

**CHALLENGES OF DOING BUSINESS IN THAILAND FOR  
CHINESE FIRMS**



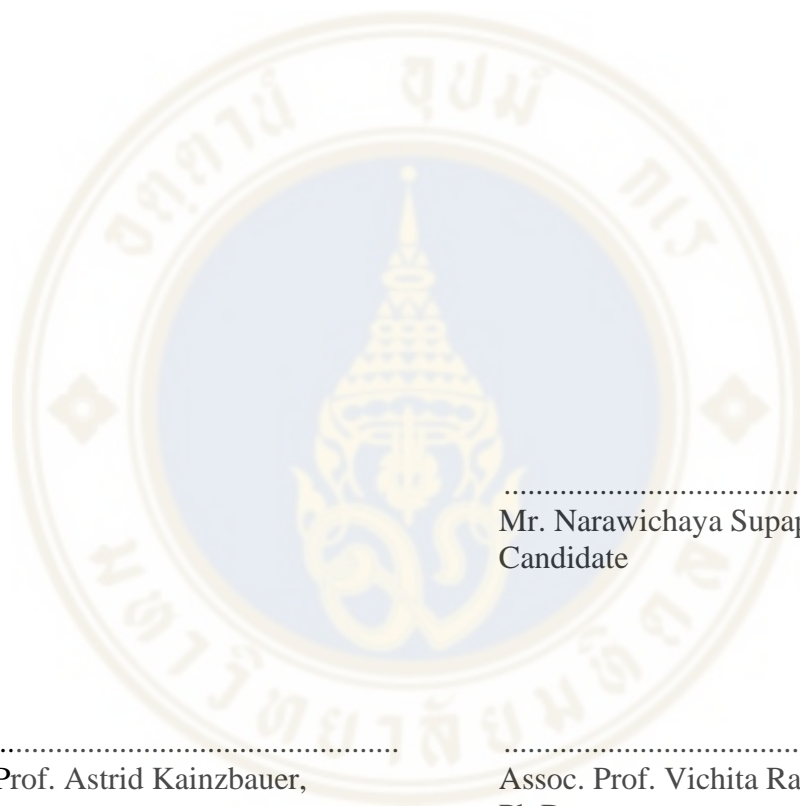
**A THEMATIC PAPER SUBMITTED IN PARTIAL  
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**CHALLENGES OF DOING BUSINESS IN THAILAND FOR  
CHINESE FIRMS**

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**CHALLENGES OF DOING BUSINESS IN THAILAND FOR CHINESE FIRMS**

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M.M. (GENERAL MANAGEMENT)

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**ABSTRACT**

This paper is the study of Chinese firms' challenges while entering the Thai market. This study also identifies Chinese firms' motivation to invest in Thailand, their preparation, their challenges during the Thai market development, and their adjustment to the Thai market. In addition, the Chinese expatriates' motivation to work in Thailand, their preparation, their challenges during their work in Thailand, and their adjustment to the Thai culture are identified as well while involving the opinion of the Thai business partners who are actually working together with those Chinese expatriates. Previous studies in the literature for the Chinese motivation and challenges are also reviewed. The qualitative research is used by conducting interviews with 6 Chinese expatriates who are living in Thailand and 4 Thai business partners who usually work with those Chinese expatriates. The study concluded that there are 3 challenges to the Chinese firms which are the political stability, trust, and

**KEY WORDS:** Chinese/ Challenges/ Expatriates/ Thai/ Development

43 pages

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## **CHAPTER I**

### **INTRODUCTION**

Nowadays, more and more foreigners are coming to Thailand with a variety of objectives. However, the major reasons are tourism and doing a business especially Chinese and Indian firms. In fact, China had a long history with Thailand since the past and still maintain a good relationship together with Thailand until now. Moreover, Chinese firms also come to invest more and more in Thailand or even choose Thailand as a strategic market in Southeast Asia region.

In the early of the twentieth century, the Chinese firms only focus predominantly on their domestic operation which were influenced by their traditional practice's 'import' from China (Limlingan, 1994). However, everything starts to change because of the opening of China since the late 1970s and the open-door policy in 1979 (Yeung, 1999). As a result, it created a remarkable economic growth for China. Yeung (1999) claimed that among all ASEAN countries, Thailand has registered the highest growth rate since 1987. In the same year, among all the Thai industries, the 90% of manufacturing and 50% of services in Thailand were Chinese firms (Wu and Duk, 1995; Weidenbaum and Hughes, 1996).

Yeung (1999) also mentioned that the strategies that the Chinese firms commonly used during the overseas market development are (1) vertical integration by sectoral specialization; (2) conglomerate diversification; and (3) family ownership and management. His study further mentioned that the reasons why Chinese firms decided to invest overseas are (1) high competition from global player in China; (2) the Chinese market are becoming more saturated; (3) the deregulation in China caused the competitive advantages to dissipate quickly; and (4) the Chinese firms were looking for the new opportunity and also aimed to train their family successor by outward-looking in the business practices. However, United Nations (1993) and Wu and Sia (2002) explained that the motive of Chinese firms to develop economies overseas were (1) market-seeking; (2) export-oriented; (3) resource-seeking; (4) technology-seeking; and (5) efficiency-seeking.

In the early of the twenty-first century, the Chinese policy to promote outward investment and to establish a supporting system was included in the 10th five-year plan (2001 - 2005) (Suvakunta, 2007). Zhang (2005) explained that Chinese domestic firms were focusing on nurturing the relevant skills and expertise required to overcome the management and governance challenges they will face during the international business integration. Thailand was chosen as the manufacturing and export base of Chinese products to the ASEAN region because Thailand has close cultural and ethnic ties with China (Suvakunta, 2007). Moreover, Thailand would also gain from the growing economic with the partnership between China and ASEAN as well. As a result, the Chinese firms tended to invest more in the variety of industries in Thailand which are shown in (Table 1.1).

**Table 1.1 PRC's Approved Investment Projects, 1987 – 2005 (Suvakunta, 2007)**

Sector	Number Project	Cumulative Value (Millions baht)	
		Value	%
Agricultural Products	52	5,105.9	16.20
Minerals & Ceramics	12	3,240.2	10.28
Light Industries & Textiles	24	6,713.5	21.30
Metal Products & Machinery	19	3,868.9	12.28
Electric and Electronic Products	17	1,984.9	6.30
Chemicals and Paper	32	7,472.0	23.71
Services	5	3,120.3	9.93
<b>Total</b>	<b>161</b>	<b>31,505.7</b>	<b>100</b>

In addition, many successful Thai companies also owned by Chinese who came to Thailand in the past such as Charoen Pokphand (CP) Group. On the other hand, their success also come with hardship during those days. Not only the companies owned by Chinese that are successful in Thai market but also some Chinese firm such as Haier, Huawei, TCL, or Lenovo etc.

Therefore, this paper aims to identify the major challenges that the Chinese firms are facing during their Thai market development. The context of this study will also show some cultural differences between Thai and Chinese as well as the culture shock experience of the assigned Chinese employees who are currently working in Thailand.

Due to author's own experience as Thai employee who works at the ethnic Chinese firm, it is the reason that this topic is mainly selected. In addition, the author has seen many Chinese colleagues and Chinese friends from another firm faced a culture shock and difficulties during their work in Thailand. Some of them cannot cope and adjust to the new environment and have to return to the head office in China. Some of them cannot take the pressure and have to resign in the end.

Thus, this study will only focus on some Chinese firms that had been doing business in Thailand from the Chinese and Thai employees' point of view. Furthermore, the paper also aims to study how those Chinese employees who live in Thailand adjust themselves and cope with the Thai environment. Therefore, the answers of below research questions will be sought:

*“What motivate the Chinese firms to invest in Thailand? What are the challenges and difficulties that the Chinese firms are commonly facing in Thai market? What kind of challenges and difficulties the Chinese expatriates are facing during their work in Thailand? How do the Chinese firms adapt to the Thai market? And How do the Chinese expatriates cope with the Thai culture?”*

The result of this study could help Chinese firms or employees see the cultural differences between China and Thailand and make a preparation beforehand. Moreover, it could help the current Chinese employees to adapt to Thai culture better than let them face the culture shock by themselves. It could help them cope with the situations and may enlighten a new strategy for Thai market.

In the beginning, this paper will gather the information about the motivations and the reasons why Chinese firms decide to come to Thailand, cultural differences between Chinese and Thai, culture shock of the assigned Chinese employees in Thailand, and the recovery from the problems of Chinese firm in Thailand. Next, the in-depth interviews with some Chinese employees who stay in Thailand and several Thai employees who used to deal with Chinese firms will be conducted in order to find

out their motivations and challenges from their real experience in Thai market. Their experiences will be used as primary data to be further analyzed in order to satisfy the research scope and research questions which are presented in this paper. Finally, the paper will conclude the result of this research and summarize the conclusion in the last chapter.



## **CHAPTER II**

### **LITERATURE REVIEW**

This chapter will give the insight about the previous literature research related to this study. The chapter will start with the research about the difficulties and challenges faced by the firms, the differences between Chinese and Thai, and the culture shock of the assigned Chinese employees who come to work in Thailand. Finally, the research about strategy and recovery of the Chinese firm.

#### **2.1 Chinese Firm Internationalization Difficulties and Challenges**

Yeung (1999) mentioned about 3 challenges of the Chinese firm which were about the undercurrents from the economic growth in Southeast Asian. The first challenge is about the late industrialization in many developing countries such as Thailand has limited the scale and size of domestic market causing the almost impossible in taking full advantage of the scale economies in many industries. Another challenge is that many countries including Thailand have begun to pursue export-oriented industrialization due to the shift in policy during the 1980s and 1990s toward a more open and competitive market in Southeast Asia. Therefore, many giant Chinese conglomerates have diversified into the oversea operations complementary to their domestic operations. The last challenge mentioned by Yeung (1999) is that the anti-Chinese sentiments are very strong and pervasive in political cultures and public discourses in many Southeast Asian countries. In contrast to other Southeast Asian countries, Chinese have been able to blend themselves into the Thai society and have experienced a rapid growth. He also mentioned that to secure privileged access to the government-related opportunities, many Chinese firms are engage in patron-client relationships with leading political and military leaders. Therefore, joint ventures and acquisitions are the most common entry mode which Chinese firms internationalize their operations such as CP Group. However, many Chinese firms still prefer acquisition over

other form of transnational operations because it helps them gain economies of scale quickly.

Another challenge mentioned by Suvakunta (2007) is that after opening the Chinese economy, even though Thailand signed an agreement on the establishment of Chinese-Thai Joint Economic Cooperation Committee with China in 1985, not every Chinese firms can come to Thailand. The competition is categorized as selective which also need the Chinese government to approve first. However, in 1992, to push the economic development in China, the approval procedure for the outward investment were gradually decentralized which make more Chinese firms to come to Thailand.

## 2.2 Thai Business Culture

On the other hand, Pornpitakpan (2000)'s study about the characteristic of Thai business culture that most likely to create the conflict with foreigners. However, if the foreign firms understand and accept these characteristics it would help them assimilated to Thai society easily.

1. *Social Structure and Hierarchy*: Thai people value the respect for their elders, superiors, and patrons. They are trained from a young age to know who is superior, who is inferior, and who is equal to them, and to behave appropriately to those people (Pornpitakpan, 2000).

2. *Sensitivity*: Thai people had been cultivated the value called *krengjai* since their birth. This value is quite dominant and common in Thailand. This concept could be explained in other terms such as diffidence, deference, consideration, sensitivity toward others, reluctance to impose on or interrupt others, reluctance to assert one's comments, wants, or disagreements, especially to one's superiors or seniors, reluctance to negotiate with or give instructions to superiors or seniors, complying with others' explicit or implicit wishes or requests, especially if those come from superiors or seniors, concealing negative feelings such as anxiety, resentment, and anger, to avoid making others uncomfortable or lose face, and reluctance to demand one's own rights (Pornpitakpan, 2000).

3. *Repayment of Favors*: As same as Thai sensitivity, Thai people had also been cultivated the value called *bunghun*, moderate to extreme favor, and *namjai*,

kindness or mild favor or generosity or voluntary help, since their birth. If they cannot repay a favor immediately, they will remember it and try to return it when they have any opportunity. This cycle is deeply rooted in Thai society.

4. *Involvement with the Purchase Decision:* As Thailand had low per capita income, they tend to be careful in their purchases. Thus, they tend to buy the durable goods from only the well-known brands because they perceive that they are more superior and trustworthy.

5. *Importance of Caution and Trust:* In Thailand, the firms who seek an assistance should reduce the strangeness by having someone or some organization they known or having the potential do a proper introduction and introduce them to the Thai firms.

## 2.3 Chinese Business Culture

Ghauri and Fang (2001) studied the characteristic of the Chinese business culture by using the way of 4 P's which are Priority, Patience, Price, and People.

1. *Priority:* In their study, they explained that the Chinese government is the biggest boss which all Chinese state enterprises do business according to the government's priorities, policies and plans. The foreign firms who were doing a business with Chinese firm should be sensitive to the guiding principles of China's social and economic development set forth by the Chinese Communist Party and the Chinese government, and also, should make a careful study of the Chinese government's priorities and implementation policies because they are the important indicators of what the Chinese firms want to spend their foreign exchange on (Ghauri and Fang, 2001).

2. *Patience:* The negotiations with Chinese firms often take time because different Chinese organizations and different departments within one organization tend to be involved in the negotiation processes. Furthermore, the decision-making within the Chinese firms often takes time.

3. *Price:* It is a very difficult and crucial factor during the negotiation with Chinese firms. Chinese firms highly value the trust and sincerity while doing the business with foreigners. Therefore, if a foreign firm reduces its price radically, the

Chinese firms will likely to get suspicious that the risk is high and the firm will lose its credibility in the eyes of the Chinese firms. In the same way, if a foreign firm rejects any Chinese firms request for a price discount, the Chinese will most likely feel insulted. On the other hand, if the Chinese firms find that the foreign side is giving them a face, they will adjust themselves accordingly and be more helpful and friendly manners.

4. *People*: Chinese people developed a major mechanism called *Guanxi* which is closely related to *renqing* (favor), and *li* (etiquette, propriety, and rules of conduct) in regulating relationships (Ghauri and Fang, 2001). Their study indicated that the Chinese firms believe in the people more than the contracts. Therefore, the foreign firms need to take a people-oriented approach and try to establish a high level of trust with their Chinese partners in order to successfully cooperated.

## 2.4 Chinese Expatriates Culture Shock

Not only in terms of business, but also the individual that influence the Chinese firms to face some difficulties. The affect is referred to as the culture shock. When Chinese firms come to Thailand, whether they use the vertical integration or conglomerate diversification as mentioned by Yeung (1999), they need to assign someone who from their firm which is ethnic Chinese to come to Thailand as well. These people would have to stay in Thailand for a long time to develop the Thai market. Unlike local Thai people, these people have to experience the differences in culture and learn how to cope with the new environment in Thailand.

From the research result of Shi and Wang (2013), *The Culture Shock and Cross-Cultural Adaptation of Chinese Expatriates in International Business Contexts*, the causes of the culture shock of Chinese expatriates are categorized into four major causes that affected them greatly while other causes such as power distance, individualism and collectivism didn't affect them much. The four major causes are as below:

1. *Business Communication*: Specifically refer to the issues of misunderstanding, words confusion, grammatical mistakes, thinking modes, personal spaces, eye contact, and straightforwardness in communication. Their research results



that most expatriates felt inadequate in dealing with different communication style and also considered themselves to be weak in adapting to different business management.

2. *Language Barriers*: Specifically refer to the understanding of the social language, speaking in business conference, reading business documents, and writing business reports. According to their research, speaking in business conference was the most difficult one which indicated that most Chinese expatriates had the general language competence and they were likely to have taken certain language training courses before going abroad.

3. *Religion and Tradition*: Specifically refer to the local tradition, religious concerns, racism, and time orientation. The result of their research shown that most of the Chinese expatriates had been influenced by racism and time orientation at work and had a sense of being deeply uncomfortable.

4. *Personal Issues*: Specifically refer to the loneliness, isolation, and the pressure from work duties. Regarding to the personal issues, their research found that many Chinese expatriates suffered from a heavy pressure from their work duties.

Their research concludes that the major factors that cause the Chinese expatriates to faced the difficulties are the poor adaptability of business communication, language barriers and heavy pressure from work duties.

## 2.5 Strategies and Recovery

According to Zapf (1991), he explained about the U-curve of the culture shock and the strategies to overcome it.

1. *Understanding of Culture Shock*: As many people move to the new environment and face the new culture with only a little awareness of their limitation, the overwhelming confusion and frustration that are a part of culture shock may have been perceived as a severe personal problem, a weakness or mental health crisis of unknown origin (Zapf, 1991). The people must understand that the difficulty is not just 'you' but rather yourself interacting in this strange place without your familiar resources. As a result, it could lead to increase hope and confidence.

2. *Awareness of danger signs*: It is very important for the people to become aware of the signs that things are getting out of control or a specific sign that it is time to talk with someone. For example, Kealey (1978, p. 53) identified several such signs:

- you are drinking more
- you are avoiding people
- you are subject to uncontrollable emotions
- you are spending all your time writing letters back home
- you are constantly complaining about the society
- you are adopting very negative attitudes towards the local people
- you constantly fear you are misunderstood by all, including your spouse
- you feel all alone
- you constantly think about things

3. *Connections with local ethnic community*: The connection with the people who have already been through the culture shock experience are the natural support which could offer the valuable guidance and assistance to the new environment.

4. *Communication competence*: Competence in the language of the host culture is very important for the adjustment process (Zapf, 1991). Even though the language acquisition is beyond the reach, there are always something they can do such as encourage people in encounters with members of the host community, interactions where the newcomer will be challenged to try out communication skills and learn from feedback.

5. *Analysis of culture bumps*: To analyze the specific situations of frustrated expectations in the new culture. Archer (1986) refers to these events as 'culture bumps' and proposes the following pattern for analysis:

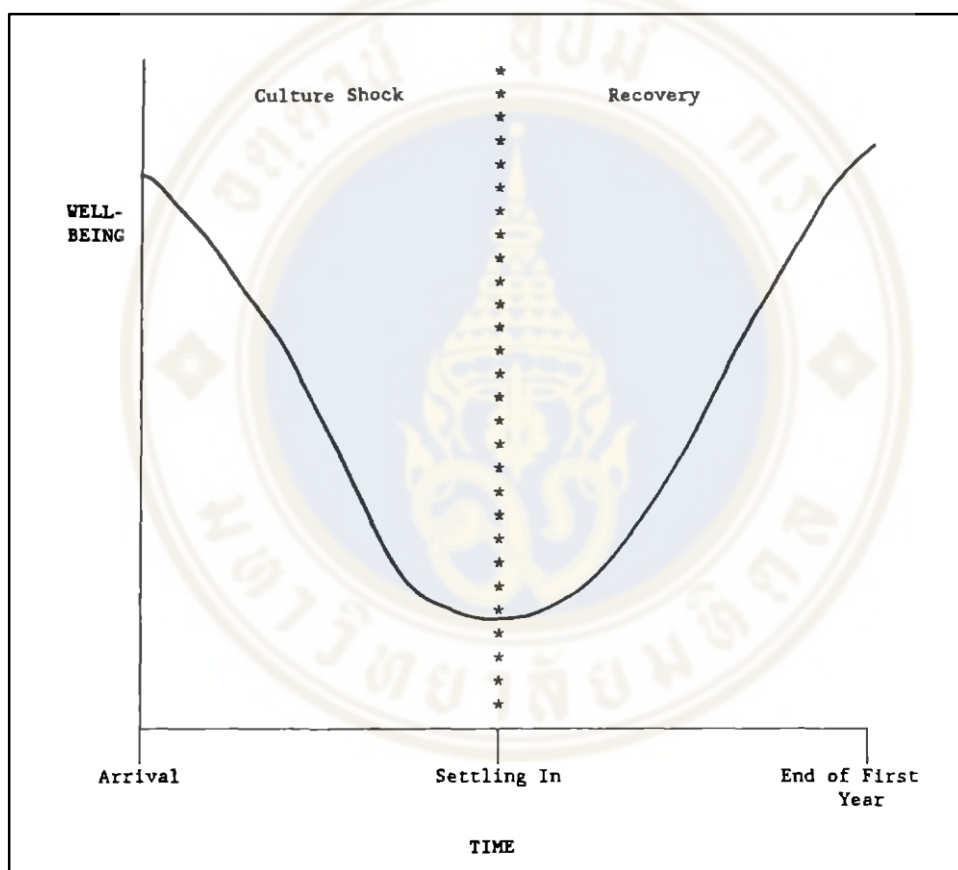
- Pinpoint the specific time when you felt different or uncomfortable
- Define the situation
- List the behaviors of the other person(s)
- List your own behavior
- List your feelings in the situation
- List the behaviors you expect from people in your own culture in that same

situation

- Reflect on the underlying value in your culture that prompts that behavior expectation

As a result, this may ease their sense of being overwhelmed in the new environment.

6. *Using groups:* The groupwork approach is the most preferred method with people experiencing culture shock as most of the suggestions made so far appear appropriate for group settings as well.



**Figure 2.1 Generalized U-curve of adjustment to a new culture over time (Lysgaard, 1955 as cited in Zapf, 1991)**

Shi and Wang (2013) suggested that the language training should be the top priority to enhanced the speaking and the writing skills. After that, the professional cross-cultural adaptation training should be provided continuously even after they arrived at the host country. Furthermore, the post-departure training should also at least

contain in-dept language training and also focus more on the cross-cultural adaptability improvement. On the other hand, the emotional intelligence or EQ is another important factor that greatly influences the expatriate's adaptability (Shi and Wang, 2013). Their study also reported that the expatriates with high EQ tend to have a better relationship with their foreign colleagues, and are more capable of taking the suitable measures to better cope the challenging situations. In the end, they had concluded that maintaining a good relationship with the foreign colleagues were more than necessary.



## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Primary Data Collection Method**

In the previous chapter – Literature Review indicates a variety of studies about the challenges and difficulties of the Chinese firms. In addition, the challenges and difficulties are separate into 2 categories which are the challenges to the Chinese firms and the challenges to the Chinese expatriates or the culture shock. Furthermore, the previous chapter also indicated the previous studies of the strategies that the Chinese firms used to overcome the challenges and also the recovery of the Chinese expatriates in Thailand. By listening from the real-life experiences from the Chinese firms and Chinese expatriates, the paper would identify whether the issues would still be the same as others or there are any new issues that the previous studies did not cover. As a result, a qualitative research methodology is decided to be used in this paper. The data collection method will be conducted by the in-depth interviews with the Chinese expatriates. In addition, the author will also conduct the in-depth interview with some Thai employees that usually working together with those Chinese expatriates to learn from their point of view as well.

#### **3.2 Interview Method**

The main data collecting and finding will be retrieved from the in-depth interviews using voice recorder. By using this method, the in-depth information would be extracted from the interactive questions and answers. However, all the records will be destroyed according to the ethical norms. The interview procedure will be as below:

*Sample Selection:* In this paper, the interviews will be conducted with 6 people which are Chinese expatriates currently living and working in Thailand and 4 people which are Thai employees who usually works and coordinates with the Chinese expatriates as mentioned above. The interviewees are selected based on the connections

with the author, 3 of the Chinese expatriates will be from the same firms while the other 3 are from totally different firms which will be classified as Firm A, B, C, and D respectively. On the other hand, 3 of the Thai employees will be from the same firm, Firm E, that usually do a business with the Firm A and another 1 is from the Firm F that usually do business with the Firm B. The information of all 10 interviewees will be seen as in (Table 3.1).

*Open-ended Questions:* To understand the challenges and how do the Chinese firms and Chinese expatriates faced through their real-life experiences, the open-ended questions are developed and delivered to the interviewees which will give them the flexibility and freedom to answer all the questions as in (Table 3.2).

**Table 3.1 List of the interviewees**

<b>Code</b>	<b>Firm Name</b>	<b>Nationality</b>	<b>Age</b>	<b>Gender</b>	<b>Position in the firm</b>	<b>Working Experience Thailand</b>	<b>International Experience</b>
A1	A	Chinese	48	Male	Vice President	5 Years	9.5 Years
A2	A	Chinese	31	Female	Manager	3 Years	3 Years
A3	A	Chinese	37	Male	Manager	3 Years	6 Years
B1	B	Chinese	42	Male	Manager	8 Years	12 Years
C1	C	Chinese	34	Male	Manager	2 Years	5 Years
D1	D	Chinese	30	Male	Operating Staff	8 Years	8 Years
E1	E	Thai	47	Male	Director	20 Years	12 Years
E2	E	Thai	36	Female	Vice President	11 Years	8 Years
E3	E	Thai	31	Female	Operating Staff	4 Years	6 Months
F1	F	Thai	32	Female	Director	11 Years	2 Years

**Table 3.2 List of the open-ended questions**

<b>Topic</b>	<b>Type</b>	<b>Interview Questions</b>
Motivation	Chinese	<ol style="list-style-type: none"> <li>1. What did you think was the firm motivation to invest in Thailand?</li> <li>2. What was your motivation to come to work in Thailand? And Why did you choose Thailand?</li> <li>3. How did you make a decision? And How long did you come up with the decision?</li> <li>4. How long do you plan to stay and work in Thailand?</li> </ol>
	Thai	<ol style="list-style-type: none"> <li>1. What did you think was the firm motivation to work with Chinese firms?</li> <li>2. What as your motivation to work together with Chinese firm?</li> <li>3. What was your feeling when you realized that you would be the one to work closely with the Chinese firm?</li> </ol>
Preparation	Chinese	<ol style="list-style-type: none"> <li>1. What are your preparations before coming to Thailand?</li> <li>2. What kind of supports you got from the firm? Or from someone else in Thailand?</li> <li>3. Have you ever received the cross-cultural training before you move to Thailand? (If yes) what kind of training? And what did you learn from the that training?</li> </ol>
	Thai	<ol style="list-style-type: none"> <li>1. What are your preparation before working with Chinese firm?</li> <li>2. What kind of supports you got from the firm or from someone else in China?</li> <li>3. Have you ever received the cross-cultural training before you work with Chinese firm? (If yes) what kind of training? And what did you learn from the that training?</li> </ol>
Challenges	Chinese	<ol style="list-style-type: none"> <li>1. What kind of challenges or difficulties you experienced of your first time in Thailand? How do you adapt or cope with them?</li> <li>2. What are the challenges or difficulties your firm experienced in Thailand? How do your firm deal with them?</li> </ol>
	Thai	<ol style="list-style-type: none"> <li>1. What kind of challenges or difficulties you experienced of your first time dealing with the Chinese firm? How do you adapt or cope with them?</li> <li>2. What are the challenges or difficulties you are experiencing with the Chinese expatriates? How do you deal with them?</li> </ol>
Adjustment	Chinese	<ol style="list-style-type: none"> <li>1. Do you think cross-cultural training would help you with the challenges or difficulties that you experienced? How do you think it can help?</li> <li>2. What are your opinions about learning local language to communicate with Thai people? How is your current communication?</li> </ol>

**Table 3.2 List of the open-ended questions (cont.)**

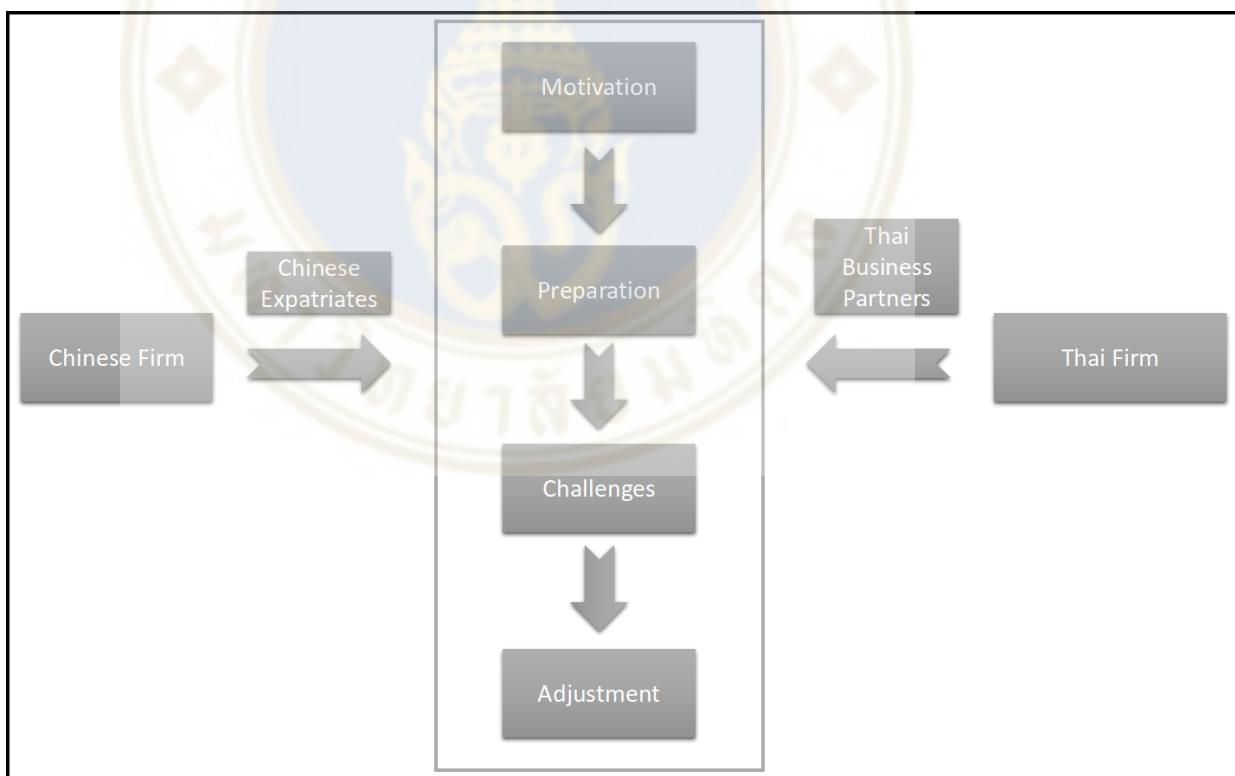
Topic	Type	Interview Questions
		<ol style="list-style-type: none"> <li>3. How do you socialize in Thailand? Do you have any local friends? What kind of activities you participated to socialize in Thailand?</li> <li>4. How much do you think you have adjusted to Thai culture? Could you give the rating of 1 to 10 as 10 is fully adjusted?</li> <li>5. How much do you think your firm has adjusted to Thai business culture? Could you give the rating of 1 to 10 as 10 is fully adjusted?</li> <li>6. What do you think that helps you adjust to live in Thailand?</li> <li>7. At this moment, what kind of information or support that you think would be useful before moving to Thailand? And what would be your advice to other Chinese firms and Chinese expatriates that want to move to Thailand?</li> </ol>
Adjustment	Thai	<ol style="list-style-type: none"> <li>1. Do you think cross-cultural training would help you with the challenges or difficulties that you experienced? How do you think it can help?</li> <li>2. What are your opinions about learning Chinese to communicate with Chinese people? How is your current communication?</li> <li>3. How do you socialize with Chinese expatriates? Have you become friend with them? What kind of activities you participated to socialize with them?</li> <li>4. How much do you think the Chinese expatriates have adjusted to Thai culture? Could you give the rating of 1 to 10 as 10 is fully adjusted?</li> <li>5. How much do you think the Chinese firm has adjusted to Thai business culture? Could you give the rating of 1 to 10 as 10 is fully adjusted?</li> <li>6. What do you think that helps them adjusted to live in Thailand?</li> <li>7. What kind of information that the Chinese firms or expatriates need to know before coming to Thailand?</li> </ol>

*Probing Technique:* To ensure the deeper information is valid, the probing technique is adopted. This technique is used to get deeper into the interested subjects by using the answers of the interviewees for asking the further in-detail questions by asking them to give the real examples or the reason of their answers. In order to effectively use this technique, the face-to-face and two-way communication is used during the interviews.



*Interview:* The interviews are conducted by using an interactive face-to-face conversation with each interviewee. The location of the interview is selected as the office of each interviewee during their break or after their working time so that the interviewees would not be distracted by the daily routine work. Moreover, this would make them feel more comfortable and relaxed enough to smoothly give the thoughtful answers. Furthermore, the interviewees' body language, gesture, and facial expression would be observed and additionally noted together with the recorder. Each interview will take around 30 minutes and it could be up to 1 hour including self-introduction.

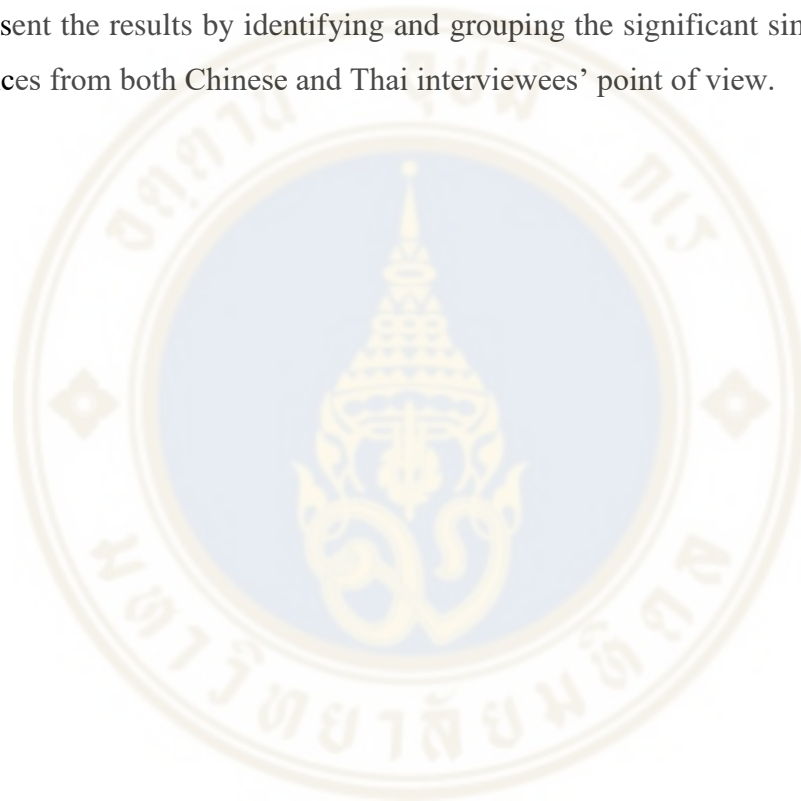
*Research Framework:* The research framework will cover this paper's objective to find out the motivation, challenges, and adjustment of the Chinese firm and Chinese expatriates in during the Thai market development. In addition, this framework will also cover the point of view from Thai business partner who always working with those Chinese expatriates as in (Figure 3.1).



**Figure 3.1 Research framework of this paper**

In order to collect and analyze the data, the author adopt the framework from the previous literatures in the second chapter by dividing into 2 sides which are the

Chinese and Thai firm. By sending the assigned Chinese expatriates to work in Thailand and develop the market, both the firm and expatriates will enter the major 4 stages which are motivation, preparation, challenges, and adjustment. At the same time, Thai firm who use to cooperate with those Chinese firm must also assign their staff to work together which would also enter and follow the same 4 major stages. This paper will combine and compare all data from both primary and secondary data collected through the literature search and in-dept interviews including the additional note of the interviewees' body language, gesture, and facial expression. Furthermore, this paper will present the results by identifying and grouping the significant similarities and the differences from both Chinese and Thai interviewees' point of view.



## **CHAPTER IV**

### **RESEARCH FINDINGS**

After the interview was conducted using qualitative research method, the author has analyzed and concluded the obtained data in this chapter. The concluded data orders as interviewees' background, motivation, preparation, challenges, and adjustment respectively. Moreover, both points of view from Thai business partners and Chinese expatriates will be seen in each topic.

#### **4.1 Interviewees' Background Information**

In this section, the author has summarized the interviewees' background information and characteristics in order to understand more about them. The interviewees were categorized into 2 group which were the Chinese interviewees or the Chinese expatriates consisted of 6 people and the Thai interviewees or the Thai business partners consisted of 4 people. The Chinese interviewees were on the average of 37 years old within the range between 30 to 48 years old. Meanwhile, the Thai interviewees were on the average of 36.5 years old within the range between 31 to 47 years old. All interviewees from both groups were from the operation staff, middle manager, and higher management within their own firm. The average duration of the Chinese interviewees' international experience was 7.25 years while the average duration of their working experience in Thailand was 4.83 years. Meanwhile, the average duration of the Thai interviewees' international experience was 5.6 years compared to the average of their working experience in Thailand which was 11.5 years. Within the 6 Chinese interviewees, there was only 1 female. Meanwhile, there were 3 females and 1 male for the Thai interviewees. All 6 Chinese interviewees were from the 4 Chinese firms which were A, B, C, and D as in (Table-3.1) with the relevant code such as Mr. A1, Ms. A2, and Mr. A3 were from the same firm, Firm A. In addition, all Chinese firms were in the IT and services industry. On the other hand, all 4 Thai interviewees were from the 2

Thai firms which were E and F as in (Table-3.1) with the relevant code such as Mr. E1, Ms. E2, and Ms. E3 were from the same firm, Firm E, which were also in the IT and services related industry as well.

Furthermore, all Chinese interviewees had the same experience during their first expatriation to Thailand. They were working by sitting together in their corresponding Thai business partners' office. In this case, Mr. A1, Ms. A2, and Mr. A3 were sitting at firm E while Mr. B1 was sitting at firm F. On the other hand, as both firm E and firm F had many business segments, both of them assigned some of their employees to work with their corresponding Chinese firms, A and B, which was called Thai business partners as they were sitting together in the Thai business partners' office every day to develop the new business. Therefore, the author also collected their opinions about the Chinese firms and Chinese expatriates that they were working with as well.

Currently, only the firm A were still sitting at the Thai business partners' office as their total experience in Thai market development was only 5 years. On the other hand, firm B, C, and D had already invested more and start the subsidiary firms in Thailand since they had been in Thai market for 20, 5, and around 10 years respectively. However, firm C had just officially started the Thai subsidiary firm in 2017 with the overall Thai market experience of 2 years at that time. On the other hand, only Mr. D1 had been graduated from the Thai university and had been working in Thailand since his Thai bachelor degree. He could also speak Thai fluently with the help of his Thai girlfriend. He also planned to settle down in Thailand as well. In contrast, other 5 interviewees were only staying in Thailand to develop the market and would return to their homeland after they finished their assignment.

## **4.2 Motivation**

To understand the reason why the Chinese firms choose to invest in Thailand and what motivate them to choose Thailand, some questions were asked during the interview with both Chinese expatriates and Thai business partners. Thus, the results were captured into several common topics that were mentioned by other interviewees as below.

#### 4.2.1 Chinese Firms' Motivation

1) *Government Relationship between China and Thailand*: As stated in the previous chapter that all 6 Chinese interviewees were from totally different 4 firms, all of them mentioned this topic as the first motivation for their Chinese firms to invest in Thailand. Due to the good relationship between both countries since the past, the Chinese interviewees stated that most of the Chinese firms in China's mainland who want to invest internationally wanted to invest in the countries that provide them a good support from the local government. In addition, there were many success Chinese firms in the past the successfully diluted in to Thai market. Moreover, it seemed that most of them that were mentioned by Yeung (1999), had been the good references for other Chinese firms who wanted to invest in Thailand. Therefore, many Chinese firms decided to invest in Thailand and expect to initially get the Thai government supports. For example, the support could be the BOI agreement or the MOU to exchange the technology knowledge etc. In return, the Chinese firms will get the profits by the Thai government transaction.

2) *Closer Geographical Distance*: This topic was mentioned by Mr. A1 and Mr. C1. These 2 interviewees stated that their firms needed to test the international market first before heavily invest abroad. Therefore, Thailand was chosen as the distance was quite closed to China which was approximately around 3 - 6 hours by direct flight. Therefore, it was easier for the firms to monitor the market closely. It was also easier quicker for the them to fly to Thailand which enable them some flexibility and mobility.

3) *Similar Culture*: Most of the Chinese interviewees mentioned the same topic related to culture. Ms. A2 said that Thai people was originally Chinese and came from China in the past while Mr. B1 said that most SEA countries including Thailand were Asian as same as China which should have the same culture. In addition, Mr. D1 believed that the culture should be the same and called them the Asian culture. As a result, all 3 of them believed that the culture should not be the problem and decided to choose Thailand.

#### 4.2.2 Chinese Expatriates' Motivation

1) *Many Successful Chinese Firms in Thailand*: Most of the Chinese interviewees mentioned the same topic related to the successful and famous Chinese firms in Thailand such as CP Group. Not only the large enterprises but also some Chinese SMEs who started their first business in Thailand successfully. As a result, it motivated them to come to work in Thailand as the Chinese expatriates. Moreover, Mr. D1 shared that this information inspired him to keep working hard. He further explained that if he succeeded in developing Thai market, he would get more reputation and get some promotions. On the other hand, Mr. A1 claimed that it would be easier for his firms that was the large enterprise in China to success as well since there were many large Chinese enterprise who succeeded in Thai market development. As a result, he thought that he would gain a lot of benefits from this market which motivated him.

2) *Communication in English*: Mr. A1 believed that Thai people can communicate in English really well compared other countries that were closer to China such as Myanmar or Vietnam. As a result, it would be easier to live in Thailand using English. Thus, it motivated him as well as other Chinese expatriates to come and work in Thailand. Mr. B1 also explained his experience as a backpack tourist in Cambodia, Indonesia, and Thailand few years ago before he became the expatriate working in Thailand. He emotionally mentioned that he had the worst experience in Cambodia and Indonesia because most local taxi drivers were unable to communicate with him in English. On the other hand, Thai taxi drivers can easily understand him even though they used poor English such as “where you go?” or “have the address?” etc. As a result, it encouraged him to expatriate to Thailand which he expected an easier life compared to those countries he mentioned.

3) *Low Cost of Living*: Another topic that was mentioned by Mr. A1, Ms. A2, Mr. A3, Mr. B1, and Mr. D1. It was interesting that most of the Chinese expatriates claimed that Thailand's living cost was quite cheap for them. Mr. A1 said that everything here was pretty cheap compared to China especially the food. On the other hand, Mr. B1 stated that most western firms who wanted to develop SEA market tended to come to Singapore or Hong Kong. Unlike them, Mr. B1 further claimed that “compared to Singapore and Hong Kong, Thailand investment was far cheaper and more worth. You should invest those money in something really useful instead.” In addition,

Mr. D1 said that “Thai public transportations were really comfortable especially the WIN motorbike. They tried to understand and tried to help you reach your destination even though you didn’t know the way. You just needed to be careful of the fraud or the fake one who usually charge you extremely high fee.”

4) *More Leisure Activities to do*: It was mentioned by Mr. A1, Ms. A2, and Mr. B1 that Thailand was quite big country compared to Singapore or Hong Kong. Ms. A2 energetically explained how she loved to explore Thailand. She said that “Thailand had everything you desired especially if you were the sightseeing people. You could go north and hiked the mountain or go south and visit the sea or some islands.” It seemed that Ms. A2 was the social person and extremely extrovert from the author’s observation. On the other hand, both Mr. A1 and Mr. A2 seemed to be the golf lover. They said that one of their motivations to come to Thailand was that they can visit the golf course every weekend or Thai holiday. Both of them mentioned the same thing that the golf courses in Thailand were very cheap compared to China. Therefore, they could play golf every weekend or whenever they had the time. They even invited their Thai partners or Thai customers to join them whenever they had the chance as well.

Due to the personal interest and motivation above, all 6 Chinese interviewees said that when they learned that they would have to work in Thailand, they almost instantly accept the firms’ assignment. They planned to stay in Thailand as long as their firms request them.

#### **4.2.3 Thai Motivation to work with Chinese firms**

On the other hand, the author had also wanted to learn from the Thai business partner’s point of view who daily coordinated with those Chinese expatriates. Therefore, some questions were asked to understand their opinion. After the interview with 4 Thai business partners, the author found some interesting points from their answer.

1) *Higher Profit Margin Expectation*: The Thai firms’ motivation to work with those Chinese firms was that they could get more profits in Thai market because Chinese products usually had cheaper cost stated by Ms. E2. Furthermore, she said that “compared to the western supplier or vendors, the Chinese products usually came with slightly lower quality. Thus, the cost had to be cheaper.” However, Mr. E1 claimed that

“it was actually cheaper; however, it always came with the unreasonable volume.” Therefore, he always had the inventory problem when dealing with the Chinese firms because they always demanded for the prepaid inventory.

2) *Reputation of the Successful Chinese Firm in Thailand*: Mr. E1 and Ms. F1 mentioned that there were many famous Chinese firms who currently dominate the Thai market. Moreover, the Chinese products recently came with a very high quality compared to the past which generated more demand for Thai consumers. As a result, it motivated them when they learned that they would have to chance to work with the Chinese firms. They also expected to be the one who help them develop the market which would help them enhance their profile for the future career.

On the other hand, Ms. E3 said that it didn't motivate her at all when she learned that she needed to work with the Chinese firms because she only worked with them through the phone call only. Therefore, she said that “it's like when I talked with another Thai firm. It didn't matter who were the caller whether they are Thai or foreigner.”

### **4.3 Preparation**

To understand the preparation process before coming to work in Thailand and what kind of support provided by their firms, several questions had been asked. In addition, the author also asked the same question to the Thai business partners as well to learn from their point of view such how they had prepared themselves before working with the Chinese expatriates. Therefore, the result had been categorized into 2 topics below.

#### **4.3.1 Firms' Preparation**

According to the interview with the Chinese interviewees, only 3 of them, Mr. A1, Mr. B1, and Mr. C1 mentioned about their firms' preparation. Mr. A1 said that before he traveled to Thailand, his firm organized the meeting to brainstorm the key objective of the Thai market development. His answered were the same as Mr. B1 and Mr. C1 which was to develop the local team in Thailand within 2-3 years and also building the local reference sites as soon as possible. On the other hand, Mr. D1



explained that his firm didn't prepare anything before his departure except the international allowance and travel insurance in addition to the base salary. The other 5 Chinese interviewees also stated that they also get these benefits as well. It was also interesting that none of the Chinese interviewees knew what was the cross-cultural training. However, after the author's explanation, they seemed interested into this kind of training and thought that it would be useful for them before their expatriation.

Unlike the Chinese firms' preparation, the Thai firms didn't prepare anything for their business partners to work together with them except the Chinese firms' information such as their firms' profile, their main products and services, the expatriates' name and position, and their website before the first meeting which was provided by their top management answered by both Mr. E1 and Ms. F1. It was also interesting that all 4 Thai interviewees said the same thing; for example, Ms. E3 said that "Actually, it didn't matter whether the firms would prepare anything for them since they would be the one who met with those Chinese firms. Thus, it would be their tasks to prepare and learn about those Chinese firms beforehand anyway after they were assigned to this task." Therefore, all 4 Thai interviewees believed that it was their responsibility, not their firm, to prepare everything themselves by any information they could find with Google.

As same as the Chinese interviewees, none of the Thai interviewees knew what was the cross-cultural training. Even though the author had explained what is the cross-cultural training to them, they didn't seem to interest at all and thought that it was unnecessary. Mr. E1 said that "Chinese culture and Thai culture were mostly the same as we co-existed together for more than 100 years in Thai history."

#### **4.3.2 Personal Preparation**

According to the interview with the Chinese interviewees, all of them said that their firms didn't prepare much for them to live in Thailand for few years. Therefore, they needed to study and learn about living in Bangkok by themselves on the internet. Ms. A2 and Mr. D1 even bought the Bangkok traveling guide book to study. On the other hand, Mr. A1 and Mr. B1 said that they didn't need to prepare much since they used to come to Thailand before as the tourist. Therefore, they thought that it was easy for them to live in Bangkok. In addition, the VISA and work permit had been taken

care by themselves as well because their firms didn't prepare anything for them. Mr. D1 complained that "During my first visit to Thailand, I didn't know anything related to foreign labor working in Thailand. I needed to ask my Thai business partner to help on this matter because my firm also didn't know and told me to handle by myself. It was lucky that I got a nice local friend here otherwise I would need to struggle alone since most Thai government could not understand or speak in English."

On the other hand, all 4 Thai interviewees didn't seem bother about this topic and said that it was their task. Therefore, it was their duty, not their firms', to prepare everything themselves such as practicing English conversation or even downloading Google Translation to their mobile phone before working with those Chinese firms. Ms. F1 said that "if there was something beyond my capability to prepare, I could ask my direct boss to provide that support anyway." However, they jokingly said that if their firms could prepare everything for them, it would be great since they did not need to work as hard as they currently did and still get the same salary. Ms. F1 also said that "I was very surprise that Mr. B1 who recently came to Bangkok learn how to using the public bus and could even buy the street food himself." It improved her impression of the Chinese expatriates of how well they had prepared themselves before coming to Thailand compared to the Thai business partners such as herself which didn't have to prepare much.

#### **4.4 Challenges**

To understand what kind of challenges or difficulties the Chinese firms faced during the Thai market development, several questions were asked to those Chinese interviewees. In addition, the author also asked about the challenges or difficulties faced by themselves as the Chinese expatriates living in Thailand as well to analyze the real challenges or difficulties that commonly affected them. Moreover, several questions were also asked to the Thai business partners to understand from their point of view about their challenges or difficulties working with those Chinese expatriates or Chinese firms. The results were captured into several common topics that were mentioned by several interviewees as below.

#### 4.4.1 Personal Challenges

1) *Language Barrier*: All Chinese interviewees mentioned about the communication problem. Contrast to their motivation before coming to Thailand, they thought that Thai people could communicate with them using English without any problem, but in reality, they could communicate with them only the daily conversation. On the other hand, during the business discussion, they always had a communication problem. Ms. A2 said that “not only Thai people but also us having this problem. Sometimes, I want to say something in business term, but I could only think of Chinese word, not English. Therefore, it was quite difficult for me to explain them using the second language.” In addition, Mr. D1 stated that “My Thai colleagues often said something like I don’t know how to explain to you in English and use Google Translation application to show me the English translation which sometimes confuse me.” However, Mr. A1 thought that daily communication was still ok for Thai people. On the other hand, all Thai interviewees said the same thing about this problem and claimed that it was number one challenges for them. Ms. E2 said that “It wasn’t just about the second language. It was their English-Chinese accent.” In addition to Ms. E2, Ms. E3 further explained that “This problem was on the Chinese expatriates. When I tried to explain something to them, they always thought they understand. But actually, they didn’t.” All Thai interviewees said the same thing about the Chinese assumption. It always produced misunderstandings and wasted the time to become clear on the meaning.

2) *Business Cultural Differences*: Another challenge was the business culture differences. It was very interesting that both Chinese and Thai interviewees said that their culture were likely the same and it was one of their motivation before coming to Thailand. At the same time, Thai interviewees thought that it should not be different from dealing with other Thai firms because their cultures were similar. However, both sides kept mentioning about the culture differences which made them feel uncomfortable. The common differences that were mentioned by several interviewees were captured as below.

*Thai Business partners' points of view*

- Chinese people were extremely aggressive about the business. (E1, E2, F1)
- Chinese people always gave us too much pressure to work. (E1, E2, F1)
- They always assumed that they understand but actually they didn't. (E1, E2, E3, F1)
- Chinese people didn't have manners and understood the seniority. (E2, F1)
- Chinese people always aimed for the benefits rather than building trust. (E1, E2)
- Chinese people didn't know what is flexibility. (E1, E2, F1)
- There were too many meetings and it wasted our time. (E2, E3, F1)

*Chinese Expatriates' points of view*

- Thai people were too slow and easy-going. (A1, A2, B1, C1)
- We thought that they understand what we had agreed upon but actually they didn't. (A1, A3, C1, D1)
- Thai people always asked too many questions. Sometimes, we gave them enough information to initiate the plan, but they still came back and asked more questions. (A1, B1, C1)
- Thai people were too flexible. They wanted us to change many things we could not due to our strict policies. (A1, C1)
- I didn't understand why it was so difficult and took so much time just to make an appointment with the customers or partners. In China, we could just call and invite them to join our lunch or dinner easily to discuss the business. (A1, A2, C1)

#### 4.4.2 Firm Challenges

1) *Political Stability*: One of the challenges during the Thai market development was the political stability in Thailand. Mr. B1 said that “During my experience in Thailand for the past few years, there were too many protests and the government kept changing.” In addition, Mr. D1 stated that “I didn’t know what’s happen in Thailand. The laws kept changing every week which created a lot of troubles for me.” Mr. C1 explained how Chinese government stabilized the politic and improved Chinese economy. Furthermore, he claimed that “It would be better if Thailand system was communist like China. Everything would be easier and faster.” In addition, it was interesting that all Thai interviewees complained a lot on their own government management. Ms. F1 said that “If they still unable to stabilize the politic. Thai economy would be going down which would lower my customers’ purchasing power.” However, Mr. A1 explained how much his firm needed to invest to build up the good relationship with the Thai government because they kept changing. Therefore, he said that he needed to forecast and predict who will get the promotion to the decision-maker seat so that he could just focus on building a good relationship early.

2) *Bragging and Trust*: Another issue that was mentioned by Mr. A1 and Mr. C1. Both of them mentioned the exact same thing about the Thai firms’ and Thai managements’ overcommitment. Mr. A1 said that “many Thai firms always talked about how they are close to this organization or that customers so my firm should enter the partnership with them.” Meanwhile, Mr. C1 said that “our Thai partners always commit to us how much sales they could get if my firm could lower the cost more or invest on some R&D improvement. However, they couldn’t get even close to that number while my firm had already agreed to their terms.” Both Mr. A1 and Mr. C1 explained about how they wanted to form a good relationship and trust their Thai partners in the beginning. However, in the end, they said that many Thai firms could not be trusted and they needed to do some homework by themselves to cross check with the information provided by the Thai partners.

On the contrary, it was totally different from the Thai firms’ expectation about the higher profit margin of the Chinese products. Mr. E1 claimed that “We thought the Chinese products would be cheaper, but instead, the cost is quite high with less margin for my firm unless we could sell in a very huge volume which was quite

impossible for the new entry products.” To come up with the better deal or lower the cost, Mr. E1 said that he needed to forecast the demand and use the slightly higher volume to negotiate for the acceptable cost. However, it created some inventory problems to him. Furthermore, due to Thai business culture was very slow, it was difficult for him to conclude the deal with the customers in short-run as the customers had to do the proof of concept or POC which usually took 1 to 3 months as the average. As a result, it lowered the trust between the Chinese firm and the Thai firm.

3) *Psychological Bias Towards Chinese Products*: This challenge was mentioned by 4 out of 6 Chinese interviewees. Mr. D1 explained about his experience that “Even though our products’ price were quite attractive and affordable, many customers still try bargain for even lower price with the excuse like its quality should be lower than the market because it is the Chinese products.” In addition to Mr. D1, Mr. A3 also said that “Our customers are always scared to install our software and claimed that our software might send information back to China or including malware, but they never complained about the western software that everyone knew that it kept send users information to some western countries. It was quite unfair.” On the other hand, Mr. B1 said the same thing with Mr. E1 about how Chinese products were perceived by the Thai customers in the past. Even though they totally improve in the recent year in terms of quality, many Thai customers still perceived the Chinese products value as “low price, low quality” which was quite difficult to change their mindset. Ms. A2 explained that “I used to change the decision-maker mindset from the customer side, however, some senior users shown the high resistant to change and made the deal fail because the decision-maker also didn’t want to have some trouble with their senior staff.”

#### **4.5. Adjustment**

To understand how the Chinese firms adapt to the Thai market and how the Chinese expatriate cope with the Thai culture, several questions were provided to the interviewees. In addition, the author also asked the Thai interviewees for their opinions about the Chinese firms and Chinese expatriates that currently working with them as well. The data has been captured into 3 common topics as below.

#### 4.5.1 Firm Adjustment

Even though most Chinese interviewees explained about their firms experiencing some difficulties during Thai market development, they also said that was happen in the early year. Currently, their firms had adapted some strategies to cope with the situation. The key adjustments were summarized into 2 points.

1) *Enhance the Trust and Relationship*: Mr. A1 and Mr. C1 said the critical factor was the trust and relationship. Even though both of them used to claim that Thai partners could not be trusted, they still insisted to keep the trust while still cross-checking the information they received from the Thai partners. Mr. A1 said that “I used to report to the firm about not to blindly trust the Thai partners and try to touch the Thai customers directly would be better. However, it was quite troublesome to handle the Thai customers by ourselves. Therefore, I decided to keep trusting them and showing my sincerity toward them which resulted in the positive outcome.”

2) *Be Flexible*: Mr. C1 stated that “There should be some reasons behind those bragging. If we really think about it carefully, they might just want to get their cost down. Therefore, I just reported to my firm and let my supervisor figure any way to lower our product cost to Thai partners.” On the other hand, Mr. B1 said that “we just needed to allow them some flexibility, but should still be acceptable within our firm’s policy.” As a result, it gave some rooms for the Thai business partners to breathe which also improved their impression and their empathy of the Chinese firms as well.

#### 4.5.2 Personal Adjustment

In term of personal adjustment, all Chinese interviewees still thought that if they could get cross-culture training beforehand it would be useful for them. However, none of them interested in learning Thai to communicate with their Thai partners. Mr. A1, Ms. A2, and Mr. A3 said that Thai was very difficult to learn. Thus, it was enough for them to keep using English. On the other hand, Mr. B1 and Mr. C1 seemed interested in learning Thai to communicate with other Thai partners. However, they said it was difficult for them to find a free time because they were always busy about the work. Unlike other Chinese interviewees, Mr. D1 could speak Thai fluently, but he was still unable to read Thai documents. He further stated, while laughing, that “I thought Thai language was difficult to learn at first. However, when I get the local girlfriend here, it

was the opposite. I didn't even know when did I could speak Thai this fluently.” Therefore, he recommended that developing the local friends or getting the local boyfriend or girlfriend would help in learning the local language easier and faster.

On the contrary, all Thai interviewees still thought that cross-culture training wasn't useful for them if they had to work with Chinese firms. However, it would be useful if the other party came from the western countries because of the extremely different culture. For example, most of the western countries such as USA care about benefits and achievement rather than relationship which was the first priority in most eastern countries such as China. On the other hand, all Thai interviewees interested in learning Chinese. Ms. E2 said that “The world had changed so fast. Currently, China had become the great power even more than US. In addition, Chinese would be useful since it could be used to communicate in Hong Kong, Taiwan, and Macau as well.”

Socialization was also an important thing mentioned by Ms. A2. She said that joining some community or social activities with the local friends here help them form the relationship easier. She further said that “I always asked my local partners, Ms. E2, every weekend for where would be the best night club in Bangkok. They always invited me to ONIX at RCA or Bricks Bar on Khao road. Sometimes, they also invited me to karaoke as well.” On the other hand, Mr. A1, Mr. B1, and Mr. C1 said that they also join the social activities as well. The most preferable choice was the golf course or driving range. Occasionally, they were also invited to lunch or dinner as well which they said it was boring compare to playing golf. Mr. B1 said “Playing the sport together help forming good relationship as well and faster compared to lunch or dinner together.”

Meanwhile, all Thai interviewees said that they preferred to have a dinner, karaoke, and visit night club with the Chinese expatriates instead. Ms. E2 further explained that “Playing some sports that involve many people at the same time was still better than sport such as badminton. Moreover, it required me to invest a lot on the golf's equipment which were too expensive to afford compared to badminton or table tennis.” Additionally, Mr. E1 said that “when you were in the good relationship with those guys, it felt like they understood us when we requested their help.” This indicates that well-maintained relationship was the key to help both sides adjusted themselves into each other. As a result, it could dissolve many difficulties and challenges that they had been facing in the past.



### 4.5.3 Adjustment Level

According to the prepared questions, the Chinese interviewees were asked to rate their adjustment level to the Thai market from 1 to 10 where 10 means fully adjusted. They were asked to score themselves and also their firms during the Thai market development and their adjusting life in the Thai culture. The results are given in (Table 4.1). On the other hand, the Thai interviewees were asked to rate the Chinese expatriates and the Chinese firms who they are working with as well from 1 to 10 where 10 means they think that the Chinese expatriates and the Chinese firms are fully adjusted to the Thai business culture. The results are giving in (Table 4.2).

**Table 4.1 Adjustment Scores of the Chinese Expatriate**

Interviewees	A1	A2	A3	B1	C1	D1	Average
Personal adjustment	5	7	6	8	4	7	6.17
Firm adjustment	5	5	6	6	5	6	5.5

**Table 4.2 Adjustment Scores from the Thai Business partners' point of view**

Interviewees	E1	E2	E3	F1	Average
Chinese expatriates' adjustment	7	4	6	4	5.25
Chinese firm adjustment	5	3	8	5	5.25

According to the (Table 4.1), it seems that the average score is quite moderate for both personal adjustment to the Thai culture and also the firm adjustment to the Thai business culture. However, the personal adjustment seems slightly higher than the firm adjustment. One of the reasons might be that the Chinese expatriates had to live in the Thai environment. They had to face the different culture and cope with it themselves compared to their firms which still operated as normal in their home country. However, only 3 of them give slightly high points which is 7-8 for the personal adjustment to the Thai culture. It is possible that it related to the duration that they had stayed in Thailand and their relationship with their local friends. In contrast, Mr. C1's scores are slightly low which are 4 for the personal adjustment to the Thai culture and 5 for his firm adjustment to the Thai business culture. It is possible that it is because his

duration is only 2 years as he might still be in the settling in phase according to the Generalized U-curve of adjustment to a new culture over time (Lysgaard, 1955 as cited in Zapf, 1991) as shown in (Figure-2.1).

Meanwhile, both average scores given by the Thai interviewees were also quite moderate as shown in (Table 4.2). It is also interesting to see the slightly high score of 8 for Ms. E3 as she thinks that the Chinese firm adjustment to the Thai business culture is well adjusted. However, it is possible that she doesn't have much international experience and is just recently assigned to deal with the Chinese expatriates compared to other Thai interviewees. Furthermore, Mr. E1 said that his international experience helps him empathize with the Chinese expatriates' situation compared to other interviewees who have lower international experience.

#### **4.5.4 The Useful Support or Information**

All interviewees were asked what kind of support or information would be useful for the Chinese expatriates before moving to Thailand. All Chinese interviewees said that it would be useful to know that Thai business culture would be quite slow and easygoing. They could have been prepared and adjusted their strategy to handle the Thai business culture. Mr. B1, Mr. C1, and Mr. D1 answered that speaking the Thai language would be better than using English because English is a second language for both Thai and Chinese. Therefore, it could create many misunderstanding situations or miscommunication. It would still be better to communicate using either Chinese or Thai. Furthermore, Mr. A1 and Mr. B1 said the pre-visit also helps them adjust to the Thai culture faster. In addition, developing local friends, girlfriend, or boyfriend is also helpful. Finally, attending the social activity or joining the local community is very useful as it builds up the relationship. "In Thailand, relationship is the first priority" stated by Mr. A1.

## **CHAPTER V**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Conclusion**

According to the research questions, this paper has investigated the motivation of the Chinese firms to invest in Thailand, the challenges that they are facing during Thai market development, and how they adapt to the Thai market or Thai business culture. Meanwhile, the motivation of the Chinese expatriates to stay in Thailand, the challenges they are facing with the Thai culture, and how they cope with it are also included. In addition, some questions are also provided for the Thai business partners who are usually working together with those Chinese expatriates to understand from their point of view as well. It is concluded that most Chinese expatriates and their firms are moderately adjusted to the Thai culture. However, they might need more time to be fully adjusted to the Thai culture as they are improving. At the same time, the opinions from the Thai business partners also the same. They also think that the Chinese expatriates and their firms are moderately adjusted to the Thai culture. In addition, the conclusions of this study are summarized as below.

In the beginning, the Chinese firms' motivation was the government relationship which they expected a good support from the Thai government as same as the other successful Chinese firms who came to Thailand earlier. Second, they wanted to test the international market, so Thailand was chosen as the distance was quite closed to China. They could monitor or observe the market closely which allowed them some flexibility and mobility. Finally, they thought that Thai culture should be similar to Chinese culture as they called them the Asian culture. In addition, it was mentioned by (Suvakunta, 2007) as well that Thailand had been chosen because Thailand has close cultural and ethnic ties with China.

However, the Chinese expatriates' motivations were concluded into 4 things. First, they were motivated by the variety of the successful and famous Chinese firms in Thailand such as CP Group. They sought the reputation in succeeding in Thai

market development. In addition, they also expected to get an additional benefit from this success as well. Second, they expected that the communication would not be an issue in Thailand as many people were better in English compared to other SEA countries. Third, they thought that the living cost in Thailand would be very cheap compared to the famous land such as Hong Kong and Singapore especially the food. Finally, they were motivated by the variety of leisure activities in Thailand which were difficult to find or expensive in their country such as Golf. Similarly, the Thai firms were also motivated by the reputation of the successful Chinese firms in Thailand. However, their motivation was also the expectation of getting a high profit margin. Due to their perception of the Chinese products that they usually came with a very low cost, it motivated them to cooperate with those Chinese firms.

Before the expatriation, the Chinese firms only set the KPI and shared their objective for the Thai market development to their expatriates. Moreover, the firms only prepared the traveling allowance and insurance for their expatriates. The Chinese expatriates had to prepare other necessities themselves such as the VISA and work permit. On the other hand, some of the Chinese expatriates who had been to Thailand before didn't need to prepare much because they believed that living in Thailand was easy for them. In contrast to the Chinese firms, most of the Thai firms only prepared the Chinese firms' profile, their main products and services, the expatriates' name and position, and their website. The Thai business partners who had been assigned to work closely with those Chinese expatriates needed to prepare other necessities themselves which they had been used to their firms' behavior. It was mentioned in the previous chapter that neither Chinese expatriates nor Thai business partners known what was the cross-cultural training. However, only the Chinese expatriates were interested in the cross-cultural training after they learned what was the cross-cultural training. On the other hand, the Thai business partners weren't interested in the cross-cultural training at all if they were dealing with the Chinese firms because they believed that the Chinese culture was similar to Thai culture.

Unlike their expectation, the Chinese firms had been challenged by the language barrier problem. They thought that Thai people could communicate with them using English without any problem, but in reality, they could communicate with them only the daily conversation not the business discussion. It was also mentioned by the

Thai business partners that their English-Chinese accent was difficult to understand. Moreover, this challenge was also captured by Shi and Wang (2013)'s literature that the business communication and the language barrier were in the top 4 challenges they had found.

The second challenge was about the business culture differences between the Chinese expatriates and the Thai business partners. At first, both sides believed that culture should not be the issue. However, the Thai business partners' opinion about the Chinese expatriates weren't good as they had expected. They thought that Chinese business culture was aggressive without any flexibility. On the other hand, the Chinese expatriates also had a headache because of the Thai business culture which was very slow in every process. They thought that Thai business partners wasted too much time. Furthermore, both sides always got into the conflict because of their assumptions. It could be that both of them were from the high context culture. Therefore, they always assumed that they understood the other party during their conversation.

On the other hand, the Chinese firms also faced several challenges as well. One of them was the political stability in Thailand. One of the Chinese interviewees stated that the Thai government kept changing causing the law to keep changing which produced a lot of troubles for their operations. Another challenge was about the overcommitment and trust. The Thai firms always commit to the Chinese firms about how much sales they could get if the Chinese firms could lower the cost more or invest on some R&D improvement. Even though the Chinese firms trusted them and invested as they had asked, the number didn't even come close to the previous commitment. As a result, it created some distrust towards the Thai business partners.

However, the Thai firms thought that the Chinese products would be cheaper, but instead, the cost was quite high with less margin for their firm unless they could sell in a very huge volume. Thus, the Thai firms needed to come up with the strategy that commit the slightly higher forecast to negotiate about the cost with the Chinese firms. Finally, the last challenge was about the psychological bias towards the Chinese products. Many Thai customers still perceived the Chinese products value as "low price, low quality". In addition, they were even afraid to use any Chinese software because they thought that the software would send their information back to China or

including malware. Therefore, it was difficult to change their mindset even though the Chinese products had been improved a lot recently in term of quality.

Finally, the Chinese firms had been moderately adjusted to the Thai business culture. They adjusted themselves by starting to enhance the trust and relationship with the Thai firms. Even though they used to claim that Thai partners could not be trusted, they still insisted to keep the trust while still cross-checking the information they received from the Thai partners. Another adjustment strategy they used was to be more flexible. They decided to change their current procedures, operations, and financial terms to suit the Thai business culture. However, the changes had to be acceptable with their policies as well. On the other hand, the Chinese expatriates adjusted themselves by attending the social activities to build up the relationship with the Thai business partners. The most preferable activities were to have a dinner, karaoke, and visit night club. Moreover, the sports that involve many people at the same time were also the best choice toward the Thai business partners such as badminton.

## **5.2 Recommendations**

In this paper, the author has identified the Chinese firms' motivation to invest in Thailand, their challenges during Thai market development, and how they adapt to the Thai market. Moreover, the opinion and experience of the Chinese expatriates are also collected and analyzed in term of the motivation, preparation, challenges, and adjustment. Meanwhile, some questions are also applied to the Thai business partners who usually work with those Chinese expatriates to see from their point of view as well which provided quite an interesting result. The recommendations and the useful information to the other Chinese firms who plan to invest in Thailand are concluded as below:

- Thai business culture is quite slow and easygoing especially if it is related to the Thai government, so the effective strategy needs to be slightly assertive and control the timeline.
- As English is the second language for both countries, it would always create some problems during the business discussion. Therefore, the third party is

required to translate in either Thai or Chinese. Furthermore, it would be more effective if either side learns Chinese or Thai.

- Trust is one of the keys to the adjustment. To build trust, the Chinese firms need to be more flexible. Some procedures or policies might need to be adjusted to suit the Thai business culture.

- Another key to the adjustment is the relationship. To build up the relationship, the Chinese expatriates might join the social activities together with the Thai business partners such as having a dinner together, going to the karaoke, or playing some sports that involve many people such as badminton.

- To adjust faster to the Thai culture, a local friend is recommended to help the Chinese expatriates learn more about the Thai culture.

- The cross-culture training is also recommended for the Chinese expatriates before their expatriation to Thailand.

- Change management is also recommended in order to change the Thai consumer bias toward the Chinese products otherwise it will consume more time to develop the Thai market.

### **5.3 Scope and Limitations**

The sample of interviewees is small and only from some specific industries. Further research is required to get more comprehensive data as well as more sample selecting for several industries to re-confirm the result of this paper. Moreover, more sample of the Thai business partners is required as well to improve the result because the sample Thai business partners in this paper only come from 2 different firms which has an interact with only 2 out of 4 Chinese firms. The result might be analyzed and shown differently with the more samples.

The age and the duration of the international experience also impact the result a lot as the older expatriates tend to adapt slower than the younger expatriates as they have different generation's interest. It was captured in chapter 4 that the younger tend to join most social activities with the Thai business partners whereas the older only join some specific social activities with the top management of the Thai firms. At the

same time, the longer the international experience the faster they adapt to the different environment and culture compared to the expatriates with the lower international experience which seems to stay at the culture shock period longer. However, the author still hopes that this paper would be, somehow, useful for the other Chinese firms and the Chinese expatriates who are aiming to invest or stay in Thailand. Therefore, they could adapt their strategies to cope with the Thai business culture and develop the market with less difficulties in the future as well.





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