Chapter 14
Managing National Competitive Disadvantages: Thailand

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ABSTRACT

There are a number of national competitive disadvantages multinational firms in Thailand face, but these disadvantages do not create insurmountable barriers. The national competitive disadvantages found in Thailand include a national brand which is not associated with advanced technology and a lack of an innovative national environment. At the strategic level, foreign multinationals can often overcome these disadvantages by using competitive advantages coming from their country of origin while local multinationals can select to operate in more mature industries or through positioning into segments where the national competitive disadvantages do not create significant barriers to success.

INTRODUCTION

Multinational Enterprises (MNEs) operating in developing economies, such as Thailand, operate in environments which are associated with having some national competitive disadvantages, yet we see many MNEs, some foreign and some local, which are able to work around these national competitive disadvantages while also taking advantage of some often overlooked national competitive advantages to achieve success.

This chapter will primarily focus on the strategic dimensions of selecting which industries and overall strategies to engage in and competitive positioning strategies within the environment found within Thailand.

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NATIONAL COMPETITIVENESS

While it is companies, and not countries, which compete in the global marketplace, the connection between country of origin and the competitiveness of individual firms in specific industries has received a lot of attention. Torrisi and Uslu (2010) found firms within a specific industry could draw upon three different sources of national competitive advantage; basic requirements, efficiency enhancers, and innovation and sophistication factors. Basic requirements drive factor-driven economies, efficiency enhancers are important for cost advantages, and innovation and sophistication factors are used to create competitive advantage through differentiation. It would appear that in general, firms in developing economies have varying types and amounts of basic requirements and efficiency enhancers, but mostly lack the innovation and sophistication factors needed to gain an advantage in using differentiation strategies based on technology or national brand images of quality. The lack of innovation and sophistication factors will most likely limit the strategic options for firms originating from developing economies, but the availability of access to these factors can be used to advantage by foreign firms when operating in Thailand or other developing economies.

In 1990, Michael Porter introduced a framework which can be used to analysis the competitiveness of an industry within specific nations. This framework is often referred to as Porter's diamond and is made up of four categories The four categories are: (a) factor conditions, such as availability of raw materials and natural resources, skilled work force, etc…; (b) demand conditions, the higher and more sophisticated the demand the more likely an industry within a specific country is to develop world class producers; (c) related and supporting industries, the availability of suppliers and other supporting industries will increase the competitiveness of an industry; and (d) the strategies, structures, rivalries and management decisions of individual firms within the industry.

Using this framework, it would appear the more economically developed nations have advantages in many industries, especially those using high-end differentiation strategies and in the higher value-added segments of a supply chain. Industries and individual firms in developing economies face a number of obstacles in developing international competitiveness. These obstacles include controlled markets, lower levels of demand, less sophisticated local customers, lack of access to skilled workers and the lack of ability to effectively use existing knowledge which is available (Shenkar, 2009). As these obstacles can cross industries, the environmental limitations found in developing markets can have a knock-on effect as supporting industries are likely to be restrained by the same types of environmental conditions.

In existing measurements of national competitiveness, developed nations are almost always ranked above developing nations (Ju & Sohn, 2014). However, firms originating from developing economies often have some advantages over large multinationals originating from wealthy nations. These include the advantages of lower-priced labor costs, flexible ownership structures, and experience operating in unstable and informal environments. These factors often encourage the ability to be flexible and effectively react to environmental changes in a variety of developing market settings (Cuervo-Cazurra & Genc, 2008; Seshanna, 2009; Shenkar, 2009).

Additionally, companies from developing economies can often take advantage of some cost savings when compared to international MNEs, even when operating within the same country with access to the same labor market. One factor leading to cost advantages comes from companies originating from developed economies, even while operating in emerging markets, having tighter regulatory requirements as they are required to meet home country standards and are expected to respond to pressures from NGOs and the international media; while local firms normally operate in less stringent regulatory environments