

## Transnational Management-Consulting Firms in Thailand and ASEAN

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### ABSTRACT

*The expansion and global role of management consulting services have become a topic of some interest in the context of the internationalization of services. The objectives, motivations, and strategies of Transnational Management-Consulting Firms (TMCFs) in the Thai market is the core subject of this paper. In addition, this paper presents performance and operational aspects of TMCFs in Thailand. Since TMCFs may enter foreign markets through a number of entry modes, their entry mode preferences in this market are analyzed in the context of their objectives, and local and regional conditions. This analysis is based on a recently completed interview-based survey of TMCFs in Thailand and is therefore a timely examination of a crucial subject—especially given the ongoing debate about "Services and Development". Firm, home and host-country related and international factors are separately identified and their interactions discussed. The future prospects for TMCFs in Thailand and ASEAN are also discussed.*

### INTRODUCTION

This paper is based on a recent interview-based survey of Transnational Management Consulting Firms (TMCFs) established in ASEAN, and particularly in Thailand. The analysis contained in this paper is perforce preliminary and especial heed is paid to the motives of TMCFs operating in Thailand (Section 6). The section on motivations is preceded by a number of sections providing a context to the analysis. Section 2 describes recent economic developments in Thailand which are both a consequence and cause of inward foreign direct investment (FDI); Section 3 outlines current global and regional FDI trends; Section 4 looks specifically at FDI in the services; and Section 5 profiles the characteristics of foreign TMCFs in Thailand. Section 7 concludes.

### OVERVIEW OF ECONOMIC DEVELOPMENTS AND FOREIGN DIRECT INVESTMENT IN THAILAND

Thailand is one of the fastest growing countries both globally and regionally. Over the period 1980-1992 its per capita income grew at a rate of 6.0 percent per annum and

achieved a level of US\$1,840 in 1992 (World Bank, 1994; Annexe Table 1). This remarkable rate of growth has placed the nation on the threshold of countries defined (by the United Nations) as 'upper-middle-income', a status already enjoyed by its ASEAN partner, Malaysia, which commenced its own rapid development path a little earlier. The major objectives of the Thai government in its 7th Plan (1992-1996) is to sustain a high growth and to settle and solve social and economic problems, achieving a per capita income of US\$2,750 by the end of 1996. Moreover, it hopes to lessen the gap between the poor and the rich and reduce environmental degradation. The current indications are that it will achieve this target: the Thai GDP is presently growing at around 8 percent, with projections of 8.6 percent in 1995 and between 7 to 8 percent until the end of the decade<sup>1</sup>.

Foreign direct investment plays a vital role in the Thai economy. It rose from only 60 million baht in 1960 (ESCAP/UNCTC, 1988: 475) to a stock of 50 billion baht (about US\$2 billion) in 1992 (UNCTAD, 1994: 14). As Table 1 shows, the country was the 8th largest recipient of FDI during the period 1981-1992. The growth in FDI has been assisted by the establishment of the Board of Investment

(BOI) which is directly linked to the office of the Prime Minister. During 1970-1985, foreign direct investment constituted about 2-3 percent of total gross domestic investments, but this share has significantly increased since the mid 1980s to a level approaching 6 percent (UNCTC, 1992: 314). As the share of external resource flows, FDI plays a moderate role since aid, portfolio investment and bank loans are also significant. Since 1987, Thailand has substantially increased its capital inflow and on average these have amounted to about US\$6.6 million annually in the five years to 1992 (BOT, 1993).

According to the BOI, Japanese firms were the largest investors in 1990 by total stock of capital (Figure 1). Other significant investors include Taiwan, the USA, Hong Kong, the United Kingdom, Singapore, Switzerland, the Netherlands, Malaysia and France, more or less in that order, although their relative order has shifted a little in recent years (Figure 2). Foreign investments in Thailand are spread over a number of sectors, but are especially concentrated in

"industry", "trade and services" and "construction" (Figure 3), a highly typical configuration.

#### TRENDS IN GLOBAL AND REGIONAL FOREIGN DIRECT INVESTMENT

The internationalization of the manufacturing and services sectors continues apace, particularly through foreign direct investment motivated by a variety of factors—such as the need to overcome trade obstacles or utilize low-cost labour. By the early 1990s, there were more than 37,000 transnational corporations (TNCs) with some 200,000 foreign affiliates (UNCTAD, 1994: 3). The scale of their exports were estimated at US\$2.5 trillion by the early 1990s (TCMD, 1992a: 1), whereas foreign production by the same TNCs was globally about US\$5 trillion (UNCTAD, 1994: xxi). In other words, international production has become, arguably, the preponderant mode of servicing world markets. During the 1980s, especially in the second half, global foreign direct

TABLE 1. The Ten Largest Host Developing Economies to FDI Flows, 1981-1992

(US\$ millions)

Host country	1981	1985	1990	1991	1992	Total 1981-1992
China	***	1,659	3,487	4,366	11,156	33,768
Singapore	1,660	1,047	5,263	4,395	5,635	33,012
Mexico	2,835	491	2,632	4,762	5,366	28,992
Malaysia	1,265	695	2,332	3,998	4,469	18,794
Brazil	2,520	1,348	901	***	1,454	17,752
Hong Kong	1,088	***	1,728	***	1,918	14,665
Argentina	837	919	1,836	2,439	4,179	12,199
Thailand	***	***	2,444	2,014	2,116	10,205
Egypt	753	1,178	***	***	***	7,755
Taiwan	***	340	1,330	1,271	***	6,545
Total, 1981-1992						183,687

Source: UNCTAD (1994)

Note: \*\*\* — Because this table is constructed from a table depicting the ten largest recipients of FDI in any one year, the figures were not always given for the above ten economies which emerged as the largest hosts over the period 1982-1992. Hence the blank spaces. However, the total 1981-1992 figure includes the missing data.

FIGURE 1. Registered Capital of BOI Promoted Firms, (1960-1990)

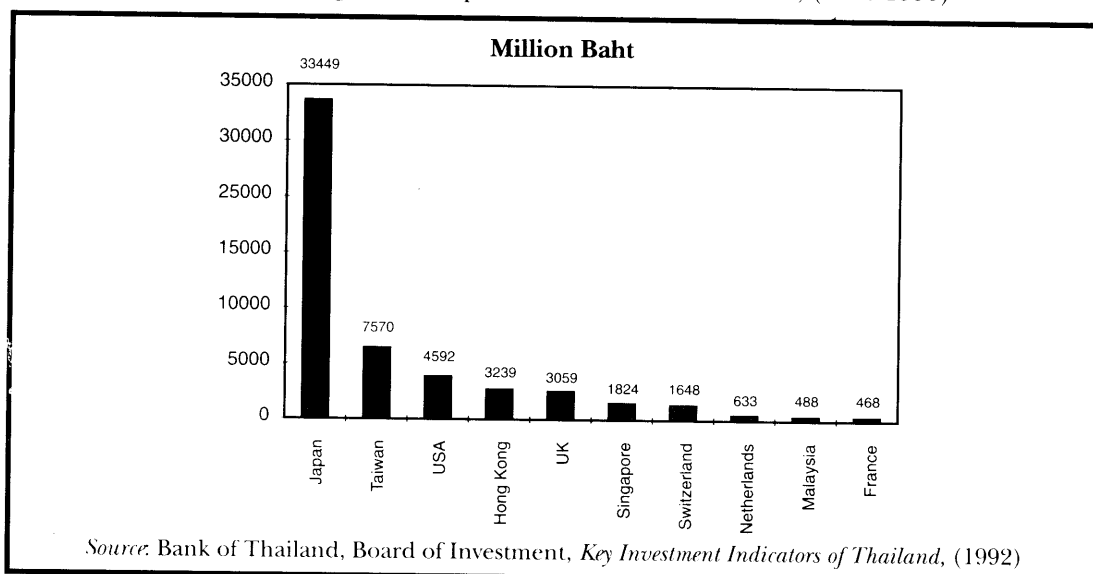


FIGURE 2. Net Foreign Direct Investment Inflows of Top Ten Countries, (1970-1990)

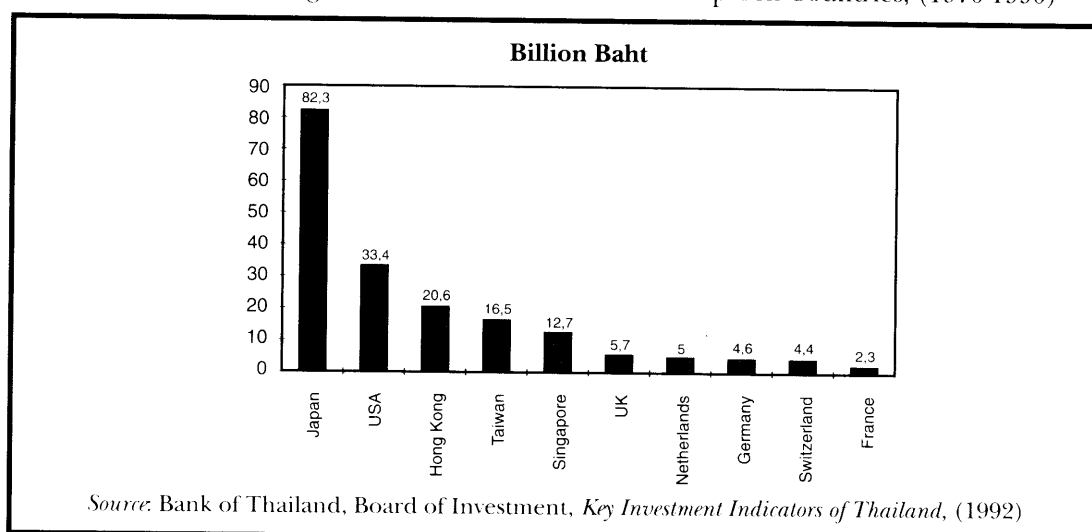
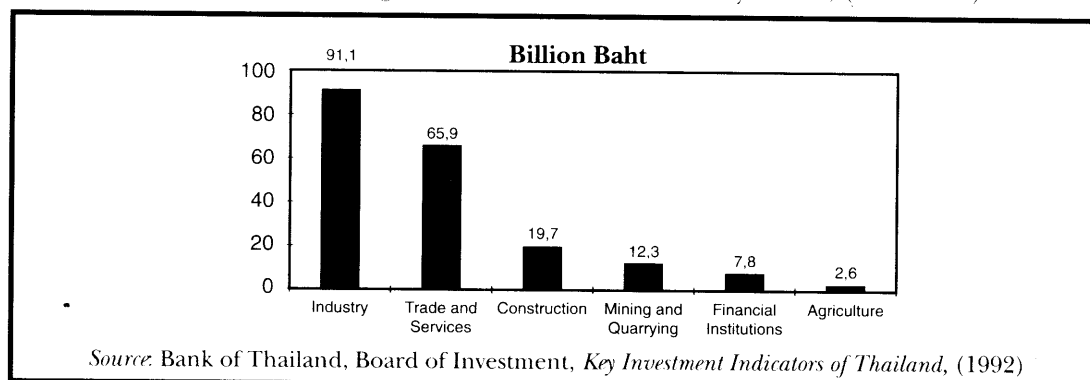


FIGURE 3. Net Foreign Direct Investment Inflows by Sector, (1970-1990)



investment expanded four times faster than global domestic production, and two times faster than global domestic investments.

Although the picture is now changing, developing countries have hitherto attracted the major part of foreign direct investment inflows; they received more than four fifths of worldwide investments in the late 1980s and early 1990s. This share reduced to 65 percent in 1992 and was projected to have fallen even lower to 56 percent by 1993 (UNCTAD, 1994). By the second half of the 1980s, the developing country share of FDI inflow was only 17 percent, but the growth in these inflows was still, overall, two times that of domestic output. Since then the developing country share has increased, and was perhaps as high as 41 percent by 1993 (UNCTAD, 1994: 9). The Asian region received about two-thirds of inward FDI to developing countries (TCMD, 1992a: 3). Countries such as China, Hong Kong, Malaysia, Taiwan Province of China, Singapore and Thailand were among the largest host developing countries for foreign direct investment inflows.

#### *Foreign Direct Investment in the Asia-Pacific*

The Asia-Pacific is presently the most economically dynamic area in the world. Most of these countries have either liberalized their trade and investment policies or are in the process of doing so. A principal reason for this liberalization is to attract foreign investment. During the 1980s, most of the Asian and Pacific countries liberalized their regulations either by modifying their existing policies or by introducing new policies to attract foreign investment (UNCTC, 1992: 12). Many "liberal" policies, especially those regarding ownership rights, profit repatriation and tax relaxation have been introduced to attract foreign investors, frequently with much success (graphically illustrated in Tables 2 to 6), although a downside is intense competition *between* countries to attract TNCs. More recently, most of these countries have realized that providing incentives is not enough and that they also have to provide a more conducive macro-economic policy, as well as better

infrastructure and quality human resources. Another important factor is the internal stability of the country. By providing all of these the Asia-Pacific has become the major recipient of foreign direct investment among all developing regions. It receives almost half of the investments inflows into developing countries.

#### *Foreign Direct Investment in ASEAN*

Within the Asia-Pacific, ASEAN has become a popular site for foreign investment and it is likely to continue as an attractive region for TNCs. The area has great potential and countries such as Malaysia, Indonesia, and Thailand are among those (on a global basis) with the highest rates of economic growth. Singapore has been especially successful in attracting foreign businesses and is promoting itself as a regional business centre (Mirza, 1986). Countries such as Malaysia, Indonesia and Thailand are regarded as "emerging" newly industrializing economies (NIEs). Moves are afoot to further promote regional growth through schemes such as AFTA (the ASEAN Free Trade Area). ASEAN countries are already cooperating in many services, including finance and banking, transportation and communications, construction and tourism; and more co-operation is expected in the future. Further benefits may be available by liberalizing their service sectors.

### **FOREIGN DIRECT INVESTMENT TRENDS IN THE SERVICES**

#### *The Growing Significance of Services FDI*

During the 1950s most foreign direct investment was in raw materials and resource-based manufacturing. However, the situation is now considerably changed due to technological and other secular developments and FDI is now concentrated mainly in "higher technology and value added" manufactures and services (UNCTC, 1989: 8). In the mid 1980s, the foreign direct investment stock in services reached US\$300 billion which was 40 percent of total FDI stock (US\$700 billion), up from around 25 percent in the 1970s (UNCTC, 1989: 8).

TABLE 2. The Distribution of FDI Inward Stock by Home-country/Region, various years  
(Percentages)

Host country/ territory	Year	Developed areas					Developing areas			
		All developed areas <sup>a</sup>	North America <sup>b</sup>	West Europe <sup>b</sup>	Japan <sup>b</sup>	All developing areas <sup>a</sup>	Asia and Pacific			
<b>Newly Industrialising Economies</b>										
Hong Kong	1980	83.1	38.6	20.0	36.0	16.9	88.2			
	1984	92.0	58.8	16.2	22.9	8.0	76.5			
Republic of Korea	1988	92.8	29.9	13.8	56.1	5.8	66.5			
	1980	98.9	21.9	10.7	67.3	8.2	26.1			
Singapore	1989	94.6	35.1	32.4	32.5	5.4	-			
	1980	88.5	33.4	47.7	18.9	11.5	-			
Taiwan, Province of China	1988	72.3	44.4	18.5	37.1	27.7	61.9			
	1980	63.2	55.4	15.3	29.4	36.8	71.6			
<b>South East Asia</b>										
Indonesia	1988	72.8	12.2	34.4	38.4	27.9	82.8			
	1980	77.1	6.3	14.0	48.6	22.9	70.6			
Malaysia	1987	59.2	12.4	46.1	33.9	40.8	93.0			
	1981	58.6	11.5	49.4	30.0	41.4	92.2			
Philippines	1987	90.6	65.0	17.2	14.7	9.4	78.4			
	1980	92.0	63.7	13.7	18.3	8.0	64.6			
Thailand	1988	77.3	31.7	19.9	47.5	22.8	98.4			
	1980	80.2	40.5	22.5	36.2	20.3	99.9			
<b>South Asia</b>										
Bangladesh	1987	86.6	18.7	72.6	8.1	13.4	112.1			
	1980	97.6	4.6	83.5	5.7	2.1	93.8			
India	1980	95.5	25.9	73.7	0.5	4.5	-			
	1975	95.5	26.8	72.8	0.5	4.5	-			
Pakistan	1988	63.8	35.4	53.1	4.2	27.2	14.3			
	1980	48.3	38.2	58.8	1.5	19.2	4.0			
Sri Lanka	1987	50.9	22.5	57.1	19.6	49.1	73.2			
	1980	54.8	32.8	51.5	0.5	45.2	64.3			
<b>Other Asia</b>										
China	1987	35.0	48.8	27.2	20.5	65.0	98.3			
	1984	41.8	45.1	34.9	13.9	58.2	96.6			

Source: UNCTAD: *World Investment Directory 1992: Asia and the Pacific* Volume 1, (1992) Page 19.

a : Share of total stock

b : Share of stock from developing area

TABLE 3. The Distribution of FDI Outward Stock from Asian and Pacific Economies, various years  
(Percentages)

Host country/ territory	Year	Developed areas				Developing areas			
		All developed areas <sup>a</sup>	North America <sup>b</sup>	West Europe <sup>b</sup>	Asia and Pacific <sup>b</sup>	All developing areas <sup>a</sup>	West Europe <sup>b</sup>	Asia and Pacific <sup>b</sup>	
<b>Newly Industrialising Economies</b>									
Republic of Korea	1980	31.8	64.8	0.9	68.2		42.2		
	1988	55.5	79.0	6.6	44.5		51.1		
Taiwan, Province of China		56.5	76.7	-	43.5		76.7		
		71.3	84.9	-	28.7		84.9		
<b>South East Asia</b>									
Thailand	1980	46.6	98.4	0.8	53.4		95.8		
	1988	24.0	96.2	1.1	76.0		98.9		
<b>South Asia</b>									
India	1985	1.4	23.5	70.6	98.6		57.9		
	1988	7.7	18.2	78.4	91.7		54.9		
Pakistan	1980	16.1	3.1	93.8	83.9		18.0		
	1988	5.7	0.8	94.6	94.3		5.1		
<b>Other Asia</b>									
China	1984	57.6	85.0	11.9	42.1		62.4		
	1987	66.8	22.1	9.7	33.2		66.0		

Source : UNCTC (1992) : *World Investment Directory 1992: Asia and the Pacific* Volume 1 (Page 30).

a : Share of total stock

b : Share of stock to developing area

TABLE 4. Outflows of FDI from Developing Countries<sup>a</sup>

(Millions of US dollars)

Home	1976-1980	1981-1985	1986-1991	1970-1990
	(Period average)			(Cumulative)
Asia	330	663	5 121	36 024
Middle East	132	114	549 <sup>b</sup>	4 636 <sup>b</sup>
Africa	82	60	128 <sup>c</sup>	1 530 <sup>c</sup>
Latin America	225	219	402 <sup>d</sup>	4 921 <sup>d</sup>
Oceania	5	-3	-24	-123
Developing-country total	774	1053	6 035	46 138
World total	43 186	47 561	162 268	1 546 121
Developing countries as percentage of world	1.8	2.2	3.7	3.0
Least developing countries as percentage of developing country total	0.5	0.1	0.2	0.2
Oil exporting countries as a percentage of developing country total	26.4	16.2	11.9	13.8

Source : TCMD (1993a), *Transnational Corporations from Developing Countries*, United Nations, (Page, 26). (Data is based on IMF, balance-of-payments tape retrieved in October 1992 and official national sources.)

- a Data not available from the IMF have been supplemented by, or estimated from, national sources : data for India (1971-1981), Malaysia, Peru and Taiwan, Province of China are supplemented from national sources of outward flows; data for India (1982-1991), Indonesia, Hong Kong, Nigeria, Saudi Arabia and UAE are taken from inflows in the United States; data for Mexico are taken from inflows in the United States, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Peru and Venezuela.
- b Brazil is not included for 1989-1991 due to unavailability of data.
- c Does not include data for 1989-1991 due to unavailability.
- d Malaysia is not included for 1989-1991 due to unavailability of data.

TABLE 5. FDI by Asian Newly Industrializing Economies in ASEAN<sup>a</sup>

(Millions of US dollars)

Home country/territory	ASEAN as host countries			
	Indonesia <sup>b</sup> 1991	Malaysia <sup>c</sup> 1987	Philippines <sup>c</sup> 1989	Thailand <sup>d</sup> 1990
Korea, Republic of	1956	5	4	46
Hong Kong	3934	424	116	910
Singapore	1530	2200	12	535
Taiwan, Province of China	-	36	17	651
Total	7420	2665	148	2142
Percentage as total inward stock	11.6	35.1	16.1	26.4
Memo:				
Japan	3462	1525	228	3257
United States	437	465	873	1370

Source : TCMD (1993a), *Transnational Corporations from Developing Countries*, United Nations, (Page, 32).

- a Based on stock of foreign investment in each host country (The data are converted into dollars by using end-of-year exchange rates.)
- b Based on cumulative approved inflows since June 1967 except the total inward stock which is based on cumulative implemented inflows since June 1967.
- c Based on cumulative inflows since February 1970.
- d Based on cumulative inflows since 1970.

TABLE 6. FDI Inflows and Outflows, Annual Averages

(Millions of domestic currency units)

Country/territory	Inflows		Outflows	
	1980-1982	1987-1989	1980-1982	1987-1989
<b>Newly Industrializing Economies</b>				
Hong Kong	3 968.0	18 669.7	—	22 402.7 <sup>a</sup>
Korea, Republic of	67 971.3	610 775.7 <sup>a</sup>	38 584.0	174 732.0 <sup>a</sup>
Singapore	3 194.0	6 534	—	—
Taiwan, Province of China	5 206.3	30 847.3	1 672.3	107 920.0
<b>Southeast Asia</b>				
Indonesia <sup>1</sup>	2 479.7	2 924.0 <sup>b</sup>	—	—
Malaysia	2 119.0	1 575.0	331.3	344.0 <sup>c</sup>
Philippines	1 475.0	12 671.3	512.7	34.7 <sup>a</sup>
Thailand	4 874.3	27 343.3	35.3	2 077.3
<b>South Asia</b>				
India	452.0	1 515.0 <sup>a</sup>	20.0 <sup>f</sup>	—
Pakistan	394.7	1 943.3	182.3	747.3 <sup>a</sup>
Sri Lanka	993.3	1 214.7 <sup>a</sup>	—	—
<b>Other Asia</b>				
China	619.7	10 927.0	27.0	2 384.0
Vietnam <sup>d</sup>	—	248.5 <sup>c</sup>	—	—

Source : UNCTC (1992), *World Investment Directory, 1992 : Asia and the Pacific*, United Nations, (Page, 15 & 28). a) 1986-1988 b) 1988-1990 c) 1988-1989 d) United States dollars e) 1985-1987 f) 1979-1981

Presently, approximately 50-60 percent of the current world stock of FDI is in services, i.e., a sum in the region of US\$1,000 billion (UNCTC, 1990: 3). The annual flow of services FDI now accounts for about 60 percent of the total. Despite this, little research has been conducted on services FDI.

Investigations of the world trade system have mostly ignored the services sector in the past, but services are important for economic development. Enderwick (1989a) argues that due to the great importance of services in the national and international economy, studies in these areas are essential. He suggests that global services transactions are underestimated. More recently, both academics and policy-makers are taking a greater interest in international trade and investment in services. Sapir (1986) supports the view that the literature on services is at an early stage, and that many questions are

yet to be investigated: for example, is there a relationship between trade in goods and services; what are the determinants of investment flows in services; and how do commercial policies affect the flow of services trade and investment? It would be interesting to analyze the nature of service TNCs, the type of products involved, the influence of location factors, services-related market service strategies and so on. Management consulting services are only one type of international business in this area worthy of study and investigation.

#### *Management Consulting Services and TMCFs*

The expansion and global activities of management consulting services have become a topic of interest in the context of the internationalization of services. Management consulting services now play a major role in



the international economy: by 1987 the top 10 management consulting firms employed more than 36,000 workers worldwide (Table 7). There is some geographical concentration in the industry: most of the 20 largest management consulting firms were from the United States in 1987 and North America also accounts for well over half of the world market for management consulting services (Table 8). Major developments are also taking place in the industry, especially regarding the globalization of these services. In a survey (UNCTAD, 1993:8), it was stated that,

By the 1980s, the trend towards globalization and the belief among service companies that they must follow their clients throughout the world had become pervasive. One result of this was cross-border investment, including the acquisition of companies in foreign countries. The largest companies grew, some times by acquisitions, and increased their market share. In 1990, the share of the largest 55 companies in the United States was estimated to be 61 percent.

Apart from the majors, thousands of small firms still continue to flourish. In recent years, not only has the definition of management consulting services changed, but also its structure. The industry includes diverse services and extremes in size, from sole proprietorship to large transnational corporations. Darnay (1992) estimates that the 50 leading management consulting firms alone accounted for total sales of \$24 billion to the United States market in 1991 (UNCTAD, 1993: 11). Another estimate shows that Europe's 16,800 consulting firms had total revenues in 1990 of US\$19.3 billion (UNCTAD, 1993: 11). During the 1980s, the United States consultancy market grew 20 percent (Table 9), Europe's rose 50 percent, and rest of the world 25 percent (UNCTAD, 1993: 11).

Management consultants can play a vital role in the economies of developing nations by accelerating the process of transferring management and know-how from the industrialized countries. Management consultants may contribute to the development process by serving the host

country's large firms, its government, and local affiliates of TNCs in manufacturing and services. According to the International Labour Organization (ILO), management consulting is essential for the development process of a country (UNCTAD, 1993:20),

Management consulting firms are important for the developing countries as agents of change. They are instrumental in increasing efficiency and in keeping firms abreast of new management techniques and new technologies. Management consultants can offer an objective point of view and accelerate the process of "catching up" to norms, standards and efficiency developed elsewhere. The industry thus helps in upgrading performance and accelerating development.

Simply put, the management consultancy industry plays an important role and contributes to progress in both developing and developed economies.

#### **PROFILE OF FOREIGN TMCFS' IN THAILAND**

##### *General Description*

Most of the foreign TMCFS operating in the Thai market, and in our survey, are major management consultancy firms from North America and Europe. Most are from the ranks of the top 20 TMCFS worldwide and this is reflected in their country breakdown: the United States is well represented, followed by West European countries such as the United Kingdom and Switzerland. A few TMCFS come from other Asian countries, mainly Japan, Hong Kong, Singapore and Taiwan. Some TMCFS entered the Thai market as early as the 1960s, but the majority entered during the five-year period, 1988 to 1993. Of the 19 TMCFS operating in Thailand, 18 agreed to participate in this survey and 1 refused.

TMCFS generally serve other Transnational Corporations (TNCs) in products and services; in many cases the client TNCs are from their home markets, but this is not always the case. Their client base includes TNCs from third markets or even

TABLE 7. Foreign Revenues and Number of Professionals of MCFs

(Percentages and Numbers)

	Name	Percent of foreign revenues 1991	Percent of foreign revenues 1987	Number of professionals world-wide <sup>a</sup> 1991	Number of professionals world-wide <sup>a</sup> 1987
1.	Arthur Andersen	52	38	21 668	9 639
2.	McKinsey & Co.	60	50	2 600	1 600
3.	Cooper & Lybrand	57	48	7 000	4 712
4.	Mercer Consult. Group	35	26	7 857	6 400
5.	Earnst and Whinney	36	38	6 297	3 255
6.	KPMG Peat & Marwick	56	42	5 880	4 700
7.	Deloitte & Touché	41	36	5 300	2 142
8.	Price Waterhouse	59	54	7 207	4 300
9.	Towers Perrin	29	18	3 500	3 085
10.	Booz Allen & Hamilton	25	16	3 100	2 075
11.	Wyatt Co.	24	13	2 300	1 600
12.	CSC Consulting	44	—	3 375	—
13.	Hewitt Associates	7	—	2 100	1 380
14.	Alexander Proudfoot	33	65	1 100	1 100
15.	PA Management Consult.	94	—	1 615	—
16.	Gemini Consulting	50	—	900	—
17.	American Management Sys.	9	0	3 150	1 583
18.	Arthur D. Little	44	31	1 500	1 465
19.	Noble Lowndes	81	—	2 735	—
20.	Alexander Consulting Gr.	30	25	1 400	1 516

Source : *Consultant News*, special report, June 1988 and 1992, *The Economist*; UNCTAD VIII, *Analytical Report by the UNCTAD Secretariat to the Conference on Trade and Development*, United Nations (1992).

a : Does not include support staff

TABLE 8. World Market for Management Consulting, by Region (1991)

(Billions of dollars)

Region	Management-consulting revenues
Europe	6.6
North America	13.9
Asia/Pacific	2.8
Rest of the world	2.0
Total	25.3

Source : *Consultants News*, June 1992 : 1 and *Management Consulting : A Survey of Industry and Its Largest Firms*, UNCTAD, United Nations, 1993 : 12.

TABLE 9. Revenues of North-American TMCFs, (1970-1991)

(Billions of dollars)

Year	Management-consulting revenues
1970	2.0
1975	2.2
1980	2.3
1985	5.5
1986	5.8
1987	9.0
1988	10.8
1989	12.7
1990	13.8
1991	14.5

Source : *Consultants News*, June, 1992 : 1 and *Management Consulting : A Survey of Industry and Its Largest Firms*, UNCTAD, United Nations, 1993 : 12.

the host country. In addition TMCFs also act as consultants to the Thai public sector and even the government itself. Some TMCFs do not have worldwide operations, but they did have operations in at least two countries other than Thailand. Most of the firms have less than 50 employees in Thailand. There are only three firms with more than 50 employees and no firm has more than 200.

TMCFs are engaged in activities such as recruiting, accounting and auditing in addition to management consulting services (or administrative services). A few firms are involved in advertising services as well. By way of comparison, local (Thai) consulting firms regard recruiting services as their most important activity, with consulting services coming in second.

In consequence, perhaps, the surveyed TMCFs regarded other majors, such as Cooper and Lybrand, Price Waterhouse, KPMG Peat Marwick, Arthur Andersen, Ernst and Young, Deloitte and Touché International, all present in Thailand, as their primary competitors. In most cases other TMCFs from their respective home markets were regarded as particular threats.

#### *Market Operations of TMCFs in Thailand*

Issues such as major clients, expatriate involvement and target market segments need

to be discussed in this context. With regards to clients, their nationality, types, and operational relationship with TMCFs were analysed. The major group of clients are foreign clients, mainly firms from countries such as Japan, Taiwan, Singapore, Hong Kong, Germany, the Netherlands, Switzerland, France, the USA, India, Italy, and the UK. In most cases the primary client-base is firms from third countries; secondarily TMCFs serve firms from their home country (in the latter case both in Thailand and ASEAN). As mentioned earlier, TMCFs are also involved in serving the local private and public sector. Clients were found through recommendation, existing international networks and advertising (in that order). There are a number of foreign management consultants employed, although they constitute less than 20 percent of total personnel.

#### *TMCFs' Foreign Market Entry Analysis (Thailand and ASEAN)*

Most of the TMCFs in the Thai market operate through fully-owned subsidiaries, although some are involved in joint venturing with local partners. In the latter case, TMCFs usually held the majority share. Regarding TMCFs' internationalization and their internationalization experience, their

preferred market entry strategies, foreign market decisions, prior local business arrangements, market participation developments, subsidiaries in ASEAN and other regional countries were all examined in the survey.

Most TMCs were reluctant to answer the question regarding their internationalization (the response rate was only 28 percent). Some firms considered this information as confidential. It has been the tendency for most TMCs to become involved in foreign markets through FDI based entry strategies. A secondary market entry trend has been through partnerships worldwide. Occasionally, alliances are involved. Market entry through the export of services has received the least priority. This practice is reflected in the entry strategies pursued in Thailand.

There was also some reluctance (inability?) to discuss the foreign decision making process. Those that did respond said that the international or marketing departments in the parent company usually made the decision. Regional offices in some firms have been the decision makers, although precedence has to be given to the global company's overall objectives. Some firms responded that top management and the board of directors are the key decision makers.

Most TMCs did not have any business arrangements in Thailand prior to their market entry. Most subsidiaries have sister affiliates in the region, especially in ASEAN. However, most firms did not consider other regional countries (or markets) as alternative bases for operations before investing in Thailand, because, as most executives replied, "decisions are made according to market opportunities".

#### *Objectives and Operations of TMCs in the Thai Market*

The objectives delineated by Table 10 were deemed to be the most important objectives in the Thai market. These include: the intent to become a worldwide services supplier, to build up a global network, to exploit local market opportunities, to expand the market, and to follow home base clients. Secondary

objectives include the wish to gain local market advantages, to benefit from regional economic growth, to gain foreign market advantages, and to use their competitive advantage in foreign markets. The objectives of following other competitors and utilizing the host country's liberal market entry policy are also somewhat important.

Firms were reluctant to give any substantial information regarding their sales. But generally they are engaged in selling their services (in order): to their parent firm, to other subsidiary firms of the parent firm, to local firms of the host country, to foreign firms in the host country, to other firms in the ASEAN countries, to other countries in the region, to the host government sector, to the host country's international firms, to foreign firms of their own nations, and to foreign companies of other nations. Interviewees were also asked whether their operational techniques in Thailand or ASEAN differ from that in other international markets. They replied that they used the same types of operational techniques throughout their worldwide operations.

#### *Market Entry Strategies: TMCs in the Thai Market*

The most important motive for using FDI as an entry strategy for this market was to exploit local market opportunities (Table 11). Other important motives include providing convenient services for clients, the maintenance of service quality, to gain direct *access* to the local market, to protect the firm's image and reputation, and to gain access to local opportunities. Motives occasionally mentioned include, the desire to utilize partner's knowledge of the local market and conditions, a need to create a local image, to keep more control in foreign operations, and to protect their market position.

#### **MOTIVATIONS OF TMCs OPERATING IN THAILAND**

In this section, TMCs' motives have been grouped into four areas such as firm, host country, home country and international environment specific motives. Motives have been graded into four parts: those which are

TABLE 10. TMCs' Main Entry Objectives

Main Entry Objective	Number of Responses	Mean Score (a)	Sum of Ranks (b)	Rank (c)
To expand the market	17	4.176	71	4
To exploit market opportunities	18	4.222	76	3
To follow other competitors	12	3.083	37	11
To gain local market advantages	15	4.000	60	8
To follow home base clients	16	4.188	67	5
To avail of host country liberal market entry policy	10	2.800	28	10
To benefit regional economic growth	17	3.824	65	6
To become a worldwide services supplier	17	4.823	82	1
To gain foreign market advantages	14	3.643	51	9
To build up a global network	17	4.647	79	2
To use competitive advantage	15	4.133	62	7

Source : *Foreign Subsidiary Interviews*

- a) Mean score of response categories (where a 1 = not important and a 5 = very important reason);  
 b) Sum of responses for each factor ;  
 c) Ranking of the responses based on their sum

TABLE 11. FDI Entry Strategy for Thai Market: Main Motives

Main Motives	Number of Responses	Mean Score (a)	Sum of Ranks (b)	Rank (c)
Other entries (except exporting) not appropriate	8	2.750	22	14
To provide and maintain the quality of services	12	4.750	57	3
To protect firm's image and reputation	12	4.083	49	5
To protect know-how, technology, etc.	9	2.778	25	13
Difficulties and problems : agents and licensees	10	3.300	33	9
The problem with the transaction costs	9	2.222	20	15
To avail yourself of local market opportunities	14	4.286	60	1
To gain direct access to the local market	12	4.250	51	4
Preference for a local image of production	11	3.545	39	7
To overcome host Govt. regulations and restrictions	10	2.600	26	12
To provide convenient services for clients	14	4.214	59	2
Local partner's capital contributions	10	2.800	28	10
Partner's local knowledge of local market	10	3.900	39	7
Reducing the risk of the venture	9	3.000	27	11
To gain the immediate access to local opportunities	13	3.615	47	6
To keep more control in foreign operations	12	3.083	37	8
To protect the foreign market position	10	3.700	37	8

Source : *Foreign Subsidiary Interviews*

- a) Mean score of response categories (where a 1 = not important and a 5 = very important reason);  
 b) Sum of responses for each factor ;  
 c) Ranking of the responses based on their sum

most important, important, somewhat important, and least important.

Transnational Management-Consulting Firms (TMCs) have many potential motives for involvement in foreign markets. These motives include the wish to exploit their competitive advantages in foreign markets (Hymer, 1960, 1976), protect their intangible assets, such as the quality of services, and the image and reputation of the firm (Dunning 1989; Enderwick 1989b), defend their markets (Knickerbocker, 1973), control their foreign market operations (Erramilli & Rao, 1990; Vandermerwe & Chadwick, 1989), diversify their risks, expand their markets (Caves, 1985), follow their competitors (Knickerbocker, 1973), interact with their clients (Silvesto, Fitzgerald & Johnston, 1992), follow their clients to foreign markets (TCMD, 1993b; Erramilli & Rao, 1990), host governments' market restrictions (Aliber, 1970; Daniels, Thrift & Leyshon, 1989), follow global servicing strategy (Dunning, 1989), build global networks (Dunning, 1989), to increase their market share and fulfil internal motives such as to gain economies of transfer, specialization, and common governance and cost minimization (Buckley & Casson, 1976; Dunning, 1989; Enderwick 1989b). Other motivations relate to management's commitment toward internationalization (Johanson & Vahlne, 1977), firm size (TCMD, 1993b), and host country market potential and size.

In addition to the above motivations, locations and regional motivations are also of relevance. Instances of such motivations are the desire to benefit from regional market opportunities, regional economic growth, and clients' regional involvement.

#### *Firm-Specific Motivations*

For TMCs, the most important FDI firm-specific motives are to maintain a global servicing strategy (to serve clients worldwide), to build international networks, to expand markets, serve home base clients worldwide, to use competitive advantage, to gain local market advantages, to gain larger market shares, and to find new markets. TMCs' important FDI motives are the desire to

provide convenient services for clients, to provide and maintain the quality of services, to gain direct access to the local market, to establish closer relationships with their clients, to go abroad when competitors do so, and to protect the company's image and reputation. These motives (important ones) may be grouped into four areas such as international market linkage which is required to establish closer relationships with clients, intangible asset protection, achieving foreign market access, and to monitor competitors' movement. It indicates that international market linkage is one of the important objectives of the TMCs, but not the most important one. Intangible asset protection does not appear to be the prime objective of TMCs. The movement of competitors into the host country's market also does not appear to be a prime motive for entering this market. These important motives therefore can be seen as factors supporting the TMCs' market expansion.

For TMCs the most important host-country motives relate to the wish to seize growing market opportunities, and exploit the size and potential of the market. A majority of interviewees indicated that foreign market opportunities was the preponderant motivating factor for their firms. For TMCs, important motives determining investment include political and economic stability, the existence of suitable local partners, and the existence of skilled personnel. These factors may be grouped in a single group as "favourable" host country environment. Somewhat important motives for TMCs are preference for a "local image", partner's local knowledge, and local partner's capital contributions. These motives are mainly related to input factor availability. Motives such as the need to overcome import restrictions and barriers and to seize attractive host government incentives seem to be unimportant.

#### *Home-Country and International Environment Motives*

Firms were asked about incentives such as foreign market information, assistance in finding new markets, financing of foreign

TABLE 12. Firm-Specific Motives

	Number of Responses	Mean Score (a)	Sum (b)	Rank (c)
To keep more control in foreign operations	12	3.083	37	13
To provide and maintain the quality of services	12	4.750	57	8
To protect the company's image and reputation	12	4.083	49	10
The need to protect know-how, technology	9	2.778	25	18
Other market entries inappropriate (Export)	8	2.750	22	20
Difficulties and problems : agents and licensees	10	3.300	33	15
To establish closer relationship with clients	14	3.429	48	11
Better exploitation of resources	10	2.600	26	17
To use competitive advantage	15	4.133	62	5
To expand the market	17	4.176	71	3
The need to find new markets (expand)	13	4.615	60	6
To become a worldwide services supplier	17	4.823	82	1
To serve home base clients worldwide	15	4.467	67	4
To provide convenient services for clients	14	4.214	59	7
To gain bigger market share	15	4.000	60	6
To diversify risk	11	2.182	24	19
To build up a global network	17	4.647	79	2
To exploit economies	12	2.917	35	14
Higher expected ROI than at home	10	3.200	32	16
The problem with transaction costs	9	2.222	20	21
To protect the foreign market position	10	3.700	37	13
Reducing the risk of the venture	9	3.000	27	17
To go abroad when competitors do so	13	3.385	44	12
To gain local market advantages	15	4.000	60	6
To gain direct access to the local market	12	4.250	51	9

Source : *Foreign Subsidiary Interviews*

a) Mean score of response categories (where a 1 = not important and a 5 = very important reason);

b) Sum of responses for each factor ;

c) Ranking of the responses based on their sum

TABLE 13. Host-Country Motives

	Responses	Mean Score (a)	Sum (b)	Rank (c)
To avail of growing market opportunities	18	4.278	77	1
Size and potential of the market	16	4.438	71	2
Higher expected ROI than other countries	11	4.000	44	7
To follow competitors	13	3.231	44	7
Existence of suitable local partners	14	2.929	41	8
Local partner's capital contributions	10	2.800	28	9
Partner's local knowledge of local market	10	3.900	39	10
Existence of skilled personnel	13	3.385	44	7
To follow home base clients	16	4.188	67	3
Foreign investments	13	4.000	52	4
Political and economic stability	15	3.333	50	6
To overcome import restrictions & barriers	11	1.636	18	11
To avail of attractive host government incentives	9	1.444	14	12
To gain foreign market advantages	14	3.643	51	5

Source : *Foreign Subsidiary Interviews*

a) Mean score of response categories (where a 1 = not important and a 5 = very important reason);

b) Sum of responses for each factor ;

c) Ranking of the responses based on their sum

TABLE 14. Location Motives : Thailand

	Responses	Mean Score (a)	Sum (b)	Rank (c)
<b>Same as Host Country Motives :</b>				
To avail of growing market opportunities	18	4.278	77	1
To avail of local market opportunities	14	4.286	60	5
Size and potential of the market	16	4.438	71	3
Higher expected ROI than other countries	11	4.000	44	9
To follow competitors	13	3.231	44	9
Existence of suitable local partners	14	2.929	41	10
Local partner's capital contributions	10	2.800	28	14
Partner's local knowledge of local market	10	3.900	39	11
Existence of skilled personnel	13	3.385	44	9
To follow home base clients	16	4.188	67	4
Foreign investments	13	4.000	52	6
Political and economic stability	15	3.333	50	8
Attractive host government incentives	9	1.444	14	16
To overcome import restrictions & barriers	11	1.636	18	15
To gain foreign market advantages	14	3.643	51	7
Preference for a local image of production	11	3.545	39	11
<b>Additional Factors :</b>				
Future market prospects	17	4.294	73	2
Economic climate	9	4.556	41	10
Liberal foreign exchange control	12	2.833	34	12
Stable value of the country currency	12	2.750	33	13

Source : *Foreign Subsidiary Interviews*

- a) Mean score of response categories (where a 1 = not important and a 5 = very important reason);  
 b) Sum of responses for each factor ;  
 c) Ranking of the responses based on their sum

TABLE 15. Location Motives : ASEAN

	Responses	Mean Score (a)	Sum (b)	Rank (c)
ASEAN's expected higher economic growth	16	4.750	76	1
Expected higher economic growths	11	4.273	47	6
To benefit regional economic growth	17	3.824	65	2
Regional economic growth	10	3.800	38	8
The need to expand in this ASEAN region	13	3.692	48	5
Higher expected ROI than other regions	10	3.000	30	11
Availability of skilled personnel	12	3.667	44	7
ASEAN's potential large regional markets	15	4.133	62	3
The need to follow clients into the ASEAN region	14	3.643	51	4
General strategic location	11	3.273	36	10
Strategic location in ASEAN	11	3.364	37	9
Close to Indo-Chinese market	10	2.800	28	12

Source : *Foreign Subsidiary Interviews*

- a) Mean score of response categories (where a 1 = not important and a 5 = very important reason);  
 b) Sum of responses for each factor ;  
 c) Ranking of the responses based on their sum



operations, and provision of expertise. Only five firms answered this question. Even those which responded did not consider these incentives to be important factors. International competition has been mentioned earlier in the firm-specific motives analysis.

#### *Location Motivations: Thailand and ASEAN*

Major motivations in these cases are the same as those found in the case of host-country factors more generally (Table 14). Most of the interviewees stressed the growth potential of the Thai market. Important host country motives again included political and economic stability, foreign market advantages, the need to follow home-based clients, and the existence of skilled personnel and suitable local partners. Secondary motives, such as a partner's local knowledge, are those which support a TMC's operations in the Thai market.

For TMCs the most important ASEAN related motives are the ability to benefit from regional economic growth, ASEAN's expected high economic growth, and its large regional markets. Motives such as the presence of TMCs' clients in ASEAN and the availability of skilled personnel are also important. Somewhat important motives include, Thailand's strategic location in ASEAN, regional economic growth, higher expected ROI than in other regions, and its closeness to the Indo-Chinese market.

#### **CONCLUDING REMARKS**

TMCs gained two important competitive advantages over their competitors by operating in the Thai market: "local Thai market understanding" and "direct Thai market access". The response for these factors was more than 80%. Other important benefits were access to international resources, better operations control, and specialization in services provided to clients. TMCs also benefited from economies of scope with respect to know-how, developmental cost of their services, inter-company transactional cost and technological development. However, TMCs did experience some difficulties when operating in Thailand.

Major problems included the inadequate supply of skilled personnel for further market expansion. Difficulties were also experienced in terms of infrastructure and poor and inadequate supporting industries.

This paper has been but a first, cursory glance at the involvement of Transnational Management-Consulting Firms in Thailand and ASEAN. Further and deeper analyses now need to be undertaken, especially in terms of (i) situating TMCs more adequately into a theoretical/conceptual framework and (ii) comparing the experience of TMCs in countries such as Thailand with the experience of other services and manufacturing TNCs.

#### **NOTES**

1. Page 3 of a sponsored section on Thailand in the *Institutional Investor*, October, 1994

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