Managing the Thai smile
- A minor field study exploring institutional impact on the strategic management of Swedish firms operating in Thailand
Summary

Title: Managing the Thai smile; A minor field study exploring institutional impact on the strategic management of Swedish firms operating in Thailand

Problem: Evidence has shown that internationalizing firms operating in emerging markets are facing institutional challenges different and more distinctive from those existing in developed markets. This requires firms to adapt their strategic management by taking institutional impact into consideration. Research providing knowledge on how to manage this issue is very limited, especially in the context of Thailand.

Purpose: This thesis aim to explore and provide knowledge about the institutional settings in Thailand and analyse how it impacts the strategic management of Swedish firms.

Research question: “How do legal, political and cultural institutions impact the strategic management of Swedish manufacturing firms operating in Thailand?”

Methodology: This is a qualitative thesis which follows a deductive research approach. It takes an exploratory design, where semi-structured interviews were conducted with five managers representing Swedish firms in Thailand.

Conclusion: Political, legal and cultural institutions impact the strategic management of Swedish firms in different ways; the most evident challenges stemming from the legal institutions. It can further be concluded that it is of high relevance for firms to take the institution based view into consideration when formulating and implementing their strategies the Thai market, since it is easier to carry out intended strategies when possessing institutional knowledge.

Keywords: International business; Institutional theory; Thailand; Emerging markets; Culture; Strategic management
Acknowledgements

First and foremost, we wish to pay our sincerest gratitude towards SIDA as well as Linnaeus University School of Economics for giving us the MFS-scholarship, and thereby making it possible for us to conduct our thesis in Bangkok, Thailand.

We also want to express our appreciation for all of our five respondents participating in the interviews; Ted Göransson at Scania, Helene Savmyr at Volvo Trucks, Torbjörn Larsson at Nederman and Nitayavardhana Prada at Simm Company/Getinge. Through sharing their perceptions and experiences we received information vital for this thesis, and we are therefore extremely grateful that they decided to dedicate their time.

Lastly we want to thank the people giving us valuable feedback throughout the process of this thesis; our supervisor Clarinda Rodrigues, our examiner Niklas Åkerman and finally all of our opponents.


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1 Introduction

1.1 Background

Since the late 80’s the world has faced a rapid globalisation, which has led to a big increase in international business activities (Johnson et al., 2006). Venturing abroad does not only lead to new opportunities, it also results in firms facing barriers different from those existing in the domestic market (Cahen et al., 2016). The term barriers in relation to international business has been described as “the constraints that hinder a firm’s ability to initiate, develop, or sustain business operations in overseas markets” (Leonidou 2004: p281), and it has been found that these constraints can derive from both the external environment, and internally from the firm itself (Cahen et al., 2016). Examples of external barriers are those related to market conditions, such as cultural differences, political instability and unfavourable laws and regulations, whereas internal barriers are directly related to the firm, e.g. lack of financial resources, experience or knowledge (ibid). In order for firms to be successful, mentioned barriers need to be acknowledged and taken into consideration (Cahen et al., 2016). This can be done through strategic management, also referred to as strategy, which is the process when managers assess their surroundings as well as their own firm and thereafter formulate plans on how to achieve intended goals (Nag et al., 2007).

Previous business management research has mainly consisted of two fields that have suggested what drives the strategy of firms (Peng et al., 2008); the resource based view (Porter, 1980) and the industry based view (Barney, 1991). The resource-based view claims that strategy should be based on what can be found within the firm, whereas the industry based view put a lot of emphasize on strategy in relation to competitors (Peng et al., 2008). These two views have received criticism for not taking the background environment (such as the previously mentioned external barriers) into consideration and therefore a third approach, the institution based view, evolved (Peng et al., 2008; Peng et al., 2009; Young et al., 2014). This research field views strategic management from an institutional perspective, meaning one should look at the structures of society when planning and implementing strategies, instead of just the own organisation and its competitors (Peng et al., 2008). Scott (2001) divides these structures into formal and informal institutions. The formal institutions e.g. regard governments, laws and regulations, whereas informal institutions concern the cultural aspects such as norms, values and behaviour. It has been found that these branches of institutions are interrelated, and thereby both concepts should be taken into consideration when trying to understand the institutional setting of a country (Venaik & Brewer, 2008). Regarding the informal branch of institutions, cross-cultural management is a widely researched subject (Eriksson et al., 1997). Hofstede (1994; p1) explain its importance through the following statement: “Management is getting things done through (other) people. This is true the world over. In order to achieve this, one has to know the ‘things’ to be done, and one has to know the people who have to do them”. Moreover, extensive research has been made on the differences between various national cultures, and the impact
these differences can have on firms operating in foreign markets (Leung et al., 2005; Eriksson et al., 1997; Hofstede 1994; Johnson et al., 2006). The importance of knowledge about the foreign culture, and how knowledge can increase the chances of overcoming potential barriers, has been addressed in various ways (Johnson et al., 2006). In order to avoid misconceptions about the market and its players, firms should commit resources to gain knowledge about the culture existing in the country that the firm is planning to enter, or are already operating in (ibid).

To exemplify how institutions affect transnational business activities, and put into context how institutional impact is an ever changing phenomenon, one can examine the examples given in a study conducted by Johnson et al., (2006). About a decade ago, at the time of the study, researchers had an optimistic viewpoint when discussing strategic management in relation to globalisation. The need for cross-cultural management was motivated by mentioning governmental actions that favoured international business, rather than barriers that hindered it. By bringing up the implementation of NAFTA, and an increase in the number of European Union member countries, it was evident that the political institutions of context had a positive approach towards global trade. Fast-forwarding to the current situation, the contrasts are distinctive. 2016 can be seen as a year of protectionism, particularly when looking at the election of the American president, who has threatened to leave NAFTA (The Balance, 2017), and the United Kingdom voting yes to leave the EU. The removal of free trade agreements, which are known to favour global trade, is an issue not only occurring in the western world. An example of this is the coup d’état which took place in Thailand in 2014, where the former prime minister was overthrown by the military junta. Not only did it lead to political and economic instability (InvestAsian, 2015; The Economist, 2014), it also resulted in a decision from the European Union to put the negotiations about a free trade agreement on hold until a democratic election had taken place (European Commission, 2017). Looking at the current situation in Thailand and how institutions can create instability in the market, the country suffered from a tragic loss of their highly respected king in October 2016. The Thai monarchy is a very unique institution, and the population have been concerned that the royalty was the one maintaining the peace, which has caused worries that now that he has passed away, the market might suffer from institutional turmoil once again (The Guardian, 2016).

Investigating how these kinds of events affect Swedish companies in Thailand, evidence can be found in a survey collected by Business Sweden (2015). The results revealed that the majority of CEOs representing the Swedish companies participating in the study considered the Thai business climate to have been unfavourable the last couple of years due to the political situation. Furthermore, when asked what they perceived as the top challenges when doing business in the Thai market, bureaucracy and corruption were selected by several of the respondents (ibid), which indicates that it is a country with dysfunctional institutions. The relevance of discussing Thailand in relation to Swedish companies is not solely deriving from the topic of institutional barriers. Despite a decrease in GDP growth the last five years partly due to political instability, Thailand has had an impressive economic development ever since 1980 (Business Sweden,
The transition from being a country heavily relying on agriculture into now having a blooming manufacturing industry, has led to various opportunities for Swedish companies, especially within manufacturing of vehicles, home electronics and medical technologies (ibid). The fact that Thailand has a growing middle-income population with an increased demand for quality products, is not only an advantage for the 70 Swedish companies already established in the market, but pinpoints why other firms should consider to pay further interest in this country as well. Evidently, foreign firms considering this market can expect a positive development in the manufacturing sector, albeit along with the issue of the institutional barriers. This led us to explore if, and to what extent, Swedish manufacturing firms perceive that institutions impact the strategic management of their operations in Thailand.

1.2 Problem discussion

1.2.1 The practical problem

Firms deciding to take on international business are usually facing different and more distinctive barriers than the ones staying at home (Peng et al., 2008). Previous studies have suggested that institutions are one of these, and some researchers have taken it as far as saying that “institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy” (Ingram & Silverman, 2002; p20). Hilmersson et al. (2015) explain that the reason firms perceive institutions as barriers, is partly stemming from lack of knowledge. By gaining knowledge about the foreign market, such as the institutional settings, firms can decrease the perceived uncertainty dynamic institutions might bring (ibid). Consequently, understanding the contextual differences in various environments and possessing the required knowledge to be able to cope with rapid changes, is crucial for companies in order to not fall behind competitors (Tallman & Pedersen, 2011; Meyer & Peng, 2016).

The issue of disruptive institutions, e.g. political instability and rapidly changing laws and regulations, have been found to be more distinctive not only in Thailand, but in most countries labelled as emerging markets (Hoskisson et al., 2000, Meyer & Tran, 2006; Meyer & Peng, 2016). Emerging markets are defined as “low-income, rapid-growth countries using economic liberalization as their primary engine of growth” (Hoskisson et al., 2000; p249). In spite of a larger number of institutional barriers interfering with the strategy of firms in these regions, companies urge to enter these markets. In fact, emerging markets has been given a lot of positive attention in the global economy, namely through results showing that this category of countries stands for more than half of the world’s economic growth (Tallman & Pedersen, 2011). This accounts for the need for companies to take the institution-based view on strategy into consideration, not only in Thailand, but in emerging markets in general.

Looking at the informal institutions in Thailand, research has revealed that the differences in culture between Thai and foreign nationalities are a source for miscommunication and conflicts in business contexts (Epifanova & Hild, 2015). Henisz and Delios (2000) further supports the importance of understanding the informal
constraints by stating that norms and values of a nation highly influence the standards and practices in the local market, which reflects how people behave in firms or organizations. Evidently, it is of high relevance for managers of internationalizing firms to gain knowledge about the Thai culture, and consider it when planning and implementing their strategy (ibid). The previously stated argument concerning that informal institutions influence the formal institutions and vice versa, further evince why practitioners should not only consider the legal and political constraints, but also aim to understand the norms, values and behaviour of the people in the country in which they are operating.

Business Sweden (2015) has presented a report about the Thai business climate and revealed that Swedish companies are facing institutional challenges and thereby practical problems, in this market. However, it does not contain any analysis of the statistics presented in the study, nor does it give any valuable information on how to manage the issues. Given the fact that Thailand is presented as a market with great potential, but also suffers from various institutional barriers, it is clear that there is a need for research that can help practitioners to deal with these challenges. The outcome of this thesis could therefore be beneficial for managers of firms operating in Thailand, and contribute with useful knowledge on how to manage institutional impact more successfully.

1.2.2 The scientific research gap
Looking into the previous studies conducted within the field of international business management, various researchers have come to the conclusion that practitioners, as well as researchers, need to pay more attention to how institutions impact strategy (Peng et al., 2008; Young et al., 2014; Meyer & Peng, 2016). There is consensus among researchers upon the fact that institutions have a large impact on the business climate, but the research field is lacking studies exploring in what way institutions actually interfere with foreign companies (ibid). Young et al. (2014) further encourage the continuation of institution based research by claiming that there is still little research conducted on how weak institutions in emerging markets affect the strategic management of foreign firms.

Looking at emerging markets, more particularly the Asian region, research covering the phenomenon of institutional impact on strategy has mainly been conducted in China. Many researchers have analysed this market from an institution-based view, and connected that national institutions interfere with strategic management (Ahlstrom & Bruton, 2002; Ahlstrom & Young, 2003; Peng & Zhou, 2004; Jansson & Söderman, 2015). Even though there are institutional similarities between China and Thailand, e.g. in terms of their collectivistic culture (Hofstede Centre, 2017), research emphasize that one should not cluster and generalize emerging markets, not even regions as narrow as eastern Asia (Hoskisson et al., 2000). There is always heterogeneity between national institutions and every country of context is unique (ibid). Consequently, this means that
the strategic management also differ from country to country (Jansson & Söderman, 2015).

Grewal and Tansuhai (2001) to some extent provide knowledge about how institutions affect strategy of firms operating in Thailand. By presenting a study on how strategic flexibility can favour organisations’ ability to cope with risks and uncertainties stemming from the economic crisis, it sheds light on the relevance of institutional theory. However, the study is examining domestic [Thai] firms from a resource based perspective, and put more focus on the allocation of resources rather than the functions of institutions. Additional management research conducted on this market has mainly taken the approach focusing on either the internationalization of Thai enterprises, or the behaviour of domestic firms (Chittihaworn, 2011). A small number of institution-based studies in Thailand can be found, but they are more so focusing on the macro-level rather than the firm level (White, 2004; MacIntyre, 1999).

Since little research answering the question of how Thai institutions affect the strategic management of foreign firms can be found, we have identified a scientific research gap concerning this phenomenon. By identifying the existing institutional barriers in Thailand, and analysing how already established companies perceive these today, we wish to give theoretical contributions to the institution-based view of strategic management.

1.3 Research question
Based on the problem discussion, the following research question has been formulated:

*How do legal, political and cultural institutions impact the strategic management of Swedish manufacturing firms operating in Thailand?*

1.4 Purpose
The purpose of our thesis is to explore the current institutional situation in Thailand, and analyse what challenges it might bring for Swedish firms operating in this market. By examining how the cultural, political and legal institutions affect the strategic management of Swedish manufacturing firms, we intend to provide knowledge about the institution based view of strategy in an emerging market context, and give future advice for companies operating in this region.

1.5 Delimitations
We have acknowledged that strategic management involves several processes stretching from planning to performance, but this thesis will not go into depth of these different phases. Due to the limited amount of time assigned to this thesis, it would not be feasible to measure to what degree companies manage to carry out their plans on a long-term, detailed level.
Concerning the monarchy as an institution, i.e. the king and his governance, it will not be discussed in itself. Due to the emotional attachment between the citizens and the royal family, and the fact that it is illegal according to Thai law to openly discuss or critically report the king, the issue will not be analysed in this thesis. A more general discussion regarding the effects of institutional turbulence will be described, but not the performance of the monarchy in its solitude.

1.6 Study context – A minor field study

The thesis has been supported by the Minor Field Study (MFS) scholarship given by Swedish International Development Cooperation Agency. The purpose of the scholarship is to encourage students who have an interest for globalization, and support them to conduct a field study in a developing country. The scholars are expected to research issues related to either the economic, social or political issues in the country of context, and thereby gain knowledge that can contribute to the development of the country. The study was selected to be conducted in Thailand, mainly because of the recent events concerning the political climate, which made Thailand an interesting country of context.
Chapter 1

• **Introduction**
  This chapter will present a background of the research topic, followed by a problem discussion, research question, purpose, delimitation, study context and outline.

Chapter 2

• **Literature Review**
  In the literature review chapter the reader will be provided with literature on the theories that will be used to analyze the empirical data.

Chapter 3

• **Methodology**
  In this chapter we will present our chosen methods to conduct our study, as well as a motivation for the different selections.

Chapter 4

• **Empirical findings & Analysis**
  This chapter will contain a presentation of the selected companies for this study, as well as an overview of the representatives of the firms. It is followed by an integrated presentation of the gathered empirical data and analysis, in relation to the theoretical framework.

Chapter 5

• **Conclusions**
  The final chapter is initiated by answering the research questions, followed by theoretical and managerial implications. Lastly advice for further research is given, followed by a description of limitations for this thesis.
2 Literature review

In the upcoming chapter a literature review of the theoretical concepts used in this study will be presented; institutions, culture and strategic management. The chapter begins with an introduction of institutional theory, followed by a deeper explanation of formal institutions and institutions in emerging markets. Secondly, a definition of culture and Hofstede’s cultural dimensions is made. The two concepts, institutional theory and culture, lead us to the concept of strategic management where emphasis is placed on intended, emergent and realized strategy, and institution based view on strategy. To conclude and give an understanding on the connection between the different concepts, the chapter will be finalized by a conceptual framework.

2.1 Institutions

Institutional theory provides one with an abundance of various definitions regarding the meaning of institutions, and this is due to the fact that scholars use the concept in different ways (Eriksson-Zetterqvist, 2009). The concept of institutional theory has been defined as “more-or-less taken-for-granted repetitive social behaviour that is underpinned by normative systems and cognitive understandings that give meaning to social exchange and thus enable self-reproducing social order” (Greenwood et al., 2008: p4-5) Thus, institutions exist all around us and they constantly affect us, sometimes in ways beyond our awareness. Most research agrees upon that institutional theory is a useful lens through which one can understand and view organizations (Scott, 2013).

The term institution is a vibrant and dynamic concept that has grown and changed throughout history (Scott, 2001; Peng et al., 2008) hence it has taken many different directions. Generally, institutions are defined as being either formal or informal, where the political and legal system of a market is examples of formal institutions, and the culture and norms of a nation are defined as informal institutions (Scott, 2001; Peng et al., 2008; Orr & Scott, 2008). Research comply on the fact that institutions are the outcome of human beings repeatedly interacting with each other and thereby creating a social pattern that represents the process of institutionalizing (Eriksson-Zetterqvist, 2009; Scott, 2013). Scott (2013) further states that the institutionalizing process is transported and established through different agents, for example culture, structure and routines. To explain and make the wide research field of institutional theory more comprehensible, Scott (2001) divides institutions into three main pillars that give meaning to social behaviour; cognitive, normative and regulative.

The cognitive pillar regards how people think, why certain people tend to act in the same way, and the outcome of their shared mentality. This category of institutional elements is also referred to as the “cultural-cognitive pillar” since people from the same culture act and thinks in similar ways (Scott, 2001; North, 2005; Orr & Scott, 2008). The normative pillar concerns what is an acceptable behaviour within a society (Scott,
2001; Jansson et al., 2007), and in relation to business, the normative pillar sets out guidelines about the values and behaviour within a firm or organization that employees should conform to (Orr & Scott, 2008). Henisz and Delios (2000) mention that it is the normative pressure of a nation that formulate standards and practices in the local market that multinational firms must conform to in order to obtain social legitimacy and overcome the barriers they may face as foreigners. The regulative pillar deals with formal regulations like laws, structures and constitutions that are controlled and managed by higher authorities such as governance, transnational authorities and powerful, local regimes (Scott, 2001; Orr & Scott, 2008). The regulatory process is said to influence and establish mentioned regulations by the use of reward and punishment systems (Orr & Scott, 2008; Jansson et al., 2007). Hence, the author state that these regulatory systems control and establish rules that are expected to be followed by a certain group of people. The author further more divides the regulatory structure into being either formal or informal, and discuss it in relation to how these structures may be implemented at a firm level. Thus, it is stated that formal reward/punishment systems can be increased or decreased wage and informal reward/punishment systems is exemplified as avoidance or disgracing at the workplace (ibid).

2.1.1 Formal institutions

In order to define and analyse the formal institutions of a nation, it is common to look at the political institutions in the country of issue. Henisz and Delios (2000) define political institutions briefly as the national structure of policy making, adjudication and regulation. Traditionally, political institutions have been viewed as ordering and acting out the motives reflected by the society and focus within this research field have been drawn to legislature, the legal system and the state (March & Olsen, 1983). More recent institutional research has identified the autonomous role of politics and one have discovered how individual actors and their motives affect politics just as politics affects individuals, which signifies that political institutions should be viewed as an integral part of a society and not as something separate (March & Olsen, 1983; Amenta & Ramsey, 2010; Schofer et al., 2012). Hence, March and Olsen claim that the political climate of a nation and its society, is highly affected by the design of its political institution and actors within that institution (ibid).

As mentioned previously, the institutional situation differs from nation to nation. Laws, regulations, tax payment and legal system of the host market are just samples of all the formal institutional regulations in a country that may impede or benefit international business (Henisz & Delios, 2000). Relating this to political institutions, research has acknowledged that disparate politics between countries have specific impact on international business (Hilmersson et al., 2015, Tallman & Pederseon, 2011; Meyer & Peng, 2016). Markets that consist of political institutions perceived as similar to the ones in the home country of an internationalizing firm tend to be recognized as less uncertain and therefore they are more attractive to enter than markets built upon institutions that are perceived as different (Henisz & Delios, 2000). Hence, authors
argue that investors of multinational firms prefer markets characterized by stable and predictable political institutions to avoid hazards related to political instability (ibid).

Institutional change and political reforms can be explained by the concept of “institutional isomorphism” where DiMaggio and Powell (2012) argue that organizations and institutions change as a result of isomorphism, which means that they adapt to and imitate each other. Focus of DiMaggio and Powell’s research aim towards the embeddedness of individuals and organisations into different institutional arrangements, namely that organisations tend to adopt and imitate institutional patterns they regard as highly valued within the national context surrounding the organisation (Eriksson-Zetterqvist, 2009; Powell & DiMaggio, 2012). To take institutional change and political reforms into a wider context, research has further discovered that institutional change is interrelated with globalization, and as markets open up they have to adopt and change their political institutions in relation to other nations (Hilmersson et al., 2015). Hence, research acknowledges the heterogeneity that characterizes the political climate of different nations. It has been stated that no political change or reform is the other one alike and this heterogeneity is an important uncertainty for managers of internationalizing firms to bear in mind before entering unfamiliar markets (ibid).

Firms which obtains increased knowledge about a nation and its political institutions, find themselves facing decreased liability of foreignness, a concept that signifies challenges and uncertainties that foreigners face when doing business overseas (Hilmersson et al., 2015). Research state that when there is a gap between the knowledge that is obtained, and the knowledge that is required to establish an international operation, liability of foreignness occur. This emerging knowledge gap may hinder a firm from reaching its full potential in a foreign market, hence increased political knowledge obtained by the firm may decrease uncertainty related to politics (ibid). However, if a market suffers from political turbulence, it can be hard for managers to assess the situation and gain knowledge before entering a new market and therefore it is strongly related to a high degree of perceived uncertainty. Political turbulence has been defined as: “[...] a situation where political changes are disorganized and cause confusion for the market actors” (Hilmersson et al., 2015: p6). Thus, political turbulence is considered as politics that cause turmoil and unpredictable changes in institutions, and thereby considered to be a challenge for managers to predict (ibid).

Hilmersson (2009) moreover states that organizations in certain markets will act in accordance with how they perceive the local institutional system. The author confirms previously mentioned research regarding embeddedness of organisations into institutional arrangements, by saying that managers and networking actors cannot be seen as acting individually; hence actors must be seen as integrated members of institutional processes (ibid). Therefore, institutional distance will impact behaviour and performance of internationalizing firms greatly, because firms will act in accordance with how they perceive the “local rules of the game” (Hilmersson, 2009; p19).
Additional research has been done by Hilmersson and Sandberg (2011) regarding institutional distance and the correlation to perceived distance to business markets, where it has been stated that political turbulence is regarded as a major institutional distance. Hence, unstable politics is a common barrier for companies from developed countries who want to enter an emerging market, since political turbulence is a common feature of less developed markets (ibid).

Hilmersson et al., (2015) recognize that mentioned uncertainty is reduced by managers who possess experiential knowledge about the political climate in a distant market. However, this is only applicable to a limited extent. Depending on what kind of political turbulence the manager of an internationalizing firm is facing, different strategies may be more or less relevant to apply in a market. The flexible organization can in some situations have an advantage over the organization that possesses greater experiential knowledge, when operating abroad (ibid). For example, the initial phase of political turmoil is signified by being highly uncertain, thus it is hard to predict the outcome of such turbulent situation. Hence, research recommends a flexible management in the inception of a turbulent situation and to rather adopt your organization in accordance to the political situation. Once the firm has started to detect the characteristics that signifies the turmoil, and enters a phase of comprehension regarding the situation, a strategy of the firm becomes increasingly relevant (ibid).

The research presenting the connection between internationalization, knowledge and learning, supports that the concepts are highly related to international growth of firms, since increased knowledge contributes to decreased risk and less uncertainty regarding a foreign market (Åkerman, 2016; 2015). Thus, it further leads to increased competitiveness of the firm and makes it possible for the firm to change and react upon the conditions of an unstable environment. However, as the environment change, research state that experiential knowledge can thus become less relevant (Åkerman, 2016; Hilmersson, 2015). It has further been revealed, that experiential knowledge is not the only way for firms to learn about a foreign market (Åkerman, 2016). In distant foreign markets, experiential knowledge may be insufficient and require the internationalizing firm to gain knowledge in other fields and to exemplify, the authors mention business-network knowledge and local-network knowledge as two crucial components in order for firms to gain international growth (ibid).

2.1.2 Institutions in emerging markets

In general, emerging markets are characterized by the lack of institutional development (Hoskisson et al., 2013). Evidence show that political, economic and legal institutions tend to differ significantly in emerging markets compared to developed economies, which can be crucial for companies since these institutions are important for the commercial market of a country to work sufficiently (Hoskisson et al., 2013; Peng et al., 2008). As markets of developed economies are steady, institutions become less visible and thereby gain very little attention by managers operating in such contexts (Peng et al., 2008). Research draws specific attention to the importance of how firms
(both domestic and foreign) operating in emerging markets need to assess knowledge of how to follow the rules in such market (ibid). Both informal and formal institutions of emerging markets change and differ continuously and these transitions must constantly be monitored in order for firms to survive in the market (ibid).

Marquis and Raynard (2015) define the main issues regarding institutional impact on the business climate in emerging markets to be simple and deficient governments. This results in poor quality in terms of e.g. market regulations, corporate governance, transparency, accounting standards and intellectual property protection for firms operating on such markets. Thus, it becomes a hazard for foreign companies to enter countries with deficient institutions (ibid). Even though research mainly states that deficient institutions have a negative impact on business, another view can be brought to the discussion. In markets with dysfunctional institutions “[…] the labour market is less regulated (less need for efficiency because hiring and firing is easy), property rights are not strictly enforced (product pseudo-innovations are abundant), legal system is inefficient and corrupted (no immediate threats in case of breaching contracts, copying products etc.), financial system underdeveloped (firms self-financed their operations thus lowering financial costs and risks)” (Bruton et al., 2014; p714-715).

Hence, research has indicated that some firms can gain advantages from operating in markets with dysfunctional institutions, if they manage to work in compliance with such system. However, this is mainly the case for small, entrepreneurial firms, whereas the authors recognize that resource-rich and large multinational corporations mainly benefit from markets that consist of developed institutions (ibid).

Hoskisson et al. (2013) argue that in emerging markets where weak institutions fail to strengthen economic growth, a strong and more centralized government may contribute to market support and economic prosperity. The author mentions Thailand as an example, a country signified by political turbulence where the military has taken over the control several times, which has resulted in a centralized approach to economic growth. Hence, Thailand has managed to improve infrastructure in times when the government have been strong and centralized, even though their institutions have worked insufficiently (ibid). However, because the market of Thailand is strongly influenced by their government, the institutional development has not been improving in the same manner as their infrastructure. Both market and legal institutions in Thailand work insufficiently and there is a great prevalence of state-owned firms, thus it becomes crucial for multi-national managers to be aware of the institutional climate of Thailand (ibid). In fact, research state that as firms internationalize into markets where institutions work insufficient it is always important for managers to realize and assess the institutional climate of that market (Peng et al., 2008; Marquis & Raynard, 2015).

2.2 Culture

Culture has been defined as: “the collective programming of the mind that distinguish the members of one human group from those of another” (Hofstede, 1980; p24). Evidence has shown that every person carries a specific mental set up, and this is to a
large extent stable over time, which results in people acting consistently when facing similar situations. It has also been explained that culture have several characteristics, e.g. that it is transmitted and created content, a patterns of ideas, values and other artefacts that gives meaning to human behaviour (Poyatos, 1983; Ferraro & Brody, 2015). Hofstede argue that culture is most commonly used to describe nations, ethnic groups or regional groups, but he further states that it can be used to understand and analyse other groups as well, like an organization or a family (Hofstede, 1980). Connecting this to the institutional aspect, previous research has recognised the national culture of a country to be built upon informal rules, and that the two concepts, institutions and culture, are highly interconnected (Jansson et al., 2007; Venaik & Brewer, 2008). In a study on national culture and cultural dimensions, Venaik and Brewer identifies Hofstede as the legislator of cultural studies in business, and this is further supported by Smith (2006) who states that Hofstede’s contribution has been the framework for various research regarding culture within the business management field.

To connect the importance of cultural institutions to international business, various researchers emphasize the importance of cross cultural management (Leung et al., 2005; Eriksson et al., 1997; Hofstede 1994; Johnson et al., 2006; Trompenaars & Hampden-Turner, 2011). It is explained that managers need to be aware of, and understand their own cultural direction, as well as respect and understand the culture of others in order to deal with cultural dilemmas and reach a competent level of intercultural leadership (Trompenaars & Wooliams, 2004). Trompenaars has developed a framework that is said to be in particular use in these situations, and especially when one seeks to analyse business networks in various cultures (Jansson et al., 2007) Hofstede’s work on the other hand gives a broader perspective and focuses on general differences in national culture, which will be presented below.

2.2.1 Hofstede’s cultural dimensions

Hofstede provides a helpful model on cross-cultural dimensions to use when analysing differences in national and organizational culture (Smith, 2006). Connecting this to the cognitive pillar presented by Scott (1991), Jansson et al. (2007) have stated that Hofstede’s model can be of significant use when one wants to understand why the behaviour of people differs. Hofstede’s initial model categorizes culture into four different dimensions: power distance, individualism, masculinity and uncertainty avoidance. This model evolved from a study he made on employees originating from more than 40 countries (Hofstede, 1980). In later years, additional research has been made on the topic and another two dimensions have been added to the model; long term orientation and indulgence (Hofstede, 2011). This research does not only describe what the dimensions regard, but also gives a description of how countries in high versus low scores of these dimensions are characterized. Below a presentation of the later research of Hofstede’s dimensions are presented (Hofstede, 2011):

**Power distance**

This dimension concerns power distribution, and to what extent people in hierarchies accept that it is not dived equally. Countries with low power distance tend to be
characterized by an even income distribution level, democratic and peaceful governments and a society where people are overall treated equally. In contexts where the power distance is high, hierarchy and formal titles are important, and corruption can be frequent due to unstable institutions.

**Individualism**
The second dimension, individualism versus collectivism, deals with how people position themselves in the society in relation to others. In individualistic countries, independence is valued and each person is supposed to take care of themselves, rather than relying on a network. Collectivists are more dependent on their relationships and value this highly, both in the private and business contexts. The collectivistic mind-set is also shown through their unwillingness to be confrontational, since they are concerned to maintain harmony. Individualists on the other hand, think that speaking one’s mind is a human right and should be encouraged.

**Masculinity**
Masculinity versus femininity shows in what way the values typical for a particular gender is dominant in the society. In nations where feminine values are strong, the caring traits are stronger and there is an overall equality between men and women. People also tend to be equally career driven and family oriented. In masculine societies work is prioritized, men are higher up in the hierarchy and there is an overall more competitive ambiance compared what characterizes a feminine culture.

**Uncertainty avoidance**
The fourth dimension, uncertainty avoidance, regards a society’s tolerance for the unknown and uncertain. In a country with a low score on the scale of this dimension, people are flexible and encourage innovation and change. People are willing to take risks without knowing the consequences. In countries with high uncertainty avoidance, the society is more risk averse, and a lot of laws and policies are implemented in order to try to control and eliminate uncertainty.

**Long-term orientation**
The long-term orientation deals with the issue of whether the people value the past or the future. For short-term oriented cultures, traditions and the past are important, and people are usually very patriotic. Long-term oriented cultures tend to look ahead and take a lot of consideration into the circumstances instead of looking at good and evil as constant.

**Indulgence**
Looking at indulgence versus restraint, it concerns to what extent people are expected to control their impulses and desires. In an indulgent society, people are raised to enjoy life and not be forced to control their impulses. This results in a spontaneous and optimistic lifestyle, whereas restrained cultures have stricter societal norms. In restrained societies people perceive themselves as not being in charge of what happens in their life, and that everything happens for a reason.
2.2.2 Thailand compared to Sweden

Comparing Thailand to Sweden through using Hofstede’s six dimensions, the most distinctive difference lies within the parameter regarding collectivism versus individualism. The fact that Thailand is a very collectivistic society compared to Sweden implies that the two cultures have very different priorities in terms of relationships. Additional substantial differences are the views upon power distance and uncertainty avoidance. The Thai culture have much respect for hierarchical structures and prefer a controlled environment with less flexibility, compared to what Swedish people are used to. In terms of similarities, one can see that the one dimension in which both cultures goes towards the same direction is the dimension of masculinity versus femininity. Even though Sweden has a lower score, Thailand is also considered to have a feminine national culture.

In previous research made on issues regarding cross-cultural management in Thailand, it is stated that the Thai culture is highly characterized by Buddhist values (Epifanova & Hild, 2015; Elliott, 2014). The Thai business culture can be challenging for western managers due to major differences regarding religious view and culture (ibid). Epifanova and Hild (2015) mentions that in general, Thai people perceive conflicts as something one should highly avoid because it is seen as a sign of dysfunctional group structure and it can be embarrassing in the eyes of others. In the Western world conflicts are on the other hand considered to be a way of solving conflicts and improving the group. What is also mentioned in research is that Thai people seek for harmonized relations and therefore they avoid face-to-face confrontation, because this may result in distress emotions and negativity (Epifanova & Hild, 2015; Jackson, 2016).
In a case-study conducted on eight foreign companies operating in Thailand, the cultural differences that foreign companies face in Thailand were further revealed (Sriussadaporn, 2006). Evidences has shown that the main cultural problems that foreign managers face when conducting business in Thailand are related to; mentality and accountability, task assignment, time management, language deficiency and personal/work relationships. For example, foreign managers tend to regard Thai people as being unable to think in a proactive and analytical way. In addition, foreign managers consider it challenging to find out about their Thai employees real feelings when asking for comments, due to the Thai people’s urge to say what they believe will please their manager (ibid). Supporting previous mentioned research regarding conflict avoidance (Epifanova & Hild, 2015), this study found Thai employees to be committed to cultural values and norms, where conflict avoidance is mentioned as a common cultural norm that Thai employees tend to strongly obey (Sriussadaporn, 2006). Another difference revealed by the author regards how Thai employees seem to perceive time and punctuality. Western managers found the Thai work pace to be slow, gradually ongoing and timeless. It is moreover stated that many Thai employees struggled with communication during meetings, due to a lacking English vocabulary (ibid).

The research proposes several suggestions for how foreign managers should deal with these cultural differences, and the overall purpose is to show how important it can be for foreign managers to learn about the Thai culture and adapt to the Thai people’s way of conducting business (ibid). For example, if managers show respect to the face avoidance norm, overcome any tendency towards ethnocentrism and learn about the underlying meaning of Thai nonverbal actions, it will most likely become easier for foreign managers to cope and handle issues that may occur when trying to set up their business in Thailand (ibid).

2.3 Strategic management

Mintzberg (1987; p11) defines the concept of strategy as the following: “To almost anyone you care to ask, strategy is plan – some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation”. This is the most common way of looking at strategy, i.e. as a planning process, but it is argued that the definition can take several different shapes depending on the purpose and the context (ibid). For example, some business management researchers refer to the positioning process when talking about strategy, which regards how one can position oneself in relation to competitors in order to gain competitive advantage (Porter, 1980). It has furthermore been found that strategy is not something that solely occurs in business environments. It is used in the everyday life, where it can be used in competition-based events such as sports, or simply to overcome an obstacle such as jumping a fence (Mintzberg, 1978).

When discussing strategy in relation to the field of business administration, the word is often the shorter definition used to explain the concept of strategic management (Nag et al., 2007). Opinions concerning what strategic management really is about differ, but in
a study where 447 articles were scanned in order to formulate the most appropriate
definition, researchers concluded on the following: “The field of strategic management
deals with the major intended and emergent initiatives taken by general managers on
behalf of owners, involving utilization of resources, to enhance the performance of firms
in their external environments.” (Nag et al., 2007; p944). In other words, strategic
management regards how organisations manage to formulate and implement plans that
can help them obtain their goals and missions (White et al., 2015).

Furthermore, when using the term strategy in relation to the institutional theory, authors
more specifically refers more to strategy as the decisions or choices made by
the management (Peng et al., 2009). It has been found that along the way, there are factors
influencing these decisions (Mintzberg, 1978; Peng et al., 2009) such as for example the
previously discussed institutional turbulence in Thailand. Depending on the
predictability and the degree of impact the factors has on these choices, the strategy can
be categorized into different patterns (Mintzberg, 1978). Three main patterns regarding
strategy has been presented below: intended strategy, emergent strategy, and realized
strategy (ibid).

2.3.1 Intended, emergent and realized strategy

An intended strategy is a planned set of decisions that are formed proactively for the
future (Mintzberg, 1978). If one aims to put these decisions into actions, it becomes a
deliberate strategy, as shown in figure two. Emergent strategy on the other hand, is the
process in which a decision maker in an organization is forced to change the intended
strategy in a retroactive manner, or simply act without intentions due to a change of
circumstances (ibid). Regardless if the strategy is deliberate or emergent, the actual
outcome of the actions is referred to as the realized strategy (ibid). The unrealized
strategy is the intended strategy that never was implemented (ibid), due to reasons that
will be explained further on in the thesis.

It has been presented that strategies rarely are purely deliberate or 100 % emergent
(Harrington et al., 2004; Mintzberg, 1978). For a strategy to be perfectly deliberate,
there must have been zero impact on the strategy from the external environment, and the
realized strategy should be in identical alignment with the deliberate strategy. In order for this to occur, the environment in which an organisation is operating must also be completely predictable (ibid), which is hardly ever the case in the society of today.

Fully emergent strategies are on the other hand strategies without any sign of intention (ibid). Naturally, this somewhat goes against the human nature, since us humans have intentions with more or less everything we do. However, Mintzberg (1978) explains that there are some scenarios that are rather close to fully emergent. For example, in extremely disruptive environments, where there is little or no time for planning, organisations are forced to constantly adjust to the external impact (ibid).

Furthermore, several kinds of strategies placed on the scale between fully emergent or fully deliberate have been presented by Mintzberg (1978), but the consensus is that they usually are to some extent impacted by both variables. Harrington et al. (2004) researched the effect that environmental dynamism had on strategy, and concluded that in markets with a high degree of institutional fluctuations, a more emergent strategy was preferred. Naturally, in stable environments a more deliberate approach was used. Santangelo and Meyer (2011) have looked into this further and stated that when firms are lacking knowledge due to unfamiliarity with the market, or operate in markets with frequent unpredictable changes, it is impossible to carry out deliberate strategies.

Even though the different approaches to Mintzberg’s theories have been highly appreciated among managers, Martin (2014) argues that recently companies have used the emergent approach as an excuse to avoid tough strategic decisions. It is explained that instead of putting effort into thorough analysis of the environment and constructing a well-elaborated plan than can favour the results of the company, managers have developed a habit of copying competitors instead of looking into the own firm. The author states that this can be problematic since a passive approach where one simply just copy competitors, rarely lead to uniqueness or competitive advantage (ibid).

2.3.2 Institution based view on strategy
When forming and implementing strategies, several factors should be taken into consideration. As presented in the background, earlier strategic management research has mainly focused on two fields; the resourced based view presented by Barney (1991), and the competition-based view originated from Porter (1980). The resource-based view has mainly focused on how firms can sustain competitive advantage through core competences within the company, i.e. through control of resources that are valuable, rare, imperfectly imitable, and not substitutable (Barney et al., 2001). Martin (2014) criticise this perspective through stating that it is only useful under predictable circumstances, and that strategists need to take additional perspectives into consideration. The competition-based view (also called the industry-based view) analyses external factors, such as industry conditions and competitors (Porter, 1980), albeit lacking focus on the contextual settings. More recent studies have therefore
emphasized the importance of the institutional approach, and a third leg of research evolved (see figure 3).

![Strategy Tripod Diagram](image)

**Fig 3: The strategy tripod (Young et al., 2014)**

The institution based view argue that the external environment analysis should not solely focus on the industry and its corporate players, but also look deeper into what formerly has been described as the background environment, e.g. political, legal and cultural institutions (Peng et al., 2008; Young et al., 2014; Jansson & Söderman, 2015). As earlier presented, it has been found that institutions matter even more in emerging markets than in developed markets (Bruton et al., 2014). Connecting this to the strategy research, institutions in emerging markets thereby also highly impact the strategy of firms (Peng et al., 2009; Bruton et al., 2014). Harrington et al., (2004) support this by claiming that the stability or instability of the environment is the main regulator regarding the intended and emergent strategy of organisations. Jansson and Söderman (2015) further explain that the differentiation in strategic management around the globe is due to differences in the institutional settings. This means that there is a constant interaction between institutions and organisations, and that the strategic management is a result of this complex interaction (Bruton et al., 2014).

For firms operating in a volatile environment like Thailand, it would mean that they consequently are facing managerial and strategic challenges since the rapid and unpredictable changes makes it hard to maintain a long term planning process (Meyer & Peng, 2016). This is supported by a study made on both domestic and foreign firms in China, a country with similar institutions to Thailand, which resulted in the conclusion that the institutional environment had a much stronger impact on the behaviour of firms than resource and industry factors (Gao et al., 2010).

Another proposition made within the field that is vital for managers within international business, is the conclusion that in markets where formal institutions are dysfunctional, the informal institutions tend to take more place (Meyer & Peng, 2016; Peng et al., 2009). It is explained that it is of greater importance to utilize cultural and normative institutions in order for firms to succeed. For example, in situations where firms face a challenging political system, they can use their social network or extensive knowledge
about the foreign culture to gain competitive advantage (Peng et al., 2009). This is not something that yet has been widely researched in Thailand, but a commonly used example of this is the cultural phenomena of Guanxi in China. This phenomenon describes the informal structure where interpersonal relationships facilitates the growth of firms, and thereby the growth of a whole country’s economy, even though they lack formal institutional support. Jansson and Söderman (2013) also touched upon this by studying Swedish MNCs operating in China, where they found that the cultural institution gap between the countries highly affected the strategic management of managers in these firms.

2.4 Conceptual framework

The literature review has showed that multiple institutional constraints affect the possibility of firms to successfully do business in an emerging market context. By defining and explaining institutional theory, it is revealed that the institutional settings in markets are heterogeneous, and therefore it should be taken into careful consideration when planning and implementing strategies in a foreign country. Institutions can be divided into two branches, formal and informal, which both have been found to interfere with the strategic management of firms operating in an emerging market like Thailand. The formal branch consists of political and legal institutions, such as governmental situation as well as the laws and regulations of the country. Emerging markets often lack stable formal institutions which can result in political turbulence, corruption or unpredictable policy changes; something that has been shown to be problematic for foreign firms. Informal institutions on the other hand, regard the national culture of the country such as values, norms and beliefs. The literature review indicates that differences in national culture can be an obstacle for foreign firms in Thailand; hence it has impact on Swedish firms operating in the market. In order to avoid misunderstandings and conflicts, both within the firm and with external partners, it is revealed that managers should gain knowledge about the cultural constraints in the society of which they are operating.

Lastly, the literature review has shown that there are different ways to look at strategy. In order to analyse the impact that host country institutions have on the strategic management of Swedish manufacturing firms operating in Thailand, the theory about intended, emergent and realized strategy has been presented. It is revealed that the institutional stability of a market affects these strategical patterns; hence, this is one of the concepts when looking at the strategic management. The second concept, institution based view on strategy, further explains the constant interplay between institutions and firms, and that the strategic management is an outcome of this interaction.
Fig 1. Conceptual framework (Own, 2017)
3 Methodology

In the following chapter a presentation of the methodological framework used to write this thesis will be made. An explanation of the different research methods will be presented as well as a motivation for the suitability of the chosen methods. Firstly, the research approach will be presented, followed by the research method and research design. Thereafter an explanation of the different types of data that has been used is made, before finishing the chapter with the operationalisation, quality of method discussion and ethical considerations.

3.1 Research approach

Saunders (2011) describes research approach as the philosophy that is adopted when approaching the field of research, i.e. how to collect and develop knowledge within the studied field. When conducting research the researcher decides whether to use an inductive, a deductive or an abductive research approach (Alvesson & Sköldberg, 2009; Dubois & Gadde, 2002). The decision of which approach to follow is based on how clear you are about theory prior to the collection of empirical data (Saunders, 2011). If one adopts the inductive method to go about in research, you initiate the process with observations to collect data and then based on your gathered data; a theoretical framework is constructed (Alvesson & Sköldberg, 2009). Inductive research allows the researcher to reflect and analyse theoretical concepts that derive from empirical data, hence this approach is recommended when there exists limited literature regarding studied topic (Saunders, 2011). However, there exist certain risks associated with inductive research, for example that collected data turns out to be useless or that theory does not appear (ibid). Saunders (2011) further emphasize that this method should be avoided when researchers lack extensive prior competence regarding the studied subject.

The deductive research approach evolves from a theoretical framework, being based on general and existing knowledge (Saunders, 2011; Alvesson & Sköldberg, 2009). Once a thorough theoretical structure has been developed, stated concepts are operationalised in a way that enables researchers to test theory in comparison to empirical data (Saunders, 2011). By conducting deductive research, it is possible for the researcher to either enhance validity regarding studied subject by confirming the theoretical framework through empirical findings, or provide future opportunities to refine theory by disconfirming theoretical concepts (Hyde, 2000). When prior research about studied concepts exists, and the aim of a thesis is to evaluate and test theory in relation to reality, the deductive research approach is stated as useful (Dubois & Gadde, 2002). The abductive approach, also known as systematic combining, is a mixture between the inductive and deductive approach where you go back and forth between theory and empirical findings in order to refine current theory (ibid). When a study intends to discover new concepts or variables, research recommends the abductive approach (Alvesson & Sköldberg, 2009).
Regarding this thesis, it was acknowledged that stated research question and discovered problem was grounded in theory, thus it became natural to evolve from existing research and gather knowledge prior to collection of empirical data. Hence, the inductive approach felt inappropriate. Furthermore, the aim of this thesis has not been to create new theory, but rather to explore and observe discovered patterns in relation to an already existing framework, thus the deductive approach was found to be in line with this thesis. Through the gathering of general theories about institutions, culture and strategy, and how these concept impact business, a well-defined theoretical framework evolved and were then subjected to empirical scrutiny. Consequently, the deductive approach was followed in order to answer the research question and fulfil the analytical purpose of the study.

3.2 Research method

When entering the process of research, Patel and Davidsson (2011) mention two types of research methods that can be follow in order to analyse collected data and answer stated research question(s); a quantitative or a qualitative approach. What decides if one is conducting a qualitative or a quantitative research is how the research question(s) is formulated (ibid). Within quantitative research, focus is usually aimed towards analysis of numbered data through the use of statistical procedures (Saunders, 2011). The quantitative method is mentioned as useful when the researcher seeks to conduct a descriptive study and look for obvious trends or connections (Patel & Davidsson, 2011).

Qualitative research on the other hand, focus on receiving a better understanding of the phenomenon that is studied, and research question(s) most often seeks to answer the question of “how” and “why” (ibid). Qualitative research place a greater emphasis on spoken words for analysis and this kind of research is usually handed out through small-scale studies where data is analysed meantime as the gathering of data is taking place. Additionally, by using the qualitative method, data is gathered from personal interviews and observations to gain deeper understandings and detailed information to analyse (Saunders, 2011; Patel & Davidsson, 2011). Research recommends the qualitative method when the aim of a thesis is to grasp how different themes and pattern affect each other. Saunders (2011) further suggests the qualitative method for research who seeks to gain an insight of the human perspective to certain events and when context play a significant role for the conducted study (Saunders, 2011; Denscombe, 2016).

Basing the analysis on statistics and numbers was not going to lead this thesis to a fruitful conclusion; hence the quantitative method was rejected. Instead, this thesis was conducted in a qualitative manner considering the aim was to understand and analyse how Swedish firms are affected by Thai institutions. Furthermore, this thesis takes an exploratory design and seeks to gain an insight of how the respondents perceive the studied topic, which is in line with the qualitative approach. In conclusion, the context of Thailand is believed to highly impact and affect the studied phenomenon, which
steered this thesis in a qualitative direction.

3.3 Research design

Research design is defined as “the general plan of how you will go about answering your research question(s)” (Saunders, 2011; p167). It is stated that research design formulates the plan of data collection and it is important that chosen design is in line with stated research question (Gharui & Grønhaug, 2010). According to Saunders (2011), the research design can take three different directions; descriptive, explanatory/causal or exploratory. The descriptive design aim to portray and describe the studied topic and this design is highly characterized by structure and a precise layout (ibid). However, as the aim of this thesis is to be flexible, this design becomes less applicable. It is further stated as important to have a clear idea of the studied phenomenon before you start to collect data when using this research design (Piekkari et al., 2011), which was not the case in this thesis considering it is rather aiming to explore and test stated theoretical framework. The explanatory/causal design seeks to analyse and establish a relationship between various variables and the main target is to examine cause and effect problems (Saunders, 2011; Ghauri & Grønhaug, 2010). However, as the research problem and purpose in this thesis follows a different direction and rather seek to observe and explore, the explanatory/causal design was not considered as a good match.

In conclusion, the exploratory design was a better match for this thesis. When one seek to find new insights and to get a different perspective of the studied phenomena, Saunders (2011) state that the exploratory design should be used. Thomas (2011) argues that the exploratory design will enable research to develop knowledge and conception regarding behaviour and roles within the particular context of a study. This is in line with stated purpose of this thesis, where the aim is to explore how institutions in Thailand affect Swedish companies and their strategy. Furthermore, the importance for this thesis to gain personal insight from each respondent, support the choice of an exploratory design (ibid). In conclusion, Saunders (2011) mentions the exploratory study to be valuable when researchers seek to analyse a phenomenon in a new light, which can be related to the goal of this thesis; to analyse and assess how institutions influence the strategic management of Swedish firms (the phenomenon) in the “new light” of Thailand.

3.3.1 Purposive sampling

Depending on purpose of research and formulation of research question, one can choose between various sampling methods (Marshall, 1996). When the aim of a qualitative study is to gain a deeper understand regarding the studied phenomenon, Marshall (1996) state that studying a large sample is not very efficient and one should rather focus on the selection of a representative sample (Merriam & Tisdell, 2015). To find a representative sample for this study, the purposive sample method was used. This is the most commonly used technique in qualitative research and it has been stated that this
technique enables researchers to gather rich information and learn about issues that are relevant for the purpose of the study (ibid).

Purposive sampling is used by researchers who wish to explore complex issues and gain a deeper insight, which is in line with the aim of this study (ibid). By adopting the purposive sampling technique, sample selection regarding this thesis has aimed towards finding individuals with knowledge and expertise within the field of our research concepts; political and legal institutions, strategic management and the culture of both Thailand and Sweden. To increase the creditability, it was also decided to limit the sample to respondents within the same industry, in this case companies within the manufacturing industry. This decision was based on the fact that there is a substantial difference between service and manufacturing companies, for example regarding trade barriers.

To find credible and representative firms, the sample requirements were based on the research question and the theoretical findings, which led to following criteria:

1. The company needed to be Swedish, or act as an agent on behalf of a Swedish company
2. The company needed to be operating on the Thai market
3. The company should be a manufacturing company

Selected respondent’s criteria were identified;
1. Have managerial knowledge about the firm
2. Be aware of difficulties concerning operations on the Thai market

3.3.2 Respondents
Below follows a table that presents chosen respondents as well as a brief description of the industry in which they are operating:

<table>
<thead>
<tr>
<th>Company</th>
<th>Respondent</th>
<th>Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getinge AB</td>
<td>Nitayavardhana Prada</td>
<td>April 12th</td>
</tr>
<tr>
<td>Industry: Provider of medtech within healthcare and life science.</td>
<td>Title: CEO of Simm Company (Distributor of Getinge AB)</td>
<td></td>
</tr>
<tr>
<td>Scania</td>
<td>Ted Göransson</td>
<td>April 18th</td>
</tr>
<tr>
<td>Industry: Provider of transport solutions.</td>
<td>Title: Project Director</td>
<td></td>
</tr>
<tr>
<td>KoneCranes</td>
<td>Patrik Lundbäck</td>
<td>April 18th</td>
</tr>
<tr>
<td>Industry: World-leading company within the lifting business.</td>
<td>Title: Regional Sales Manager</td>
<td></td>
</tr>
<tr>
<td>Volvo Trucks</td>
<td>Helen Savmyr</td>
<td>April 19th</td>
</tr>
<tr>
<td>Industry: Producer of heavy trucks.</td>
<td>Title: Senior Vice President</td>
<td></td>
</tr>
<tr>
<td>Nederman</td>
<td>Thorbjörn Larsson</td>
<td>April 20th</td>
</tr>
<tr>
<td>Industry: Industrial air filtration</td>
<td>Title: Export Sales Manager</td>
<td></td>
</tr>
</tbody>
</table>
3.4 Data collection
The term data collection regards the process in which researchers gather information to enhance the knowledge within the studied field (Ghauri, 2004). In the data collection process most researchers use different methods and sources of data for further analysis (Hox & Boeije, 2004). Regarding the sources of data collection, it can be collected from what has been defined as primary or secondary sources (Merriam, 2009).

3.4.1 Primary data
Primary data is data collected by the researcher himself, and is collected specifically for the intended research purpose (Hox & Boeije, 2004). The data can be gathered in numerous ways such as through interviews, observations, participation and experimentation (Yin, 2014). A popular method is qualitative interviews, where one is using a flexible interview guide to talk about experiences, perceptions and in-depth behaviour (Hox & Boeije, 2004). Since we conduct an exploratory thesis, and wish to gain a deeper understanding of an issue, a data collection method in line with qualitative interviews would therefore be preferable (ibid). Within the qualitative field it is common to collect a large amount of primary data through a small number of respondents (ibid), which is something that has been applied on this thesis as well. Furthermore, Saunders et al. (2009) states that the method of interviewing is an advantage when asking complex or open-ended questions, or the research tend to ask a big number of questions that will be time-consuming for the respondent. Research has shown that respondents, and especially managers (which is the title of the participants in this thesis), tend to be more unwilling to participate in a study when given a questionnaire or a survey (ibid). Hence, in this thesis face to face interviews were conducted.

Through interviews with five different respondents, we got the opportunity to discuss the current institutional challenges in Thailand, and get access to data that we previously could not find solely through secondary sources. One can also use other interview methods such as email, phone or skype, but in order to get as much information as possible, and not only analyse the actual words but also the body language, the face to face method was used. Research have also found that regarding interview mode, face to face interviews provides the study with increased quality compared to telephone interviews (Holbrook et al., 2003), which further support our decision. The authors also state that in research where telephone interviews occur respondents tend to be less engaged and cooperative than studies where face to face interviews occur (ibid). It is further proven that face to face interviews enable the researcher to establish trust and reliability that can be hard when performing telephone interviews (ibid). Therefore, even though a telephone interview may be less costly and time-consuming, it was decided to conduct face to face interviews to increase the quality of the thesis.
3.4.2 Secondary data
Secondary data concerns data that has been collected by a person other than the author of the thesis, and for a purpose other than the original research question (Hox & Boeije, 2004). There are different types of secondary data such as books, journal articles, online data sources and statistics. These can be divided into either raw data, which means that there has been none or very little processing, and compiled data, which refers to data that has gone through some kind of categorization or selection (Saunders et al., 2009). Worth mentioning is that when using secondary data, it is important to critically analyse the source as well as the quality and relevance of the material (Hox & Boeije, 2004). In this thesis the secondary data was mainly collected from the webpage of the case companies, and presented in the empirical findings chapter. The reason for using such a limited amount of secondary data is linked to the exploratory approach, and the fact that we investigated a situation that yet had not been researched in that exact context.

3.4.3 Structure of interviews
When conducting and formulating interviews it is possible to choose between three main types; structured, semi-structured and unstructured interviews (Denscombe, 2016). Structured interviews are formulated with a well-constructed question schedule where each question is constructed in the same way and order to each respondent (Doody & Noonan, 2013). It can be useful to conduct structured interviews when there is a strict time limit and when interviewers want to avoid subjectivity or the risk of having interviewer bias. However, structured interviews leave limited room for flexibility which would have been unfavourable for this thesis (Doody & Noonan, 2013; Saunders et al., 2009). One can also use unstructured interviews, where the researcher focusses on themes rather than specific interview questions, but this often requires a very skilled interviewer in order to receive the data needed to answer the research question (ibid). In order to decrease the risk of getting off topic, Merriam and Tisdell (2016) instead promote the semi-structured interview structure. This was a main argument when formulating the interview questions for this thesis, and therefore the semi-structured approach was selected.

When conducting a semi-structured interview an interview guideline is formulated in order for the researcher to collect somewhat similar data from its respondents (Saunders et al., 2009). This interview type is flexible and consists of open-ended questions, which leave room for the researcher to detect new patterns throughout the interview, as well as change the order of which the questions are asked. Since we wished to explore how managers perceive the current challenges and how it affects their strategic management, asking open-ended questions with the possibility to ask follow up questions was desirable. By using a semi-structured design, it was possible for the respondents to provide rich and detailed answers, and we were also able to ask the questions in different order in every interview, and thereby create a better flow in the conversation.

3.5 Operationalisation
Before conducting interviews, especially when the researchers are unfamiliar to the
qualitative research field, it is recommended to compose an interview protocol (Jacob & Fugerson, 2012). The interview protocol is useful to outline a set of question and also to guide the researcher through the process of interviewing. When preparing interview questions for a qualitative interview, it is important to read relevant literature on the subject and then develop literature grounded questions that can help one to explore new patterns and answer the discovered research gap (ibid). The established theoretical framework becomes the base for operationalization where one link theoretical concepts to the real world. Based on the theoretical concepts, we formulated 14 questions on these findings. Our interview questions are thereby based on the concepts and literature presented in the theory chapter.

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview questions</th>
<th>Reasoning</th>
</tr>
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<tbody>
<tr>
<td>Business operations</td>
<td>1-3</td>
<td>To get a general overview of the respondent and the company he/she is representing, three introducing questions has been formulated</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>In order to conduct an ethical research, we offered the respondents full anonymity.</td>
</tr>
<tr>
<td>Institutions - Political and legal</td>
<td>5-8</td>
<td>In order to get an unbiased view of the current institutional challenges in Thailand, a more general question will be introducing the concept. This will be followed by four more specific questions in order to get an understanding about formal constraints in Thailand, and in what ways the political and legal institutions affect the strategic management of the firm. To test the argument that institutions have a stronger impact in emerging markets than in developed, we will ask the respondent to compare the situation to Sweden.</td>
</tr>
<tr>
<td>- Culture</td>
<td>9-13</td>
<td>By asking about the differences between Swedish and Thai culture, we get a deeper insight in how the respondent perceive the Thai culture and what challenges it might bring. This will be linked to the theory about Hofstede’s cultural dimensions, as well as the arguments about foreign market knowledge.</td>
</tr>
<tr>
<td>Strategic management</td>
<td>5-15</td>
<td>All of the questions asked about institutional impact will be linked to the concept of intended, emergent, and realized strategy, in order to analyse how they are interrelated. They questions will also intend to test the institution based view on strategy and show the relevance of knowledge about Thai institutions.</td>
</tr>
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*Table 2. Operationalisation summary (Own, 2017)*

3.6 Method of data analysis

In qualitative research a challenging part is to interpret and analyse the collected data, since the amount of data is usually big and require researchers to carefully read it through in order to get a thorough perception of the material (Ghauri, 2004). In order to understand and analyse the data, Ghauri (2004) suggest that researchers should analyse
the interviews throughout the process of collecting of data, starting from the first interview, a method that also was adopted in this thesis.

Empirical data were collected through recorded interviews, to enable a continuous process of analysing data, where the collected material was carefully transcribed after each interview. It has been stated that by using this method, researchers will find it easier to analyse the information, without trying to simplify it due the large volume of data, and then reach a fruitful conclusion of the study (Ghauri, 2004; Cohen et al., 2007). Since data in this thesis were collected through semi-structured interviews, there was some uncertainties about how long and information rich each interview would turn out to be and therefore a continuous process of transcribing and analysing collected data was found useful. In addition, Saunders (2011) argues that by having an interactive approach to the process of analysing data, it will enable the researchers to better recognise patterns and important themes, which is a further support for this thesis to adopt a continuously analysis of conducted interviews.

Once interviews were conducted and the recorded material transcribed, this thesis followed Miles and Huberman’s (1994) recommendation for data analysis. The authors divide the analysis process of a qualitative study into three different steps; data reduction, data display and conclusion drawing/verification. In the first step, the transcribed interviews for this thesis were organised and any unnecessary material was reduced. In research, this is done so that data further can be coded and transformed into information that is easier to analyse and brings one to an answer of the research question (Yin, 2009). In the next step, data display, this thesis visualized the collected data and then interpreted the data in comparison to the theoretical framework, in order to reach the final step; conclusion drawing/verification (Miles & Huberman, 1994). This thesis chose to integrate the empirical findings together with the analysis, in order to create a better flow and a more interesting story for the reader. In addition, the concepts presented in this thesis are closely interconnected and therefore this thesis chose to integrate the empirical findings with an analysis in order to easier detect patterns. These findings and patterns were then presented and finalized by a conclusion.

3.7 Quality of research

3.7.1 Validity

When conducting research, the researchers carefully need to evaluate to what extent the presented findings comply with what the participants in the study actually meant (Saunders et al., 2009; Creswell & Miller, 2000). By taking certain actions, defined as validity procedures, researchers can gain credibility to their work (Creswell & Miller, 2000). It has been stated that it is easier for quantitative research to establish validity, since they can rely on concrete tools such as scores and instruments, whereas qualitative research have to use the lens of the people involved in the study (ibid). Creswell and Miller (2000) have suggested that one can use different perspectives to obtain validity, for example through the researchers, the participants or and third party external to the study.
In this thesis validity has been established through the lens of the authors in different ways. The first is through triangulation, which has been described to be the process in which researchers decide to use multiple types of methods, data sources (i.e. respondents) and/or theories (ibid). When including several sources of data, i.e. interviewing more than one individual, this is referred to as data triangulation (Mathison, 1988). Instead of interviewing several respondents from one company, it was decided to use one respondent from multiple companies, in order to get a wider view of the phenomena. That way we did not simply get insight in the experiences of only one company, but could instead get opinions from several different angles. We also decided to include one Thai manager in addition to the four Swedish ones, in order to avoid ethnocentrism and risk missing information that is more accessible for native Thais. Through including both home and host country nationalities, it helped us to get a more accurate representation of the current situation in the Thai business environment. Additionally, even though four out of five respondents spoke Swedish, and this would be the natural choice of language for these interviews, we decided to conduct all of the interviews in English. The decision was based on the fact that the thesis was written in English, and in case of translation of the raw data from Swedish to English, “lost in translation”-errors could have occurred. By conducting the interviews in English we could assure the right words were used and eliminate some of the risk for interpreting the answers incorrectly.

Worth adding to the discussion regarding the amount of data sources included in the study is the concept of generalisability, also referred to as external validity (Saunders et al., 2009). The definition concerns to what extent one consider the findings to be generalizable, i.e. applicable on other contexts and settings, and that one should be careful to jump to conclusions, especially when the sample has been small (ibid). Even though multiple respondents were interviewed for this thesis, the data derived from respondents operating in the same industry. Therefore, we pinpoint that the purpose is not to develop a whole new theory, but to simply explore what is occurring in a certain context, in this case the manufacturing industry of Thailand. The same regards the fact that one Thai respondent was included in relation to the four Swedish ones. The aim is not to draw generalizable conclusions from the data collected from this respondent, but instead add a second angle and additional perspective.

Lastly, the final action taken to establish validity in the study was made through the process of disconfirming evidence. This method is closely related to triangulation and refers to the procedure occurring when researchers firstly categorize the study into preliminary themes, and thereafter go over the data with the purpose of finding confirming or disconfirming evidence in relation to these themes (Creswell & Miller, 2000). Creswell and Miller mean that it is common for researchers to simply search for confirming evidence rather than disconfirming, and thereby risk of not presenting an accurate picture of the reality (ibid). Therefore, the data scanning was made with an open mind, not only looking for findings supporting the previously established themes in the thesis.
3.7.2 Reliability

The reliability of a study concerns to what extent the collected data is trustworthy in relation to the data collection techniques (Hox & Boeije, 2004). In order to reassure that the data is reliable, one could ask three questions. The first one regards if the measures used in the study will end up giving the same results if conducted on another occasion (Easterby-Smith et al., 2008). The fact that it has been found that the possibility of repetitiveness is an issue in non-standardized studies, makes it hard to ensure reliability through this question. The concept of reliability is mainly used in quantitative data, and has received criticism for not being usable in qualitative research (Hox & Boeije, 2004). This is due to the fact that the main reason for using a qualitative method, such as semi-structured interviews, is to explore a complex and dynamic issue that can rapidly change (Saunders et al., 2009). Therefore, it could be difficult to repeat a study and get an identical result, which is something that has been taken into account when discussing the reliability of this thesis.

The second question to ask is if the results would have been the same if the observations had been made by other observers (Easterby-Smith et al., 2008). This question is, like the first one, hard to give a clear answer to in qualitative studies. Due to the different directions a semi-structured interview can take, it is hard to ensure that the results would be identical if made by different researchers. Saunders et al. (2009) have presented some threats to reliability when conducting interviews, which is something that has been adopted in this thesis. One issue is that the study might suffer from interviewer or interviewee bias (ibid). Interviewer bias refers to the issue of the interviewer imposing their own opinion on the respondent through using a certain tone, body language or comments. By asking open questions and trying to keep a neutral appearance, we decreased the risk of imposing bias behaviour on the participants. The opposite issue, interviewee bias, concerns when the respondents expurgate or withhold their “real” opinion due to various reasons (ibid). Especially in semi-structured interviews, respondents might avoid to give developed answers to certain questions that might be of great relevance for the thesis (ibid). This is due to the worry that it might lead to further questions that seem uncomfortable to answer, possibly because it might give a negative view of the person or the company they are representing (ibid). In order to overcome this, Saunders et al. (2009) suggests that one should prepare a certain way regarding the settings and performance of the interview. Based on the suggestions, we aimed to conduct the interviews in the workplace of interviewee, where he/she could feel comfortable and we did not risk to get interrupted. Furthermore, we made sure to introduce ourselves and the purpose of our study in a proper manner, in order to gain familiarity and creditability. As encouraged by the authors (ibid), we also dressed in a manner appropriate for the place of the meeting, in this case formal office wear.

The third question to ask is if the process of which the data was collected, analysed and presented has been transparent (Easterby-Smith et al., 2008). Through a detailed description of the methodological process, one can provide the reader with an
understanding of how the researcher analysed and concluded the collected data (ibid). Regarding this thesis, we have presented a detailed methodology chapter that clarifies how the findings were gathered and processed. We also recorded the interviews and later transcribed them, in order to do a transparent presentation of the raw data. Furthermore, we attached the interview guided in the appendix in order for the reader to get a deeper understanding of the empirical findings.

3.8.1 Ethical considerations
Throughout the research process it is common for the researcher to face various ethical dilemmas (Saunders et al., 2009). By having ethical considerations in mind when conducting the research, and present in which ways this has been done, the researcher can ensure the reader that no participants took harm at the expense of the researcher’s desire to find results valuable for the study (Denscombe, 2014). In order to ensure that this thesis was conducted in an ethical manner, four principles presented by Denscombe (2014) were taken into consideration. The first principle encourages researchers to protect the participants, both physically and psychologically. We considered our research method to not bring any of these issues, but as suggested by the authors we offered the respondents full anonymity. Even if none of the respondents felt the need to be anonymous, they got the option to protect their name and the company that they were representing.

The second principle states that it should be voluntary for the respondents to participate and that they should be well informed about the purpose of the study before doing so (ibid). By sending an email to the respondents prior to the interviews, we reassured that it was clear what the respondents could expect in case they decided to participate. In the email an introduction of our background, our agenda and an explanation of what was expected from the respondents was presented, which ensured that an ethical approach to the respondents was made. The third principle is closely related to the second, and regards that researchers should conduct their study in a manner transparent for the participants (ibid). This means that researchers are encouraged to reveal that they are researchers, who they are representing and explain for what kind of purpose they are collecting data (ibid). During the process, we ensured to follow this advice by sharing with the respondents that we were bachelor students conducting a field study supported by SIDA. Before each interview, we also presented the purpose of the thesis, and gave an explanation of the concepts we intended to discuss.

Lastly, the fourth principle presents that researchers always should obey the law of the country in which one is conducting the research, but also avoid investigating topics that are considered sensitive (ibid). By “sensitive”, the author refers to topics that might be seen as a crime to analyse or openly discuss (ibid). This issue has been presented in the delimitations, but in addition to the monarchy, we have come across potential subjects that have been found to be rather improper to research. Even though the subjects are not precisely considered illegal, it has been encouraged by respondents to be cautious when presenting findings that reveal the problematic sides of e.g. public authorities or the issue of corruption. Our standpoint concerning this has been that even though the
findings of this thesis pertains topics that are regarded as sensitive, these types of problems have to some extents already been revealed on various official websites. This means that it is already a known issue among the public, and we are therefore not revealing any information harmful for the respondents, or us.
4 Empirical findings and analysis

In the following chapter a presentation of the gathered data will be made. The chapter is initiated by an overview of the five companies selected for this study, as well as a presentation of the respondents representing them. Thereafter a presentation of the relevant empirical findings has been made, and analysed in relation to the theoretical concepts.

4.1 Cases

All of the companies participating in this study are multinational corporations operating in various markets across the world. They all sell products in the Thai market and the employees representing the companies possess extensive knowledge about this region. Each interview was conducted face to face in Bangkok, in between 12th April and 20th April.

Getinge/Simm Company

Getinge is a global provider of solutions within the life-science area, more particularly providing hospitals with medical equipment. They were founded 1904 in Getinge, Sweden (Getinge, 2017), and are currently active in 41 countries, employing more than 15 500 people. For over three decades Getinge have exported products to the Thai market through the distributor Simm Company. However, Simm Company was acquired in February 2017 and is now fully owned by Getinge. The company representative participating in this thesis, Mr Nitayavardhana Prada is considered to be the vital connection with the Thai market, since he is the managing CEO of Simm company and possesses great local knowledge. He will not continue to work with Getinge in the future, but is currently still with the company in order to reassure that the transition runs smoothly.

Scania

Scania is a global Swedish company manufacturing trucks and buses, currently active in more than 100 countries (Scania, 2017). The head office is located in Södertälje, Sweden, where they also have their main production facility. Scania sold their first truck in Thailand during 1914 and has long history of doing business in the Thai market. Up until now the main production systems has been located in Europe and Latin America, and Scania has imported their products to Thailand. This has caused Scania to be quite small in Thailand, mainly due to the long lead times. However, there has been a recent investment in a project where the plan is to establish a new factory for final assembly in order to grow on the Thai market. Worldwide Scania employs about 45 000 people, and the Scania business in Thailand have about 180-200 employees. The selected respondent and company representative is Ted Göransson, who is the project director for the new factory. He has been based in Thailand since September 2016, and previous to this position he was the area manager for the Southeast Asian market. Due to this he
has a great insight in both the operations of Scania, as well as the market of Thailand.

**Konecranes**
Konecranes lift truck division was initially a Swedish company called SMV Lifttrucks, but was acquired by the Finnish company Konecranes Plc in 2004 (Konecranes, 2017). The mother company has its headquarter located in Hyvinkää, however it is emphasized that the lift truck division still has a Swedish core (Lundbäck). Konecranes Plc specializes in manufacturing and service of cranes and lifting equipment, and import and sells these on the Thai market. They are operating in 50 countries and they have about 18,000 employees. The division of which the respondent Patrik Lundbäck is the regional sales manager, is the lift truck division, and during the last 5-6 years they have had their own sales business unit located in Thailand. At the office they are nine employees and eight of them are Thai natives. Lundbäck is managing the whole Asia Pacific region and has been with the company since SMV Lifttrucks was founded in 2001. He was transferred to Thailand in August 2015, and has also extensive experience from working overseas in other markets prior to this position.

**Volvo Trucks**
Volvo Trucks is one of the world’s leading manufacturers of heavy commercial vehicles and diesel engines, and together with Volvo Buses and Volvo Construction Equipment they represent one out of the eight brands in the product portfolio of Volvo Group (Volvo Trucks, 2017). Volvo Group was founded in 1927 and has their head office in Gothenburg, Sweden (ibid). Today they have manufacturing facilities in 19 countries around the world, and operate in over 190 markets (ibid). Regarding their operations in Thailand, their plant facility was built in 1976 for Volvo Cars. However, when Volvo Cars was sold to Ford, and (later on to the Chinese company Geely), Volvo Trucks took over the facilities in 2008. Apart from producing trucks and parts for the domestic market, they also export to Indonesia, Malaysia and South Africa from their operations in Bangkok. The employee representing Volvo Trucks in this thesis is the senior business manager Helen Savmyr, who also has the role as senior vice president for the operations in Bangkok. Helen has worked over 30 years in the industry, and before being re-located to Bangkok in September 2016, she was working for Volvo in Bangalore, India. Therefore, she possesses great knowledge about the Asian market, even though her somewhat recent move to Thailand.

**Nederman**
Nederman is a Swedish company claiming to have the most complete range of products and services within the industrial air filtration industry. Their aim is to “protect people, planet and products from harmful effects of industrial processes” (Nederman.com, 2017), and they do this by providing solutions for air pollution control. The company was founded in 1944, and today the headquarter of Nederman is still in Helsingborg. Nederman is operating in 25 countries, and have distributors in an additional 30 markets. The company has 1,900 employees spread out across the world, and production facilities in twelve countries. One of them was located in Thailand until June 2016, but
currently they only have a sales and service department with 46 employees. They import their products to the Thai market from Germany, Sweden and China, and they have had presence in the country for approximately 30 years. The export sales manager for the region is Torbjörn Larsson, who has worked for Nederman for over 17 years and will therefore be the company representative. This is his ninth position within the company, and he was situated in China for four years before moving to Thailand in 2015. During his time in China he travelled frequently to Thailand, and in addition to this he spent a lot of time in the surrounding countries such as Japan, Korea, the Philippines and Singapore, which led him to gain great knowledge about the Asian market.

4.2 Institutions

Research have stated that both formal and informal institutions in emerging markets differ significantly compared to those in developed markets (Hoskisson et al., 2013; Peng et al., 2008). In developed countries, institutions are stable and predictable whereas emerging markets are signified by deficient formal and informal institutions, which can be a great challenge for internationalizing firms (ibid). Most respondents recognize the difference between Swedish institutions and Thai institutions and state that it is noticeable when doing business. Savmyr was the only respondent not agreeing with previous statement, but she did nonetheless explain that because she has only been present in Thailand for a few months, she might not have the same experience regarding this particular subject. Prada on the other hand considers the political institutions to differ significantly, especially in terms of the degree of transparency. The respondent explains that he perceives Sweden as a country that suffers much less from corrupt politicians compared to what is the case in Thailand. However, he finds the legal institutions to be quite similar in between the two countries, but he does not provide any particular example, and one should keep in mind that he may lack knowledge about how the legal institutions work in Sweden, considering he is a Thai citizen.

According to Göransson, Lundbäck and Larsson, both political and legal institutions in Thailand differs a lot from the institutions in Sweden, and all agree with Prada saying that corruption is the most significant difference. Regarding the legal institutions, Göransson and Larsson mentioned that laws and regulations tend to change very rapidly which means that people can never be certain if a law is valid or not. In Sweden on the other hand, you are always confident about laws and regulations and people highly respect them, which is not the case in Thailand. Lundbäck agreed with previous respondents regarding uncertain rules and regulations, and place specific emphasize on the taxation system. The statement by Lundbäck is in line with previous research, where it has been found that simple and deficient governments are the main institutional issues that impact the business climate of an emerging market (Marquis & Raynard, 2015; Henisz & Delios, 2000). Research has found that countries with defective governments usually have poor quality regarding for example market regulations, corporate governance and transparency for firms operating on such markets. Even though our respondents did not clearly relate mentioned issues to the deficient government of
Thailand, poor market regulations and transparency is a recurring topic throughout every interview, except for the one conducted with Savmyr.

Furthermore, when discussing what the respondents perceived as different when comparing the legal institutions in Thailand to the ones in Sweden, all respondents emphasized customs in particular. Lundbäck and Prada stated that it can be troublesome, time consuming and costly for their business to get their machines to pass through customs and both respondents relate revealed issues to an inefficient system and poor communication among different authorities. However, Lundbäck mentioned that because they mainly import machines from China and since both China and Thailand are members of the ASEAN trade association, this process is not as troublesome and expensive, as when they have to import machines from Sweden. Savmyr agreed with Lundbäck and Prada regarding the hassle of getting machines to pass through custom and she explained that they constantly have to deal with documentations related to custom. Göransson and Larsson consider customs as troublesome due to their rapidly changing import taxes, which is unpredictable and hard to keep up with.

Moving over to the political institutions of Thailand, several researchers state that political institutions have a major impact on the business climate of a nation (Hilmersson et al., 2015; Tallman & Pedersen, 2011; Meyer & Peng, 2016). According to Hilmersson and Sandberg (2011) political turbulence is considered as a major institutional barrier for companies from developed countries trying to operate on markets with unstable political climate. All respondents except for Savmyr support formerly mentioned theory, by at some point indicating that the political climate of Thailand has affected their business. Prada exemplifies when political turbulence has been a barrier by revealing that during 2010, a time when Thailand were suffering from such turmoil, the ministry of health in Thailand prevented Getinge’s business from growing. Due to biased behaviour within the ministry, parts of Getinge’s sales were put on hold. However, Prada considers the current military government to be much more beneficial to their operations, and the business climate is now stable. Göransson mentioned that the political institutions of Thailand are highly affected by the legal ones, and therefore the political institutions work somewhat inefficient as well. Furthermore, Göransson agree that political turmoil impact their business operations. The GDP of Thailand took a hit following coup d’état in 2014 and because the truck market is highly connected with GDP growth, Scania’s business was thereby harmed.

Lundbäck stated at first that the political institutions of Thailand do not affect their business outcome to a noticeable extent. However, after discussing the subject more extensively, he mentioned that they are highly dependent on the government’s decision regarding concession. He explains this further by clarifying that concession agreements are the agreements that states for how long a company is granted the right to operate on a certain area. Since the Thai government can change mentioned agreements very abruptly, it makes companies less eager to invest in expensive machines such as those Konecranes are producing. This differs a lot compared to Sweden, where concessions
are not an issue for Konecranes customers, since they are granted more consistent and for longer periods than in Thailand. Even though regulations regarding concession do not have a direct impact on Koncranes, it surely affects their customers, and thereby also indirectly the operations of Konecranes. Hence, it can be concluded that unreliable governments, i.e. political institutions, have an impact on Konecranes business operations in Thailand. In addition, Lundbäck is certain that as long as the political situation is unstable, people will be cautious about making investments. Lundbäck states that he is certain that the current political situation in Thailand is beneficial for not only the business climate, but also for the citizens. He explains that because the people have trust for the military, the overall situation in the country is much more stable, which is an argument that Larsson highly agree upon. Larsson supports the comment by Lundbäck by commenting the citizen’s trust for the military; “I would not say that the military management is the best one in the world. But at least there is better control than before”. Through this statement he indicates that it was more corruption on the Thai market prior to coup d’état, and Savmyr agrees with the rest of the respondents by stating that the political climate is stable with the current government and as long as the military is in charge, it seem like the political climate will stay predictable and thereby favour their business operations.

Most presented theory regarding institutions has been in line with empirical findings; however, it has been found that parts of the collected data challenge the literature review. Research have stated that organizations tend to adopt and imitate institutional patterns they regard as highly valued within the national context surrounding the organization, and act in accordance with how they perceive the local institutional system (Eriksson-Zetterqvist, 2009; Powell & DiMaggio, 2012; Hilmersson, 2009). Mentioned research is not supported by the respondents, considering they all mentioned how important it is for their companies to not adapt to the unethical informal institutional pattern that signifies Thailand’s business climate. Even though corruption have been found to be a major part of the everyday business in Thailand, and that competitors gain advantages from pursuing business in such manner (Prada, Larsson), it is a method that all of the companies participating in this thesis refrain from. However, all of the respondents mention the importance of “knowing the right people” and having strong relationships, which means that they are adopting the ethical part of the very vital, informal institutions (Meyer & Peng, 2016).

Another theoretical statement that did not gain empirical support, is the research stating that some firms can gain advantages from operating on markets with dysfunctional institutions if they manage to work in compliance with such systems (Bruton et al., 2014). Researchers stated that companies might take advantage from a market signified by e.g. a less regulated labour market (ibid). Savmyr disconfirm previous statement by explaining that the regulations concerning leave of notice are much less strict in Thailand, which can be problematic since employees tend to quit without letting the management know. None of the interviewees considered the deficient institutional climate of Thailand to benefit their business, which makes the theoretical statement less valid. However, Bruton et al. (2014) did emphasize that it is mainly small
entrepreneurial firms that can take advantage from operating on such markets, whereas large multinational corporations mainly benefit from markets that consist of developed institutions (ibid). Considering all respondents are working for large Multinational Corporation and they find dysfunctional institutions to interfere with their business operations, mentioned statement is somewhat in line with our empirical findings.

To finish off the aspect of formal institutions, researchers have stated that formal institutions and culture are highly interrelated (Jansson et al., 2007; Venaik & Brewer, 2008). Theory explains that just as culture affects the political and legal system in a country, the laws and governments are likewise influencing the informal institutions (ibid), which to various extents is supported by all of the respondents. Göransson mentions that he sees a connection between Thai collectivism and how the Thai legal and political institutions work. According to him, it is important with relationships and to network with the right people in order to gain competitive advantages. Based on the statement by Göransson it can be concluded that due to the unreliable formal institutions, the informal ones tend to be more important. Lundbäck and Larsson suggest that the Thai people’s trust towards their king and the military government is something strongly rooted in their culture and therefore connect this to how their formal institutions work. Savmyr agrees with Lundbäck and Larsson, and in addition she mentioned the respect that Thai people show their elder, which she also regard as noticeable in their formal institutions.

4.3 Culture

Within the management research field, various research is united about the fact that it is vital for managers to acknowledge and create an understanding of the foreign culture in which the firm is operating (Leung et al., 2005; Eriksson et al., 1997; Hofstede 1994; Johnson et al., 2006; Trompenaars & Hampden-Turner, 2011). Close to all of the respondents agreed that understanding the culture of the country in which you perform business in is important. However, their opinions regarding to what extent differ widely. Starting with Prada, he stated that Getinge’s success is almost exclusively dependent on his local knowledge. Prada emphasizes that the company is in great need of him as a native Thai since he, unlike most foreigners, know how to overcome challenges related to culture such as language barriers, corruption and other barriers related to liability of foreignness. Göransson acknowledge that Scania is definitely of great need of workforce who speaks Thai, but that it is not vital to acquire knowledge about the other cultural aspects when operating in the Thai market. Similar to all four of the Swedish respondents, he simply learned about some “do’s and don’ts” before starting to work in Thailand, and no extensive training was made for neither of the managers coming from Sweden. Savmyr, Larsson and Göransson mention that it is important to not be ethnocentric and behave like “the Swedish way” is superior, and instead be humble and attentive. Statements mentioned above support findings made by Sriussadaporn (2006), where the author advice international managers in Thailand to show respect and stay open minded towards the norms and values of Thais in order to avoid conflict and misunderstandings. It is also encouraged to adapt to the Thai business culture (ibid),
which is something that Larsson is strongly against. He argues why by exemplifying that he has witnessed several managers adapting to the local culture, a culture he considers to be ineffective and lack respect for rules, and thereby losing their managerial skills that previously led the company towards great performance.

Jansson et al. (2007) and Smith (2006) have stated that in order to understand why, and how, the behaviour of people from different cultures differ, one can use the framework of Hofstede’s dimensions (Hofstede, 2011). When asking the respondents how they perceive differences between Swedish and Thai national culture, the respondents are not fully uniform. Göransson experience both Swedes and Thais as people who tend to avoid conflicts, which is supported by Prada, who state that; “we are both smiling kind of people” and that there rarely is any disagreements between the two nationalities. The respondents argument disconfirm the individualism dimensions presented by Hofstede (2011), since figure 1 shows that Swedish people are individualistic and thereby promotes standing up for oneself and not avoid confrontation. The other three respondents however think that Thais are much more conflict averse than Swedish people, especially when talking to someone in a higher hierarchical position. Lundbäck states that Thai employees avoid speaking their mind, especially when they are supposed to deliver “bad news”. He indicates that when he was a manager in Sweden, employees would come into his office and openly discuss different matters within the company, but this would never happen in Thailand.

Savmyr further explains that cultural differences are problematic since Thais also refrain from admitting that they have not understood instructions. Larsson indicate that he experience that his employees talk behind his back instead of confronting him. The statements by the three latter respondents are supporting the power distance and individualism dimensions presented in figure 1, since it shows that Thailand are much more collectivistic and have more respect for hierarchies than Sweden. To clarify: Hofstede (2011) mean that these kind of cultures dislike confrontations due to two reasons; their concern about keeping the harmony within the group, and their respect for people higher up in the hierarchy. This is also connected to research made by Epifanova and Hild (2015), who found that Thai people regard conflicts as a sign of dysfunctional group dynamics. Regarding the view upon hierarchies, all of the respondents agree that the meaning of age is something that differs significant between Swedish and Thai culture. Göransson exemplifies by stating; “I need to do whatever I can to make up for my lack of age. You need to use the title in the right way to get what you want.” By claiming this, he emphasizes that you need to rely on titles to gain respect. Prada pinpoints that Swedes lack respect for the elderly, whereas the Swedish respondents have noticed that it is hard to gain respect as a young person in Thailand. Mentioned characteristics are once again related to the dimension regarding collectivism versus individualism, which indicates that Thai people are brought up to care for and respect the seniors in the society (Hofstede, 2011).

Another dimension where the nationalities go in opposite directions is the dimension of uncertainty avoidance (ibid). As stated in the literature review, societies with high
uncertainty avoidance are in great need of a controlled environment with clearly set up laws and regulations (ibid). Thailand scores high on this parameter, which has been supported by three of the respondents; Savmyr, Lundbäck and Larsson, which explain that they have had to change their Swedish management style when operating in Thailand, since Thai staff require much more control, supervision and follow up. However, Larsson and Prada reveals evidence that even though Thais are in need for strict laws and regulations, their attitude towards obeying them is much slacker than what is the norm in Sweden. Prada means that since there are informal ways, such as knowing “the right person”, to escape situations where one is supposed to face legal consequences, which supports that relationships are a major part of the Thai society. Once again, previous comments made by the respondents can be connected to the collectivistic dimension by Hofstede (2011), where it has been found that collective oriented societies heavily rely on relations, both privately and business wise.

To further discuss the importance of relationships related to the collectivistic dimension, relationship building and networking is a topic that is clearly consistent throughout all of the interviews. All respondents regards strong relationships to be much more vital in Thailand compared to in Sweden and Göransson, Savmyr and Lundbäck all mentions how they spend time with their customers and partners outside the workplace in order to build a good relationship, which is crucial to do before initiating a business deal. Prada provides the Thai perspective by explaining how he perceives Swedish people. He mean that especially during the last 10 years, there has been less focus on relationship building and more focus on straight business, something that is not appreciated from his point of view. Prada’s argument indicates that Swedish people are more individualistic, and support the scores on the dimension individualism presented in table 1.

4.4 Strategic management
Various researchers have highlighted that institutions tend to have a greater impact on the strategic management of companies in emerging markets than the ones operating in developed markets (Bruton et al., 2014; Peng et al., 2009; Hoskisson; 2000). All of the Swedish respondents can relate to this statement, and it is a commonly brought up issue that the number of institutional challenges affecting their operations are bigger in Thailand than in the home market of Sweden. Lundbäck supports the differences between developed and emerging markets by explaining that it is much easier for him to carry out his strategy in a developed country, than in Thailand. In addition, Göransson support the theory about how there is a greater institutional impact in emerging markets, by stating that the main reason that Scania previously have not had much presence in Thailand is due to the different trade barriers, and that it has been much easier to operate in Europe. Savmyr gives another angle and mention that even though there are barriers in Thailand, the difficulties have been much more distinctive in other Asian markets, such as Malaysia and Indonesia. However, by analysing her previous answers regarding labour regulations, customs and cultural differences, it is clear that compared to Sweden, the institutional impact in Thailand is bigger.
Savmyr further states that as long as she has been working with Volvo Trucks in Thailand, their strategy has always resulted as they intended, i.e. they generally manage to implement strategies the way they initially planned. Savmyr’s description of how their strategies turn out the way Volvo intended, is what Mintzberg (1978) has defined as deliberate strategies. Larsson who is working for Nederman, states the opposite. He reveals that due to certain conditions of the Thai market, they have not been able to carry out their intended strategies. In a very serious tone, Larsson explains that during all of his years in the company, he has succeeded with more or less all of the strategies that he has formulated. However, his strategy has not turned out as he intended in Thailand and due to his misconceptions about the market, mainly regarding the underestimation for how many processes are, Larsson has failed to achieve his goals. His struggle to succeed with his intended strategy, support the research presented by Åkerman (2015), which state that knowledge about the foreign market is vital for firms in terms of international growth.

In addition, Larsson’s explanation of how he expected a certain result, but failed to reach the goal, support the theory of what has been defined as unrealized strategies (Mintzberg, 1978). Lundbäck shows an additional connection to Mintzberg’s strategic patterns by saying that even though Konecranes almost always are able to carry out their main intended strategies in Thailand, one cannot expect that everything will go as planned. There will always be “speed bumps” (i.e. unexpected problems) on the way, which is what Mintzberg (1978) defines as emergent strategies. Emergent strategies are intended (originally planned) plans that were forced to some kind of change due to external impact, for example institutions (ibid). Göransson and Prada supports the findings presented by Lundbäck, and agree that they mostly succeed to obtain their goals, but that it has required adjustments along the way.

Discussing the strategic patterns presented by Mintzberg (1978) further, research has shown that in environments with unpredictable and dysfunctional institutional settings, such as rapidly changing policies and political turbulence, more emergent strategies are preferred (Harrington et al., 2004). Prada mention a situation that clearly supports this theory, by describing when Thailand was suffering from political turmoil which heavily affected Getinge. Since their main purpose is to provide sterilization devices for both public and private hospitals, they are very dependent on the regulations that the governments set out for the health care. Due to biased behaviour within the ministry of health, certain specifications that Getinge needed in order to comply these regulations was withheld. Consequently, it meant that Getinge had to focus on the private hospitals instead, and they experienced a slowdown in overall sales due to political impact.

When it comes to the Swedish respondents and their perception of how the political situation in Thailand have impacted their strategic management, they all disagree with Prada and mention that politics only affect their strategy to a limited extent. Göransson however briefly touch upon the subject when stating that their sales are closely related to the GDP which took a hit in 2014 due to the military coupe, but it was not a significant issue for them. He explained that instead of focusing on sales, they changed
their strategy and focused on after sales service instead which was a “cushion” for them to fall back on during this time of unstable market conditions. Lundbäck and Larsson also mentioned the military ruling when discussing the political climate, and explains that even though the recent change in the monarchy have led to some worries about potential instability, it has not been a tangible issue yet. Instead, both respondents argue that the current government have created a much more stable political climate. Savmyr also supports this by mentioning an event where Volvo had the postpone the launch of a new truck due to a disruptive political event, which according to us can be seen as a change in the strategic planning, but she emphasized that it did not affect their overall results in any way.

Theory have presented that markets with frequent changes makes it challenging for managers to maintain their long term strategic planning (Meyer & Peng, 2016), which none of the respondents agree upon when discussing the political branch of institutions. Everyone seem to be very attentive about the political environment but when discussing the most recent years and the current situation, none of the respondents seem very concerned about how it has evolved, instead they consider it to be a minor impactor. This brings us back to research stating that institutional stability and strategical patterns are connected, hence it is concluded that organisations can carry out their deliberate strategies in stabile institutional environments (Harrington et al., 2004).

The reason that none of the companies experience the political climate as particularly problematic is because they all have described throughout the interviews how their Thai employees have given them information about how to act in the situations that differ from the Swedish market. Savmyr for example states that even though they have a well elaborated crisis management team it is their sales manager who has been their primary source of information in situations where there has been a risk for political instability. This supports the findings made by Peng et al., (2009), where the researchers specifically state that in situations where the political system is challenging, it is favourable to use local knowledge to overcome the issues the challenges can bring. This has been done by the companies, which means that they no longer perceive it as a challenging aspect. This fact also supports the findings made by Hilmersson et al., (2015), who have presented that companies can reduce political uncertainty through increased knowledge about the foreign market. However, political uncertainty and political turbulence should be distinguished. During turbulent times, such as the military coupe, the respondents agree with previous research (ibid), and explain that knowledge is less useful. Instead one simply has to take on emergent strategies and adapt to the external impact which is stemming from the political turbulence.

Moving on to the legal institutions, these are as previously mentioned, a commonly agreed upon issue among the companies. All respondents mentioned the process of importing goods as problematic, where it was revealed that the companies are affected in different ways. Volvo Truck and Konecranes are the least affected by the struggle regarding import, whereas the rest of the respondents regard this procedure as very challenging. In order for Volvo to avoid tariffs they introduced a free trade zone with
customs, meaning that they have to use a certain percentage of domestic parts when producing their trucks, and thereby they do not have to pay toll fees. However, Savmyr explains that it can still be problematic when dealing with customs due to the fact that they constantly have to prove that their products are in line with this agreement.

Lundbäck explains that Konecranes have been saved from a lot of bureaucratic issues due to the fact that they “are under the legal umbrella” of Konecranes Thailand, which helps them a lot with permits and certificates. A lot of their products are imported from China, which he considers to be a hassle free process. However, when a customer demands a Swedish machine it is much more complex, but normally the customer pays for the import duties which Lundbäck consider as an advantage. The issue about the process of importing goods more so concerns the fact that changes regarding import duties tend to happen more rapidly than what companies are used to in Europe. Göransson exemplifies by mentioning the policy changes and how changes have impacted Scania. Since rules and regulations can change quickly, and sometimes even retroactively, it can be difficult for companies to know what rules to follow thereby how to plan for the future. Hence, it is obvious that unstable rules and regulations in Thailand disrupt the strategical decisions of the companies, which support research provided by Meyer and Peng (2016) which specifically state that in situations where the political system is challenging, it is favourable to use local knowledge to overcome barriers connected to challenging politics.

For Prada, the biggest legal problem that challenges Getinge lies in the fact that laws are not obeyed, rather than the laws themselves. Prada means that due to the fact that Getinge are very concerned with obeying the laws, they sometimes lose customers to competitors who are not working in the same ethical manner as they are. He states that through informal procedures and by knowing the right people, some business processes move more smoothly for competitors than for Getinge, who wants to act in accordance with the legal regulations. The issue of competitors, who conduct unethical business, is clearly frustrating for Getinge and sometimes it makes them unable to reach their objectives. Larsson agree on this matter, and argue that even though it has not been clearly proven that Nederman lose business opportunities to unethical competitors, corruption is a constant challenge for Nederman as a company, even though no specific examples are given. Lundbäck explains that corruption affects them in indirect ways, since it sometimes can be difficult to receive help from certain authorities, simply because they are so scared to come off as unethical and therefore hesitate to give answers. From Scania and Volvo, no examples of situations where they have not been able to carry out their strategy due to corruption are given, but they are aware that it exists. Göransson explains as an example that corruption “[...] makes it difficult for companies like us [Scania] that wants to play the game by the rule book”.

To conclude the legal aspect of institutions, all respondents agree that legal institutions in Thailand are dysfunctional which is shown through both complicated importing processes and the fact that different players in the market does not act in accordance with the law. Hence, all respondents support theoretical findings presenting that in
markets where the formal institutions are weak or unreliable, more informal structures, such as relying on networks and corruption, take a bigger place (Meyer & Peng, 2016; Peng et al., 2009). As previously mentioned, theory have defined this phenomenon to belong to the informal institutions (Scott, 2011; Peng et al., 2008), which brings the discussion to the third branch; culture.

As discussed earlier, the respondents argued that the most challenging cultural issues for them working with Swedish companies were connected to language barriers and the cultural differences in accordance to Hofstede’s framework (2011). Hofstede’s cultural dimensions revealed that Thai people are collectivists, have a high power distance and high uncertainty avoidance (figure 1). In terms of the language barrier, both Scania and Konecranes explain that it affected their business. Göransson emphasizes in a very humble tone that one of the struggles is to find staff that speaks a good level of English, but that the problem is two-sided and that it might just be so that Scania is not the right company for the potential candidates. However, Scania had an intended strategy to expand their sales force in Thailand, but was unable to follow the initial strategy, due to difficulties in finding employees who were a good match with the company. Lundbäck’s made a statement in the similar direction by explaining that it is hard to find someone who possesses “all parts in the puzzle”. When someone has the right technical skills, he/she often lack sufficient language skills, and if he/she speaks good English they might not have sufficient professional experience, and so on. Difficulties in findings the right workforce due to the language barrier, supports the study by Sriussadaporn (2006), where it was found that language deficiency was one of the major struggles for foreign companies operating in Thailand.

Regarding issues related to Thais tendency to avoid conflicts, and having respect for hierarchies, Lundbäck, Larsson and Savmyr mention that such cultural differences has affected them. Mentioned respondents stated that cultural differences have led them to change their management style a lot compared to when they operated in Sweden. Jansson and Söderman (2015) explain this phenomenon by arguing that the differences in institutional settings between countries also lead to certain differences in strategic management. The cultural traits of Thais, manifested through their behaviour, have sometimes affected the companies in negative ways. Lundbäck explains that at Konecranes, there have been situations where his employees have withheld important information from him as a manager. For example, when they are missing payments from customers, this has not been brought to his knowledge due to the fact that they do not want to deliver bad news to someone higher up in the hierarchy. For the strategic management of Nederman, the issue lies in that one constantly needs to re-consider who to trust enough to share vital information about the company with. Larsson explains that there is a lack of trust within the organisation, and that he can never be sure that sensitive information is not shared to competitors. Hence, some processes are much slower than they would have been in Sweden, where trust among employees is not an issue. In addition, Larsson explains that he constantly needs to monitor if his employees are doing their job, and not using Facebook or other non-work related things, which is time consuming and inefficient.

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Larsson’s arguments once again support the theories explaining how deficient institutions highly impact organisations, and that managers always need to take this into consideration when planning and implementing their strategies (Bruton et al., 2014; Meyer & Peng, 2016). At Volvo Trucks, the behaviour of Thai people also impacts the company, mainly in terms of recruitment processes. Savmyr explains that since their employees have a “silo-thinking”, i.e. they are very protective of their own position and department; it can be hard for new employees to get integrated in a new position. Hence, one can see a connection between the behaviour mentioned by Savmyrs and the fact that Thailand is a very hierarchical society.

Another issue that most of the companies have taken into consideration when formulating strategies in an emerging economy like Thailand is the uniform behaviour of the customers in terms of price sensitiveness, which is something that is deeply rooted in their mind-set. Larsson, Lundbäck and Göransson bring up the issue of price sensitiveness as one of the challenges when performing business in the Thai market. Larsson explains how difficult it can be to make the customers understand the value of their products, since there exist a lot of low price substitutes in the market. Lundbäck makes a comparison with Sweden and state that in the Swedish market, the price stands for approximately 20 % of what the customer takes into consideration when deciding whether to go for a product or not, whereas in Thailand 80 % of the decision is based on the price. When asked if Lundbäck consider price sensitiveness to be a cultural trait, he suggest that so might be the case, and he mention that western companies always aim to be “the best in class” whereas in countries like Thailand, people are content with having just enough to make it work. Göransson has experienced the same problems for Scania, but he does not believe price sensitivity to have anything to do with culture. In research, this shared customer mentality has been described as part of the cognitive pillar, which gives an explanation to why people from the same country tend think and act in similar ways (Scott, 2001; North, 2005; Orr & Scott, 2008). In conclusion, since Larsson, Lundbäck and Göransson explain that they constantly have to consider and adapt to cultural differences, one can also see a connection between the research regarding how strategic management differ between markets (Jansson and Söderman, 2015), and the arguments of the respondents.

Additional research within the cross-cultural research field is provided by Epifanova and Hild’s (2015), stating that differences regarding religious beliefs can be one of the challenges for western companies when entering the Thai markets, since it is characterised by Buddhist beliefs. Our respondents disconfirm this statement, since almost none mentions religion in any of the questions. The only respondent who brings up religion was Prada, who specifically explained that religion has never been a source of conflict. However, Epifanova and Hild (2015) also present a connection between the Buddhist beliefs and the conflict avoidance, which, as previously mentioned; all of the respondents confirm is a common behaviour among Thais.
Going back to Hofstede’s dimensions (2011) and the final significant difference between the two cultures, leads us to the fact that Thai people are collectivistic and Swedes are individualists (figure 1), which has shown to impact the strategic management of the firms in this thesis. Namely, all of the respondents agree that business relationships are much more important in Thailand than in Sweden which carefully has to be taken into consideration when operating on this market. Both in terms of that more resources need to be invested into building strong relations, and the fact that the respondents feel the need to constantly monitor themselves in order to not come off as unethical. Göransson expresses the importance of relationships by stating: “The decision is not always based on a pure business rationale; it is much more about how well you know the person”. This perception is supported by Lundbäck, who also explains that it is more about who you know, to get competitive advantages in Thailand, which is not as common in Sweden.
5 Conclusions

This chapter will address the research question, by stating conclusions drawn from the result of the integrated empirical findings and analysis presented in previous chapter. In addition, the chapter will provide theoretical and practical implications of this thesis and conclude with limitations and suggestions for future research will be presented.

5.1 Answering the research question

When firms are expanding internationally, a crucial aspect to take into consideration are the institutional barriers existing in the foreign market. Both formal and informal institutions impact firm’s business operations, occasionally in ways that are more or less invisible to the firm itself. In emerging markets, institutions tend to be much more unstable compared to developed markets, hence institutions have a bigger impact on the strategic management as well. Evidence has shown that Thailand suffers from institutional challenges, such as lacking market regulations and corruption, which require managers to constantly monitor and acknowledge institutional changes and take them into consideration when operating in the region. Therefore, this thesis seeks to answer the following research question:

How do legal, political and cultural institutions impact the strategic management of Swedish manufacturing firms operating in Thailand?

The theoretical framework has presented that informal and formal institutions are interrelated, and thereby both influence firms. Judging from the findings, it can be concluded that it is vital to take both concepts into consideration in order to understand how institutions impact Swedish firms operating in the Thai market. Starting off with the formal constraints, evidence show Thailand suffers from various institutional challenges within this branch of institutions. Theories reveal that dysfunctional legal systems and political turbulence are examples of external barriers that signify emerging markets, which findings have presented likewise is the case in Thailand. The empirical findings further demonstrate that the legal branch is considered to be the most problematic institution for Swedish firms operating in the Thai market. The respondents express that customs is complicated, bureaucratic and inefficient, which to different extents affect the companies. It is for example evident that the companies which implement good relationships with the authorities, is suffering the least from the legal challenges. The majority of the companies are nonetheless facing big challenges not only concerning customs, but the fact that laws tend to act rapidly and sometimes retroactively. This puts a lot of pressure on the companies to make flexible decisions and deviate from their intended strategies, since findings have shown that unpredictable legal changes is a major source for emergent strategies to take place. Not only do unpredictable legal changes cause companies to adapt more emergent strategies, it also creates an uncertainty among various players in the markets and thereby affects the companies in indirect ways. The uncertainty is based on the fact that inconsequent
regulations make customers hesitant to invest, and thereby affect the sales of the companies.

Regarding the political institutions, findings reveal that the strategic management of Swedish firms is currently much less affected by these institutions than what the literature review proposed. None of the respondents considers the political situation to be a challenge, nor is it something that is taken into account when formulating strategies. Albeit the respondents perceive the political institutions as a very minor challenge, we have concluded that there are indirect ways in which the companies surely are affected. The conclusion is based on the evidence revealing that although the current military ruling have created a strict, and thereby more stable government, the findings show that the political institutions are still source of uncertainty. Judging from the respondents experiences concerning how political turbulence has impacted the companies in the past, it is clear that the companies must bear these institutions in mind when operating in Thailand. Due to the fact that political turbulence is unpredictable, the companies cannot be sure how long they will be spared from political impact on the strategic management, which creates worries about the future. Since the literature review has shown that impact stemming from political turbulence is hard to reduce, no matter how much knowledge the firm possesses, it is a more or less constant uncertainty for Swedish companies. This is further evident since all of the respondents express that the future is uncertain, mainly due to the recent change within the monarchy and a possible election coming up. Subsequently, during turbulent times the political institutions cause companies to take on very emergent strategies, whereas the current situation enables companies to carry out a more deliberate approach.

Exploring the concept of informal institutions, findings show that the cultural dimension is constantly taken into consideration by Swedish firms. The most challenging aspect regard how the cultural differences between Swedish and Thai people requires Swedish managers to adapt their managerial style. Due to the fact that substantial differences between the cultures can be found, especially regarding the view upon relationships, hierarchies and the need for strict rules, it is important to be aware of the differences in order to manage local staff successfully. Consequently, by neglecting the cultural differences between Thai and Swedish people, the cultural institutions become a barrier, whereas an effort in acknowledging the differences instead can lead to advantages. This is evident since the only respondent stating that their company had been unable to realize their intended strategies in the Thai market also claimed that knowledge about the Thai culture was irrelevant. Additional companies expressed that misconceptions about the culture had caused their strategies to become more emergent. Hence, a connection between cultural knowledge and the ability to carry out deliberate strategies can be made.

To explain the importance of cultural knowledge further, the findings revealed that having local competence within the firm is more or less crucial in order to survive in the Thai market. Since Thai people are collectivistic, building strong relationships is extremely important, both in private and business contexts. However, due to the
language barrier it can be difficult for foreigners to gain trust and mutual understanding, which is why firms are in great need of local workforce who can manage to build useful relationships. By utilizing local connections it becomes easier to overcome the challenges the cultural differences tend to bring, hence we can conclude that national culture highly affect the strategic management of Swedish firms.

Furthermore, the theoretical framework presented that in contexts where formal institutions are dysfunctional, firms tend to rely on informal institutions to a greater extent. In Thailand, this is in a way manifested through the issue of corruption, which is defined as an informal way of doing business, and is an inevitable part of the Thai business environment. Even though the respondents agree that corruption should not be classified as a part of the Thai culture, findings show that the high degree of corruption in the market to some extent affects the companies in a negative manner. This conclusion is based on the findings revealing that companies using corruption can overcome certain challenges, and this informal method result in that Swedish companies, which all abstain from corruption, are put at disadvantage. Due to the fact that companies who use corruption e.g. can speed up the importing process and get access to tenders not available for the public, Swedish companies might lose customers to less ethical competitors. Therefore, even though respondents did not express that corrupt competitors is an issue that is taken into consideration in terms of strategic management, we can conclude that corruption to some extent affect companies’ ability to carry out strategies. However, as suggested regarding the issue of cultural differences, as long as companies obtain knowledge about in which ways corruption is manifested in the Thai society, it does not necessarily affect the company in negative ways.

To conclude, it has been shown that political, legal and cultural institutions impact the strategic management of Swedish firms in different ways; the most evident challenges stemming from the legal institutions. It can further be concluded that it is of high relevance for firms to take the institution based view into consideration when formulating and implementing their strategies the Thai market, since it is easier to carry out intended strategies when possessing institutional knowledge. Even though theory has proposed that emergent strategies are more frequent in emerging markets, the findings of this thesis is not fully uniform concerning this argument. However, since it has been found that the external impact, in this case the legal, political and cultural institutions, is more distinct in Thailand than in Sweden, it can be concluded that it is more difficult to carry out fully deliberate strategies in the Thai market. Thereby this conclusion can be finalized by confirming that institutions definitely should be considered as more than just the background context by firms operating in Thailand.

5.2 Theoretical implications
Research covering the institution based view on strategy has previously been conducted in some emerging markets, but not in the context of Thailand. Therefore, the purpose of this thesis was to explore how the strategic management of Swedish manufacturing
firms operating in Thailand is affected by the Thai institutions, and thereby give support to the conception that institutions are more than just a background context. Previous research has presented that institutions matter, but we identified a research gap regarding how they matter. By examining the structures of political, legal and cultural institutions and analyse how these are interrelated, we were able to contribute with knowledge about how they impact the strategic management of Swedish companies. In addition, this thesis gives an understanding about how firms perceive institutional impact in markets where the formal institutions are weak and the informal institutions are strong, something that is useful in markets additional to Thailand.

5.3 Managerial implications

Our empirical findings reveal that through the right connections, i.e. Thai employees, it easier to manage the institutional challenges that companies can face in the Thai market. Hence, the informal and formal institutions are strongly connected, especially since it has been found that local connections are crucial during political instability and how to know which laws to abide. Local connections are also vital in order to build the relationships necessary to succeed in the market. Due to the general lack of English proficiency in the country, having staff that speaks Thai has been found to be crucial in order to gain trust and get access to particularly important information. Furthermore, since the formal institutions can be hard to impact and predict, one has to rely on the informal institutions, i.e. relationships, to a greater extent. By establishing strong relationships, both with authorities and customers, it is easier to carry out the intended strategies and thereby more easily reach the goals of the company. When analysing the cultural dimension of institutions in Thailand, our conclusion show that it is vital for companies to not neglect the differences between Thai and Swedish culture. By learning about the foreign culture, managers will be able to more rapidly adapt their managerial style to the Thai behaviour, and thereby reduce the risk of conflict or inefficiency.

5.4 Suggestions for further research

The institution based research field is a wide area with many interesting directions, especially regarding emerging markets. During our thesis we came up with several suggestions for further research:

1. To investigate further how Swedish companies reduce negative institutional impact. By exploring further how Swedish companies behave to avoid and reduce negative institutional impact, a topic that we only briefly touched upon, we believe that the research can contribute with additional advice useful for managers in markets with dysfunctional institutions.

2. To investigate how Swedish SMEs perceive the institutional impact in Thailand. All of the companies participating in our thesis were MNCs, which to some extent have been found to be an advantage in terms of protection from institutional impact. By researching the issue from a SME perspective, we believe that researchers can
provide the research field with findings highly valuable for these kinds of companies.

3. **Compare the institution based view with the resource based and industry based view in the same context.** This thesis solely focused on showing the relevance for managers to consider an institution based view on strategy. In order to give further support for this theory, we find that it would be useful to also make a comparison with the other views in the strategy tripod.

5.5 Limitations

During the process of this thesis, we discovered certain aspects that came to have significant meaning for the quality of our conclusions. Firstly, since we decided to limit the sample to five MNCs within manufacturing industry, it became difficult to draw generalizable conclusions. This regards both other industries, as well the possibility of applying the conclusions on SMEs. It was moreover found that the companies were using different export modes, which we believe can affect the perception of barriers. For example, Volvo has production facilities in Thailand, whereas the other companies import products to the Thai market from various places around the world.

The second limitation we found was that the knowledge about the Thai institutions among the respondents varied, which could have had impact on the creditability of their answers. In addition to this, one of the respondents was Thai, which surely gave a valuable perspective to our thesis, but it would have been desirable to include more Thai respondents in order to ensure the reliability of the findings.

Lastly, it has been acknowledged that there possibly occurred some biased answers among the interviewees. Since the topics that we were discussing at some points concerned sensitive information, it would have been favourable to determine that all respondents were anonymous, prior to the interviews. None of the respondents expressed that they felt the need to be anonymous, but we believed that would have been an even more transparent dialogue if this would have been the case.
References

Interview participants

1. Göransson, Ted, Project Director at Scania.
   Face-to-face interview: 18-04-2017

2. Larsson, Torbjörn, Export Sales Manager at Nederman.
   Face-to-face interview: 20-02-2017

3. Lundbäck, Patrik, Regional Sales Manager at Konecranes.
   Face-to-face interview: 18-04-2017

4. Savmyr, Helen, Senior Vice President at Volvo Trucks.
   Face-to-face interview: 19-04-2017

5. Nitayavardhana, Prada, CEO of Simm company.
   Face-to-face interview: 12-04-2017

Literature


**Scientific articles**


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**Webpages**


Appendices

Appendix A - Interview Guide

Part 1 - General questions

1. Describe yourself and your position
   - current title, tasks, previous experience, amount of time spent in Thailand


3. How long has the company operated in Thailand?

4. Do you wish to be anonymous?

Part 2 - Institutions

5. What would you say are the main challenges when doing business in Thailand?
   • How do you manage these? Is there any way to reduce the perceived risk?

(If not mentioned in Q5 ask Q6 & Q7)

6. To what extent would you say that the legal institutions (laws & regulations) affect your possibilities of obtaining your goals?
   • How does this differ from Sweden?

7. To what extent would you say that the political situation interferes with your business operations?
   • How does this differ from Sweden?

8. Have you experienced any change regarding the political situation during your time in Thailand?
   • If so, how did this impact your operations?

Part 3 - Culture

9. What would you describe are the main cultural differences between Thai and Swedish people?
   • In what ways have these differences impacted your ways of doing business?

10. Can you think of any connections between the Thai culture and the way the political and legal system works?
11. Did your perception of the Thai market before coming here differ from the one you have now?
   • In what way?

12. Do you consider knowledge about the Thai culture to be crucial in order to succeed in the Thai market?

13. How did you prepare yourself before starting to work in the Thai market?

Part 4 - Strategy

14. Would you say that your intended strategy (your original plan) is usually carried out the way you expected it to be?
   • If no, when and why not?
   • If yes – how do you manage to do this?

15. Are you familiar with the concept of intended versus emergent strategy?
   • If no – explain
   • If yes: would you say that your strategies tend to be more intended or emergent?