

***The Conceptual Framework Development of Internationalization Process Model of Thai Small and Medium Enterprises (SMEs) in Emerging Markets: A Study of Brazil, Russia, India, China, and South Africa (BRICS)***

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**Abstract**

The phenomena of internationalizing business to emerging markets has resulted from the internationalization of both public and private enterprises, according to modern organization theory. An enterprise cannot survive in an open system and highly dynamic environment. In response to radical changes in the political, legal, and socio-cultural contexts of emerging markets, inter-organizational networks have been established to link associated groups or groups of organizations that voluntarily exchange news and information, resources, or participate in activities together in order to respond to different demands and achieve organizational objectives and survive. The study's aims were as follows: 1) to determine the internationalization process and entry mode strategies utilized by Thai SMEs for their operations in BRICS; and 2) to make recommendations for Thai SMEs wishing to internationalize their business to BRICS and for the Thai government sector to design management networks to promote investment and provide support for Thai enterprises to internationalize there. This will enable for the internationalization of SME processes. The next phase of research will explore and assess the theoretical model by collecting primary data from Thai SMEs and employing the ATLAS.ti (The qualitative data analysis and research software) method for hypothesis testing.

Keywords: Internationalization Process Model, Thai Small and Medium Enterprises, BRICS

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## Introduction

Thailand has been engaged in international trade and investment with China and India as business partners for longer than the other three nations. Ayutthaya was a Siamese kingdom that existed from 1351 to 1767 and was welcoming to foreign merchants, including those from China and India (Trading Economics, 2022). This implies that Thailand has maintained trade ties with China and India for up to 600 years. This history of Thailand's trade and investments in China and India demonstrates their longstanding relationship, which has resulted in a mature internationalization.

Russia, South Africa, and Brazil have only recently established trade relationships with Thailand. The first contact between Siam (as Thailand was formerly known) and Russia occurred on February 19, 1863, when two Russian ships anchored at the Chao Phraya River port in Bangkok. During the reign of King Rama the fifth, foreign relations between Siam and Russia were maintained with an emphasis on international politics to combat the aggressive expansion of imperialism. The two nations had positive relations with one another. The Russian-Siamese Declaration of Jurisdiction, Trade, and Navigation was subsequently signed in Bangkok on June 23, 1899 (Embassy of the Russian Federation, Thailand, 2022). However, Thailand and Russia had a brief pause in their bilateral relations following the 1917 Russian Revolution, when the absolute monarchy was replaced by socialism. In March 1941, Thailand and the Soviet Union once again established diplomatic relations. Later, upon the dissolution of the Soviet Union in 1991, the Russian Federation held that relations between Thailand and Russia should continue uninterrupted, and this has been the case to this day (Wattana Koonwong, 202).

On April 17, 1959, Brazil and Thailand established diplomatic relations (Royal Thai Embassy, Brazil, 2013). In 2011, Brazil ranked first in Thai-Latin American commerce, but there were few foreign direct investments between the two nations. Investing in Brazil posed a number of hazards to Thai businesses, including complex rules and regulations, a lack of infrastructure, and language issues (Portuguese) (Thailand's Board of Investment, 2021).

Regarding South Africa, Thailand's first official contact with South Africa occurred in March 1992 when consular relations were established. In September 1992, the South African Consulate-General was established in Bangkok, and in October 1992, the Thai Consulate-General was established in Johannesburg. Thailand and South Africa established complete diplomatic relations on December 9, 1993, and Consulates General were upgraded to embassies (South African Embassy, Thailand, 2022). Thailand and South Africa have maintained their diplomatic relations to the present day. Consequently, trade and investment between the two nations have increased, as will be discussed in the following section. This is a concise summary of Thailand's relations with the BRICS nations.

Two mechanisms relate international commerce to internationalization: 1) trade — the sale and shipment of products and services from one nation to another; and 2) direct investment — the construction of or acquisition of productive assets in another nation (Grant, 2011: 371-372). Despite the fact that BRICS are intriguing, as stated previously, it is evident that few Thai companies have invested in BRICS. The majority are multinational corporations (MNCs) or multinational enterprises (MNEs), which have facilities and other assets in at least one country other than their native country, engage in production or service activities through their own affiliates, and conduct business with a global outlook.

According to the related documents and documents obtained from the government and the private sectors, focusing on Thai PCLs on the SET 100 index, China was the first among the countries with which most Thai (Public) companies internationalized their business in BRICS, (all 8 enterprises), followed by India (4 enterprises), Russia (2 enterprises but later one company's operation was suspended), South Africa (2 enterprises), and Brazil (2 enterprises), respectively.

According to related documents and documents obtained from the government and the private sector, focusing on Thai PCLs on the SET 100 index, China was the country with which the most Thai (Public) companies internationalized their business in BRICS (8 enterprises), followed by India (4 enterprises), Russia (2 enterprises, but later one company's operation was suspended), South Africa (2 enterprises), and Brazil (2 enterprises), in that order. The Thai Government, under the direction of the Ministry of Industry and the Ministry of Commerce, has endeavored to promote foreign trade and investment in an effort to internationalize its business in BRICS. Despite the government's support for Thai SME exports to BRICS countries, few Thai firms have sought out to BRICS. In addition, the majority of internationalization studies employed quantitative methods and lacked a comprehensive understanding of the phenomenon and its other dimensions. Therefore, it is interesting to study Thai SMEs that have decided to seriously internationalize their business in BRICS in order to gain a comprehension of the factors that led to their decision, as well as the traits and strategies Thai enterprises have employed in BRICS.

By learning from the experiences of Thai pioneers, this study can make recommendations for Thai SME executives to use appropriate internationalization strategies and for the Thai government on how to design the foreign direct investment outflow policy to assist Thai enterprises in achieving success in BRICS, thereby making a significant contribution to the future development of the Thai economy.

### **Research Objectives**

- 1) to determine the internationalization process and entry mode strategies utilized by Thai SMEs for their operations in BRICS; and
- 2) to make recommendations for Thai SMEs wishing to internationalize their business to BRICS and for the Thai government sector to design management networks to promote investment and provide support for Thai enterprises to internationalize there.

### **Literature Review**

Internationalization is a significant issue that has attracted numerous researchers in the fields of strategic management, international business, and entrepreneurship (Pham, 2008: 52). Internationalization is defined by Deresky (2011, p. 458) as "the gradual transformation of a company in response to the imperatives of international competition, domestic market saturation, the desire for expansion, new markets, and diversification." Moreover, internationalization presents both a hazard and an opportunity. It is a threat because domestic markets are accessible to foreign competitors, but it is also an opportunity because it enables firms with modest domestic markets to become global leaders. Internationalization is the strategic outward movement of a single company or larger corporations across international borders (Jones & Van de Ven, 2013; Piercy, 1981 cited in Pham, 2008: 52; Grant, 2011: 371).

Internationalization is a continuous process that occurs when a company enters international markets (Johanson and Vahlne, 1977, cited in Pham, 2008: 55). According to Toulan (1997, cited in Henon, 2010, p. 188), the internationalization process is a continuum between short-term and long-term internationalization. Long-term internationalization is a combination of tangible and intangible internationalization, with a stronger commitment by the firm to become competitive at the international level (Henon, 2010: 188). In contrast, a short-term strategy depends on factors external to the firm, such as economic and socio-political factors.

Internationalization is the gradual transformation of a company in response to the imperatives of international competition, the saturation of the domestic market, the desire for expansion, entry into new markets, and diversification through trade and investment in a foreign country.

The "Generic Internationalization Strategies of Emerging-Market Multinational Enterprises" was proposed by Ramamurti (2008). He describes the prerequisites for an Emerging-Market Multinational Enterprise (EMNE) to be successful abroad. First, the company must possess Firm-Specific Advantages (FSAs) and products suited for emerging markets, production and operational excellence, privileged access to resources and markets, adversity advantage, and valuable and imitable traditional intangible assets. Second, firms must have home-country advantages or country-specific advantages (CSAs) in order to compete globally.

### Research Framework

The researcher intends to construct a model regarding the operation of SMEs based on the findings of the literature review. The construct variable consists of a BRICS Context and Inter-Organizational Networks (IONS). Figure 1 depicts the variable that corresponds to each component.

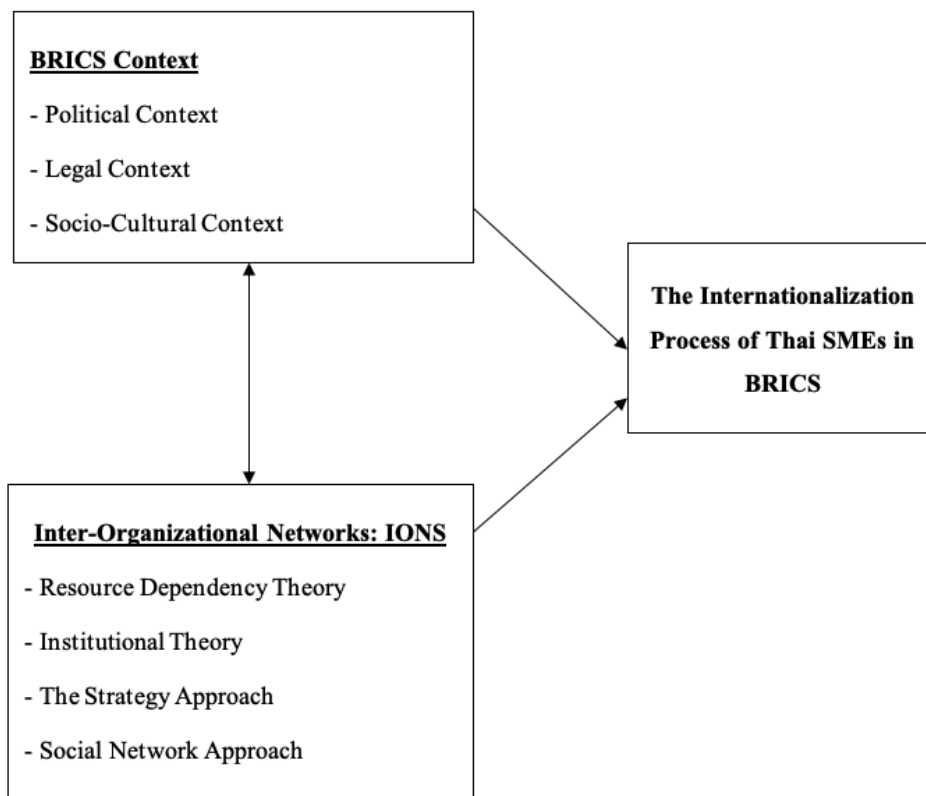


Figure 1: Research Framework

## **Research Design**

In this study, the researcher employed a sequential exploratory methodology, commencing with qualitative research and then ATLAS.ti. The program relied on the interview to obtain the necessary data to answer the research questions. This study was conducted methodically by collecting qualitative data sequentially, indicating that sequential qualitative data collection and analysis techniques were employed. The qualitative research method was crucial to the success of this study. Only quantitative data can reveal the pattern and magnitude of the relationship between variables, and results may vary depending on the circumstances. The qualitative data analysis results supported the quantitative results' hypotheses and conclusions and helped to clarify their phenomena. The qualitative method consisted of data acquisition through semi-structured interviews with Thai SME Entrepreneurs in order to investigate the phenomenon and characterize and validate the findings. For the purpose of enhancing the study's findings, conclusions, conclusion, and discussion, qualitative research was used to investigate empirical phenomena based on a set of governing principles and concepts. Face-to-face and telephone interviews were conducted to capture data from a sample of SME representatives using the technique of in-depth interviews.

## **Population and Sample Selection**

This investigation employed the technique of purposive sampling. Entrepreneurs of small and medium-sized enterprises (SMEs) whose annual product or service sales exceeded 30 million Thai Baht were the primary respondents for the qualitative study. The selection criteria for the key informants required them to be SME Entrepreneurs who were willing to answer inquiries and provide their opinions, were actively involved in the performance of the SMEs, and had direct experience coordinating or working with their subordinates. In addition, the snowball sampling technique was used to acquire more relevant data in this study. Existing research subjects recruit additional subjects from among their superiors, colleagues, and subordinates. The researcher ultimately conducted interviews with forty-eight small and medium-sized enterprises (SMEs).

## **Data Collection**

Additionally, data was gathered via semi-structured interviews. The structure of the quantitative research queries was modified based on the degree of the high-performance work system and its influencing factors. The objective of the interview was to gain a deeper understanding of the SME entrepreneur's perspectives on policy formulation, implementation, application, human resource management, and organization growth. The interview covered three topics, including the context of BRICS, inter-organizational networks, and the internationalization of Thai SMEs in BRICS. The collected data would help define the connections and direct and indirect effects of these significant factors on the performance of Thai SME's. The interview schedule was based on the availability of each significant source. The vast majority of face-to-face interviews were conducted at SMEs in Bangkok and other provinces where the researcher had strong relationships with SME proprietors and/or key informants and was able to secure outstanding cooperation from each company. In addition, the majority of SME telephone interviews took place outside Bangkok. The majority of critical informants were available for telephone interviews, while the remainder were available for 40- to 60-minute in-person interviews. Conversations were recorded using a digital voice recorder and/or a mobile phone, with the primary informant's

permission. The success of the interview sessions was largely attributable to the steadfast support of the SME Entrepreneurs and the outstanding cooperation of each key informant.

## **Data Analysis**

Three primary processes composed the qualitative data analysis: 1) data arrangement, 2) data display, and 3) data conclusion, interpretation, and verification. After each interview with a key informant was concluded, the recorded conversation was transcribed and categorized. After finishing the translation of the debates, the inductive reasoning conclusion was reached. Following are detailed descriptions of each primary procedure. This procedure involved segregating the gathered data into two distinct categories. (1) the physical aspect, consisting of data recording, data revising, data conclusion, and data storage; and (2) the content aspect, consisting of determining the meaning of each sentence in the gathered data to facilitate data classification and data coding. This was a method for presenting the gathered data. The majority of them were reorganized in accordance with the coded data and presented in narrative format with links to the classified data. The original words, sentences, or statements of the key informants were expressed and referred to in order to validate the raw data's source, emphasize the raw data's relevance and interest, and convey the key informants' emotions and opinions. 3) Conclusion, interpretation, and verification: This procedure involved identifying the conclusion and interpretation, then determining their validity. The researcher utilized triangulation to determine the authenticity and dependability of the unprocessed data. Triangulation was used to collect primary data and information through in-depth interviews and focus group discussions. Data triangulation was also employed by comparing the collected data from multiple raw data sources, such as SME-related locations and SME-entrepreneurial key informants, to determine if they were identical. The original data gathered by conducting in-depth interviews with SME entrepreneurs. This was done to demonstrate the consistency and connection between the evidence and the data obtained from the data analysis in response to the research questions regarding the reasonableness and acceptability of the subject. Before analyzing the data, the researcher managed the data by transcribing and archiving each interview as an electronic file, placing the data in a folder, and creating a physical backup copy of the data. ATLAS.ti was utilized for data analysis, beginning with data coding and progressing to initial coding. In the ATLAS.ti software, this process is referred to as open coding, and it is the researcher who generates the themes. During the course of the study, the researcher also recovered textual codes and data, progressed to more theoretical categories, and continued to generate mind mapping-based notes.

## **Conclusion**

This study's primary objective is to develop an internationalization process model and assessment framework that can serve as a guide for the creation of an efficient internationalization process implementation strategy for Thai SMEs. Despite the fact that previous research has successfully identified and implemented internationalization process practices, the literature on the investigation of the relationship between the BRICS context, inter-organizational networks, and the internationalization process in the context of Thai SMEs in BRICS is in its infancy. Accordingly, the present study aims to contribute to the development of a conceptual framework and research paradigm for Thai SMEs in particular. As stated previously, this study has examined in depth the BRICS context indicators, inter-organizational networks, and the internationalization process. On the basis of this review, a research model has been developed to investigate the impact of the incorporation of a BRICS

context and inter-organizational networks on the internationalization of Thai SMEs. From this paradigm, two study objectives and two hypotheses were derived. Future research will entail data collection and empirical analysis in order to assess hypotheses regarding the extent of implementation and connections among Thai SMEs. The presence of these internationalization process concepts is anticipated to correlate positively with the qualitative performance of the firms. Using a method capable of evaluating such a model, it would be fascinating to evaluate the provided theoretical model.

Future applications of ATLAS.ti (The software for qualitative data analysis and research) could include the generation of correlation matrices and the validation of correlations using diagrams. This study can be expanded to include other private sectors in the future, and exhaustive research can be conducted on various aspects of the internationalization process, such as sustainability, knowledge management, and organization strategy, to incorporate the flexibility of the BRICS context and inter-organizational networks in relation to the internationalization process of Thai SMEs.

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