. Within the firm, technical transfer has to some extent been carried out by hiring foreign experts. Yet, in this manner, the foreign contact does not have any significant influence on the managerial aspect of the company. On the contrary, the retail business of the Central group is coded as having no foreign involvement, while Central has in fact benefited from foreign exposure through the course of its development. Regarding the codification, it is due to the fact that the learning process of Central has been rather tacit and gradual, starting with just imitating up-and-coming trends in the Western world and later compelling the group to form joint ventures in specific operations at the subordinate level of its retail core activities. Also, the case indicates that the learning process of Central has developed in response to increasing foreign competition over time, i.e., from the Japanese department stores in the beginning to the aggressive hypermarkets from the West that came in later. Indeed, it was the Western competitors that pressed Central to focus on its specialization.

In this regard, the country of origin of business associates, either rivalry or alliance, tends to denote different levels of competition that FBGs are exposed to; evidently, the most challenging exposure seems to be vis-à-vis Western multinationals. This notion is partly captured by the distance of foreign partners in the quantitative analyses, which is also echoed in the case of Osotspa. The group is coded as having technical transfer from the joint venture with the Japanese inventor of energy drinks, but this link did not seem to entail much of organizational upgrading. Also, the group has not really advanced their own products and processes far from the initial setup. Distinctly, CP is the group that has excelled in teaming up with and pooling strategic resources with its frontier partners, primarily from the U.S., and thus resulting in its ownership advantage, i.e., CP's agribusiness system. Likewise, it was retail competitors from the West rather than from Japan that put serious competitive pressure on the Central group.

Hence, the foreign partner variables are simply the manifestation of how FBGs have been involved with their unfamiliar counterparts, while the more pertinent construct would be to measure how exposed the groups have been to competitive environments. In the constructive sense, as realized from the cases, the foreign exposure would prepare the groups to scale the technological ladder, formalize their managerial practices, adjust their mindsets to be more aware of competitive situations not only within but also outside of the country, and perhaps enable them to turn what might initially be seen as latecomer disadvantages, like certain country-specific traits, into their own competitive advantages in due course. On this count, this kind of competitive pressure could also be assessed from shares of multinationals or flows of FDIs into particular sectors.

Diversification: The Art of Organization and Management

The next discrepancy is rather expected, as it concerns the diversification of FBGs. Through the quantitative lens, this construct is crudely defined in order to make some sense of the sizes and business activities of this loosely structured and natural form of organization. As a result of the iterative triangulation between the literature review, the empirical evidence, and intuition, the diversification construct is coded into core and peripheral diversification and is also counted according to the number of the group's component firms, under the assumption that the FBGs tend to establish new firms when engaging in different activities, as described in Chapter 3. Logically, this set of variables is supposed to capture unrelated horizontal expansion, while vertical chains of activities are bunched together (but remain distinct at the 2-digit ISIC code) as core businesses that provide important accounts of the FBGs' developments. According to this quantification system, the results suggest that the rather diversified FBGs, i.e., the ones with multiple cores and relatively wide peripheral diversification, tend to be more advanced in terms of internationalization.

By looking closely at the selected FBGs, the coexistence of diversification and internationalization is justified, as discussed; however, the coding scheme for diversification turns out to be applicable for CP, Central, and Double A, but not quite for Osotspa. Distinctly, in the case of Osotspa, the group has largely consolidated its major business activities under one organizational umbrella, rather than setting up legally separate entities for the new ventures like the others have. Thus, based on its product lines, e.g., pharmaceuticals, energy drinks, and other consumer hygiene products, the group should have multiple cores. But, since they are legally bound, the group is coded as having one core. Even though this is regarded as one of the discrepancies between the two analytical lenses, the relationship between core diversification and internationalization seems to work anyway. This blanket organizational structure tends to cause Osotspa difficulties in accommodating the internationalization strategies of even one product line, i.e., the energy drink. This stresses the need for FBGs to enhance autonomy for each business unit, create well-defined organizational structures, and promote managerial professionalism, which would allow each business line not only to concentrate on its own specialization but also to break out and pursue its own international expansion.

For peripheral business activities, a similar logic is applied. Without the proper organization and management, it is hard for any of the groups to handle complicated projects with competent partners, so they would likely end up surrounded by the same old network engaged in traditional activities. Correspondingly, having multiple cores is not just about diversification; it also signals the ability to organize different tasks, one crucial aspect of FBG development, as well as increasing the likelihood that one of the concrete business units would stand out in international markets.

Listed Status and Age: About the Controlling Families

Following the uneasy story of Osotspa, the case also provokes additional incongruity between the two analytical lenses with respect to the listed status and age variables. Via the quantitative lens, the listed variable is used to signal how open FBGs are to outsiders by means of capital markets that supposedly bring about more information disclosure to the general public. The result shows that this characteristic tends to be more common among the younger groups and is beneficial to the overall development. However, the listed variable does not show any statistical significance in explaining internationalization, likely because the variable is highly correlated with the size of the core firms.

When zooming in with the qualitative lens, the effects of being listed on stock exchanges and the interplay between listed status and age both become more apparent. Specific to the case of Double A, the capital market was strategically used not only for fundraising but also for image management; the company has in fact been delisted. In addition, the cross-case analysis clarifies that the high degree of openness, especially by listing strategic business units, is fairly in line with the more structured and professional version of FBGs, i.e., it signals a departure from the traditional family business image and therefore favors internationalization, as well. In relation to age, the case narratives point out that it tends to be more difficult for the long-established groups like Osotspa to disclose information about the organization, as it would demand the group to overcome certain parts of its administrative heritage, which tend to be inextricably intertwined with the delicate family relationships.

Accordingly, the real interest is indeed about the willingness of the controlling families to embrace resources and capabilities from outsiders and to enhance professionalism in the organization, while the utilization of capital markets is one of the signals of a readiness to engage in these tasks. In this regard, the implication would be more direct if the study could more precisely capture the family management aspect of FBGs. For example, it is expected that FBGs with family councils (akin to that of the Central group) in conjunction with boards of directors on the business side would enjoy greater accord and experience fewer of *counter-force*, thereby enabling the groups to embark on the mainstream internationalization path.

Internationalization: The Issue of Commitment

Last but not least, some differential gaps are also found in the internationalization construct between the two analytical views. By design, the study aims to explain how FBGs have come to embrace the challenging path of internationalization, instead of diversifying around the local context as they did before. In this regard, the internationalization construct is supposed to somehow reflect both the commitment and competence of FBGs sufficiently to justify their endeavors, so the Uppsala internationalization process model that suggests an incremental relationship between knowledge development and commitment toward foreign markets (Johanson & Vahlne, 1977) is adopted. In practice, the coding is simply based on the highest stage and the farthest distances of internationalization that the groups (via their core firms) have ever pursed. As discussed in Chapter 6, this codification has basically disregarded other international business activities at lower stages and nearer distances, while it might take into account some trival activities. Note that other conventional multinationality measures (Sullivan, 1994) are not applicable due to the data limitations.

Accordingly, it is anticipated that variance in the degrees of internationalization among FBGs with the same codification would emerge from the case studies. For example, of the two groups, CP and Central, which are both at the most committed stage of internationalization, i.e., having overseas production units, CP is definitely much more internationalized in all aspects than is Central. Yet, it is worth pointing out that Central has showed its high level of commitment toward this growth dimension, which is mainly assured by its competence in retail business. Thus, this differential does not discredit the quantitative results. Still, another concern is raised regarding the distinction among FBGs that are codified to be at different stages of internationalization. The case comparison confirms that CP and Central, at the most advanced stage, of internationalization are distinctly ahead of Double A and Osotspa, in both the technical and managerial aspects of the organizations. Yet again, the distinction between these two stages might get blurred, particularly considering the detailed information gathered for the case studies indicating that, for example, Double A is in the process of extending its eucalyptus plantations in neighboring countries and Osotspa might also establish overseas production units to overcome the tariff barriers. In addition, the strategic assets needed for Osotspa to excel in this global game tends to be in the areas of its distribution and marketing units rather than production, which points toward measurement imperfections in general.

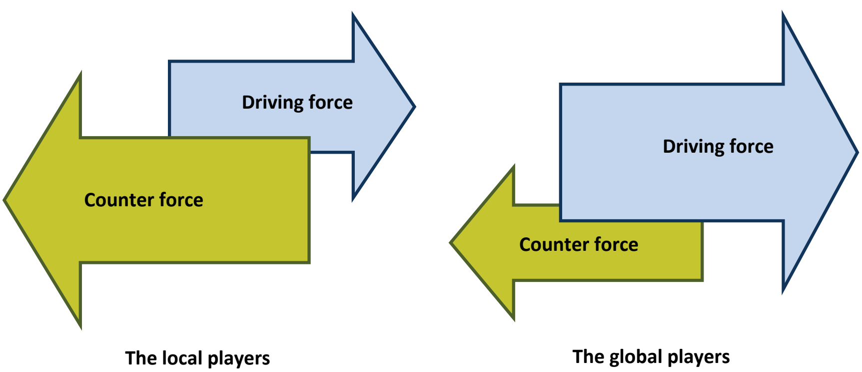
Consequently, the qualitative findings still support that the internationalization construct has stemmed from both the strategic intentions and competitiveness of the FBGs toward pursuing this path, despite the variance found in their degrees of internationalization. However, it is better to assess the codification with care.

9.3 Generalization: The Internationalization of FBGs

Juxtaposing the quantitative findings with the qualitative findings combines the general impression of *how far the FBGs have become involved in the internationalization* process and *what factors have played important roles in this growth dimension* with the underlying explanation of how and why the FBGs have come to pursue this unfamiliar path. Indeed, the difficulties of internationalization have not only been confirmed by both sets of the findings, but have also been elevated from the existing notion of the latecomer and EMNC studies in the IB research. Particularly, the results have shed light on the intricate and delicate development process, going deeper into the multifaceted world of families, friends, and beyond, which is labeled as *the* *bamboo network*. This section is thus about generalizing the mixed-method findings into the broader context, first by inferring this sense of the difficulties at the population level of the FBGs in Thailand and then translating them to privately owned business organizations in other developing countries.

Reviewing from the four case studies, the selected FBGs are clearly those that have developed far enough, i.e., to the point of taking on their respective internationalization paths, while the population statistics in Chapter 4 show that over half of Thai FBGs have never engaged in any outward international business activities apart from indirect export. Referring back to Figure 8-1, i.e., the generic development of FBGs along the internationalization path, the overall findings suggest that the majority of Thai FBGs are cases in which the counter force still tends to dominate the driving force, thereby being considered the local players, as depicted on the left side of Figure 9-1. In comparison, the minority, like the four selected FBGs, leaned more toward the global players, as presented on the right side of Figure 9-1, in which the driving force is larger than the counter force.

Figure 9-1: The development of FBGs in general with respect to the internationalization path



Given this overview picture, it is worth highlighting the importance of external factors and the roles of the government in relation to the likelihood of firm development in general and internationalization in particular. For the context of Thailand, as described in Chapter 3, the country has been fairly open to international trade and investment since its modernization started in the 1960s. Similar to most developing countries opening up at that time, the economic development policies first relied on the import substitution scheme and later shifted toward the export promotion scheme in the mid-1980s. Evidently, the government has been active in attracting FDIs by means of several investment incentive packages, which has certainly been successful in promoting the country's industrialization and employment. However, it has not contributed much in terms of technical transfer, especially to the local firms, as shown by a number of different types of evidence in this study. In fact, Thai government has not been as strategically successful in nurturing local firm development, especially when compared with countries like South Korea that started the economic development process at around the same time. This point is also reflected in several studies in the context of other late industrializing countries (e.g. van Hoesel, 1999; Sim & Pandian, 2003; Child & Rodrigues, 2005) that usually highlight the important roles of government not only in creating a supportive environment but also in actively enhancing the competitiveness of the local firms and creating their own brands, boosting national pride, and so on.

Accordingly, the main caveat of this study is in terms of the difference in supportive environments, particularly with respect to local governments. For example, in countries with clear directions from the governments, it might be easier for FBGs and the likes to focus on their core businesses and internationalization rather than engaging a wide range of unrelated activities; diversification would also be more purposeful to fill in institutional voids (Keister, 1998). In this regard, personal ties with key political figures would be more rewarding than would those among families and other extended business colleagues within the bamboo network. On the other hand, for other developing countries with weak governments, the kind of personal network is expected to be important, like the one in this study. Thus, it is worth noticing what kind of sociological relations would be of most relevance and whether there is any distinct character concerning other countries, cultures, and business practices.

Chapter 10

Beyond the Bamboo Network: Conclusions and Contributions

In the course of globalization, especially over the last few decades, an increasing number of firms from different emerging markets and developing countries have begun to take part in international markets. Since many of these firms have become viable challengers to MNCs from developed economies, the phenomenon has clearly caught the attention of IB researchers and has served to expand EMNC studies. With an eye towards explaining how EMNCs could rapidly advance in globally competitive environments, despite being burdened by various latecomer disadvantages, much research has sought to shift the IB discourse from the exploitative view of utilizing existing competitive advantages (e.g., Lecraw, 1977; Wells, 1983) to the explorative view of acquiring new knowledge and sharpening competitive advantages through the process of internationalization (e.g., Mathews, 2006; Luo & Tung, 2007). It may not seem like the process of becoming a viable global player is very difficult. However, as pointed out by Narula (2006), most of these emerging firms have so far come from more advanced developing countries like South Korea, Taiwan, and Mexico, which suggests that the weight of country patronage may have prevailed over the weight of local firm development.

This thesis has sought to shed light on how business organizations that have been thought to be unlikely candidates for internationalization because they lack distinct ownership advantages and operate in a home environment with institutional weaknesses could nevertheless adjust to increasing international exposure. Thailand is chosen as the research setting for its economic and cultural background and rather liberal economic stance. A holistic view of family business groups (FBGs) has been assumed to assess internationalization in relation to other business diversification strategies. This research aims to reveal how strategic choices are made and justified in a context where economic and sociological rationales are highly intertwined. That is, in this context, competitive advantages do not usually reside within the boundaries of individual firms but rather derive from extended networks, capturing the resource dependency among different components of FBGs. In addition, the empirical design that covers the whole population of Thai FBGs allows the study to take into account a wide range of behavior and international performance measures through the use of quantitative analyses. The quantitative analysis is not only valuable *per se*, but it also provides guidance for the choice of case studies, where the internationalization of individual enterprises is scrutinized in closer detail. In other words, the quantitative lens has provided a bird's eye view of what has happened and the qualitative lens has allowed us to spell out these explanations.

Altogether, the research has sought to address questions like: To *what extent have FBGs internationalized? What are the characteristics of internationally emerging as well as locally entrenched groups? What are the obstacles involved in the internationalization process?* To conclude the dissertation, this chapter will therefore synthesize the knowledge gained, discuss the thesis' contributions to various research areas, and, finally, delineate some limitations and identify areas for further research.

10.1 Beyond the Bamboo Network

In the Chinese context, *bamboo* is the symbol of durability. It is also flexible and constantly growing, as reflected in the classic proverb, "Bamboo bends; it does not break." Significantly, bamboo is not a standalone plant; it grows by sprouting out new shoots. Hence, together as a group, the members of the bamboo network are mutually supportive enough to withstand the course of nature and to expand to cover a wider area.

This analogy reflects the basis of FBG development. For the majority, it represents how the ethnic Chinese, whose ancestors were suppressed and thus chose to leave the country to escape a long history of political upheaval, natural disasters, and economic scarcity, have evolved by means of their personal connections, primarily those of family ties and other extended relations, to firmly establish themselves in a new country. The strong influence of the leading FBGs studied here is clearly apparent. Their business diversification efforts have stretched across sectors; their strong positions also make them the key business partners of foreign investors, such as incumbent multinationals seeking to enter the country. Correspondingly, the overall business coverage of FBGs has roughly reflected the country's economic development, as discussed in Chapter 4.

Building upon the *bamboo network* analogy to explain the further growth of FBGs in terms of internationalization, the results explicitly reveal the tension that has emerged during the process. On one hand, FBGs seem to be able to maintain their status quo by exploiting the bamboo network; on the other hand, they are increasingly called upon to demonstrate competence building and organizational upgrading to meet the demands of international competition. Evidently, it is not at all easy for this organic form of business organization to transform and grow *beyond the bamboo network*.

Echoing the mainstream IB research on EMNCs, the study clearly confirms the well-established notion of the importance of scaling technological ladders, in line with the economic liberalization argument for the knowledge flow and the government intervention argument for correcting market imperfections. Distinct from the conventional take on the subject, however, this study exhibits and magnifies the more human side of organizational development, which tends to be entangled with the attitude toward economic liberalization and other policy implications in the country. In addition, the value of technical learning (rather than just borrowing) is particularly linked with the need for organizational adjustments such as imposing structure, promoting professionalism, exerting discipline in personal and family relationships, and ensuring that a clear border exists between family and business affairs. By coupling technical upgrades with organizational reform, FBGs could attain the necessary platform from which to learn more about foreign markets and to internationalize accordingly. To use an analogy, the internationalizing FBGs are *the crossbreeding bamboos* that have survived against all odds and embraced different strains and practices, thereby becoming less dependent on their familiar context.

With respect to these existing notions, this research therefore adds to EMNC studies in particular, as well as to organizations and managers of FBGs and similar firms. In addition, there are certain novelties in the methodological approaches used, plus some insights from relevant business owners and managers, each of which will be discussed accordingly.

10.2 Contributions to EMNC studies

In the attempt to explain the internationalization of FBGs, the analyses have drawn from a wide array of business studies that were first grounded in the context of industrialized countries and later stretched to include other circumstances. For the IB research, particular contributions have been made toward studies on emerging multinationals or outward FDI from developing economies, which can be summarized as follows.

Back to Basics: The Essence of Firm-Specific Advantages

First, the overall findings are consistent with the principal notion of the IB research. Despite starting with a pronounced lack of proprietary technologies, evolving FBGs could very well rise up from being well connected in the bamboo network to make use of locally endowed factors, circumvent institutional voids, and later develop their own ownership advantages. In due course, success boils down to technological and/or managerial know-how, the basis of international business theory (Hymer, 1960/76), that enable FBGs to overcome both the liabilities of foreignness (Zaheer, 1995) and latecomer disadvantages (Hikino & Amsden, 1994), in order to transcend and sustain their business activities across borders. Thus, the internationalization of FBGs could be explained by the instrumental role of relational assets that enables FBGs to overcome weak institutional conditions and possibly brings about the development of ownership advantages over time, corresponding to the reconfiguration of the eclectic OLI paradigm (Dunning, 2002; 2004; Dunning & Lundan, 2008).

Specific to technological accumulation, some evidence points toward the positive spillover effects that come from associating with competent foreign partners, as has been widely argued in the literature (e.g., Dunning, 1981; Tolentino, 1993; Blomström & Kokko, 1998). The new knowledge attained evidently works as a catalyst for FBGs to turn their latecomer status from disadvantages into advantages. Moreover, the data show that the competitive advantages of these emerging firms are not usually frontier technologies but are instead derived from the firm's differentiation strategies, simply as a means of modifying platform technologies to fit with their local components. This line of reasoning dates back to the *Third World Multinationals* literature (e.g., Lecraw, 1977; Wells, 1983; Lall & Associates, 1983) and remains valid through time (e.g., Dunning, Narula & van Hoesel, 1998; Sim & Pandian, 2003). Recently, Rugman (2008) confirmed that EMNCs tend to count upon a wide range of competitive elements that stem from their environments, i.e., *county-specific advantages*. Over time, they convert them into *firm-specific advantages*.

In this way, the internationalization of FBGs is hence equivalent to the transformation of a growth strategy that is connection-based to one that is competence-based. Along this line, internationalizing units of FBGs would eventually stand out of the resource dependency of their groups, and become the conventional unit of analysis for EMNC studies.

Discretion in Organizational Adjustments: Another Aspect of Latecomers

While simply acknowledging the essential value of technological accumulation in building up *firm-specific advantages*, the study clearly exemplifies the link between technical learning and organizational adjustments that together explain the international advancement of FBGs. The focus is particularly in terms of the difficulties of bringing about organizational adjustments, which are crucial for FBGs to effectively make use of their newly acquired technologies and tailor them to be something that is truly their own (Zhou, Tse & Li, 2006). However, FBGs, as the country's pioneer capitalists, often get stuck in their own administrative heritage (Carney & Gedajlovic, 2002; 2003) and thus struggle to move forward.

Apparently, it is not easy to transform organically evolving organizations like FBGs into more bureaucratic forms of business organizations, especially with regard to the closely entangled interests between families and businesses (to be discussed more later). Many FBGs would seem to be content with their dominant market power at home, as long as there were no severe threats approaching on the horizon. In addition, it is usually inconceivable that emerging FBGs will be able to secure any lucrative payoff from international markets in the early stages of their internationalization.

On this count, even though the mainstream internationalization process is strongly associated with local firm development, this study does not present that as being the one normative path. Instead, it discusses the process in terms of distinct strategic choices (Peng, 2003), primarily at the will of FBGs' controlling families. That is, the internationalization process is not necessarily deterministic or path-dependent; there is often room to deviate from the norm, driven by strategic intentions as well as serendipity (Hutzchenreuter, Pederson, & Volberda, 2007). This thus helps shed light on another developmental aspect of these latecomers that has not been revealed in earlier studies.

The Process of Learning and Commitment: Pre- and Post-Internationalization

Even leaving room for strategic and spontaneous elements affecting internationalization, the competence gap of latecomer firms (Wells, 1983; Hikino & Amsden, 1994) nevertheless dictates a need for learning. It seems clear that the aggregate view of FBGs' core firms' internationalization efforts in terms of stage and distances is well in line with the stage model (Johanson & Wiedersheim-Paul, 1975) and signals the interplay between learning and commitment as conceptualized in the Uppsala model (Johanson & Vahlne, 1977).

Thus, the current results have basically confirmed why the Uppsala model is more applicable to newly emerging firms than to incumbent multinationals that are rich in experience and well-equipped in their systems of operation. Likewise, by looking closer at the evolutionary perspective of FBGs, it is revealed that technical learning and organizational adjustments are prerequisites for penetrating and learning about foreign markets. Particularly, the findings manifest the feature that new knowledge is developed in relationships of both business type (Håkansson, 1989 and personal type (Powell, 1999), i.e., ranging from the closest family ties to professional business collaborations. The importance of social interactions and network building, is confirmed (e.g., Welch & Welch, 1996; Coviello & Munro, 1997; Chen & Chen, 1998; Ellis, 2000) and corresponds to the insider/outsidership notion of the revised Uppsala model (Johanson & Vahlne, 2009).

Along this line, the internationalization process of FBGs thus tends to be gradual rather than exponential. However, this depends on both pull and push factors, i.e. how privileged or coddled FBGs have been at home in relation to international markets, whether they have gained any direct support from their local environment to climb up the proverbial technological ladder, and so on. Having constructive environments, i.e., through the role of local government, is no doubt essential for the success of local firms, as shown by van Hoesel, 1999; Sim & Pandian, 2003; and Child & Rodrigues, 2005. Particularly, it explains the risk-taking behavior (Luo & Tung, 2007) and impressive performance of so-called Dragon Multinationals (Mathews, 2006), which however are not likely to represent normal business activities, as argued by Narula (2006).

Given the weak institutional setting highlighted in this study, it is found that rapid expansion seems to emerge out of over-confidence (Petersen, Pedersen, & Lyles, 2008) in the case of Osotspa. This may be a result of being too embedded within local practices and internationally inexperienced, which may lead to misevaluation of costs and benefits when it comes to venturing abroad. With these lessons learned, FBGs would likely fall back to a more gradual learning-commitment process in due course.

Tension Between the Easy and Difficult Paths of Internationalization

In addition to confirming the mainstream notion of the internationalization process stemming from the FBGs' steep learning curve, the holistic view of analyzing FBGs as a whole, which is in itself another contribution (Ramamurti, 2004; Elango & Pattnaik, 2007), also helps to tease this model of knowledge-based internationalization out of other opportunistic investment and causal diversification behaviors. The record of overseas peripheral business activities has clearly unearthed the kind of international investments that generally appear to be peculiar according to Western-grounded IB research. For example, it is possible for internationalization to arise from personal connections (rather than ownership advantages) that enable FBGs to tap into resources and capabilities outside the organization. As such, it is shown that internationalization is in fact multifaceted (Forgren, 2002).

This kind of sociologically driven investment is nevertheless not a new discovery but rather dates back to the classic work of Aharoni (1966), which has inspired specific research on the influence of ethnicity and cultural ties, such as the role of diaspora immigrants with respect to their homelands (e.g., Gillespie, Riddle, Sayre & Sturges, 1999; Kapur & Ramamurti, 2001). Besides, this line of research has brought attention to the idiosyncratic characteristics of people in charge of the organizations, so-called "upper echelons research" (cf. Hambrick & Mason, 1984; Carpenter, Geletkanycz & Sanders, 2004). As a result, it is worth keeping in mind that not all FDI figures are determined by the notion of firm-specific advantages or governed by competitively driven economic rationales. Opportunistic investment could very well occur both in and out of the country.

This study also reveals the co-existence (and later the tension) between economically and sociologically grounded internationalization within the loosely defined scope of FBGs. The network-led internationalization process is placed in contrast to conventionally perceived internationalization. While some parts of FBGs are learning to sharpen their competitive edges, other parts might also exploit relational advantages for opportunistic investments. Note that these co-existing projects often are not just for moneymaking or the return of gratitude, nor are they independent from each other, but also for facilitating international endeavors in FBGs' core activities, as seen in the case of CP in China. This logic is also echoed in the work of Ma & Delios (2009) who explain why subsidiaries of leading multinationals in China have evolved into business groups.

The results further show that the eclectic portfolio of FBGs tends to dim in periods of intensifying competition, so the co-existence focused and opportunistic internationalization could result in tension between the easy and difficult paths of internationalization. Conceptually, this aspect of organizational change adds to the research on organizations in transition and institutional-based view of business strategies (e.g., Oliver, 1991; 1997; Teece & Pisano, 1994; Peng, 2003; Meyer, 2006b) to be discussed further below.

10.3 Contributions to Other Related Researches

In addition to enriching IB research, the dissertation's findings also have direct linkages to the conceptual understanding of organizations and management studies in general. The contributions can be discussed in the following research areas.

Diversification: Institutional and Sociological Accounts

According to the static view represented by the quantitative analyses, it appears that the diversification and internationalization of FBGs are complementary. In other words, the more diversified a FBG, the more advanced the group is likely to be in terms of internationalization. This empirical finding basically defies the conventional notion of strategic management research, which advocates area specialization, accepting product-related diversification (Rumelt, 1974) and putting unrelated diversification at a discount (e.g., Rajan, Servaes & Zingales, 2000; Martin & Sayrak, 2003). However, in the context of developing countries, this finding is not at all surprising; a wide range of unrelated diversification is often sensible for business organizations in order to overcome weak institutions and inefficient factor markets (cf. Khanna & Palepu, 1997).

For that reason, business groups are the most common form of business organizations in developing countries (Khanna & Yafed, 2007), where growth is primarily derived from generic capabilities to make contacts, draw resources and execute projects (Amsden & Hikino, 1994) rather than specific technological or managerial competencies. In this regard, it is better to explicate the diversification of FBGs using "the dominant management logic" proposed by Prahalad & Bettis (1986). Given the abstract idea of reading into the managerial mind, the complication is even further multiplied in the case of FBGs that tend to be loosely confined by means of family relations and thus have no clear organizational borders (Granovetter, 2005). Accordingly, the empirical findings not only confirm the typical institutional-based explanation of business groups, but also substantiate the alternative sociological-based explanation, as well. In addition, the latter tends to continue to permeate this kind of organizational structure, even after the maturation of market institutions.

Co-Evolution Between Socially Embedded Organizations and Institutions

The more dynamic approach of the qualitative analyses also expands on the association between diversification and internationalization of FBGs that are subject to institutional changes. Internationalizing FBGs are groups that have showed a certain degree of development in terms of technical and organizational capabilities. Hence, the internationalization process of FBGs is in line with the evolution of capabilities and characteristics of efficient organizations in their respective environments, as proposed by Kock & Guillén, 2001. That is, more stringent selection environments tend to force FBGs to stay away from opportunistic diversification, shift toward product relatedness, and thus become more coherent in their portfolio. Also, this strategic transition is usually coupled with streamlining the organizational structure, as well as professionalizing management and business practices.

Altogether, the case studies have brought together several aspects of organizational changes, which are partly driven by the institutional development (e.g., Peng, 2003; Peng & Zhou, 2005; Tsui-Aush, 2004; Zhang & Ma, 2009). Yet, unlike most of the co-evolution area of research that stresses the importance of government support in driving the development process, this study instead sheds light on the inherent mechanisms present in FBGs' controlling families and their extended networks, which could result in risk-averse behavior and prevent them from committing to internationalization. Evidently, certain FBGs might also be able to use this kind of personal influence maintain a high level of protectionism in terms of trade and foreign investment restrictions, in order to maintain their status quo. In other words, the bamboo network can be seen as another type of protectionism that has prevented Thai firms from venturing abroad.

Family Capitalism in Globalization Process

Taking into account both the shelter provided by the bamboo network and the capability enhancement endorsed along the mainstream internationalization process, the findings clearly favor FBGs that have strengthened their governance modes, i.e., those that have moved away from being organically formed, family-dependent organizations. Likewise, the findings suggest a form of hybrid capitalism that combines the speedy and lean characteristics of ethnic Chinese family firms with the structural and merit-based characteristics of typical Western corporations (Yeung, 2006). The convergence could bring advantages to emerging firms, enabling them to become less dependent upon the protected business environments and eventually to dare to match multinationals' scale, brand recognition, cutting-edge management techniques, and deep pockets.

On the other hand, the insights gained also apply directly to the literature on family firms (cf. Sharma, Chrisman, & Chua, 1997). For example, the more structural and professionalized management style is most likely useful for directing business interests, disciplining family affairs, and ensuring the smooth succession of power across generations. In this way, it may be possible to maintain the dedicated spirit of family ownership, while the organizations can also benefit from a wider pool of human resources. In this context, it is notable that one-third of the large corporations in the S&P 500 remained under the influence of their founding families and even outperformed widely held managerial-run firms (Anderson & Reeb, 2003). This is mainly because the long-term interests of controlling families prevail and provided better growth conditions than the shortsighted aims of speculative investors (Villalonga 2006). Undoubtedly, this notion is highly applicable across contexts, thanks to the universal property of family ties.

Overall, internationalization can be seen as one catalyst for the transformation of FBGs, in that it helps them move toward market-oriented decision making, reduce their vulnerability to sensitive relational matters, and become more responsive to changing market developments. At the same time, there is much evidence of path dependency, which suggests divergent practices in the global business community (Whitley, 1999).

10.4 Methodological Contributions

In addition to the theoretical contributions of this study, which apply both to the tasks of conforming and extending the existing notions, the dissertation is also distinct and inventive in terms of its research design, unit of analysis, and contextual background. Consequently, this rather unconventional approach has led to the following methodological contributions.

Indigenous Research: Merits vs. Challenges

In the attempt to study internationalization in relation to other growth alternatives from the holistic perspective of FBGs, rather than of one single firm, the investigation process has revealed both merits and challenges of indigenous research (Tusi, 2004; 2007; Meyer

2006a). Remaining true to the context was quite a challenging prospect. In practice, the series of investigations entailed an exhaustive and painstaking process of collecting and refining data materials from various sources, which are inevitably subject to a certain degree of subjectivity and imperfection. Moreover, it was doubtful throughout the explorative inductive process whether the gathered data would make sense in the context of the analyses and whether they would allow any meaningful inferences. Particularly, there seems to be little faith in the generalizability of one-country studies (Tusi, 2007). Moreover, the research encountered further problems during the interview process; difficulties arose at every stage from the phase of initially approaching the interview targets all the way through having them consent to the end product, i.e., the case narratives, as described in Chapter 6.

Regardless of all the difficulties, the overall research process has confirmed the reality of the bamboo network where information is circulated within a limited circle. My attempt to peek into this rather closed world and document what exists there, presumably as a participant observer or insider (Lee, 1991), was not quite appreciated in the business community, but more positive feedback is expected in academia. With respect to the conceptual contributions discussed above, the methodological reward is by now obvious. The database construction was indeed an indispensable first step into the complex and deeply intermingled sphere of FBGs through a number iterative triangulations between empirical evidence, concepts, and conjectures (Lewis, 1998). This not only allows a pattern to emerge from the assorted variables encountered along the evolutionary path of FBGs, but it also aids in the process of spotting seeming peculiarities, such as overseas peripheral business activities, and placing them into perspective.

Moreover, thanks to the extensive coverage of a population that encompasses all kind of behaviors, not just the top tier of emergent firms, the database offers a significant variety of comparative perspectives. The peculiar kind of international investment, captured in terms of overseas peripheral business activities, thus becomes sensible and adds to the understanding of outward FDI from developing countries, one of the benefits of adopting this unorthodox approach. Furthermore, the analysis of FBG development is arguably in line with the business system theory (Whitley, 1992; Redding, 2006) as it provides a thick description of how firms behave and manage in regards to their respective socio-political-economic-historical contexts. In turn, this can bring about tangible policy implications (to be discussed later).

At the same time, the research undertaking also found that the appropriate contextualization within the literature has made it necessary to extract context-free understanding. In other words, indigenous research is in fact useful in reconciling universal and local notions to explain management phenomena around the world, incite unorthodox ideas, and fill in some gaps that might well not be captured by conventional methodologies.

By reflecting on the entire research process, I personally appreciate the learning curve and insights that allowed me to look at the mainstream approach with more critical eyes. However, it is also obvious why this kind of research undertaking has been slow to gain popularity, especially when considering the mainstream approaches promulgated in academic publications.

The Methodological Fit of the Mixed-Method Research

The two ends of the methodological spectrum for sensemaking (Langley, 1999) were adopted in the study of the same phenomenon. In particular, the fieldwork was undertaken to complement the quantitative total investigation of Thai FBGs, which led to validating the results, interpreting the statistical relationships, as well as clarifying some of the more puzzling findings. Of note, the quantification strategy of process data, i.e., the customized case survey method (as discussed in Chapter 3), is itself a hybrid method, bridging the gap between nomothetic surveys and ideographic case studies (Larrson, 1993). So, by supplementing the exploratory case coding of the entire population with the in-depth investigation of the selected FBGs, the iterative triangulation process was further condensed and made more concise.

The data gathering and pattern mapping processes of the quantitative phase of the study constructed a solid base for the in-depth investigation phase of the case studies. Rather precise interview questions were defined, together with a strategic mindset of approaching and preparing for the interviews. As a result, some of the firms' personal, political, or otherwise suboptimal factors, which usually are not presented in standard formats of information disclosure like annual reports and investment prospectuses, were brought to light in a number of the FBGs' investments. This kind of intertwined socioeconomic explanation is in fact expected in a weak institutional context, as the study also reveals that the line of reasoning tends to adjust along the course of economic development.

Correspondingly, the results yielded from these two analytical lenses were found to be complementary, confirming the internal consistency of the research design, i.e., the methodological fit. This thus promotes the use of alternative methods like the case survey method (cf. Larrson, 1993) as well as the mixed-method research design in future research.

10.5 Managerial Implications

Given these contributions on both the theoretical and methodological fronts, the dissertation's value is not limited only to the academic world but also can be applied to a more general audience. Particularly, there are a number of important implications for business owners as well as professional managers.

In this rather small and protected environment, the explicit case comparison among the selected FBGs, which are more and less acquainted to each other, represents a form of peer pressure for FBGs as well as other family firms in the country. It is the story of how these entrepreneurs first charted a path to prosperity in the Asian style of governance that later brought them to the crossroads of either continuing along their familiar path or broadening their horizons to accommodate more unknown people and opportunities from various sources. Comparatively, the former path is less challenging but is locally limited; the latter path is demanding but borderless. Using internationalization as the conceptual instrument for understanding firms' competitive situations, the differences in the FBGs' development paths and international performance have revealed a number of key insights and normative propositions.

FBGs and similar firms should keep up with or help to advance institutional changes; otherwise, these organizations can lose their ability to attract quality business partners and talented employees, which undoubtedly leads to a decline in their competitiveness. The art of networking should focus on mutually supporting one another but not being overly dependent on one another, to the extent that the bamboo network turns into a burden rather than an advantage. The study thus underscores the importance of not getting too embedded in local practices, apart from general recommendations on technical and organizational upgrading.

To the eastern world, most business owners and managers arguably are well aware of the choices (and consequences thereof) that they have made or will have to make; however, some might not be. Also, it is different *between* business owners and mangers who are capable but simply content with their local successes *and* those who are overly pampered by the network and are thus ignorant of possible challenges arising from the globalization. Hence, the study is of value as it helps to spell out how distinct paths of organizational development can emerge. The study also accounts for the social intricacies of overcoming the administrative heritage of FBGs.

To the western world and other outsiders, the study also provides explanations for peculiarities in certain decisions and practices undertaken by FBGs. This would help professional managers and other business counterparts to be less confused about why something should happen but does not, and vice versa. In other words, these results can provide the basis for more accurate assessment of characteristics and prospects of FBGs in partnerships and collaborations. FBGs that are in transition from being family-oriented to professionally oriented organizations and from relational-based to competence-based strategies might eventually become a threat to incumbent multinationals.

10.6 Policy Implications

The next contribution is directed toward the research setting, i.e., adding to the understanding of business and economic development in Thailand. Since the country's modernization, numerous scholars have analyzed the influential role of business groups as the representatives of private capitalists (e.g., Phipatseritham, 1982; Suehiro, 1989; Weilerdsak, 2006). Yet, this work mainly focused on economic concentration, risk-taking behavior via political connections, connected lending, and other macro-level issues. Likewise, the IB-related studies were largely about the impact of inward FDI on industrialization (cf. Kohpaiboon, 2006), while works pertaining to the internationalization processes and international competitiveness of Thai firms is still very limited (mainly by Pananond; see, for example, 1998, 2006). Empirically, only a handful of Thai firms have been regarded as foreign investors, i.e., as true multinationals. This might be because the country's economic development has been fairly favorable and provided sufficient growth opportunities at home, despite the fact that it has been criticized as being one of the "ersatz capitalism" countries (Kunio, 1988).

To date, the country's policy discourse on international trade and investment has not really moved away from attracting inward FDI on one end and promoting exporting activities on the other end. Regarding FDI promotion, the incentives have long been in terms of cheap input factors, tax incentives, and good infrastructure, especially in the special promotion zones. Although the relocation of multinationals, particularly in the auto industry, has benefited Thailand in terms of employment and some other spillover effects along the expanding supply chains, it is unlikely that this momentum will carry on and nurture the local firms to the point that they could match those incumbents. Notably, the direct support for local firm development is relatively trivial, particularly when compared with the favorable scheme of luring in deep-pocketed foreign investors.

Correspondingly, the competitiveness of Thai firms tends to be perceived according to the rather limited view of exporting and closely correlates with currency value. This is also reflected in the longstanding export promotion scheme, while the country's internationalization policy is rather recent and, ironically, initially stemmed from the idea of countering the strong value of the Thai Baht rather than paying attention to firms' competitive advantages. Moreover, government initiatives have mainly targeted small and medium-size enterprises, following the argument that large corporations are more capable and capital-rich, regardless of the fact that the country's large firms are in fact tiny and insignificant in the context of international markets. Furthermore, the overwhelming market power of FBGs within local domains often results in rent seeking and inefficiency.

Along this line, the study thus *advocates the idea of assessing firm competitiveness in terms international presence and promoting internationalization on account of each firm's competitiveness*. This approach is likely to be effective in that it exposes FBGs' core businesses to more demanding international competition, so these local champions are not overly confident in their local privileges and are compelled to strive for improvement. In doing so, the organizational upgrades and international achievements of business organizations with such strong presences like FBGs would likely create better business environments as well as the peer pressure exerted against their business associates.

Last but not least, the strong government support to big business groups was claimed to be successful in the cases of South Korea and Taiwan, so it should also be politically credible to promote the internationalization of FBGs in the context of Thailand, as well as in other developing countries. Personally, I do hope that this study would provoke different thinking in the policy discourse on trade and investment of Thailand.

10.7 Limitations and Avenues for Future Research

Although I have sought to delve into the empirical world, many questions remain and perhaps just as many new questions have been raised. With respect to the study's limitations, a number of avenues for future research can be suggested.

The first avenue concerns the essence of strategic intention in explaining the internationalization of FBGs. In the quantitative part of this study, the codification of organizational characteristics, primarily in terms of business activities and business partners, frankly did not capture the managerial skills nor the organizational readiness of the FBGs. The importance of strong governance models, family management styles, and professionalism, which are nevertheless hard to quantify, has later been uncovered during the case study process. To account for such variables in the aggregate view, e.g., by using the questionnaire method, is thus an idea for further research refinement. This would help in the process of teasing out more facts about the internationalization process in terms of different bundles of resources and capabilities.

The second avenue is in response to the expected major criticism of this dissertation, which rests upon the decision to focus the empirical inquiry on a single country. As argued, this research design was purposely chosen as it allowed me to explore the targeted phenomena in great detail. By controlling for the background factors, the influence of internal factors propelling organizational choices and development thus became more apparent. Yet, it remains difficult for one-country indigenous research (especially in relatively small and economically middling countries like Thailand) to attain general interest.

The obvious improvement would be to adopt this study design and apply it in multiple countries or another single country in order to check for robustness. This would also help in terms of expanding on the role of environmental factors, e.g., competitive pressure and government support, that have surfaced in this study.

Likewise, the third avenue of possible future research is to replicate the study for other ownership models, e.g., in state-owned enterprises. It would be interesting to know whether internationalization would entail more leapfrogging and risk-taking in other types of business organizations. Alternately, such a study would be able to identify potentially impeding factors with regards to their development in general and internationalization in particular.

A final future research idea has been suggested by the population observations in this study. It may be possible to discuss the data gathered here in terms of organization ecology, i.e., how well firms fit with their respective environments (Aldrich, 1975). However, because the concept of environmental factors tends to be increasingly fluid in this globalizing world, this tends to broaden the number of relevant observations and complicate operationalization. I thus chose not to go down that research route in this thesis.

10.8 Concluding Remarks

The IB field overwhelmingly tends to focus on firms that are rising international stars. As such, this study was motivated by the wish to examine the weaker form of business organizations as they navigated the globalization process. By design, mainstream internationalization models, which are governed by the concept of the firm-specific advantage (FSA), were juxtaposed with the casual business diversification via personal connections that were found to be prevalent in the bamboo network. This served as the conceptual framework in which to reflect on the competitiveness of FBGs. The analysis began by exploring the 'big picture' via the customized case survey method and later developed more fine-grained explanations by means of the comparative case study method.

Overall, the findings have shed light on EMNC studies by following the evolution of FBGs as a whole and thus capturing the stories not only of emerging firms but also of others of different status. Particularly, the focus has been on the need for organizational adjustments, which involve imposing a measure of discipline on family affairs as well as modernizing business operations, in addition to the established notion of latecomers scaling technological ladders. With regard to the influential role of FBGs in Thailand, the lessons learned here are hoped to positively impact the people behind the organizations as well as concerned policymakers.

Internationalization is not the ultimate goal for which every business organization should strive. However, regardless of their sociocultural context, all firms should try to measure up to prevailing international standards and be aware of the emerging threats that they are likely to encounter along the course of globalization.

Appendix A:

Thai Family Business Groups

Table A-1: List of the 150 Thai family business groups by family name

No.	*Family Name(s)*	*Group Names*
1	Adireksarn	Thai Textile
2	Areecharoenlert	Pakfood
3	Asadathorn	Thai Roong Ruang
4	Asavabhokin	Land and House
5	Assakul	Ocean Insurance
6	Asvinvichit	Seng Thong Rice
7	Baiyoke	Baiyoke Tower
8	Bencharongkul	UCOM
9	Benedtti	Italasia
10	Bhiraleus	Broadcasting Network
11	Bhirom Bhakdi	Boon Rawd
12	Bodharamik	Jasmine
13	Bodiratnangkura	Thai Melon
14	Boondicharern	Univest Land
15	Boonnamsap	Thai Textile Industry
16	Boonsoong	Boonsoong
17	Bulakul	Mah Boonkrong
18	Bulsook	Serm Suk
19	Burapachaisri	Metro Machinery / MEC
20	Chaisinthop	TN
21	Chaiyawan	Thai Life
22	Chakarakul	Lalin Property
23	Chansiri	Thai Union
24	Chansrichawla	Siam Vidhya
25	Chantrasmi	Phithan Phanich
26	Charnvirakul	Sino-Thai
27	Charoen-Rajapark	Rajapark
28	Chearavanont	Charoen Pokphand
29	Chetchotisak	RS Promotion
30	Chinthammit	Chinthammit / Kwang Soon Lee
31	Chirathivat	Central
32	Chokwatana	Sahapathana / Sahapathanapibul
33	Chotitawan	Saha Farms
34	Crown Property Bureau	Siam Cement / Siam Commerical Bank
35	Damrongchaitam	GMM Grammy
36	Darakananda	Saha-Union
37	Dumnernchanvanit	Soon Hua Seng / Kaset Rung Ruang
38	Euarchukiati	Thai Plastic and Chemicals
39	Heinecke	Minor
40	Hetrakul	Saeng Enterprise
41	Ho	Thai Wah
42	Horrungruang	Millennium Steel / Hemaraj Land / Sun Tech
43	Iamsuri	Kamol Kij
44	Issara	Charn Issara Tower
45	Jantaranukul	Srithai Livestock
46	Juengsanguanpornsuk	PNA
47	Jungrungruangkit	Thai Summit
48	Kanathanavanich	Laemthong Corporation
49	Karnasuta	Italthai
50	Karnchanachari	Siew National / National Thai
51	Karnchanapas	Muang Thong / Bangkok Land / Tanayong
52	Kiangsiri	Tararom

No.	*Family Name(s)*	*Group Names*
53	Kijlertpairoj	Imperial
54	Kitaphanich	Somboon
55	Kitiparaporn	Dream World / Siam Alliance
56	Krisdathanont	Krisda Mahanakorn
57	Kromadit	Amata
58	Kunanantakul	Siam Steel
59	Kuvanant	Kow Yoo Hah
60	Lamsam	Kasikorn bank / Loxley
61	Laohathai	Metro
62	Laovoravitaya	Centaco
63	Lee-Issaranukul	Sittipol / Thai Stanley
64	Leelaprachakul	Thai Mui / Thai-German Products
65	Leelasithorn	Lee Feed Mill / Lee Pattana
66	Leenutaphong	Yontrakit
67	Leeswadtrakul	Siam Steel Pipe / Siam Syntech
68	Leophairatana	TPI
69	Lertsumitrakul	Srithai Superware / Sumit
70	Limthongkul	M
71	Link	B Grimm
72	Mahadumrongkul	C Thong Panich
73	Mahagitsiri	Thai Film Industries / PM
74	Maleenont	BEC World
75	Nakornsri	Bangkok Cable
76	Nandhabiwat	Universal Food
77	Narongdej	KPN
78	Narula / Plapongpanich	Royal Industries / President Park
79	Navaphan	Navatanee
80	Nganthavee	Chinteik Brothers
81	Nithivasin	Hua Kee
82	Noichaiboon	Ekarat
83	Ophaswongse	Huay Chuan
84	Osathanugrah	Osotspa
85	Owlarn	OGC
86	Phanitphichetvong	Ban Pong
87	Phaoenchoke	Thai Rung Union Car
88	Phatraprasit	Phatra / Royal
89	Phenjati	Union Mosaic / Jutha Maritime
90	Phodhivorakhun	Kang Yong Watana
91	Phongsathorn	Premier
92	Phornprapha	Siam Motors / SPI / Thai Honda
93	Piyaoui	Dusit Thani / MBK
94	Poolvoralaks	EGV and Major Cineplex
95	Praeprewngnarm	Siam VMC
96	Prasarttong-Osot	Bangkok Airways
97	Raiva / Sila-On	S&P
98	Ratanarak	Bank of Ayudhya / Siam City Cement
99	Ratanarat	Siam Chemicals
100	Rujirasopon	S Khonkaen
101	Sahavat	Vanachai
102	Sarasin	Thai Pure Drinks
103	Sermsirimongkol	Pata Department Store
104	Shah	G Premjee
105	Shinawatra	Shin
106	Sihanartkathakul	Landmark

No.	*Family Name(s)*	*Group Names*
107	Sirimongkolkasem	P Charoen Phan
108	Sirivadhanabhakdi	TCC / Sang Som / New Imperial Hotel
109	Sophonpanich	Bangkok Bank
110	Sosothikul	Seacon Development
111	Srifuengfung	THASCO Chemical
112	Sriorathaikul	Beauty Gems
113	Srivikorn	Srivikorn
114	Sukosol	Kamol Sukosol
115	Supsakorn	TIPCO / TASCO
116	Suriyasat	Toshiba
117	Taepaisitphongse	Betagro
118	Tangkaravakoon	TOA
119	Tangmatitham	MK Real Estate / Supalai
120	Tanthuwanit	Ngow Hock
121	Tantipipatpong	Pornpat
122	Tantipong-anant	Nanapan
123	Tantranont	Tantraphan
124	Techaruvichit	Asia Hotel
125	Techasukit	Monterey
126	Tejapaibul	World Trade Center / Sang Som
127	Tejavibul	Hiang Seng Fibre / Panjapol
128	Trichakraphob	SriThepthai
129	Trivisvavet	Ch Karnchang
130	Uahwatanasakul	Bara Windsor
131	Umpujh	The Mall
132	Utakapan	Amarin Printing
133	Vacharaphol	Thai Rath
134	Vanasin	Rachathani
135	Vanich	Vanich
136	Vanichjakvong	Capital Rice / STC
137	Vilailuck	Samart
138	Virameteekul	M Thai
139	Viraporn	Lenso
140	Virapuchong	Thai Nakorn Patana
141	Viriyabhan	Thonburi Phanich
142	Viriyaprapaikit	Sahaviriya
143	Vongvanij	Vongvanij / British Dispensary
144	Wanglee	Poon Phol
145	Wattanavekin	Eastern Suger / Amarin
146	Winyarat	Thai Theparos
147	Wongkusolkit	Mitr Phol / Banpu
148	Wongwan	Thepawong
149	YipInSoi / Lailert / Chutrakul	Yip In Tsoi
150	Yoovidhaya	TCC

Appendix A

Methodological explanations of the book "Thai Business Groups: A Unique Guide to Who Own What, 5th edition"

Regarding the selection criteria of the 150 business groups, I have found the following explanations, firstly according to the preface:

> "The prominent business families that are profiled in this unique reference book were chosen based on several factors. These include their contribution to Thailand's economic development, family members' shareholdings in and board seats on SET-listed companies, as well as the group's overall profile in the local business and financial communities."

Then, according to the editorial note:

> "A number of criteria were used to decide on the final 150 business groups that are featured in this edition:
>
> 1. Groups that have contributed to Thailand's economic development from a historical perspective. In particular, this refers to prominent groups that started out in rice trading, sugar milling and alcohol production.
>
> 2. Shareholdings in and board seats with companies listed on the Stock Exchange of Thailand (SET). This factor refers to the pervasiveness, rather than the absolute value, of a group's shareholding in SET-listed companies. Also, members of prominent groups continue to be sought after to become directors of listed companies for their "name value" and "connections".
>
> 3. Groups with whom the foreign business community is most likely to come in contact. Foreign investors tend to gravitate towards prominent groups when it comes to selecting local partners for joint venture firms. This behavior is particularly prevalent amongst Japanese and other Asian investors, but is not uncommon with multinational corporations based in Europe and the USA when they invest in Thailand.
>
> 4. Groups that have expanded and diversified over the years into multiple activities beyond the family's original line of business to become major players in several industries.
>
> 5. Influence over the financial system. Many business groups rose to prominence based on their control of banks, finance companies and insurance companies. Even though the level of group shareholdings in the financial sector has been reduced since 1997, several groups are still perceived to have significant influence over the workings of Thailand's financial system.

6. The wealth and influence of some business groups is based on extensive land holdings that were acquired many years ago.

7. Holders of concessions and monopolies. More than a few groups in Thailand have benefited from their ability to win concessions from the government to provide services or manufacture certain products.

8. Political and military ties. Several groups remain powerful because individual members have held high-ranking public sector positions."

Figure A-1: A profile example of the 150 family business groups

The Assakul Family

(Ocean Insurance Group)

Family Background and Corporate History:

The origins of the substantial Ocean Insurance Group date back to shortly before the Second World War when Chin Assakul, a Thai national of Teochew origin, branched out from the family diamond and finance business to set up an insurance firm known as "Sing Sawat".

After ceasing operations during the war, Chin set up a textile business and reopened the insurance business in 1949 under the Thai name Assakul Insurance or the Chinese name "An Sun", which translates to "Safe and Smooth". In 1951, Assakul Insurance obtained the last life insurance licence from the Thai government (only 13 of which were issued at the time, though liberalisation of the sector led to 12 new licences being granted in 1997) and changed its name to Commercial Insurance Co. The company offered Thailand's large rural population lower premiums and a weekly, or monthly, payment plan.

For nearly ten years, the insurance business lost money. Then, in 1958, Chin asked his younger brother Kris to join the business as its underwriter after Kris resigned as Chief of Policy Loans from the Actuarial Department of US Life in New York. After Chin died in an accident, Kris and his brother Chote pooled the family assets and bought all the shares of Commercial Insurance. Kris subsequently embarked on a major restructuring of the company, beginning with the closure of all unprofitable branches and personnel cutbacks. The company was re-launched as Ocean Insurance Co and Kris introduced Japanese-style insurance mechanisms and management skills acquired from Kyoei Life Insurance Co Ltd. All these changes helped to turn the business around and within four years, the company was making a profit.

Despite the devaluation of the baht in 1984, Ocean Insurance continued to grow and the group bought China Union Life Insurance Co Ltd, now renamed Siam Life Insurance Co Ltd.

In 1992, the Life Insurance Act and Non-life Insurance Act were passed that required these two basic types of insurance to be separated. Therefore, Ocean Insurance Co Ltd registered a separate company, namely Ocean General Insurance Co Ltd to handle the group's non-life insurance business. Operations started under the new name on 1 March 2000. Meanwhile, Ocean Insurance changed its name to Ocean Life Insurance Co Ltd.

In 1970, Kris moved into the property sector, selling low-cost homes (some of which were sold to Ocean Insurance's policyholders) under the Siam Home name and buying up plots of land for future development. In 1972 he established Siam Fund Co Ltd (later renamed Ocean Finance & Securities), which became a full broker on the Stock Exchange of Thailand (SET) in 1987. Much of the firm's fee-based income came from the underwriting of state enterprise bonds, where it was part of a loose coalition of medium-sized finance and securities companies (often referred to as the "Group of Nine").

The company separated its finance and securties businesses in August 1998 in line with Bank of Thailand policy, resulting in new companies named Ocean Finance Co Ltd and Ocean Securities Co Ltd. Another foray into the finance sector came in 1994 when the group joined with ABN AMRO Asia Securities Public Co Ltd (formerly Asia Securities Trading Public Co Ltd) to acquire a significant stake in Thai Finance and Securities Public Co Ltd.

In 1979, the group founded Asoke International Co to export Thai goods. In the same year, the family founded Ocean Glass Public Co Ltd (OGC), which was subsequently listed on the SET in August 1993. Japan's Sasaki Glass provided technical assistance to OGC from 1981 and in 1992 the two firms further cemented their ties by forming Ocean Sasaki Glass Co Ltd to make glassware for export.

Kirati Assakul (45), Kris's oldest son, was appointed Chairman of Ocean Insurance in 1982 at the age of 24 while he was still studying in the United States. Viravudh (43), Kris's other son, started work with Asoke International Trading in 1981.

In 1988, the group formed a real estate company and Kris's daughter Nusara Banyatpiyapoj (39) was put in charge of this activity. The Ocean Marina Yacht Club was built on 120 rai (48 acres) of land, just south of Pattaya, 150 kms to the southeast of Bangkok. The THB 1.2 billion marina took six years to complete and is said to be one of southeast Asia's largest marinas. The project also included a 32-storey condominium and a small hotel that was previously managed by the Dusit Thani Group.

The group also has real estate projects in a number of office blocks, serviced apartments and resorts. These include the Ocean Tower I and II (both in Bangkok's Ratchadapisek/Asoke Road); the Chin House serviced apartment on Soi Sala Daeng in Bangkok (managed by Siam Estate Co Ltd) the Sigma Resort in Pattaya and the Fontana Resort on the island of Koh Samui.

In the 1990's, the group, via Ocean Finance & Securities Co Ltd and Ocean Insurance Co Ltd became a shareholder in Natural Park Public Co Ltd, a listed developer of apartments, hotels, office buildings, hospitals, commercial buildings, housing estates and golf courses. However, following the financial crisis of 1997, Natural Park sold many of its assets in 1999 as part of a debt-restructuring plan, which is still being implemented.

The financial crisis also adversely affected some of the group's other businesses. In December 1997, Thai Finance and Securities was among the 56 finance companies closed down by the Bank of Thailand due to liquidity problems. In 1999, the Bank of Thailand closed down Ocean Finance and placed it in receivership after plans to raise new capital had collapsed.

In 2000, Ocean Securities was taken over by United Bank of Singapore and its name was changed to UOB Securities (Thailand) Co Ltd. It is now known as UOB Kay Hian Securities (Thailand) Co Ltd, following the merger of UOB Securities Pte and the Kay Hian Group (Singapore).

Ocean Glass benefited in some ways from the depreciation of the baht because over 50% of the company's revenue was denominated in foreign currency. However, the company had failed to hedge its foreign debt exposure and in 2000 entered into debt-restructuring agreements totaling THB 920 million with the Thai Restructuring Mutual Fund and the Financial Institutions Development Fund.

In early 2002, Kris Assakul passed away at the age of 76.

The Group's Principal Lines of Business and Key Activities:

Insurance

Ocean Life Insurance was ranked 5th in terms of premium income in 2002 behind American International Assurance, Thai Life Insurance, Bangkok Life Assurance and Ayudhya Allianz CP Life Public Co Ltd. The company and the Chaiyawan Family's Thai Life Insurance are the last two remaining all-Thai companies among the 25 life insurers in Thailand. Siam Life Insurance Co Ltd was ranked 16th out of 25 while Ocean General Insurance Co Ltd was ranked 41st out of Thailand's 71 general insurance companies.

Textiles

Bangkok Weaving Mills (BWM) Co Ltd manufactures and exports bed linen, cotton yarn and household fabrics and has Mitsubishi Corp and Kasikornbank Public Co Ltd (formerly known as Thai Farmers Bank Public Co Ltd) as significant investors. The company is a supplier of fabrics for well-known brand names such as Marks & Spencer, Polo, Nike and Talbots.

Another textile interest is Bangkok Dormtex Co Ltd, which, in 1991, opened a manufacturing facility north of Bangkok.

Glass

Ocean Glass Public Co Ltd (OGC) is a listed manufacturer and distributor of press & blow, press and stem glassware under the Ocean Glassware, OG Ocean Glassware, Ocean and Ocean Thailand names. Normally, over 60% of its output is exported.

Ocean Sasaki Glass Co Ltd manufactures and exports glassware including press & blow, press and stem glass products. The company has an annual production capacity of 17 million pieces of press & blow and press glass products and eight million pieces of stem glassware products.

Trading

OGC's glass exports are handled by Asoke International Trading Co Ltd, which also has offices in Hong Kong and Los Angeles. In addition to glassware, the company exports a wide range of goods including food, garments, textiles and leather products. It is also the local agent for a number of imported products including computers and various types of machinery.

Real Estate

The Ocean Group's real estate activities include Ocean Towers I & II (office buildings), Ocean Marina and Hotel, hotels (Sigma Resort, Pattaya; Fontana Resort, Koh Samui) and a serviced apartment (Chin House I & II in Bangkok).

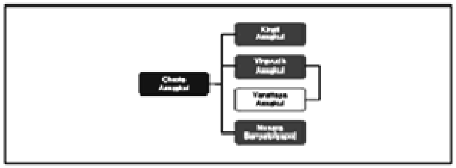
Financial Services

Ocean Life Insurance is a shareholder in TMB Asset Management Co Ltd, which was granted a mutual fund management licence in 1996. Other major investors include the Thai Military Bank Public Co Ltd, DBS Asset Management Co Ltd, SG Yamaichi Asset Management and Prudential TSLife Assurance Public Co Ltd.

Education

Kits Assakul founded the Universal International School in Pak Chong district, Nakhon Ratchasima (150 kms northeast of Bangkok). He also founded St Stephen's International School in Bangkok.

Prominent Family Members:



Chote Assakul, Kits's brother

- Honourable Chairman, Ocean Life Insurance Co Ltd

As of 31 March 2003, Chote owned 11.19% of Ocean Glass Public Co Ltd.

Kirati Assakul (45), Kits's oldest son, received a Master's Degree in Chemical Engineering from the University of Southern California, USA.

- Chairman and Managing Director, Ocean Life Insurance Co Ltd
- Director, Ocean Glass Public Co Ltd, General Engineering Public Co Ltd

Kirati owns 0.22% of Ocean Life Insurance (as of 10 May 2002) and 7.14% of Ocean Glass (as of 31 March 2003).

Viravudh Assakul (40), Kits's youngest son

- President, Asoke International Trading Co Ltd
- Deputy Managing Director, Ocean Life Insurance Co Ltd

Viravudh owned 0.22% of Ocean Life Insurance (as of 10 May 2002) and 7.14% of Ocean Glass (as of 31 March 2003).

Varattaya Assakul, Viravudh's wife

- Director, Asoke International Trading Co Ltd

Nusara Banyatpiyapoj (39), Kits's daughter

- Deputy Managing Director, Ocean Life Insurance Co Ltd

Nusara owned 0.22% of Ocean Life (as of 10 May 2002) and 5.98% of Ocean Glass (as of 31 March 2003).

Naputt Assakul, received his Bachelor of Science Degree from Babson College, Massachusetts.

- Director, Ocean Glass Public Co Ltd

As of 10 May 2002, Naputt owned 4.25% of Ocean Life Insurance.

Pongsak Assakul

- Managing Director, Bangkok Weaving Mills Co Ltd

Apisak Assakul

- Personnel Director of Bangkok Weaving Mills Co Ltd, Bangkok Domtex Co Ltd

Srichan Assakul

- Director, Bangkok Weaving Mills Co Ltd

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Ocean Tower 1
170/74-83 Ratchadaphisek Road, Khlong Toey
Bangkok 10110

Tel: (66-2) 261-2300
Fax: (66 2) 261-3344
Website: www.oli.co.th
Email: info@oli.co.th

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24th Floor, Ocean Tower 1
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Bangkok 10110

Tel: (66-2) 661-9228
Fax: (66 2) 661-9028

Ocean Glass Public Co Ltd
34th Floor, Ocean Tower II
75/88-90 Sukhumvit 19 (Soi Wattana)
Bangkok 10110

Tel: (66-2) 661-6556
Fax: (66 2) 661-6550
Website: www.oceanglass.com

Key Executives:

Ocean Life Insurance Co Ltd

Honourable Chairman	Chote Assakul
Chairman & Managing Director	Kirati Assakul
Deputy Managing Director, Life Insurance	Viravudh Assakul

Key Executives (continued):

Deputy Managing Director Manager, Real Estate	Prajak Tippayuth
Deputy Managing Director, Investment	Nusara Banyatpiyapoj
Assistant Managing Director	Vichit Sriboonruang
Comptroller	Precha Khoohaswan
Executive Secretary	Sudchai Rattanasomboon
Chief, Manpower Development	Thada Thawonkul
Chief, Actuarial/ Statistics	Thaitanee Dhammipipit
Chief Cashier	Rachanee Jemhansa

Asoke International Trading Co Ltd

President	Viravudh Assakul
Director & Vice President	Varattaya Assakul
Director	Sumeth Prasongpongchai

Ocean Glass Public Co Ltd

Chairman	Tanyah Pochwong
Vice Chairman & External Director	Nissai Vejjajiva
Managing Director	Supawan Kanyaprasith
Director & Plant Manager	Staporn Chitrasthungson
Director & General Manager	Suphote Sriudompom
Director	Prajak Tippayuth
Director	Kirati Assakul
Director	Naputt Assakul
External Director	Vasant Chatikavanij

Major Affiliates:

Insurance

Ocean General Insurance Co Ltd
Ocean Life Insurance Co Ltd
Siam Life Insurance Co Ltd
(formerly China Union Life Insurance Co Ltd)

Finance

First International Factoring Co Ltd
Kits and Associates Ltd
Ocean Leasing Co Ltd
TMB Asset Management Co Ltd

Real Estate

Natural Park Public Co Ltd
Ocean Marina Co Ltd
Ocean Real Estate Co Ltd
Ocean Tower Co Ltd
Ocean Town Co Ltd
Realtor Co Ltd
Siam Home Co Ltd
Sigma Resorts Chair Co Ltd
Song Estate Co Ltd

Construction

Environment Design and Construction Co Ltd
Siam Industrial Promotion Co Ltd

Major Affiliates (continued):

Trade/Services

Asoke International Trading Co Ltd
Diamond Adjustment Co Ltd
Interium Co Ltd
Noel Hampers & Gifts (Thailand) Co Ltd
Ocean Polyclinic Co Ltd
Ocean Tour Co Ltd
Seahawk Building Maintenance Co Ltd
Siam Mail Order House Co Ltd
Sigma Marketing Development Co Ltd
Sigma Specialist Services Co Ltd

Others

Ocean Glass Public Co Ltd
(Quoted on SET)

Bangkok Dortex Co Ltd
Bangkok Weaving Mills Co Ltd
Boliawave (USA) Inc
CA Leather Co Ltd
Komp System Design Co Ltd
Ocean Sasaki Glass Co Ltd
Rolly Tasker Sails (Thailand) Co Ltd
Savco Ltd
Siam Broker Co Ltd
Song Sombat Co Ltd

Quoted Company Financial Highlights:

Ocean Glass Pcl

(Consolidated)

THB Million	2000	2001	2002
Current Assets	525.2	545.7	584.6
Non-Current Assets	527.5	582.0	621.1
Total Assets	1,052.7	1,127.7	1,209.7
Current Liabilities	398.4	207.7	231.2
Non-Current Liabilities	355.0	173.3	68.8
Total Liabilities	753.4	381.0	300.0
Issued Share Capital	307.0	207.0	207.0
Total Shareholders' Equity	685.0	717.2	871.5
Gross Income	1,128.3	1,159.1	1,218.4
Net Profit Before Tax	142.4	268.1	314.4
Net Profit	133.6	273.6	316.4

Non-Quoted Company Financial Highlights:

Ocean Life Insurance Co Ltd

THB Million	1999	2000	2001
Total Assets	25,291.1	26,418.8	28,644.6
Total Liabilities	24,152.2	25,739.9	27,715.0
Issued Share Capital	10.0	10.0	10.0
Total Shareholders' Equity	1,138.9	678.9	929.6
Gross Income	7,074.5	7,176.1	7,481.8
Net Profit Before Tax	37.2	26.6	34.7
Net Profit	27.1	19.5	25.7

Ocean General Insurance Co Ltd

THB Million	1999	2000	2001
Total Assets	600.0	915.1	1,082.6
Total Liabilities	-	222.8	360.2
Issued Share Capital	600.0	600.0	600.0
Total Shareholders' Equity	600.0	692.3	722.4
Gross Income	-	207.7	251.5
Net Profit Before Tax	-	30.7	41.6
Net Profit	-	22.1	29.9

Appendix B:

Details about Coding Scheme

Table B-1: Classification of the 196 core firms by ISIC Rev.4

2-digit ISIC	*Business Activity*	*Frequency*	*%*
00	Miscellaneous	3	1.5
01	Crop and animal production, hunting and related service	1	0.5
05	Mining of coal and lignite	1	0.5
10	Manufacture of food products	31	15.8
11	Manufacture of beverage	7	3.6
12	Manufacture of tobacco products	1	0.5
13	Manufacture of textiles	4	2.0
14	Manufacture of wearing apparel	1	0.5
15	Manufacture of leather and related product	1	0.5
17	Manufacture of paper and paper products	3	1.5
19	Manufacture of coke and refined petroleum products	1	0.5
20	Manufacture of chemicals and chemical products	7	3.6
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	1	0.5
22	Manufacture of rubber and plastics products	4	2.0
23	Manufacture of other non-metallic mineral products	6	3.1
24	Manufacture of basic metals	4	2.0
25	Manufacture of fabricated metal products, except machinery and equipment	3	1.5
26	Manufacture of computer, electronic and optical products	2	1.0
27	Manufacture of electrical equipment	7	3.6
29	Manufacture of motor vehicles, trailers and semi-trailers	12	6.1
30	Manufacture of other transport equipment	1	0.5
31	Manufacture of furniture	2	1.0
32	Other manufacturing	2	1.0
35	Electricity, gas, steam and air conditioning supply	1	0.5
42	Civil engineering	3	1.5
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	4	2.0
46	Wholesale trade, except of motor vehicles and motorcycles	8	4.1
47	Retail trade, except of motor vehicles and motorcycles	9	4.6
50	Water transport	3	1.5
51	Air transport	1	0.5
55	Accommodation	11	5.6
56	Food and beverage service activities	2	1.0
58	Publishing activities	4	2.0
59	Motion picture, video and television program production, sound recording and music publishing activities	4	2.0
61	Telecommunications	4	2.0
62	Computer programming, consultancy and related activities	3	1.5
64	Financial service activities, except insurance and pension	4	2.0
65	Insurance, reinsurance and pension funding, except compulsory social security	5	2.6
68	Real estate activities	19	9.7
73	Advertising and market research	1	0.5
86	Human health activities	3	1.5
93	Sports activities and amusement and recreation activities	2	1.0
Total		196	100

Source: International Standard Industrial Classification of All Economic Activities, Rev.4, United Nations Statistic Division

Table B-2: Sorting the five service subsectors, from the ISIC of the 196 core firms

Classification
1 Trade and transportation
- Wholesale and retail trade and repair of motor vehicles and motorcycles
- Wholesale trade, except of motor vehicles and motorcycles
- Retail trade, except of motor vehicles and motorcycles
- Water transportation
- Air transportation
- Miscellaneous
2 Financial services
- Financial service activities, except insurance and pension
- Insurance, reinsurance and pension funding, except compulsory social security
3 Real estate
- Electricity, gas, steam and air conditioning supply
- Civil engineering
- Real estate activities
- Mining of coal and lignite
4 Hospitality service
- Accommodation
- Food and beverage service activities
- Human health activities
- Sports activities and amusement and recreation activities
- Crop and animal hunting and related service
5 Telecommunication
- Publishing activities
- Motion picture, video and television program production, sound recording and music publishing activities
- Telecommunications
- Computer programming, consultancy and related activities
- Advertising and market research

Note: guided by the ISIC classification

Table B-3: Sorting the five manufacturing subsectors, from the ISIC of the 196 core firms

Classification
1 Resource-intensive industries
- Manufacture of food products
- Manufacture of beverage
- Manufacture of tobacco products
- Manufacture of paper and paper products
2 Labor-intensive industries
- Manufacturing of textiles
- Manufacturing of wearing apparel
- Manufacturing of leather and related products
- Manufacturing of furniture
3 Scale-intensive industries
- Manufacture of coke and refined petroleum products
- Manufacture of basic pharmaceutical products and pharmaceutical preparations
- Manufacture of rubber and plastics products
- Manufacture of other non-metallic mineral products
- Manufacture of basic metals
- Manufacture of fabricated metal products, except machinery and equipment
- Manufacture of electrical equipment (2 out of 7)
- Manufacture of motor vehicles, trailers and semi-trailers
4 Differentiated goods
- Manufacture of electrical equipment (5 out of 7)
5 Science-based industries
- Manufacture of basic pharmaceutical products and pharmaceutical preparations
- Manufacture of computer, electronic and optical products
- Manufacture of other transport equipment
- Other manufacturing

Note: guided by OECD industrial taxonomy (cf. OECD, 1987)

Appendix C:

Complementary Statistics for Explaining Characteristics of Thai Family Business Groups

Table C-1: Main business areas of top 500 ethnic Chinese-controlled public companies in Asia

Core Competency	*No. of firms*	*%*
Land and property development	119	20.8
Banking	37	6.5
Hotel	37	6.5
Engineering and construction	33	5.8
Textiles and fibers	28	4.9
Finance	24	4.2
Computers, semi-conductors	19	3.3
Food	19	3.2
Consumer Electronics	16	2.8
Chemicals	15	2.6
Insurance	12	2.1
Telecommunications	11	2.1
Beverages	11	1.9
Gaming	10	1.9
Clothing	10	1.7
Leisure, Tourism, Entertainment	10	1.7
Plantations	10	1.7
Cement Manufacturing	10	1.7
Steel Manufacturing	9	1.6
Retailing	8	1.4
Shipping	8	1.4
Machinery	7	1.2
Paper Manufacturing	7	1.2
Automobile	6	1.0
Energy Supply	6	1.0
Publishing	6	1.0
Electric Wire and Cable	5	0.9
Ceramics and Glass	5	0.9
Machinery	7	1.2
Feed mill	5	0.9
Trading	5	0.9
Pharmaceuticals	5	0.9
Public Transport	4	0.7
Tires	4	0.7
Mining	4	0.7
Agi-industry	4	0.7
Timber	3	0.5
Toys	3	0.5
Tobacco	3	0.5
Metal Cans	3	0.5
Broadcasting	3	0.5
Pre-Mixed Concrete	2	0.3
Consumer Goods (cosmetics, etc)	2	0.3
Movie Making	2	0.3
Batteries	2	0.3
Jewelry	2	0.3
Sporting equipment	2	0.3
Forestry	2	0.3
Photography Services	1	0.2

Core Competency	*No. of firms*	*%*
Shoe Manufacturing	1	0.2
Watches and Eye Frames	1	0.2
Lifts and Escalators	1	0.2
Ferry Services	1	0.2
Education	1	0.2
Ship Repair	1	0.2
Road Haulage	1	0.2
Total	566*	100

Note: * The number of core competencies exceeds 500 because several firms have more than one core competency.
Source: East Asian Analytical Unit (1995), Page 149

Table C-2: Crosstab between distance and role of foreign partners in expansion

Foreign partner's role	*Foreign partner's distance*		
	Asia ex Japan	*Japan*	*Western countries*
Secure local distribution	0	6	7
Operation / Technical	0	7	14
Finance	4	2	4
Joint-venture	7	21	24
Internationalization	1	0	4

Table C-3: Diversification of the 139 groups in real estate and financial services activities

Business activities	*Core*		*Peripheral*		*Group*	
	Count	*%*	*Count*	*%*	*Count*	*%*
Financial services	9	6.5	55	39.6	64	46.0
Real estate	24	17.3	82	59.0	106	76.3
Diversified into both	3	2.2	35	25.2	55	39.6

Table C-3 illustrates that at the peripheral of the 139 groups, 55 groups (39.6 percent) and 82 groups (59.0 percent) have branched out to financial services and real estate activities, respectively. If including those that have finance and real estate as their core businesses, then almost half of the 139 groups (64 groups, 46.0 percent) have their own financial arms, and three fourth (106 groups, 76.3 percent) have invested in real estate. Consequently, 55 groups have diversified into both activities either at core or peripheral, which is calculated from 3 groups and 35 groups venturing in both at their core and their peripheral respectively, plus 17 groups that have their core in real estate and finance at their peripheral.

Appendix D:

Complementary Statistics for Multivariate Analysis

Table D-1: Crosstabs between the dependent and categorical independent variables (N_2 = 196)

	INTZ_STAGE			*INTZ_GEO*			*INTZ_BAMBOO*			*Total row*
	0	*1*	*2*	*0*	*1*	*2*	*0*	*1*	*2*	
Core diversification (CORE_D)										
0 = One core	32	32	39	64	26	13	64	21	18	103
1 = Multiple cores	31	17	45	48	28	17	48	21	24	93
Peripheral diversification (PERI_D)										
0 = Relatively limited	39	30	39	69	29	10	69	21	18	109
1 = Relatively wide	24	19	45	43	25	20	43	21	24	87
Ethnicity (ETHNICITY)										
0 = Chinese	55	46	74	101	49	25	101	41	33	175
1 = Thai and others	8	3	10	11	5	5	11	1	9	21
In the bamboo network (BAMBOO_N)										
0 = No	22	14	20	36	13	7	36	6	14	56
1 = Yes	41	35	64	76	41	23	76	36	28	140
Founder's background (FOUNDER)										
0 = Neither foreign exp nor high edu	41	28	44	69	28	16	69	25	19	113
1 = foreign exp, no high edu	12	10	22	22	13	9	22	11	11	44
2 = high edu	10	11	18	21	13	5	21	6	12	39
Business sector (SER_MANU)										
0 = Service	54	5	37	59	24	13	59	18	19	96
1 = Manufacturing	9	44	47	53	30	17	53	24	23	100
Foreign partner in establishment (FP_EST)										
0 = No	51	23	63	74	38	25	74	29	34	138
1 = Yes	12	26	21	38	16	5	38	13	8	58
Foreign partner in expansion (FP_EXP)										
0 = No	40	17	38	57	25	13	57	18	20	96
1 = Yes	23	32	46	55	29	17	55	24	22	100
Size of core firms (FIRM_SIZE)										
0 = Relatively small	39	31	28	70	19	9	70	15	13	98
1 = Relatively large	24	18	56	42	35	21	42	27	29	98
Listed status of core firms (LISTED)										
0 = never listed	28	27	26	55	17	9	55	16	10	81
1 = ever listed	35	22	58	57	37	21	57	26	32	115
Total column	63	49	84	112	54	30	112	42	42	196

Table D-2: Spearman correlation matrix of all variables in the logistics regressions of the group-level analysis ($N_1 = 139$)

		1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*
1	INTZ_EXPORT	1.00																
2	INTZ_FDI_SALE	0.53**	1.00															
3	INTZ_FDI_PROD	0.43**	0.81**	1.00														
4	INTZ_STAGE	0.80**	0.93**	0.78**	1.00													
5	INTZ_GEO	0.51**	0.95**	0.75**	0.89**	1.00												
6	INTZ_BAMBOO	0.51**	0.95**	0.75**	0.89**	0.97**	1.00											
7	CORE_D	0.30**	0.30**	0.30**	0.34**	0.34**	0.37**	1.00										
8	PERI_D	0.10	0.16	0.11	0.15	0.19*	0.16	0.04	1.00									
9	ETHNICITY	-0.012	0.05	0.07	0.03	0.06	0.11	0.06	-0.07	1.00								
10	BAMBOO_N	0.13	0.10	0.15	0.12	0.11	0.05	0.01	0.25**	-0.32**	1.00							
11	FOUNDER	-0.04	0.07	0.05	0.03	0.05	0.11	0.06	-0.09	0.22*	-0.11	1.00						
12	LISTED	0.19*	0.22**	0.29**	0.24**	0.23**	0.26**	0.41**	0.03	-0.03	0.02	0.21*	1.00					
13	SERV_MANU	0.49**	0.07	-0.06	0.26**	0.08	0.07	-0.02	0.11	-0.15	0.08	-0.15	0.01	1.00				
14	FP_EST	0.21*	-0.13	-0.12	0.00	-0.15	-0.13	-0.07	0.04	0.018	-0.13	0.02	-0.16	0.38**	1.00			
15	FP_EXP	0.30**	0.08	0.06	0.18*	0.08	0.07	-0.16	0.07	0.00	0.04	-0.08	-0.07	0.33**	0.54**	1.00		
16	FIRM_SIZE	0.18*	0.28**	0.40**	0.27**	0.25**	0.26**	0.15	0.10	-0.06	0.21*	-0.06	0.22*	0.01	0.09	0.25**	1.00	
17	AGE_GROUP	0.06	-0.09	-0.13	-0.04	-0.05	-0.08	0.16	0.23**	-0.03	0.03	-0.17*	-0.11	0.10	0.10	0.03	0.10	1.00

* correlation is significant at the 0.05 level (2-tailed)
** correlation is significant at the 0.01 level (2-tailed)

Table D-3: Spearman correlation matrix of all variables in the logistics regressions of the core firm-level analysis (N_2 = 196)

		1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*
1	INTZ_EXPORT	1.00																
2	INTZ_FDI_SALE	0.60**	1.00															
3	INTZ_FDI_PROD	0.47**	0.79**	1.00														
4	INTZ_STAGE	0.87**	0.92**	0.72**	1.00													
5	INTZ_GEO	0.58**	0.97**	0.74**	0.89**	1.00												
6	INTZ_BAMBOO	0.57**	0.96**	0.72**	0.88**	0.98**	1.00											
7	CORE_D	-0.02	0.11	0.08	0.05	0.11	0.12	1.00										
8	PERI_D	0.09	0.15*	0.11	0.14*	0.18*	0.16*	0.05	1.00									
9	ETHNICITY	-0.04	0.03	0.01	0.00	0.05	0.09	0.03	-0.11	1.00								
10	BAMBOO_N	0.10	0.09	0.16*	0.11	0.09	0.05	0.06	0.23**	-0.37**	1.00							
11	FOUNDER	0.10	0.08	0.08	0.10	0.07	0.11	0.02	-0.03	0.21**	-0.16*	1.00						
12	LISTED	0.04	0.18*	0.19**	0.14	0.18*	0.20**	0.28**	0.01	-0.01	0.11	0.15*	1.00					
13	SER_MANU	0.51**	0.09	-0.01	0.30**	0.08	0.08	-0.09	0.02	-0.12	0.06	-0.10	0.01	1.00				
14	FP_EST	0.18**	-0.07	-0.07	0.05	-0.10	-0.10	0.09	0.01	0.01	-0.05	-0.01	-0.05	0.31**	1.00			
15	FP_EXP	0.21**	0.06	0.07	0.14	0.06	0.05	0.00	0.05	0.01	0.07	-0.07	0.08	0.28**	0.51**	1.00		
16	FIRM_SIZE	0.16*	0.29**	0.35**	0.26**	0.29**	0.29**	0.13	0.08	-0.05	0.23**	0.02	0.26**	0.00	0.09	0.21**	1.00	
17	AGE_FIRM	0.11	-0.08	-0.09	0.01	-0.07	-0.07	-0.19**	-0.02	0.08	-0.07	-0.05	-0.29**	0.11	0.01	0.02	0.03	1.00

* correlation is significant at the 0.05 level (2-tailed)
** correlation is significant at the 0.01 level (2-tailed)

Table D-4: Likelihood ratio of the multinomial logistic regressions, N_1: group-level

Effect	*Model Fitting Criteria*	*Likelihood Ratio Tests*		
	-2 Log Likelihood of Reduced Model	*Chi-Square*	*df*	*Sig.*
Model 4.1				
Intercept	1.89E+02	0	0	.
CORE_D	211.811	22.499	2	0.000
PERI_D	193.82	4.508	2	0.105
ETHNICITY	190.111	0.799	2	0.671
BAMBOO_N	193.45	4.138	2	0.126
FOUNDER	191.64	2.328	4	0.676
SER_MANU	219.517	30.205	2	0.000
FP_EST	195.971	6.659	2	0.036
FP_EXP	196.089	6.777	2	0.034
FIRM_SIZE	196.08	6.768	2	0.034
LISTED	189.803	0.49	2	0.783
AGE_GROUP	194.781	5.469	2	0.065
Model 4.2				
Intercept	2.01E+02	0	0	.
CORE_D	226.594	25.868	2	0.000
SER_MANU	233.999	33.274	2	0.000
FP_EST	206.137	5.412	2	0.067
FP_EXP	207.991	7.266	2	0.026
FIRM_SIZE	207.874	7.149	2	0.028
AGE_GROUP	206.037	5.311	2	0.070

Table D-5: Likelihood ratio of the multinomial logistic regressions, N_2: core firm-level

Effect	*Model Fitting Criteria*	*Likelihood Ratio Tests*		
	-2 Log Likelihood of Reduced Model	*Chi-Square*	*df*	*Sig.*
Model 4.3				
Intercept	2.96E+02	0	0	.
CORE_D	298.073	2.199	2	0.333
PERI_D	298.98	3.106	2	0.212
ETHNICITY	297.423	1.548	2	0.461
BAMBOO_N	297.356	1.481	2	0.477
FOUNDER	304.826	8.951	4	0.062
SER_MANU	355.951	60.077	2	0.000
FP_EST	301.534	5.659	2	0.059
FP_EXP	297.16	1.285	2	0.526
FIRM_SIZE	312.61	16.735	2	0.000
LISTED	297.442	1.567	2	0.457
AGE_FIRM	300.625	4.751	2	0.093
Model 4.4				
Intercept	3.16E+02	0	0	.
SER_MANU	377.631	61.71	2	0.000
FP_EST	322.972	7.052	2	0.029
FIRM_SIZE	335.668	19.748	2	0.000
AGE_FIRM	323.597	7.677	2	0.022

Appendix E:

Case-Study Materials

Table E-1: Full list of interview questions

No.	*Question*	*Subject*
1	What are the group's core business areas? What are the synergies among the core business areas?	Diversification
2	How the group has usually motivated and decided to invest in additional business activities? Any particular factors facilitating or limiting the group's expansion in general? Have the logic diversification changed overtime?	Diversification
3	Has the group considered itself being overly diversified or overly stretching its dominant management logic? If so, how did such ill projects come about? And, in which kind of business activities?	Diversification
4	How important is the personal / business relationship (e.g. bankers, foreign partners, etc.) toward the overall organizational development?	Relationship/ Diversification
5	Has the group sub-optimized the decision making in favor of certain relationship? If so, has it paid off in the long-run?	Relationship
6	How does the group view the growth potential at home? Which business areas are to expand further?	Diversification
7	How has the group viewed the competition level in the country? And the competitiveness of the core business areas?	Competitiveness
8	What factors have driven the organizational learning and development?	Competitiveness
9	How important have foreign partners been toward the overall organizational development? What are their roles?	Competitiveness
10	How has the competition / economic crisis at home shaped the group development?	Competitiveness
11	What factors do differentiated the group from the other Thai business groups?	Competitiveness
12	What are the group's competitive advantages? In which forms do the group's advantages prevail?	Competitiveness
13	Which business areas / units in the group are considered as the most competitive?	Competitiveness / Diversification
14	On the contrary, which are the least competitive? In other words, would any business be divested, if the cutting-edge international competitors are entering the market, or if the core business runs into trouble?	Competitiveness / Diversification
15	When and how did the group embark on the internationalization? Why did the groups decide to expand that particular business area? And why to certain countries / markets? What were the motivations?	Internationalization
16	How has the group prepared for the international expansion? What made the international expansion feasible?	Internationalization
17	Have the personal / business partners played roles in international business activities? E.g. being instrumental for the project realization, or facilitating in particular markets?	Relationship / Internationalization
18	How committed the group is toward the international market? What is the internationalization strategy?	Internationalization
19	Any different resources and capabilities needed compared with managing other business activities at home? Any particular challenges?	International management
20	Does the same business model be replicated in foreign markets? What are the roles of other business lines in the new market?	Diversification / Internationalization
21	What has the group learned from international business activities / pursuing international expansions?	Competitiveness / Internationalization
22	Has the group ever invested or co-invested in non-core business activities abroad? If so, in which activities, how and why?	Diversification / Internationalization

Table E-2: List of semi-structured interviewees, as the primary materials

Name	*Respondent position*	*Company*	*FBG*	*Interview time (minute)*
Thanakorn Seriburi	Vice Chairman		CP Group	80
Dr. Suthipand Chirathivat	Secretary of the Chirathivat Family Council; Former Dean	Faculty of Economics, Chulalongkorn University	Central	45
Isareit Chirathivat	Business Development Manager	Central Pattana Pcl	Central	40
Choenporn Subhadhira	Senior Manager - Investor Relations	Central Pattana Pcl	Central	30
Pheeraphon Nonthasoot	General Manager, International Communications	Central Retail Corporation Ltd	Central	40
Dr. Virabongsa Ramagura	Chairman of the Executive Board	Advance Agro Pcl	Sun Hua Seng	45
Håkan Kolmodin	Director of Research and Development	Advance Agro Pcl	Sun Hua Seng	60
Paiboon Pongchairerks	Managing Director	Thai Paper	Siam Cement	120
Anonymous	High-ranking management position; a professional manager	Osotspa International Co Ltd	Osotspa	105
Prasong Uthaisangchai	Senior Executive Vice President	Bangkok Bank Pcl	Bangkok Bank	105
Ng Jui Meng	Personal view	Bangkok Bank Pcl	Bangkok Bank	60
Kirati Assakul	Chairman of the Board	Ocean Glass Pcl	Ocean	90
Chanin Wongkusolakit	Chief Executive Officer	Banpu Pcl	Mitr Phol	80
Anonymous	Director; a family member	Thai Castor Oil Industries Co Ltd	Nanapan	60

Secondary Materials for the CP Case

Case studies:

Goldberg, R.A., and Cate, R. (2003) Charoen Pokphand Group: A Renewed Focus, *Harvard Business School,* Case 903-415.
Goldberg, R.A., Jane L.W., and Thomas, N.U. Jr. (1995) Charoen Pokphand: The New Conglomerate, *Harvard Business School,* Case 596-033
Goldberg, R.A., and Vincent, N.W. (1992) Charoen Pokphand Group, *Harvard Business School*, Case 593-049.
Wilson, K. and Williamson, P.J. (2003) CP Group: From Seeds to 'Kitchen of the World', *INSEAD Euro-Asia Center*, Case 303-064-1.

Academic papers:

Pananond. P. (2001), The Making of Thai Multinationals: A Comparative study of the growth and internationalization process of Thailand's Charoen Pokphand and Siam Cement Groups, Journal of Asian Business, 17(3): 41-70.
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International press:

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BusinessWeek, October 6, 1997. (Thailand's anxious giant: How Charoen Pokphand plans to ride out Asia' slump)
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Forbes, March 31, 2003. (Fowl play)
Fortune, October 31, 1994. (The Overseas Chinese lessons from the world's most dynamic capitalists)
Fortune, August 18, 2003. (The 25 most powerful in business outside the U.S.)
Time, February 16, 2004. (The families that own Asia)
The Economist, March 24, 2001. (Radicalism, Asian style)

Local media:

Bangkok Post, July 25, 2009. (CP revamps Lotus network in China)
Manager Magazine, March, 1994. [in Thai]
Manager Magazine, February, 2000. [in Thai]
Matichon Weekly, September 11-18, 2009. [in Thai]
Prachachat, April 2, 2007. [in Thai]
Prachachat, January 21, 2010. [in Thai]
The Nation, December 27, 2002. (Special: Humble origins of the CP group)
The Nation, August 18, 2006. (CP Seven-Eleven: some China stores may have to shut, Struggling Lotus outlets face deadline)
The Nation, December 4, 2006. (CP revs up its third plant in Chinese market)
The Nation, September 5, 2008. (Charoen Pokphand woos Chinese business students)
The Nation, October 1, 2008. (CPF aiming to be global brand)
The Nation, August 17, 2009. (CPF focuses on ready-to-eat products)
The Nation, January 19, 2010. (CP adopts more flexible plan for new China stores)

Industry-specific publications and other business intelligence sources:

Feed Business Asia, July/August 2009. (Yesterday China, Tomorrow Vietnam: The ever changing capital flows of Asian feed industry)
World Poultry, May 27, 2004. (Thai broiler industry forced to change structure)
World Poultry, May 14, 2010. (Charoen Pokphand Foods: Millions in net profit)
World Poultry, May 26, 2010. (CPF continues to win international awards)

Narrative books:

Sangthongkham, V (2002) *Survival Strategies, Bangkok*: P Press. [in Thai]

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Academic papers:

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Forbes (July 23, 2007). (Decision Time; Thailand's 40 Richest)
Forbes (September 23, 2009). (Thailand's 40 Richest)

Local Media:

Bangkok Post (February 17, 2010). (Central plans B16bn outlay)
BrandAge Magazine (May, 2006). [in Thai] (Central King of Retail)
BusinessThai, June 29, 2006. [in Thai]
Manager Daily (May 27, 2004). [in Thai]
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Thansettakij (July 6-9, 2008). [in Thai]
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The Nation (April 1, 2002). (Suthichart Chirathivat: Retail boss looks to the future)
The Nation (December 21, 2007). (Central to open first Chinese store)

Industry-specific publications and other business intelligence sources:

China China Store & Franchise Association (April 6, 2010). (2009 China Top Chain Retailers)
Li & Fung Research Center (July, 2009). (Department Stores in China, 2009)

Narrative books:

Sangthongkham, V., Tangsriwong, P., and Dumrongsoonthornchai, S. (2006) The *70-year Chirathivat Central: the tougher, the bigger*, Bangkok: Num-Aksorn. [in Thai]

Appendix E

Secondary Materials for the Double A Case

International Media:

AFX News (December, 14, 2007). (Advance Agro 'B-' CCR affirmed with negative outlook; off negative watch – S&P)
Forbes (October 27, 2003). (Best under a billion: Gatefold)
Reuters (October 28, 2009). (Press Digest: Hong Kong – Oct 29)

Local Media:

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Krungthep Thurakit (December 11, 2007). [in Thai]
Manager Daily (August 11, 2006). [in Thai]
Manager Daily (March 20, 2007). [in Thai]
Manager Daily (November 16, 2009). [in Thai]
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Manager Magazine (February, 1990). [in Thai]
Manager Magazine (March, 1990). [in Thai]
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Marketeer Magazine (February, 2010). [in Thai]
The Nation (December 11, 2007). (SET delisting: Advance Agro will list abroad)
The Nation (February 7, 2009). (Advance Agro cuts growth estimate, plans 'plant a paper tree' campaign)

Industry-specific publications and other business intelligence sources:

Directory of Thai Pulp and Paper Industries Association (2004 and 2008).
Pulp Mill Watch (2007). (Thailand: Advance Agro plans new 500,000 t/yr pulp mill)
Moody's (November 23, 2009). (Moody's affirms advance agro's ratings after tender offer approximately US$144 million of debt securities affected)

Narrative books:

Kolmodin, H. (2006) *Living in the Thai Countryside*, Bangkok: Asia Books.

Secondary Materials for the Osotspa Case

International Media:

Forbes (July 23, 2007). (Thailand's 40 Richest: Aristocratic Artists)
Forbes (September 23, 2009). (Thailand's 40 Richest)
The Economist (May 9, 2002). (Selling Energy: How Dietrich Mateschitz turned Red Bull into a cult tipple)
The Japan Times (December 4, 2008). (Thailand's top energy drink market taps into Asian market)

Local Media:

Bangkok Post (July 1, 2010). (Osotspa expands to frozen food)
BrandAge Magazine (October, 2006). [in Thai]
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Thansettakij (February 28 – March 1, 2008) [in Thai]
The Nation (May 27, 2004). (Energy drink: Bite Bangkok aims for Bt1billion sales)
The Nation (March 16, 2006). (Osotspa in global energy-drink push)
The Nation (February 25, 2008). (Osotspa welcomes drinks rival)

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Food & Beverage International (November 19, 2009). (Do energy shots stand a chance?)
Kasikorn Research Center (February 20, 2009). [in Thai] (Energy Drink 2009: Sale drops due to the increasing unemployment)
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