South Korean Investment in Thailand : A Comparative Study between Two Chaebols

การลงทุนของเกาหลีใต้ในประเทศไทย : การศึกษาเปรียบเทียบระหว่างกลุ่มแชโบลสองกลุ่ม

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Abstract

This pilot study compares Thai subsidiaries of two well-known South Korean Chaebols from economic, behavioural and strategic management perspectives. Each perspective has its theoretical flaws, but each of them is complementary to each other. The eclectic paradigm and the Uppsala model have existed for almost two decades, but both theories have failed to explain the strategic direction of investment behaviour. Strategic directions can reflect the companies' expansion, stabilisation and retrenchment. Analogously, strategic direction can mirror investment, commitment and divestment. This study employs a host-country perspective. The study employs a qualitative comparative analysis as a research strategy. As an initial phase of the study, this study uses secondary data of both Chaebols for the analysis. Nonetheless, two cases of Samsung and LG alone cannot generalise the investment behaviour of South Korean Chaebols as a whole. More South Korean cases in Thailand and other host countries need to be investigated, before a follow-up large-scale quantitative survey in the future research.

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บทคัดย่อ

การวิจัยเบื้องต้นนี้เปรียบเทียบบริษัทลูกของกลุ่มธุรกิจยักษ์ใหญ่จากเกาหลีใต้ที่เรียกว่า "แชโบล"จากมุมมองทางด้านเศรษฐศาสตร์ พฤติกรรมศาสตร์และการจัดการเชิงกลยุทธ์ซึ่งแต่ละมุมมองก็มีจุดอ่อนและส่งเสริมซึ่งกันและกันได้ แบบจำลอง "อีเคล็คติก"และ "อุปซาลา"ปรากฏอยู่กว่ายี่สิบปีแต่ยังไม่สามารถอธิบายทิศทางเชิงยุทธศาสตร์ของการลงทุนได้ ซึ่งทิศทางเชิงยุทธศาสตร์สามารถสะท้อนการขยายตัว การคงตัวและการลดขนาดของบริษัทต่างๆได้โดยผ่านทางการลงทุน การตั้งเป้าที่จะอยู่ในประเทศต่างๆและการถอนทุนได้ การวิจัยนี้ใช้มุมมองของประเทศที่รับการลงทุนและใช้การเปรียบเทียบวิเคราะห์เชิงคุณลักษณะเป็นยุทธวิธีในการทำวิจัย แต่เนื่องจากเป็นขั้นเริ่มต้นของการวิจัยจึงใช้ข้อมูลทุติยภูมิมาวิเคราะห์ทั้งสองบริษัทคือ "ซัมซุง" และ "แอลจี" ก่อนที่จะทำวิจัยเชิงปริมาณขนาดใหญ่ตามมากับบริษัทสัญชาติเกาหลีใต้แห่งอื่นๆและในประเทศอื่นๆ เนื่องจากตัวอย่างแค่สองบริษัทยังใช้เป็นตัวแทนสรุปพฤติกรรมของบริษัทสัญชาติเกาหลีใต้ทั้งหมดไม่ได้

Keywords : *Chaebol, EDI, MNCs, Thailand*

This paper contains original work which has not been published elsewhere.

Introduction

Thailand has recognised the Republic of Korea (refer to as 'South Korea') since October 1949. Thailand sent troops to defend South Korea from North Korea's invasion during the Korean War (1950-1953). Both countries signed the first trading treaty in 1961 (Leepiyachart & Chunsiripong, 2005). To encourage foreign companies to invest in the countries, Thai government enacted Investment Promotional Act and set up Board of Investment (BOI) in 1960 (Ramiar, 1998). However, South Korean companies have begun to invest in Thailand since 1983 (Leepiyachart & Chunsiripong, 2005). These companies are late-comers in comparison with Japanese, American and European companies. This situation reflects the late internationalisation of South Korean companies (Suh & Kwon, 2005).

South Korean economy is the showcase of high growth prior to the late 1990s, followed by a sharp downturn in 1997 and more recently a sharp upturn after 1997 (Euh & Rhee, 2007; Park, 2007). South Korean government since 1962 selected a few 'strategic industries' and limited the number of firms in each industry. It has pursued an export-led industrialisation policy (Kim & Yi, 1999; Kim et al, 2004; Suh & Kwon, 2005; Park, Pak & Lee, 2006; Euh & Rhee, 2007). 'Chaebol' is the term for a South Korean business group. Chaebol uses the same Chinese characters as 'Zaibatsu', pre-WWII Japanese business groups, because Chaebols are modeled after Zaibatsu. Chaebols are the engine growth for South Korean development and industrialization. Before 1997, the government had let the business groups carry out debt-financing policy by guiding banks to grant loans to these business groups with very low interest rate. To 'graduate' as an OECD member for national pride, South Korean government liberalised the economy leading to dramatic environmental change. While the government lost control its economy, South Korean business groups intensified their expansionary strategy and were unable to withstand the impact of the crisis on the economy (Park, Pak & Lee, 2006; Park, 2007). The financial crisis hit East and Southeast Asia in 1997-1998 very hard after more than two decades of phenomenal growth. The crisis deeply affected both Thailand and South Korea. After the economic crisis, Some South Korean business groups faded away; other learnt and become more competitive than ever. The surviving groups have been forced to change their priority from 'expansion and growth' to 'efficiency and profitability (Kim & Yi, 1999; Kim et al, 2004; Suh & Kwon, 2005; Park, Pak & Lee, 2006; Park, 2007)'. These business groups had to eliminate, divest and consolidate their business portfolio, otherwise; they went bankrupt. They learn to restructure on the basis of clearer appraisal of the synergic relation between the group units. South Korea is the world's 12th largest trading country and 8th in terms of the number in the Global Brand 100 (Euh & Rhee, 2007). After the crisis, the government has tried to weaken the influence of business groups' founding family (Park, 2007). Overseas subsidiaries have begun to consider themselves as profit centres rather than mere service units of the head office. The globalization strategies of South Korean companies have become workable with the rationalisation of the head offices (Lindblad, 1999; Suh & Kwon, 2005).

The outward FDI activity of South Korean MNCs had grown rapidly from 1988 to 1996, with a drastic drop owing to the economic crisis in 1997, but the quick economic recovery (Chang & Delios, 2006). As the most important destination, Asian countries including Thailand received 64% of South Korean MNCs' FDI. Thailand had been one of the important destinations for South Korean outward FDI in the first half of the 1990s. However, by the end of 1995, the US and China became the major recipients of South Korean FDI (Chung, Lee & Jung, 1997; Chang & Delios, 2006). South Korean investment in Thailand comprises mainly electronic appliance, electrical equipment and other heavy industries (Leepiyachart & Chunsiripong, 2005). The number of Korean companies in Thailand has been steadily increasing, and becoming one of the main sources of Thailand's inbound FDI. Recently, Thailand has become the 9th recipient of South Korean MNCs' FDI (Chang & Delios, 2006).

The purpose of this study is to investigate how factors from economic, behavioural and strategic management perspective affect MNCs' investment decision concurrently. The central research question is 'how different factors have an impact on FDI decision?'. The paper is structured as follows. The literature on FDI behaviours from economic, behavioural and strategic perspectives is reviewed in the first place. Next, the three perspectives are integrated into a model depicting FDI motivations. Under this model, conceptual propositions are formulated as a basis for conducting research on how factors from these perspectives have an influence on FDI decisions. A multiple-case design is proposed for data collection, management and analysis. Hence, South Korean companies are chosen as cases under this study. The listing of South Korean companies from Thailand's BOI (www.boi.go.th) is examined. Two South Korean companies are chosen. To understand the recent motivation of South Korean investors, the cases are chosen from recently established companies.

THEORETICAL BACKGROUND

There are numerous theories that have been developed to explain why companies decide to invest overseas. The early contribution to FDI theories came from economic theories because international direct investment concerning multinational corporations (MNCs) has been discussed in economic literature for more than forty years (Lavie & Fiegenbaum, 2003; Trevi?o & Mixon, 2004).

Economic Approach

Dunning (1993) has developed the eclectic paradigm of international production from several earlier economic theories describing FDI behaviour. This paradigm has been dominant in the research on MNCs and internationalisation for more than two decades even if global business environment and MNCs' behaviour have been changing (Cantwell, 2003). Despite the paradigm developed mainly for manufacturing firms, several researchers (eg. Brouther et al, 1996; Stibora & De Vaal, 1999; Bell, 1999) succeed in using it to explain FDI behaviour in small and service firms.

As a multi-theoretical approach for studying the choice of entry modes focusing initially on market imperfection concerning business or usage specificity, the eclectic paradigm presumed that MNCs systematically involved in a cost-benefit computation of all possible entry modes, such as exports, licensing, hybrid modes and FDI (Rugman & Verbeke, 2004). This assumption is impossible in the real-world situation where the decision-makers do not have access to perfect information (Johanson & Vahlne, 1990). However, the paradigm cannot explain all relevant factors at the same time, because such an attempt generates the problem of establishing demarcation lines between the different concepts that may relate or overlap, and the problem of analysing and interpreting the effect of interrelationship among these concepts (Johanson & Vahlne, 1990; Andersen, 1997). Even if the paradigm allows researchers to add new determinants for investigation, its static nature fails to explain the shift in entry mode and divestment (Young et al, 1989; Johanson & Vahlne, 1990; Andersen, 1997). As a main paradigm from an economic perspective, it does not include non-economic factors that play a crucial role in FDI decision (Young et al, 1989; Robock & Simmons, 1989; Bradley, 1995).

Behavioural Approach

Not all FDI decisions are rational. Johanson and Vahlne (1977) developed the Uppsala model as a behavioural approach to FDI decisions. Unlike the eclectic paradigm, the model can explain shift in entry mode over time (Andersen, 1997). Even if the model does not explain why firms start exporting, it can explicate the attitudes of managers about the risks and incentive to internationalise (Johanson & Wiebersheim-Paul, 1975; Oviatt & McDougall, 1997). The increasingly globalised competition nowadays causes internationalisation process to be systematic rather than unique to a firm (Oviatt & McDougall, 1997). This trend enhances the model's generalisation and supports Johanson and Wiebersheim-Paul's (1975) speculation that leapfrogging could occur in the later state of internationalisation when MNCs gain extensive experience from the global market. Many empirical studies support its assumptions, but the model is generally applicable to only the early stage of internationalisation process (Johanson & Vahlne, 1990).

Many critics says the Uppsala model is too simplistic and broad to have a clear depiction how knowledge affects FDI, because it uses only one variable to depict MNCs' internationalisation process and choices of entry mode (Andersen, 1990, 1997; Johanson & Vahlne, 1990; Oviatt & McDougall, 1997). There are four main challenges to the basic tenet of the model since its inception over the last two decades. Initially, MNCs invest overseas at an increasing pace. Their executives can make decisions quicker with their increasing experience and confidence. This experience generates business opportunities, reduces market uncertainty and the expected cost of entry, and drives internationalisation process (Johanson & Vahlne, 1990; Forsgren, 2002). However, the model cannot explain why the more experienced MNCs tend to use multiple and cooperative modes of entry, such as joint venture or strategic alliance in the stage of development (Andersen, 1997; Oviatt & McDougall, 1997; Forsgren, 2002). Secondly, MNCs sometimes invest overseas without own experiential knowledge. The model cannot explain upstart global companies' risk-taking and client-following behaviours, the first-mover advantage and the acceleration of internationalisation fully (Oviatt & McDougall, 1997; Forsgren, 2002). Nowadays FDI depends on the ambition of gaining market knowledge rather than MNCs' existing market knowledge. Thirdly, MNCs invest abroads without possessing any substantial market knowledge if they perceive risk of not invest overseas. The fear of losing overseas customers to competitors is more important than uncertainty created by lack of knowledge (Oviatt & McDougall, 1997; Forsgren, 2002). The model cannot explain how executives in different MNCs perceive the risk of internationalisation. Finally, FDI is not only the way of using firm-specific capabilities, but also the means of acquiring new capabilities abroads. Knowledge acquisition or experiential learning can lead to FDI, but the gradual accumulation of market knowledge does not restrain MNCs from radical changes in FDI behaviour (Forsgren, 2002).

Strategic Management Approach

Many researchers who are interested in FDI behaviours have begun to apply variables from the strategic management literature because these variables can explain the firm-environment interface (Trevi?o & Mixon, 2004). Strategic management assumes that strategic decision should drive internationalisation process (Fina & Rugman, 1996; Forsgren, 2002). International market selection and the choice of entry mode represent the key strategic decisions in connection with MNCs' internationalisation (Bradley, 1995; Andersen, 1997; Lavie & Fiegenbaum, 2003). This assumption contrasts the Uppsala model's premise that internationalisation process is not goal-driven, because this process should continue to the same direction rather than changes in strategic direction (Johanson & Vahlne, 1990; Forsgren, 2002).

Because the strategic management approach emphasises the nature of decision-making within MNCs, it can explain strategic FDI decisions during the crisis unlike the eclectic paradigm and the Uppsala model, (Young et al, 1989;

Forsgren, 2002). It can justify the variation in global strategies in particular MNCs (Robock & Simmonds, 1989). It can explicate why MNCs have to withdraw from some markets, as divestment has been largely disregarded in present FDI theories (Matthyssen & Pauwel, 2000). However, the strategic management approach cannot describe the evolution of MNCs owing to its focus on on-spot events rather than the historical background of each MNC (McKern, 1993).

RESEARCH METHODOLOGY

By giving comprehensive explication that survey research lacks, case studies offer the prospect of a new insight into the linkages among related factors (Ragin, 1987; Eisenhardt, 1989; Yin 2003). The qualitative approach can demonstrate the dynamism of FDI decisions among South Korean investors rather than a check-list of pros and cons before making a choice. To formulate conceptual propositions for the future empirical test, this study compares two leading South Korean consumer electronics companies as a secondary-case analysis.

Case Selection

Consumers in the 2000s acknowledge the increasingly concentrated and global nature of competition in electronics industry (Chang & Delios, 2006). South Korean consumer electronics companies have become major players in global electronics industry alongside their Japanese counterparts. LG Electronics (LGE) and Samsung Electronics (SEC) have recently become major world competitor in consumer electronics industry. Both companies have expanded rapidly into global market in the early 1990s. South Korean business laws stipulate that South Korean firms which invest abroads submit their investment reports to Import-Export Bank of Korea, which compiles a database on investors' name dates amounts and overseas locations. From this database, SEC and LGE have been the first and the second most active foreign investing firms among South Korean MNCs (Chang & Delios, 2006). In the global market, SEC uses Samsung and LGE use LG for brand and corporate identity. Samsung is South Korea's leading business group, both in terms of total assets (US$ 233.8 billion) and the number of its affiliates (58) in 2006 (Lee & Lee, 2007). Because Samsung and LG are dedicated to electrical machinery and appliance, because both business groups compete head-to-head in many international markets and because both of them is in the top-2 outward FDI for South Korean MNCs, both of them are chosen for comparative case analysis in this study.

Data Collection and Management

Data are captured from literature review, documents, archives and news. Archival data is collected for each case, including organisational charts, company histories, historical financial reports, corporate brochures, annual reports, press releases, and newspaper's and magazine's reports on the cases. To ensure the particularity of FDI behaviours in each company, and to identify commonality and patterns of these behaviours among South Korean companies on the basis of the initial model, data analysis is be divided into (1) within-case level and (2) cross-case level.

Within-case analysis will delve into the FDI decision in each company. A case-order effects matrix links the viewpoints in the documents and archival records for each company. On the basis of data triangulation, the convergence of these viewpoints ensures data validity (Miles & Huberman, 1994; Stake, 1995). To create pattern-displays within each case for further comparisons in the following cross-case analysis, a causal network for each case is built to reveal temporal interconnectedness among decision variables and patterns (Miles & Huberman, 1994; Pettigrew, 1997). This interconnectedness ensures the internal validity, credibility and particularity of each case.

Cross-case analysis bases a comparison between two companies on the patterns emerging from the within-case analysis. A South Korean company is compared with the other South Korean companies in the case-order effect matrix. Both causal networks are integrated into one cross-case causal networking (Miles & Huberman, 1994). This integration reveals the pattern of South Korean FDI in Thailand. The initial model will be reconceptualised and modified according to pattern emerging from the cross-case analysis.

Case 1: Samsung Electronics

The late Chairman Lee Byung-Chull founded Samsung on 1st March

1938 and his son Lee Kun-Hee succeeded his after his death in 1987 (Lee & Lee, 2007). Samsung Electronics Company (SEC), founded in 1969 as an affiliate of the Samsung Group, has become the largest manufacturer in South Korea with a turnover of US$ 23.9 billion and accounted for 32.8% of the total output of the electronic industry before the economic crisis in 1997 (Yu, 1998). SEC has grown on average 38% a year, extending its product lines from simple consumer electronics and home appliances to sophisticated information and communication equipment, computers and semiconductors. The founder of the Samsung Group wanted to make SEC one of the largest manufacturers of electronics goods in the world. As a result, SEC has taken the leading role in reaching the frontier of South Korea's electronics business (Yu, 1998).

SEC started its production of monochrome TV sets in 1971 and colour TV sets in 1977. By the early 1980s, SEC was able to narrow the technology gap by producing VCRs and microwave ovens, and eventually by the early 1990s SEC managed to produce state-of-the-art products. Within the limit of the electronics-related area, SEC began to diversify its product range until its technological competency augmented. To capture the benefits of sharing the technology and management, SEC and Samsung Semiconductor and Communications merged under the accentuate diversification strategy in 1988 (Yu, 1998). Finally, SEC can keep pace with US and Japanese MNCs in the technological ladder. SEC's achievement is neither a miracle nor a growth distorted by government subsidy. It is a consequence of a well-thought-out strategy following a step-by-step learning process from simple to more sophisticated technologies, and capitalising on synergy by synchronising the strategic factors of different dimensions (Yu, 1988).

Before the crisis, Samsung's executives frequently made decisions on the basis of non-economic factors such as legitimacy-seeking and competitive imitation (Lee & Lee, 2007). Samsung Group established its corporate headquarters, formerly called 'the Office of the Chairman' to help the central supervision of chairpersons in 1959. As a group think-tank, this headquarters is responsible for group-level, long-range strategy formulation, the allocation of financial and human resources, and the coordination of decisions between affiliates (Kim et al, 2004; Lee & Lee, 2007). The planning and finance teams had dominated strategic decision-making process at the Office of the Chairman. As its policy shifted from external diversification to internal efficiency after the crisis, the finance team has taken over the key decisions from the planning team. All affiliates' major strategic decisions need the finance team's approval. The finance team also devises the 'Long-term Group Strategy'. The whole corporate culture of Samsung has been changed from expansionist mentality to internal efficiency. In 1998 the Office of the Chairman was renamed as 'the Corporate Restructuring Headquarters' and its planning team was dissolved subsequently. In the same year, the Korean Fair Trade Commission (KFTC) imposed a substantial penalty on Samsung for cross-subsidisation of its 7 affiliates (Lee & Lee, 2007).

In 2006 Samsung renamed 'the Corporate Restructuring Headquarters' as 'the Strategic Planning Office, cut the number of teams from 5 to 3 and axed employees from 147 to 99. The finance and management consulting teams merged and became the 'Strategic Support Team' in charge of long-term strategy for the group. The planning and PR teams were combined into a one joint team in charge of only for brand strategy and the Samsung Group's corporate identity (Lee & Lee, 2007).

Samsung was established in Thailand in 1988. Samsung Electro-Mechanics' factory in Thailand received the best corporate award in 1995 (www.samsung.com/th). Thai Samsung Electronics, Co. Ltd is a subsidiary of SEC in Thailand. In 2004 Samsung became one of the most wanted companies for Thai employees. Fifty percent of its revenue came from electronic appliances, forty percent came from mobile phone handsets, and the rest came from IT group (http://www.100rankingthailand.com/files/polldetail.php?researchid=R000277). In 2005, Samsung became the market leader in TV projections, plasma TVs, flat-screen TVs, LCD monitors, computer monitors and refrigerators in Thailand (http://hitech.sanook.com/trendy/trendy_07586.php)

Case 2: LG Electronics

LG stands for Lucky-Gold Star, the name reflecting the merger of Lucky group and Gold Star group. It started up as a cosmetic cream factory in the late 1940s and then expanded into a plastic business, an electronics business, a telecommunication business and other businesses eventually (Kim et al, 2004). During the financial crisis in 1997, LG was one of the top-4 business groups with more than 50 affiliates in a wide range of industries, such as electronics, telecommunication equipment and services, chemicals, trade, retailing, financial services, oil refining, construction, etc. Owing to declining competitiveness in many industries and a liquidity squeeze, LG initiated its group-wide restructuring. To reduce debt-to-equity ratios from 313% in late 1997 to 148% by the end of 1999, LG welcomed foreign capital and pursued a 'select-and-focus' strategy. In 1999 LG sold off 4 companies, hived off 3 companies, closed down 1 company and consolidated 8 companies (Kim et al, 2004). Even so, its business portfolio remained rather unrelated.

To eradicate interlocking shareholding and cross-subsidisation, South Korean government lifted a ban on the foundation of holding companies (Kim et al, 2004; Choe & Roehl, 2007). The new fair trade law allows the holding companies to own at least 30% of each of their affiliates, but not allows these affiliates to invest in each other (Choe & Roehl, 2007). Under new regulation, LG had set up LG Chemical Investment (LGCI) and LG Electronic Investment (LGEI) as holding companies for different business lines in 2001 and 2002 respectively before merging them into LG Corporation as a single holding company in 2003 (Kim et al, 2004; Choe & Roehl, 2007). LG Corporation takes charge of investing in their affiliates and promoting the LG brand and its top management is responsible for assessing affiliates and making both investment and divestment decisions (Kim et al, 2004; Choe & Roehl, 2007). In turn, these affiliates pay dividends and royalties to LG Corporation and their top management is in charge of these affiliates' decisions (Kim et al, 2004; Choe & Roehl, 2007). Under a holding company system, LG Group fundamentally maintained only core businesses, electronics and chemicals after the restructuring (Choe & Roehl, 2007). To better manage its unrelated business portfolio, LG Group has delegate more autonomy to their professional managers (Kim et al, 2004).

In 1969, LG started its business in Thailand with selling its products through Banchongmitr Co, Ltd, its sole distributor, under 'V-Star' brand. Because Thai government enforced local content law in 1980, Banchongmitr Co, Ltd changed itself from a distributor to an assembler of television and radio under 'V-Star' brand by importing audiovisual parts and components from Gold Star Co, Ltd in South Korea. In 1989, Gold Star Co, Ltd and Banchongmitr Co, Ltd have set up a joint venture called Gold Star Mitr Co, Ltd in response to expanding Thailand's consumer electronics market. Gold Star Mitr Co, Ltd built the first factory in Southeast Asia for manufacturing television sets and video cassette recorders (VCRs) under 'Gold Star' brand in Samutsakorn. 'V-Star' brand ceased to exit. In 1995, Gold Star group and Lucky Chemical group merged to become LG group world-wide. As a consequence, Gold Star Mitr Electronics Co, Ltd was renamed as LG Mitr Electronics Co, Ltd. All products under 'Gold Star' brand in Thailand became 'LG' brands in 1996. In 1997 LG built factories for manufacturing washing machines, air conditioners, refrigerators, and other white goods in expectation of Asean Free Trade Area (AFTA). LG expected to use these manufacturing facilities for exporting to third countries. In 2002, LG built one more refrigerator factory. In 2006, LG Mitr Electronics Co, Ltd was renamed as LG Electronics (Thailand) Co, Ltd. (http://th.lge.com/about/corporate/company_history.jsp)

Cross-case Analysis

The strong rivalry among South Korean business groups compelled them to emulate each other's business portfolio (Lee & Lee, 2007). This rivalry reflects that the late coming MNCs that were in the early stages of internationalisation tended to emulate other firms (Chang & Delios, 2006). South Korean competitors intimately matched competitor moves in the same industry. In most emerging economies, South Korean business groups tend to compete with other South Korean business groups head-to-head by matching their overseas expansion of their South Korean rivals (Chang & Delios, 2006).

The investment of Samsung and LG in Thailand falls mainly into export-oriented and market-oriented ventures. Both companies' FDI in the early stage were export-oriented investment, which they imported raw materials from South

Korea, processed them in Thai factories and re-export them to other countries. To reduce labour cost, Thailand had been an ideal destination for relocating both companies' manufacturing facilities. To reap maximal benefit from export-processing zone, both companies set up conventional labour-intensive production in Thailand. LG Thailand exports more than 85% of its output. In consumer electronics industry, Samsung and LG begin to move to a global production system. To increase the international competitiveness of exports and to compete with Japanese consumer electronics giants, their Thai affiliates tried to locally source non-essential parts and components. Their local sourcing both reduces production cost and improves a relationship with Thai government. Samsung and LG began to dominate Korean investment in Thailand (Chung, Lee & Jung, 1997; Lindblad, 1999; Suh & Kwon, 2005).

Since the 1990s, Thailand, along with China and other Southeast Asian countries have gained economic strength. Thailand has emerged as one of the most important new markets. Samsung and LG have stepped up their investment and the number of transactions with Thai businessmen. Both companies have recently begun to introduce quality products to Thai market and taken Thai consumers seriously (Kim & Kim, 1999). Because Thai market is not as sophisticated as those in Europe and North America, it becomes an ideal market for traditional low-quality products. In terms of advertising, both companies put a strong emphasis on impressing Thai consumers even if most of them still focus on export rather than local market. From then on, their investment has become both market-oriented and export-oriented concurrently (Chung, Lee & Jung, 1997; Lindblad, 1999; Suh & Kwon, 2005).

Most of Korean companies MNCs' affiliates in Thailand are joint ventures. Because Korean top executives perceive the difficulties related to the language, culture and personal networks required in business in Thailand, a joint venture with Thai partners is the most appropriate mode of entry. To assure a smooth transfer of know-how and quality control, the headquarters of Samsung and LG in Seoul still exert direct control over management in Thai subsidiaries. Because the Thai subsidiaries of both companies procure raw materials and parts mainly from their fellow subsidiaries in neighbouring countries, they are more likely to rely particularly on other subsidiaries in neighbouring countries. To some extent, Thai subsidiaries have some difficulties with local suppliers in terms of quality and delivery. To facilitate communication with Thai workers, both companies usually appoint Thai factory managers, but South Korean expatriates hold most managerial positions. To cope with the language barrier with local employers, both companies even encourage these expatriates to learn some Thai. With regard to technology transfer, both companies transfer a wide range of technology, from basic to advances ones. To transfer technology to Thailand, both companies often send selected Thai supervisors and skilled workers to South Korea for training (Lindblad, 1999; Suh & Kwon, 2005).

During the process of restructuring, the head offices intensified the direct control over Thai subsidiaries with the localisation of management concurrently. The participation of Thai managers in the decision-making process has been increasing. To reduce the cost of production and improve quality, these companies have been moving from local to global sourcing (Kim & Yi, 1999; Suh & Kwon, 2005). The crisis affected Thai subsidiaries severely. Furthermore, the economic crisis in Thailand hit South Korean companies hard. Their local sales dropped and their export sales were unable to compensate for this reduction. Thai subsidiaries have had to reassess their viabilities without major financial support from the head office in South Korean on the basis of long-term expansionist strategies (Lindblad, 1999; Suh & Kwon, 2005).

Even if Samsung and LG tend to match their strategies with each other and this matching have long reflected their strong rivalry, their strategy demonstrates some difference from a secondary data analysis. LG tends to welcome more foreign capital than Samsung. Albeit their business portfolio remains rather unrelated after corporate restructuring, Samsung clearly lets the finance team dominate their strategic decision making for internal efficiency whereas LG carries out a 'select-and-focus' strategy without further elaboration.

Discussion

Asian economic crisis really forced both Samsung and LG to be restructured. Their strategy in Thailand tends to show similarity rather than difference. When

Samsung announces its investment plan, LG tends to do the same thing in return almost concurrently. Their investment behaviours are in line with the argument that the strong rivalry among South Korean Chaebols induces them to compete head-to-head in overseas markets (Chang & Delios, 2006; Lee & Lee, 2007). The assumption of rationality under the economic approach like the eclectic paradigm cannot explain the rivalry between Samsung and LG. The behavioural approach is partly correct in case that the late comers in the early stages of internationalization are prone to imitate other firms. However, it cannot explain why both Samsung and LG still compete with each other head-on despite their achieved aspiration of becoming a global company. Both of them still match their overseas expansion strategy with each other. The strategic management approach can depict most of their rivalry. Samsung and LG are goal-driven companies. Both of them are not internationalized without purpose. Both of them underwent economic crisis in 1997 with drastic change in their strategic directions, such as divestment, dissolution, liquidation, sell-off, hive-off and so on.

Limitation and future research direction

This paper can give a preliminary light of the rivalry between Samsung and LG in Thailand. However, only two cases are insufficient to generalise South Korean investment behaviours in Thailand as a whole. More South Korean cases in Thailand need to be investigated before propositions are formulated for a further large-scale quantitative survey. The next step may be further case study research and a quantitative survey in other host countries, such China, Vietnam Cambodia and so on.

Conclusion

This preliminary study just compares Thai affiliates of two famous South Korean Chaebols, Samsung and LG from economic, behavioural and strategic management approaches. The assumption of rationality under the economic approach cannot delineate the rivalry between Samsung and LG whereas the behavioural and strategic management approaches can do. Nevertheless, as an initial phase, the paper has not yet reached an empirical level. Two cases of Samsung and LG alone cannot generalise the investment behaviour of South Korean Chaebols as a whole. More cases need to be investigated before a follow-up large-scale quantitative survey in the future research.

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