



# Promoting International Competitiveness for Small and Medium-sized Enterprises: A Case Study of Chinese Small and Medium-sized Enterprises in Thailand

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## ABSTRACT

The purpose of this study is to explore the problems faced by small and medium enterprises (SMEs) in Thailand, particularly among Chinese SMEs. The study also seeks to identify how these difficulties impact on factors, both external and internal, which influence the business competitiveness of these SMEs. This paper further suggests guidelines for promoting international competitiveness of Chinese SMEs and other ethnic subsidiaries in Thailand. Qualitative analysis using semi-structured interviews was conducted. Content analysis was employed to analyze the data and describe the contingency phenomena that occur in business environments associated with SMEs in Thailand. The findings suggest that some of the key macro environment factors that have a bearing on Chinese SME firms' competitiveness include market competition, the legal and political environment, and the social and cultural environment including language used to communicate with consumers. The study also indicates that internal factors like the SME firms' capabilities of enterprise management, brand management, marketing, their effective deployment of human resources, and innovation are likely aspects that can contribute to the firms' successful performance rather than financial performance in the global marketplace.

**Keywords:** Small and Medium-sized Enterprises, Competitiveness, Thailand, Brand, Innovation, E-Commerce

**JEL Classification:** O3

## 1. INTRODUCTION

Most previous studies in the area of competitiveness have been investigated in the context of Western countries and emphasized on local aspects of factors affecting competitiveness of small and medium-sized enterprises (SME) firms' competitiveness, namely, core competence, corporate competitiveness, competitive improvement, measuring the competitive level, international competitiveness of manufacturing enterprises and export behavior and performance. These areas include some seminal studies like those of Pongwirithon (2015); Guzmán et al. (2012); Andzelic et al. (2011); Rybakovas (2009); Johnson et al. (2008); Cuckovic and Bartlett (2007); Kadocsa (2006); Singh et al. (2006); Song and Song (2005); Nachum et al. (2001). However according to Vachani (2005); Chen and Martin (2001); Lu and Beamish (2001), most studies do not appear to focus on the internationalization of SMEs including the character of SME subsidiaries of foreign enterprises that have their skin in

the foreign country of operation through their Foreign Direct Investment (FDI). Furthermore, even lesser literature exists with regard to the business operations of SMEs with FDI in Asian countries.

Notably, in spite of the spate of Chinese investment in foreign countries, the salience of literature of promoting the competitiveness of Chinese SMEs operating in Asia is particularly small particularly with respect to their operations in Thailand. The bilateral economic and trade cooperation between China and Thailand continues to flourish with the amount of bilateral trade equaling up to 64.44 billion US dollars. The motivation of blossoming bilateral economy has led a number of Chinese SMEs to enter the Thailand market and motivated investment there in. Although labels "Made in China" have increasingly become pervasive and well accepted in the Thai marketplace, nevertheless, the severe rivalry among locally owned enterprises and foreign owned Chinese SME enterprises warrant a better understanding

of what could improve the competitiveness of Chinese SMEs operating in Thailand.

In order to understand how Chinese SME enterprises compete in a different culture and environment like Thailand, this study draws on the external and internal determinants of institutional theory and FDI theory. The broad dimensions include the subsidiary's market orientation, industry concentration and ambient technology. These factors are expected to unravel what till as yet not been explained of problems encountered by established Chinese SMEs' FDI in Thailand. It is likely that situations uncovered about the performance of Chinese FDI SMEs in Thailand will closely parallel other foreign investments in SMEs in other parts of Asia.

## 2. LITERATURE REVIEW

### 2.1. International Competitiveness

According to Wang (2006), the World Economic Forum identified the concept of international competitiveness as an enterprise from one country owning greater ability and opportunity to provide better quality and lower price in products or services than domestic and foreign competitors. Wang (2006) point out the key factors affecting the international competitiveness is quality and price. In 2003, the International Institute for Management Development (IMD) had enunciated that the international competitiveness of a country is represented by its own ability to create and maintain an environment for enterprise so that its people can have more value and wealth. Not surprisingly the studies of IMD have paid greater attention to the relations between national environment and wealth creation process of a country. These studies inevitably have included the interaction of economic operation, efficiencies of the government, and enterprises and infrastructure determines that contribute to the wealth creation of a country in the overall environment. Liu (2008) proffers a point of view of international competitiveness as being a composition of national competitiveness, industrial competitiveness, enterprises' competitiveness, and products or services' competitiveness. It may be instructive to consider Porter (1985) consideration of competitiveness strategy as including (1) overall cost leadership, (2) differentiation, (3) cost and differentiation focus and suggests that enterprises could choose the suitable development strategies depending on their strengths and weaknesses.

### 2.2. Definition of SMEs

SME refer to the small scale of operation in enterprises where assets, persons employed and volume of sales are not large. This type of enterprises is usually constituted by a single person or a small number of people who provide the money - so most of these owners directly control and manage the enterprises. Summarized in Table 1 are SMEs comparing them with different countries.

### 2.3. Characteristics of SMEs

Zhang (2009) "considered the characteristics of SMEs as following:

1. The scale of production is small and human resources and material resources are relatively limited.
2. The number of SMEs is large and widely distributed. Whether in developed countries or developing countries, SMEs are in the majority. The scope of business relates to the economic

**Table 1: Definition of SMEs in different countries**

SMEs	Employment (persons)	Turnover	Total assets
United States	<500	≤ 27.5 m Dollars	
European	<250	≤50 m Euro	≤43 m Euro
China	<2000	≤ 300 m Yuan	≤400 m Yuan
Thailand	<200		≤200 m Baht

and social life in all sectors, such as manufacturing industry, service industry, construction industry, agriculture, wholesale and retail industry etc.

3. SMEs are flexible in operations; because of the small investment and scale, they are easy to adapt to the variable market rapidly.
4. The competitiveness of SMEs is not strong and the SMEs' life is short. Their weak capital and financing ability and inability to resist risks causes several enterprises to go bankrupt".

Zhang (2009) goes on to say that no matter how developed or developing countries are, small and medium enterprises play an extremely important role in the economic activities.

### 2.4. Bilateral Relations Between China and Thailand

Thailand is a newly industrialized and a middle-income developing country. It is an export-oriented economy. Thailand is one of ten ASEAN countries and is the second-largest economy in ASEAN. The main economic data in 2015 revealed that the GDP of Thailand was 395.282 billion US dollars. Per capita GDP was 5820 dollars, which is ranked in the middle of ASEAN countries. GDP growth rate was 2.82%. Unemployment rate was 0.9% (World Bank Group, 2015).

In Thailand, agricultural products are one of the main export commodities. Primary agricultural products include rice, rubber, cassava, corn, sugar cane, and tropical water fruit. Thailand is not just a large agricultural country; its electronics industry and manufacturing industry is also well developed. In 2014 the manufacturing industry value added accounted for 27.8% of GDP. Manufacturing is one of the most important industrial sectors in Thai economy. Manufacturing has the characteristics of high dependence on agricultural products. Main categories of manufacturing industries include mining, textile, electronics, plastics, food processing, toys, car assembly, building materials, petroleum and chemical.

Du (2007) presents the foreign investment situation of Thailand as follows:

"Thailand is one of the fastest growing countries in Southeast Asian. From 1980 to 2004, its annual GDP growth rate was 7%. Over the past 40 years, Thailand absorbed FDI from the developing countries and has made remarkable achievements. In the period from 1995 to 2005 Thailand has had substantial increase in foreign investment, with an average annual growth rate of about 10%, mainly concentrated in the industrial manufacturing field."

Du (2007) adds that in recent years, Chinese invested enterprises have developed very rapidly in Thailand, their number and the

scale of gradually expanding. Du (2007) believes that China has set up and invested in more than 298 non-financial enterprises in Thailand with a total investment of 255 million dollars by the end of 2006. Most investments related to textile, casting, nonferrous metal refining, project contracting, financial, shipping, aviation and telecommunications industries. According to Du (2007), some of these Chinese SME companies after years of struggling and hard work have established a firm foothold and achieved good social and economic benefits in Thailand. The instances of those firms are Huawei, nonferrous metal mining, Sino Tran and China Shipping.

According to Chinese customs statistics, the bilateral trade between Thailand and China amounted to 64.44 billion dollars in 2013. Among them, the amount of exports from Thailand to China reached 26.83 billion dollars accounting for 11.9% of Thailand's total exports. The amount of import from China reached 37.61 billion dollars, being is 15.2% of Thailand's total imports. China has become the largest export country of Thailand surpassing Japan (Ministry of Commerce of the People's Republic of China, 2013).

Qi and Jiang (2010) have demonstrated that the Thai government was paying attention to using foreign capital to promote domestic economic development. Industrial Park legal system is the most characteristic part in Thailand foreign investment law. The foreign investment law was considered as a comparatively complete legal system of foreign investment. However, in recent years, the Thai government has made a number of changes in the foreign investment law and simplified it considerably.

## 2.5. Related Research

In the era of economic globalization, the two perspectives have naturally emerged. One is that for the sake of survival and development, enterprises need to enter the international markets and get involved in transnational operations and compete with the international enterprises in order to acquaint themselves with foreign advanced technology and seek new sales markets. With internationalization however, enterprises confront native and international competitors. Obviously, the enterprise in local market or in the oversea market must have the ability to compete with various firms from diverse countries. The competitiveness of enterprises has become an indispensable character in modern enterprises. Numerous research studies on international competitiveness of enterprises have specified the competitiveness of SMEs as including core competitiveness of SMEs, evaluation of enterprise competitiveness, international competitiveness of SMEs, manner of improvement of competitiveness of enterprises, and research on innovation and competitiveness of enterprises.

Zhang (2006) insists that enterprises must initially enhance their own competitiveness in order to maintain their market position. In Zhang's (2006) view, competitiveness can be improved by strengthening the core competence of the enterprise. Zhang (2006) believes that core competence can help enterprises have permanent competitive advantage. He further puts forward several ideas to enhance the competitiveness of enterprises: (1) Product diversification and practicability, (2) high quality, (3) provide considerate service, (4) short delivery time, (5) reduce the life cycle

of products, (6) environmental protection products, (7) innovation, (8) establish enterprise culture.

Gao (2009) adds that SMEs in order to effectively compete in the market place should utilize its advantage of flexibility and adaptability. Enterprises need to integrate enterprise resource and innovation to enhance the overall sustained competitiveness and competitive advantage. Notably, Schumpeter (1990) considers that only technical innovation can break the balanced state of an enterprise's competitiveness. According to Schumpeter (1990), the innovation of enterprise includes development of new products, new elements, new markets, using new methods, and the changing the form of business organization. Schumpeter emphasized that entrepreneurs should have the character of talent, cultural literacy, predictability, innovation initiative, and adventurous nature. Innovation not only brings the profit opportunities for innovators and enterprises, but also leads enterprises to open up the road of development. Di (2001) further asserts that it is important to cultivate the capability of technology innovation for SMEs. Development, transformation and management system appear to can also improve the weakness of competitiveness of SMEs. Di (2001) believed that Government should provide support to SMEs enterprises, particular in, technology innovation. Zhang (2008) suggests that if the enterprises want to be competitive enterprises, they must invent a new product (service) and be the first to bring it to the market. According to Zhang (2008), enterprises should provide the best quality products/services, and adapt their businesses to be compatible with new information technology, network, new situations of knowledge economy, and innovative business models. Guo (2009) expresses another point of view in strongly recommending that entrepreneurs accelerate the implementation of brand strategy and improve competitiveness rapidly to occupy the international market with high quality products and good brand image. If SMEs want to survive in the international market with global brands-Guo (2009) believes that they must have their own brand. Therefore, the development of internationalization of SMEs will more necessary to strengthen the brand management and improve product quality continuously. The study of Wang and Bi (2006) identifies that corporate culture is also one of the sources of competitive advantage. It is positively correlated with business performance. With the development of transnational operation of Multi-National Corporations, cultural differences and conflicts brought serious adverse consequences for the enterprise management. Cross cultural management can solve cultural conflict and help the enterprises to create their own competitive advantage in learning and accepting other cultural ideas. The study of Yang (2013) also supports the above ideas. He advises that enterprises should deeply understand the difference and conflict from culture, strengthen cooperation, and combine the national culture and target market's culture including paying more attention to consumer behavior and psychological experience, and strengthen the brand of cross cultural communication.

Most studies of competitiveness have been conducted in western countries. Lesser research has been conducted in Asian countries and even fewer studies have engaged with investigating the competitiveness of Chinese SMEs established and located in Thailand. According to Chen and Martin (2001), it would therefore



be useful if research enquiry was directed to understanding the competitiveness of SMEs’ funded by FDI in Asia.

### 2.6. Factors Affecting the Competitiveness of Enterprises

In today’s globalized digital economy, factors affecting competitiveness of enterprise appear to become increasingly complex. The factors considered in this study are derived from several sources, which comprise of FDI theory (i.e., formulated from industry concentration and technology) and institutional theory (i.e., applied from cultural differences, host country, subsidiary’s market orientation, and political differences) (Vachani, 2005) including the firm capabilities (Camisón and Forés, 2015), and environmental and competitiveness (i.e., market competitors, suppliers, labor unions, state of the economy, organization structure, production efficiency, and financial management). In addition, the other key determinants (i.e., labour efficiencies, subsidiary differences, selling and marketing strategies employed, regulations and infrastructure, and competition) (Vachani, 2005) that may affect the firm’s competitive advantage are included in order to allow survey participants to take a holistic view of their enterprises’ problems.

## 3. CONCEPTUAL FRAMEWORK

The purpose of this study is to identify the salient determinants that affect the international competitiveness of existing Chinese FDI SMEs in Thailand. The below given framework lists internal and external factors identified in the literature that have a bearing on the competitiveness of foreign SMEs (Figure 1).

## 4. METHODOLOGY

Research methods: Qualitative analysis using an interview approach was conducted to obtain personal points of views from Chinese SMEs enterprises. Participants were asked open-ended questions in a semi-structured interview. Open-ended questions allow participants the freedom to be honest and articulate their true feelings in their response to the proposition brought to their attention. During the conversation, researcher is also able to supplement the structure question with further prompts and

vocalizations that explore and encourage the respondent to expand on related issues germane to the proposition. According to Myers and Newman (2007), this manner of interviewing technique allows the researcher to improvise congruently, incorporate new ideas in the research design and shed new light on the research problem. In addition, as suggested by Yin (1984) a case study method was also employed as part of this exploratory research to investigate certain situations of the study’s problem that were hard to uncover.

Population and samples: The population for this study included all existing Chinese FDI SMEs in Thailand. Purposive sampling technique was employed to choose the respondent SMEs. According to Teddlie and Yu (2007), purposive sampling technique is endemically suggested by the literatures for employment in qualitative studies. This technique is based on specific purposes associated with responding to the study’s questions. Respondents for the study were selected from enterprise leaders, entrepreneurs, managers and relevant employees of SMEs. The sample size included 10 participants and each interview was conducted for approximately 45-60 min.

The respondent Chinese SMEs were chosen from different industries including firms from the trading industry-manufacturing industry-auto parts industry, E-commerce industry, real-estate industry, tourism industry, and media and entertainment industry. The reason in choosing participants from diverse industries was to get a range of views of the barriers that confront the international competitiveness of various Chinese SMEs in Thailand.

The particular reasons for selecting trading industry (retail trade) are because China has grown to become the largest trading partner of Thailand (Ministry of Commerce of the People’s Republic of China, 2013). The retail trade is also the largest contributor by economic activities for Thailand’s economy (35.7%) (National Statistical Office of Thailand, 2013).

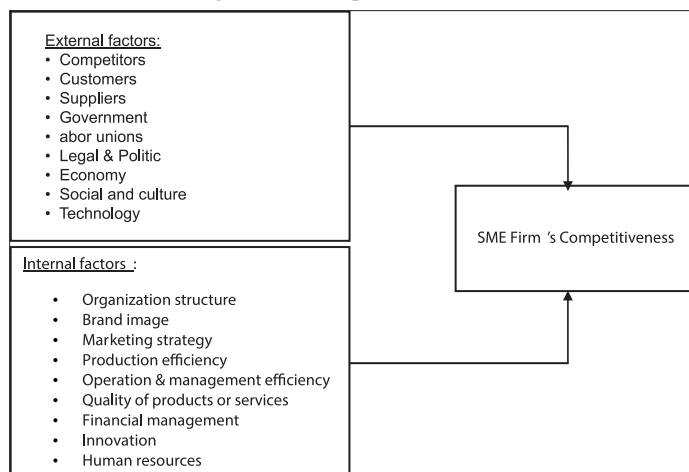
The manufacturing industry was classified as the second largest contributor (18.7%) to the economy of Thailand (National Statistical Office of Thailand, 2013). As significant number of Chinese SMEs located in Thailand have invested in manufacturing industry (DTL Law Office, 2006).

The tourism industry is one of the pillar industries in Thailand, and tourism industry is very important for the success of the economy of Thailand. Tourism industry has a significant positive impact on GDP, and the growth of tourism revenue plays a significant role in promoting the growth of GDP (Zhou et al., 2014).

The auto parts industry is eligible for investment promotion as the BOI of Thailand encourages the industry firms to engage in this sector (The Board of Investment of Thailand, 2016). The automotive and auto parts’ total export was ranked first in exports of Thailand in 2012-2013, which is an important contribution in Thailand economic development (Wu, 2015).

E-commerce offers benefits of enhanced participation in international value chains, increased market access and reach, improved internal and market efficiency, as well as lower

Figure 1: Conceptual framework



transaction costs (Ban, 2015). The big e-commerce company, namely, Alibaba has started cooperation with Thai Bank (Kasikorn bank) to help SMEs located in Thailand to easily enter international market with Alibaba platforms and educate SMEs about e-commerce. The e-commerce industry shows promise of accelerated development in future (Ministry of Commerce of the People's Republic of China, 2014).

In recent years, Thai real-estate industry has become very popular among foreign investors entering the Thai real-estate market. China was the largest foreign investment in real-estate industry in 2015 (Ministry of Commerce People's Republic of China, 2015).

Kasikorn's research center shows that the media and entertainment industry is one of the most prospective service industries in Thailand with the media and entertainment industry recording high growth in the past several years (Liu, 2014).

## 5. DATA COLLECTION

Primary data was collected through semi-structured interviews to help the researcher better understand little known concerns of Chinese SMEs operating in Thailand. Informal conversations and open-ended questions were provided to the selected respondents among Chinese SMEs in Thailand. The interview questionnaire of the main focus study consists of 4 questions which seek to explore the external and internal factors that might affect the firm's international competitiveness. The next part of the interview consists of 3 questions that explore with the problems faced by the firms regarding the external and internal factors affecting their international competitiveness and how were they attempted to be resolved by Chinese SMEs. The data gathered using the triangulation technique or multiple data gathering methods including interview, observation, recording, transcripts and making notes in order to enhance the credibility and faithfulness of information expressed by the respondents. The multiple data gathering methods is stated in the literature as adding to the validity of the data collected (Lincoln and Guba, 1985). Details of the participants are shown in the Table 2.

## 6. RELIABILITY AND VALIDITY CHECK

According to Golafshani (2003), the procedures of checking reliability and validity for qualitative research should enhance the study's measurement to be trustworthy and credible. To check

the validity of the questionnaire interview form for assessing correctness and effectiveness of the study's measurement (Huang and Shih, 2010), the study applied the Item-Objective Congruence Index (IOC) to evaluate the content validity and the objectives of questionnaire (Rovinelli and Hambleton, 1977). Employing the content validity check helps to increase the credibility of study. The designed questionnaires including the evaluation form were sent for endorsement to three experts including an academic and two experienced specialists in the SMEs industry. The criteria of IOC used 3-point scales: "+1" means the question is congruent with the objectives; "0" means the question is uncertain to be congruent with the objectives; and "-1" means the question is not congruent with the objectives (Rovinelli and Hambleton, 1977). Question items that obtained an IOC value in excess of 0.5 were deemed acceptable (Rovinelli and Hambleton, 1977). Test questions with IOC values lower than 0.5 were revised. The researchers then used the interview form to do a pretest questionnaire before conducting research in the fieldwork. The pilot interview was conducted in order to ensure that the participants would clearly understand each question item with easy and plain language. The pilot test was also expected to reassure that the researchers would not miss any preconceptions/respondent bias and could provide the right questions to the respondents. In other words, the study employed the pilot test to enhance the dependability and confirm ability of research. The research also endeavored to increase the reliability of the study by arranging an interview in-house training program for the field researchers. This program was expected to help the field researchers to ensure the consistency of study (Golafshani, 2003) and understand the data collection process before conducting fieldwork interview. Additionally, stepwise replication technique was used at the end of each part of interview form to assure the consistency of the data and also enhance the study's dependability during the interview conversation process.

## 7. DATA ANALYSIS AND RESULTS

The study used a basic data analysis to interpret, categorize, rearrange, and manipulate the data derived from the investigation in order to provide the descriptive information that might answer the research questions.

Ten respondents of Chinese SMEs participated in the interview. The sample included 4 SMEs enterprises (40% of total) in manufacturing industry, 1 SMEs enterprises (10% of total) in trade industry (retail trade), 1 SMEs enterprises (10% of total)

**Table 2: The details of interviewees participating in the interview process**

Respondent No.	Industry	Established year	Department	Position
Respondent 1	E-commerce	2008	Marketing	Manager
Respondent 2	Real-estate	2014	Head office	Owner
Respondent 3	Retail trade	2015	Head office	Owner
Respondent 4	Auto parts	1998	Marketing	Manager
Respondent 5	Manufacturing	2012	Head office	Owner
Respondent 6	Media/entertainment	2012	Head office	Owner
Respondent 7	Manufacturing	2014	Sales	Manager
Respondent 8	Manufacturing	1992	Production	Manager
Respondent 9	Manufacturing	2008	Head office	Owner
Respondent 10	Tourism	2009	Human resource	Manager

in tourism industry, 1 SMEs enterprise (10% of total) in auto parts industry, 1 SMEs enterprise (10% of total) in E-commerce industry, 1 SMEs enterprise (10% of total) in real-estate industry, and 1 SMEs enterprise (10% of total) in media and entertainment industry. All of these enterprises are established more than 1 year in Thailand. Most enterprises (50%) have been established between 1 and 5 years in Thailand. Three enterprises (30%) were established between 6 and 10 years. The other two enterprises (20%) have the longer operation life in Thailand being established for more than 16 years (Table 3).

Most of the enterprises were in the growth stage. SMEs with employee strength of 11-50 constituted the largest cohort in the sample. Two enterprises in the sample had more than 200 people (Table 4). Most of the employees are Chinese and Thai.

With respect to the main focus of the study, content analysis was employed to identify the results of study in accordance with the following three research questions. The first research question related to “What are the external and internal factors affecting Chinese SMEs’ international competitiveness in Thailand?” The responses to this question are tabulated as under (Table 5).

The second research question inquired “What are the problems of Chinese enterprises have been facing in Thailand?” After interpretation, analysis and categorization of the responses the results have been tabulated Tables 6 and 7.

**Table 3: Time of enterprises established**

Time of enterprises established	Count	N (%)
1-5 years	5	50.00
6-10 years	3	30.00
11-15 years	0	0.00
>16 years	2	20.00
Total	10	100.00

**Table 4: The scale of enterprises**

Scale of enterprises	Count	N (%)
1-10 people	2	20.00
11-50 people	4	40.00
51-100 people	2	20.00
101-200 people	0	0.00
>200 people	2	20.00
Total	10	100.00

**Table 5: Factors affecting Chinese SMEs international competitiveness**

Factor types	Major factors affecting Chinese SMEs international competitiveness
External factors	Market competition
	Legal and political issues
	Consumer factor
	Language, social, and cultural environment
Internal factors	Enterprise management
	Brand
	Human resource
	Marketing
	Innovation

Table 6 identifies the problems that Chinese enterprises faced from the external factors. These problems comprise of (1) intense market competition caused the enterprises face survival pressure and challenge and consequently find it difficult to gain competitiveness advantage. Unfamiliarity with the external market environment result in limited channels for collecting latest information and news for enterprises to enhance their international competitiveness, (2) lack of familiarity with local laws and regulations for foreign enterprises resulted in wrong strategies or decisions, made operational mistakes, lack of ability to use the legislation to protect enterprises legal rights, resulting in unnecessary cost. The political issues affect the activities and development of enterprises, caused unnecessary losses to the enterprises, (3) lack of comprehensive investigations and analysis of local consumers caused the wrong marketing strategy, low market share and low sales volume including lack of customer loyalty, and (4) language and cultural barriers resulted in absence of familiarity with the local market and communication problems and consequent difficulty in integrating into the local markets.

Table 7 corroborates the problems that Chinese enterprises faced albeit from the internal factors. These obstructions appear to be (1) management capability is weak and lack of international managerial experience, the barriers in cross-cultural management. Lack of comprehensive and long-term strategies for developing business management, (2) weak brand management and lack of brand development strategy. Brand awareness, brand value and reputation are rather low, (3) weak human resources and lack of international talents. Lack of cross-cultural human resource system and talents, (4) difficulties in marketing. Lack of effective marketing methods. The market share is comparatively low, and (5) lack of innovation capability and innovation consciousness. Enterprises lack of self-innovation technology and core products.

The information derived from the participants responding to the last research question, “What are the solutions of Chinese SMEs helping to promote their international competitiveness in Thailand?”, are summarized in the following Tables 8 and 9 and the following solutions.

Solutions for the problems caused by the external factors:

- Provide better products and services. Research and analyze the market competitors comprehensively. Analyze the external market environment in depth and generate suitable development strategies. Build good relationship with Chinese enterprises and Chambers of commerce in Thailand, strengthen cooperation and communication. Improve the anti-risk capability.
- Research and analyze the legal and regulations comprehensively. Learn about the local laws and regulations in depth to protect enterprise’s legal rights. Avoid the participating in political activities. Evaluate the political risk and formulate corresponding risk prevention measures. Build good relationship with local government.
- Analyze local consumers. Learn about the consumer behaviors and consumer preferences. Retain the good reputation of enterprise for consumers. Provide favorable discount and promotion for consumers. Build good relationship with consumers and promote consumer loyalty.

**Table 6: Problems and obstacles caused by the external factors**

External factors	Problems and obstacles
Market competition	Highly competitive marketplace, face lots of competitive challenges. Lots of new competitors entering the market have to face more pressure. Short on capital, the market share is too small to gain competitive advantage. Unfamiliar with the external market environment resulting in enterprises lack of international competitiveness
Legal and political problems	Unfamiliar with the legal aspects of business resulting in wrong strategies or decisions, have no idea to use the legislation to protect enterprises legal rights, resulting in unnecessary cost. Political problems dampen domestic consumption, resulting in the quantity of sales declining. Legal constraints extend the logistics time and period thereby increasing the cost of operations
Consumer factor	Consumer behavior and consumption habits affect the sales. Lack of research and analysis on consumers. The quality of products and service cannot meet consumer demand
Language, social and culture environment	Difficulty in managing market development, product sales, human resources, enterprise management, marketing, etc., Language handicap and cultural illiteracy caused lower efficiency in the management and operations. Hiring of translators or cross-cultural training increase the cost of enterprise's operations. Cultural conflicts in management are endemic

**Table 7: Problems and obstacles caused by the internal factors**

Internal factors	Problems and obstacles
Enterprise management	Lack of managerial capability. Management system and organization structure were imperfect. The management model was falling behind. Lack of cross-cultural management skills and experiences. Lack of long-term development strategy
Brand	Lack of brand strategy and brand management. Brand awareness, brand value, and reputation are relatively low. Less concern on the establishment on brand. Lack of expertise of brand management
Human resource	Imperfect human resource mechanism and lacking specialized talents. Lack of staff training and human resource cultivation. Lack of high-quality managerial talents. Lack of cross-cultural human resource system and talents
Marketing	Did not conduct a thorough analysis towards Thai market and lack of effective marketing strategy. Lack of marketing innovation. Lack of effective channels and methods of marketing. Did not possess good marketing talents. Market share was small
Innovation	Lack of innovation capability and innovation consciousness. Did not put much emphasis on innovation. Lack of self-innovation technology and did not have core products. Products and services lack of innovation. Lack of innovation talents

**Table 8: Solutions for the problems caused by the major external factors**

External factors	Solutions for the problems from the interviewees
Market competition	Provide better products and services Research and analyze the market competitors comprehensively Analyze the market environment in depth and generate suitable development strategy Build good relationship with Chinese enterprises and chamber of commerce in Thailand, strengthen cooperation and communication
Political problems	Improve the anti-risk capability Avoid the participating in political activities Evaluate the political risk and formulate corresponding risk prevention measures Learn about the local laws and regulations, use laws and regulations to protect the legal right and interests of enterprises Build good relationship with local government
Consumer factor	Fulfill the corporate social responsibility, build good enterprise image Analyze the local consumers, learn about the consumer behaviors and consumer preferences Providing perfect after-sale services to meet customer demand Retain the good reputation of enterprise for consumers Discount and promotion for consumers Build good relationship with consumers and promote consumer loyalty Build suitable marketing strategy
Language, social and culture environment	Study and training in the local language Learn about the local social culture and custom Analyze the language and cultural differences, and reasonably utilize it in enterprise management Follow the local rules and learn the local corporate culture Respect the local cultural customs and religions

- Study and train in the local language and learn about the local social culture and customs. Follow local rules and learn the local corporate culture. Respect the local cultural customs and religions and integrate into the local market.



**Table 9: Solutions for the problems caused by major internal factors**

Internal factors	Solutions for problems from the interviewees
Enterprise management	<p>Improve the managers' managerial competence and managerial experience</p> <p>Establish suitable management structure and system for the enterprise</p> <p>Employ local management strategies and cross-cultural management methods</p> <p>Strengthen the cost management, financial management and quality management</p>
Brand	<p>Keep learning new management knowledge, new management concepts and management skills</p> <p>Concentrate on market and consumer demands to implement the brand strategy</p> <p>Create brand value and strengthen brand management</p> <p>Ensure the high quality products and service to improve consumer satisfaction and maintain customer loyalty</p> <p>Establish a good reputation for the brand, Enhance brand image and brand influence</p> <p>Strengthen the protection of the brand</p>
Human resource	<p>Strengthen human resource management and improve human resource system</p> <p>Establish good reward mechanism and welfare system for employees</p> <p>Cultivate a good corporate culture and improve employee loyalty</p> <p>Pay more attention to talents and employees training, continuously improve the comprehensive ability of employees</p>
Marketing	<p>Select the appropriate cross-cultural management talents, avoid cultural conflicts and management obstacles</p> <p>Combine the local culture and custom to select the best marketing strategy</p> <p>To carry out efficient marketing channels according to consumers' demands</p> <p>Take advantage of internet and social networks to carry out marketing</p> <p>Utilize the varied promotion and market activities for marketing</p>
Innovation	<p>Use the innovative methods and channel to carry out marketing and brand communication</p> <p>Products and services innovation, focus on product and services differentiation</p> <p>Utilize the technological innovation and adopt new technology to improve the quality and performance and reduce the overall cost</p> <p>Develop the independent technology and core products</p> <p>Apply marketing innovation to better promote enterprise's brand and expand market share, enhance brand awareness and influence</p> <p>Learn about the innovation concept and knowledge to improve the innovation ability</p>

Solutions for the problems caused by the internal factors:

- Improve the enterprise's managerial competence and managerial experience. Establish suitable management structure and system for enterprise. Employ localization management strategies and cross-cultural management methods. Keep learning management knowledge, new management concepts and management skills.
- Implement the brand strategy. Create brand value and strengthen brand management. Establish a good reputation for the brand, enhance brand image and brand influence. Strengthen the protection of the brand.
- Strengthen human resource management and improve human resource system. Cultivate a good corporate culture and improve employee loyalty. Pay more attention to talents and employees training, continuously improve the comprehensive ability of employees. Select the appropriate cross-cultural management talents, and avoid cultural conflicts and management obstacles.
- Combine the local culture and customs to select the best marketing strategy in order to carry out efficient marketing logistics. Take advantage of internet and social networks to carry out marketing. Utilize varied promotion and market activities.
- Products and services innovation, focus on product and services differentiation. Utilize the technological innovation and adopt new technology to improve the quality and performance and reduce the overall cost. Develop the independent technology and core products. Applying marketing innovation to better promote enterprise's brand and expand market share, enhance

brand awareness and influence. Learn about the innovation concept and new knowledge to improving the innovation ability.

## 8. DISCUSSIONS AND MANAGERIAL IMPLICATIONS

Responses from the survey participants reveal that major external forces that affect international competitiveness of Chinese FDI SMEs comprise of market competition, political issues, customers, and cross-cultural challenges. These external forces identified in this study are compatible with the results derived from past studies of Zeng (2013), Song and Song (2005), Zhang (2004), and Yu (2003). The findings herein this study suggest that existing Chinese SMEs should analyze the Thai market environment and competition in depth. Research and apply Thai economic policy, legal, and regulation to encourage their businesses. Understanding the relevant laws, regulations, and policies of Thailand appear to be necessary for Chinese enterprises in Thailand to avoid getting trouble in operational matters. The enterprises should also utilize investment promotion policies relevant policies such as foreign investment policy and SMEs development policy. These policies are favorable and profitable for enterprises to promote investment and sustainable development in Thailand.

Improving the quality of products or services while strictly controlling costs to meet customers' demand would enable Chinese SMEs in Thailand to be successful. Quality is the core elements



of competitiveness. It became apparent in this study's survey that the quality of products and services of Chinese SMEs was still not good enough and this finding corroborates the literature or the research that also demonstrates that customers were not satisfied with Chinese products or services. The quality of Chinese products and services were not perceived to measure up to international brands or Thai native products and services. Therefore, the Chinese SMEs should have awareness of providing high-quality products and services. Establishing and applying a total quality management system to strengthen the supervision and management of product and service quality including the application of an overall cost leadership strategy to control the cost strictly would deliver the products of excellent quality and at reasonable prices.

The Chinese SMEs in Thailand may also face situations where employees are comfortable with a different language and culture. The Chinese SMEs must recognize and understand the different cultures between Thailand and China. They should respect and learn the social culture and incorporate the culture of Thailand. The enterprises must pay attention to language and culture learning and understanding, strengthen the transnational management idea, employ the localization management strategies and cross-cultural management affirmative strategies.

Besides, subjects' responses with respect to the major internal forces that influence international competitiveness of Chinese SMEs reveal that firm's capabilities, which consist of enterprise management, brand, human resource, marketing, and innovation, are major concerns. These internal forces appear to be related with the previous studies' outcomes such as the past research of Carvalho and Costa (2014), Zeng (2013), Yuan and Zhao (2010), Kadocsa (2006), and Song and Song (2005). Previous studies had shown some similar ideas associated with the present study. In addition, results in this study appear to be partially supported to the studies of Chittithaworn et al. (2011), and Jin (2003) that exemplify the internal forces that influence a firm's capabilities. However, the current study reveals outcomes that are not uncovered in previous studies like the effects of other internal factors of relations and resources on enterprise's competitiveness. For instance the study of Chittithaworn et al. (2011) examined the factors affecting business success of Thai SMEs in Thailand and found that SMEs character and financial performance impacts the company's competitiveness. Therefore, the outcomes of this study could suggest that firms should focus on enterprises' capabilities rather than companies' size (i.e., small or large scale) and financial data (i.e., financial management, financial ratios, etc.). A more holistic focus by Chinese SMEs on their capabilities and just not on the firm's financial performance would help considerably in overcoming the problems face by firms in their international competitiveness.

The responses of survey participants to the influence of internal forces to the firms' international competitiveness results with respect to the internal forces suggest that the enterprise managers should fully improve their personal qualities and strengthen the management competence, improve the management skills and acquire new management knowledge. The outcomes also indicate that more and more consumers bought products or services with a positive brand image. The implication for this concern indicates

that consumers nowadays have higher levels of expectation for the brands, and pay more attention to brand reputation and credibility. Thus, enterprises should employ the appropriate marketing strategies such as branding to create and increase the value of brands. Importantly, demonstrating corporate social responsibility is a good method to build good brand images and build good relationships with consumers.

Another internal factor like enterprise human resource also appears to be an important consideration affecting the SMEs development. To promote international competitiveness of SMEs, enterprises should strengthen the human resources management function and attach importance to talents and personnel training. Firms should establish better reward mechanisms. They should also provide a fair and competitive environment for the staff, create a good working environment and working atmosphere, and ensure the legal rights and interests of employees.

Innovation is another key factor of internal forces that help firms to obtain the competitive advantage and inevitable way to promote international competitiveness. Results of the study's survey indicate that Chinese SMEs innovation ability is weak and lack self-innovation technology; thus Chinese SMEs ought to pay more attention to the innovation ability enhancement. The Chinese SMEs should also understand the "Thailand 4.0" policy, which is a new economic model to develop Thailand into a valued-based economy and seeks to promote creativity, innovation, and the application of technology. The implementation of Thailand 4.0 policy would help the enterprises to develop and promote their private sector through innovation. Chinese SMEs in Thailand must commit themselves to raising the awareness of innovation through utilizing the technological innovations and adopt new technology, new materials, and new skills. Enterprises should be encouraged to develop independent technologies and core products. Besides technology innovation, enterprises should also carry on innovation in products and services first by using the differentiation strategy to enhance product innovation to win the customers and market.

This study further suggests that enterprises build good relations with shareholders, governments, suppliers and other Chinese enterprises. Building good relationship with shareholders can help enterprises to obtain more resources and information of commerce. The enterprises can establish good relationship with related government departments. They also can strengthen the communication and cooperation with Chinese chambers of Commerce and Chinese enterprises in Thailand, and promote the common development with other Chinese enterprises. In addition, building good relationship with suppliers and other shareholders are good strategies. Arising from SMEs being small scale in operations, having low risk resistance capacity and lack of core competitiveness, Chinese SMEs may consider choosing to cooperate or forming alliances with other enterprises to promote the international competitiveness. This way can bring several benefits and reduce cost for the enterprises such as sharing some facilities or information and having the technology or service exchange and communication. This type of collaboration could help the enterprises to achieve the common strategic goals and

promote their international competitiveness. Concurrently the local government is also expected to encourage SMEs in terms of policies, infrastructures, and regulations for survival and success in the host local market.

It is therefore reasonable that Chinese SMEs adopt the findings in this study that are compatible with the target, market orientation, and industry character in Thailand. In addition, the SMEs enterprises should develop their businesses based on the firm's capabilities, and adopt development strategies and methods considered in the outcomes of this study in order to enhance their international competitiveness.

## 9. LIMITATIONS AND FUTURE RESEARCH

The sample size included only 10 existing Chinese SMEs in Thailand. The results may suffer from the limitations of small samples and the survey results may not be unequivocally representative of the universe of Chinese and other ethnic SMEs in Thailand. Further only a limited number of industries were considered in the sample size thus limiting the remit of the study's findings to all Chinese SMEs in Thailand. Larger sample size and a greater variety of SMEs industrial sectors will help considerably in uncovering in greater detail the internal and external factors that confront the international competitiveness of Chinese SMEs in Thailand.

## 10. CONCLUSION

SMEs being one of the most important industry groups in today global and digital economy, it is in the interest of every most country to endeavor to ensure that their existing and start-up SMEs can compete and survive among high rivalry firms in the marketplace. Thailand is a developing country that has policies of "stability, prosperity, and sustainability" during a period of political reform in order to develop and motivate its economy by encouraging their SMEs to achieve long-run businesses success. This study focuses on existing Chinese FDI SMEs, that facing considerable challenges in Thailand market. The study attempts to find out the salient determinants that affect established Chinese SMEs international competitiveness, the problems that firms confront and possible remedies that can to promote their competitiveness. The results of the study exemplify that qualitative data rather than financial performance data can produce favorable outcomes in the market environment such as better understanding of competitors, political issues, customers, cross-cultural, managerial approaches, branding, investing and training of specialized talents, marketing, and innovation. This study identified that these are the most salient factors for helping established Chinese SMEs to promote their international competitiveness while operating in Thailand's market.

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