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Master Thesis

Research Topic:
“Internationalization Process of Thai Office Furniture Company in India: A case study of Rockworth Public Company Limited”

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**ABSTRACT**

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| **Research Problem** | How did the Rockworth Thailand go through internationalization in India? |
| **Purpose** | The purpose of this thesis is to study the internationalization process by investigate how Rockworth Public Company Limited manage internationalization in India market efficiently. Additionally, we aim to improve our understanding and knowledge in international business comprehensively. |
| **Method** | To explain the internationalization process of Rockworth Thailand in India and answer our research question, we decided to concentrate on qualitative research approach. In addition, we used case study as a strategy for conducting the thesis. Furthermore, we adopt the semi-structured interview method and documentary research to collect both primary and secondary data in order to analyze and summarize for our case study. |
| **Target** | This research would be gainful for investors, entrepreneurs, students and all people who are interested in international process in office furniture industry. Besides, we intend to provide some useful information about investment in India where Rockworth Thailand expanded its business to. Another attitude concerning investment in India in this thesis could be applied in further projects involving this market. |
| **Conclusion** | After the analysis of the internationalization process which Rockworth Public Company Limited has expanded its business to India, we found that Rockworth's internationalization process is similar to Uppsala internationalization model and Industrial network theory. There are some barriers found in the market, however, the firm could overcome by using market knowledge and network. We discovered the internationalization process of case study took long time. Besides, it is complicated because of inherent complexity of India market. |
| **Key Words** | Internationalization Process, Uppsala Model, Market Knowledge, Network, Relationship, Establishment Chain, Indian Market. |
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CHAPTER 1: INTRODUCTION

This introductory part will demonstrate a brief background of our research involving the internationalization process of Wooden Furniture from Thailand to India, the motivation, research question, purpose of study, contribution and limitations of this research.

1.1 RESEARCH BACKGROUND AND MOTIVATION

Since there is fierce competition in local markets, many companies have to seek for new opportunities in order to expand or sustain their business. Every firm has the same objective which is an increase in sale. A solution or strategy that is widely applied in business expansion is to export products to a global market. However, going through internationalization is not easy nowadays as there are a lot of obstacles such as regulation, differences in culture and language, financial support and knowledge (Department of Export Promotion, 2010). The investors or business owners have to face these problems, thus they need to work out appropriate plans and process in order to get manage internationalization and run successful businesses.

In the Office furniture industry in Thailand, companies tend to manufacture for supplying both domestic and international markets with nearly the same quantity (Kasikorn Research Center, 2007). Wooden furniture is popular among foreign customers as wood represents nature, stability and luxury at the same time. As a result, export sale of furniture in Thailand is continually increasing every year (Rockworth Public Company Limited, 2009).

In Thailand, most of Thai furniture suppliers have a production base locally because labor wages are lower and quality is higher than the other countries in the region (Kasikorn Research Center, 2007). At the same time, Rockworth however; our case firm, decided to construct another plant in India to reduce costs rather than set it up in China or Vietnam where the company can acquire low cost labor. It is interesting to investigate why they selected India to be another base for production.

Moreover, we also study the internationalization process in global market by focusing on the Indian market of the company in order to provide us with comprehensive knowledge in international business, its strategy and uniqueness of company operation which would be benefit for further international business management effectively.

In order to study on internationalization process, we focus on Uppsala Internationalization Process model (Johanson & Vahlne, 2006) as a main theory to describe the company’s process as it can illustrate each stage of market commitment throughout process of knowledge transfer between the local and international country, which would be crucial perspectives for internationalization process. Besides, we also use another relevant theory, Industrial Network theory (Johanson & Vahlne, 1990) to be instruments for analysis and discussion.
1.2 RESEARCH QUESTION

In the competitive international business world, the companies have to manage and adjust themselves to fit the existing circumstance. To go through internationalization, each company has to set up its strategy and suitable process for present circumstances. Therefore, each company has its own management style to develop its company to be successful. In order to investigate in internationalization process, we select Rockworth Public Company Limited (Rockworth PLC. or Rockworth Thailand) to be a case study as they have committed with international market continuously and they finally set up international plant in India in 2008 which reflects how the company succeed in dealing with global market.

To conduct the research, we will set up the research question as

“How did Rockworth Thailand go through internationalization in India?”

1.3 PURPOSE OF STUDY

Our research proposes to study the internationalization process by investigate how the case company manages to go through internationalization in global market efficiently. Moreover, we aim to improve our understanding and knowledge in international business comprehensively.

1.4 CONTRIBUTION

This research would be advantageous for investors, entrepreneurs and all people who are interested in internationalization process. It provides the readers deep understanding in the internationalization process and another view of investment in India which could be applied in further projects involving this market.

1.5 RESEARCH LIMITATIONS

To study the internationalization process, we select Rockworth PLC., office furniture manufacturer as a case study and will be focused on only the Indian market. Therefore, the result or analysis may not be able to apply to all industries as it depends on the existing barriers and circumstance at that time.
1.6 THESIS STRUCTURE

- Introduction
  - Research Background and Motivation
  - Research Question
  - Purpose of Study
  - Contribution

- Company Background
  - General Company Background
  - Significant Timeline of Company

- Theoretical Framework
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- Methods
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- Empirical Findings
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  - An Establishment of New Manufacturing Plant in India
  - Management Strategies of Rockworth in India
  - Knowledge Development
  - Relationship and Network Building

- Analysis & Discussion
  - Similarity
  - Differentiation
  - Discussion
CHAPTER 2: COMPANY BACKGROUND

This chapter will illustrate a general company background which consists of history, network and philosophy. Moreover, there is a significant timeline of the company at the end of section.

2.1 GENERAL COMPANY BACKGROUND

Rockworth Public Company limited was established since 1972. At first, the company was known as Rockwell Partnership which provided steel storage and product display system in Thailand (Rockworth Office System Furniture, 2010). At that time, they also created two companies; Rockwood and Rockworth in order to improve production capacity (Rockworth Office System Furniture, 2010). To service the rapidly growing demands of office furniture and store fixture in Thailand efficiently, they decided to merge all companies together under the brand “Rockworth” in 1988 and focus only on the office furniture market in Thailand (Rockworth Office System Furniture, 2010). In 1996, the company built a manufacturing plant in Bangpa-In Industrial Community was awarded ISO 9002 Quality System Certification in the same year (Rockworth Public Company Limited, 2009).

Rockworth started export its product officially in 2004. Today, the ratio of domestic and export sale are approximately 60% and 40% respectively (Rockworth Public Company Limited, 2009). Most of export products are distributed through a network of independent authorized dealers committed working together in 25 countries throughout Asia and Middle East countries (Rockworth Office System Furniture, 2010). Rockworth authorized dealers have a wide range of services to support customers in the short-term and long-term management of customer’s needs. Furthermore, they also serve the service to foreign customers directly. This customer group can be designer, architecture and the business owner who are interested in the products.

As per the company philosophy “To produce Office Systems Furniture that helps people discover their true potential” and “Our Understanding of the Function of Work” lead to the concept of product design and innovation that concern Human, Space and Technology (Rockworth Office System Furniture, 2010). Therefore, its products are designed to be compatible with human ergonomic, limitation in space and working technology nowadays (Rockworth Office System Furniture, 2010).

Moreover, to convince in the product quality, “Rockworth warrants that the products manufactured are merchantable and free from defects in material and workmanship and in consistency with the standard specifications in effect at the time such products were manufactured for a period of 10 years, from the date of delivery and installation” (P. Teerapon, personal communication, April 20, 2010).
2.2 SIGNIFICANT TIMELINE OF COMPANY

1972 The company was established, known as Rockwell Partnership. In the early era, the company is known as steel storage and product display systems manufacturer in Thailand.

1980 The company moved into a new building in the central Bangkok and set up an office furniture division.

1983 Rockwood Company Limited, the subsidiary of Rockworth, was established to provide wood panel components to Rockworth’s store.

1988 Rockworth Co., Ltd. was created to focus on office furniture market in Thailand.

1990 Softline Co., Ltd. was set up to manufacture office seating to complement and expand the range of Rockworth products.

1992 The three companies; Rockwell, Rockworth and Softline were integrated into Rockworth Co., Ltd.

1994 Rockworth became a public company listed in the Stock Exchange of Thailand.

1996 The company built manufacturing plant in Bangpa-In Industrial Community. In same year, Rockwood was awarded ISO 9002 Quality System Certification.

1999 Rockworth got the achievement of ISO 9001 Certification.

2002 Rockwood merged with Rockworth Public Co., Ltd. to become a single organization. Rockworth celebrated 30-year anniversary.


2004 Successful combined steel and wood production under one roof.

2005 Got Prime Minister AWARD (PM AWARD) under the category of Best Development and Marketing of Thai Owned Brand.

2006 Rockworth’s products have been certified by BIFMA (Product Performance Certification).


2008 Joint Venture with International Partners to construct manufacturing facility in Chennai India.


Source: Rockworth office system furniture website, 2010.
CHAPTER 3: THEORETICAL FRAMEWORK

In this theoretical framework part, we will clarify our case study by using the Uppsala Internationalization Process Model as the core theory of the framework in order to describe the internationalization process of the case study. To support the idea, each element and relationship in each aspect of the model as well as barriers of internationalization are contained in the literature review part. Moreover, we also apply Industrial Networks theory for the case study analysis as it illustrates how the firm commits to the foreign market which leads to relationship commitment, network and opportunity in international market.

Section I: LITERATURE REVIEW

3.1 THE UPPSALA INTERNATIONALIZATION PROCESS MODEL

3.1.1 Definition of Uppsala Internationalization Process Model

The Uppsala internationalization process model is created and developed by Johanson & Wiedersheim-Paul (1975) and Johanson & Vahlne (1977). Johanson & Wiedersheim-Paul (1975) as cited in Morgan & Katsikeas (1997) studied four big Swedish multinational corporations involving the establishment chains comprising of no regular exports, exporting via independent agents, the establishment of foreign subsidiaries and the establishment of foreign manufacturing plants. From their study found that the growth’s evolution of firms is gradual as the internationalization process. For better understanding in an idea of incremental internationalization, Johanson & Vahlne (1977) developed this research and formulated a dynamic model which is called Uppsala Internationalization Process Model or U-Model. This model suggests that the internationalization process is based on an incremental and sequential setting up of foreign commitments over time. (Johanson & Wiedersheim-Paul, 1975 as cited in Morgan & Katsikeas, 1997).

The Uppsala Internationalization Process Model which is well known as “U-Model”; is a dynamic model describing the internationalization process of the company. The internationalization process can be demonstrated in several approaches namely international trade exhibition, foreign direct investment, establishment of foreign subsidiaries, variety of other events and actions, licensing agreements, international joint ventures and international advertising campaigns (Johanson & Vahlne, 1990). This model represents a model of knowledge development and rising overseas market commitments (Johanson & Vahlne, 1977). As it found on an incremental acquisition and using foreign market and operations knowledge, which lead to greater levels of commitment to abroad. Johanson & Vahlne (1977) as cited in Morgan & Katsikeas (1997) mentioned that learning through the improvement of experiential knowledge about overseas market is able to reduce a “psychic distance” that occurred during internationalization process. Accordingly, the company can go into new overseas markets.
3.1.2 The Components of Uppsala Internationalization Process Model

The process of this model is considered as the firm gradually increases its international involvement. The core elements of this model are *market knowledge, market commitment, commitment decisions and current activities*. The model emphasizes two aspects, including the state and change aspects. Johanson & Vahlne (1977) addressed that the state aspects are the market commitment which is commitment resources to the foreign markets and knowledge in foreign markets and operations. In term of change aspects, they involve in making a decision to commit resources and the how current business activities are carried out in following periods (Johanson & Vahlne, 1977). Both market knowledge and market commitment are assumed to affect the commitment decisions and current activities and vice versa as a casual cycle (Johanson & Vahlne, 1990).

![Figure 3.1: The Internationalization Process of the Firm](source: Johanson, J. & Vahlne, J.-E., 1990, p. 12)

From the figure 1, we will explain further about the definition and relationship between four core elements dividing by the aspects as follow.

1) *State Aspects*

   - Market Knowledge

   According to Penrose (1959) as cited in Johanson & Vahlne (1990) knowledge can be separated into two categories: *objective knowledge* which can be taught and transferred to other individuals, and *experiential knowledge*, people can only gain knowledge via personal experiences and cannot be transferred. We considered experiential knowledge as a crucial
knowledge as it will generate the business opportunities that are such key factor becoming the driving power in the internationalization process. Furthermore, it also reduces perceived market risk from market uncertainty (Jahanson & Vahlne, 1990). Therefore, this process also enlarges market commitment and commitment decisions (Jahanson & Vahlne, 1990).

Market knowledge is valuable resource for the model. If there is lack of knowledge in overseas market and operations, it seems to be as a main obscurity to go through internationalization (Forsgren & Hagstroem, 2007). However, this obstacle can be crossed over by learning about particular conditions on the foreign market (Forsgren & Hagstroem, 2007).

**Market Commitment**

Market commitment means resources placing both tangible and intangible assets to a specific geographic market. It will determine both the size of investment and degree of commitment (Forsgren & Hagstroem, 2007). The former refers to the amount of resources committed. And the latter relates to the ease or difficulty of seeking a way to exploit resources and transferring them to another market (Forsgren & Hagstroem, 2007).

In addition, both market commitment and experience are the significant elements that explain the behavior of international business. The firm is able to make stronger resources commitment increasingly since it gains experience from current activities in the market (Forsgren & Hagstroem, 2007).

2) **Change Aspects**

- **Commitment Decisions**

Commitment decisions relate to making decisions to commit resources in foreign markets (Johanson & Vahlne, 1990). These decisions are generated in order to response the perceived problems or opportunities on the overseas market (Johanson & Vahlne, 1990). This process requires several kinds of knowledge to make commitment decisions. They will be involved in the operations currently carried out on the market as well (Johanson & Vahlne, 1977). Unless the firm has abundant resources and/or market situations are stable and homogenous, commitments will be processed in small step with three exceptions (Johanson & Vahlne, 1990); there are

1. Specific firm has very plenty of resources can be expected to make larger internationalization step
2. When the specific market is stable and homogenous, there would be the other solutions to acquire knowledge, rather obtain knowledge through experience only.
3. If the firm has similar experience from the other market in the similar condition. Market knowledge from those markets could be applied to the new market.
• Current Business Activities

Current business activities are defined as how the activities or the firm in foreign market are performed which would be marketing or financial activities for example; marketing campaign, sales promotion and product road show (Johanson & Vahlne, 1990). Current business activities are source of experience including both firm experience and market experience (Johanson & Vahlne, 1990) These experiences are necessary for the performance of marketing activities. Experience can be gained from the firm’s experience itself or hiring professional person with high experience or getting suggestion from consultant (Johanson & Vahlne, 1990).

3.1.3 Relationship between Four Core Elements

With reference to Internationalization process or Uppsala Model (U-model), it illustrates interplay of four core elements; there are market knowledge, market commitment, commitment decisions and current business activities. These crucial elements are divided into two aspects which are state aspects and change aspects. On one hand, the model demonstrates the relationship between development of international market and operation knowledge experience or getting suggestion from consultant (Johanson & Vahlne, 1990). On the other hand, it shows an incremental commitment of resources to foreign markets experience or getting suggestion from consultant (Johanson & Vahlne, 1990). A significant assumption is market knowledge throughout perceptions of market problems and opportunities, is obtained initially to experience from current business activities in the foreign market experience or getting suggestion from consultant (Johanson & Vahlne, 1990). Expansion of knowledge creates business opportunities which are such factors driving internationalization process (Brenan & Garvey, 2009). Nevertheless, experiential knowledge is considered as a prime tool to reduce uncertainty of market. Therefore, firm is expected to make a strong commitment into foreign market continuously in order to gain more experience. Market experience is specific experience for specific country markets and it is difficult to be applied in the other country markets (Johanson & Vahlne, 1990).

Particularly, firms that commit to a foreign market will be able to find opportunities and problems in that market, so they will have more potential to solve the problems and create solutions than the others outside the market (Johanson & Vahlne, 1990).

A degree of market knowledge and market commitment in particular time will affect the commitment decisions and the way of current activities are performed in subsequent periods (Forsgren & Hagstroem, 2007). On the contrary, these decisions and business activities will influence the next stages of market commitment and market knowledge in an incrementally evolving cycle (Forsgren & Hagstroem, 2007).

Firms applying this model can be expected to generate long term profits; meanwhile they can reduce risks and uncertainty as well as perceive new existing opportunities in their business field (Johanson & Vahlne, 1990). However, as Uppsala Internationalization process model (U-model) is determined as a process that the firm increases its international commitment gradually (Johanson & Vahlne, 1990). Thus, this process takes long period in order to go through internationalization.
### 3.1.4 Patterns of Internationalization Process Model

The internationalization process model (U-model) can be distinguished into two patterns as per follows (Johanson & Wiedersheim-Paul, 1975 as cited in Johanson & Vahlne, 1990);

1) The first pattern of process is developed through establishment chain; increasing firm’s commitment in the specific foreign country.

![Establishment Chain Diagram](image)

**Figure 3.2: The Establishment Chain**

*Source: Jonsson & Choudhury, 2009, p. 4*

The establishment chain is level of resource commitment to overseas market which is increased gradually (Johanson & Vahlne, 1990). This establishment chain starts from no regular export; there would be some irregular export. The next stage is export through agent. The products will be exported via the independent representative or an agent in the foreign market (Johanson & Vahlne, 1977). When the firm has a stronger commitment, the stage of commitment will shift to establishment of foreign subsidiary (sales subsidiary) (Johanson & Vahlne, 1977). This stage can be considered as a real investment because the firm has to set up new subsidiary which can imply that it is required to deal with their sales in foreign market directly. The final stage of establishment chain is the establishment of foreign manufacturing plants, in which is the strongest commitment of resources in the international market (Quick MBA, 2007).

In addition, it explains about current business activities because those activities lead to different market experience (Johanson & Vahlne, 1990). In the other word, market experience or experiential knowledge is developed through each level of establishment chain differently, so the knowledge gained will be dissimilar. For instance, at the beginning, firm has no regular export, thus there is no market experience. Once it increases commitment to the foreign market namely export its commodity, the firm will obtain market experience involving the activities such as information channel to the market. As a result, business activities cause a variety of experiences and wider experience (Johanson & Vahlne, 1990). Besides, it helps firm has better understanding in factor markets (Johanson & Vahlne, 1990).

Regarding establishment chain which is incremental pattern, the firm however can skip the initial stages to advance stages of internationalization process or go into region further from the home market without experience in neighbor country (Johanson & Vahlne, 1990). The large step can be happened depends on company structure at that time (Johanson & Vahlne, 1990).

2) The second pattern is entering new market with encountering psychic distance (Johanson & Vahlne, 1990). Psychic distance is referred to difference in political systems, language, regulations, cultures and other factor avoiding information transmission between firms and markets (Johanson & Vahlne, 1990). To enter new market immediately, the firm
will face many obstacles. Firm that develops by using the internationalization process will be able to decrease market uncertainty as the firm will be easier to understand the market which increases potential of seeing opportunity (Johanson & Vahlne, 1990).

3.1.5 Criticism Views

Firstly, since the model was developed by analyzing on internationalization process in a few of Swedish MNC which most company is small and intense in industrial, it could be expected that result may be practical for only some countries that have similar characteristic (Johanson & Vahlne, 1990). Nevertheless, from empirical research, they show that the foreign entry modes of many companies from many regions are quite the same (Johanson & Vahlne, 1990). Additionally, the researches support that experience and market commitment are significant elements to explain international business behavior (Johanson & Vahlne, 1990). Besides, U-model is fostered about export behavior and psychic distance (Johanson & Vahlne, 1990).

What is more, Johanson & Mattson, 1986 as cited in Johanson & Vahlne, 1990 argues that the model does not take into account other external factors for example market opportunities and competition which are significant components that should not be ignored for internationalization process.

3.2 BARRIERS OF INTERNATIONALIZATION

3.2.1 Psychic Distance

Psychic distance is defined as the diversifications in culture, languages, regulation, education systems, business practices, industrial development and political system (Johanson & Vahlne, 1990). These are obstacles retarding the flow of information between the firm and the foreign market. Additionally, they also bother new organization when it aims to penetrate into the new markets (Johanson & Vahlne, 1990). Nonetheless, nowadays the world is more homogenous so the psychic distance has declined (Nordström, 1990 as cited in Johanson & Vahlne, 1990).

3.2.2 Lack of Knowledge

The characteristics of knowledge in U-model are as following (Brennan & Garvey, 2009);

- The market specific knowledge plays an important role for firms.
- Knowledge is derived from learning-by-doing process. It is based on experience-based.
- Knowledge is considered as subjective knowledge and it is difficult to transfer to other individuals.
- Market commitment augments proportionally with market knowledge acquisition.

As a consequence, lack of knowledge is a significant of obscurity to improve international operation. Also, the essential knowledge can be obtained via operation abroad.
3.3 FOREIGN ENTRE MODES

Foreign entry mode is important for firm and it points out the direction for company to go through internationalization. Entry modes are such the ways to get into the foreign market. It can be successful in many alternatives depending on foreign market situation, characteristic and structure of each home company (Quick MBA, 2007). The entry modes are as following:

1) **Exporting**

Exporting is the initial stage of internationalization which does marketing and direct sales of local products by distributing products to the other countries (Hill, 2007). Export is such a simple and traditional method and it is also a good foundation for foreign market entry. This method bring the firm many advantages such as speed of entry, maximizing scales as products are manufactured in the existing facilities, experience of learning new market and minimizing risk and investment (Hill, 2007). However, there are some disadvantages namely; the transportation is such main expenses which are costly and the home company have to allocate tasks of sales, marketing and service to another company in host country (Hill, 2007).

2) **Licensing**

Licensing is a contract between licensor who grants the right in intangible assets to the licensee by define period of time (Quick MBA, 2007). The licensor will get benefit from licensee in the type of loyalty fee (Quick MBA, 2007). Intangible assets consist of inventions, patent, processes, copyright, design, trademarks and formulations (Quick MBA, 2007). The benefits of licensing are; the licensor does not need to handle risk of establishment and costs of development in new market (Quick MBA, 2007). The drawbacks are; loss of experience learning of the licensor in new market and risk of failure as the licensee being as producer and marketer itself (Hill, 2007).

3) **International Agents**

Agents can be both individual and organization that set up agreement with home company and being representative on behalf of the home company concerning mainly marketing and sales in specific country (Market Teacher. 2000). The agents have low level of ownership in commodities and commonly get a commission depends on value of products sold (Market Teacher. 2000). Agents method requires low cost, however it also difficult to control (Market Teacher. 2000). Sometimes, agents may be representative of competitors; therefore there will be conflict of interest (Market Teacher. 2000). In addition, distributor is another type of entry mode which similar to agents. The differences are ownership of the products as distributor has higher level of product ownership than agents (Market Teacher. 2000).

4) **Joint Venture**

Joint Venture is the form of firm that derived from two or more independent firms owning to set up new business (Hill, 2007). The pros of joint venture are firm get a chance to learn about domestic firm’s knowledge, language, politic, culture and
business practices as well as risk and cost sharing (Quick MBA, 2007). This mode helps to reduce political regulations issue. On the other hand, the partner can become competitors in future because the home company has already spilt over total knowledge to joint venture partner (Quick MBA, 2007).

5) Foreign Direct Investment (FDI)

Foreign direct investment refers to the establishment of production or facilities in foreign countries via greenfield investment or cross-border acquisition (Quick MBA, 2007). Greenfield investment relates to the foundation of new firms from the ground up (Johanson & Vahlne, 1990). In sense of cross-border acquisition, it involves in purchasing an existing business in another country (Ball et al., 2008). Kindleberger (1969) as cited in Ball et al., (2008, p. 92) states that “Under perfect competition, foreign direct investment would not occur”. It often occurs in oligopolistic industries rather than near-perfect competition industries.

The reason that foreign direct investment takes place due to the products and factor market imperfections, which allows the multinational corporation to operate more benefit in overseas market than in domestic market (Morgan & Katsikeas, 1997). The concept of foreign direct investment consists of both ownership and control of international investment regarding physical assets namely plants, vehicle and other facilities, rather than theories concerning other types of international investment for example bonds, portfolios of stocks and others formats of debt. Foreign direct investment theory addressed that if an enterprise is going to invest in production facilities abroad, it must have three types of advantages: ownership-specific, location-specific and internalization (Ball et al., 2008).

This why firms prefer making a decision to engage in FDI than serving overseas market through other entry modes for instance licensing, joint ventures, strategic alliances, exporting and management contracts (Ball et al., 2008).

3.4 INDUSTRIAL NETWORK THEORY

![Figure 3.3: The Multilateral Aspect of the Internationalization Process](source: Johanson, J., & Vahlne, J.-E., 1990, p. 19)
The internationalization process can be discussed by relating the concept of industrial networks in order to clarify and complete the notion of internationalization process. Some scholars state that firm in industrial have interaction with other business actors to preserve relationship via business activities; establishment, development and maintenance (Hakansson, 1982; Turnbull & Valla, 1986; Hallen et al., 1987 as cited in Johanson & Vahlne, 1990).

Referring the multilateral aspect of the internationalization process model, firms develop relationship through interaction with other firms in the same industry (Johanson & Vahlne, 1990). This process leads to mutual trust forming and knowledge transferring (Johanson & Vahlne, 1990). The referred interaction is strong commitment to the relationships (Ford, 1979 as cited in Johanson & Vahlne, 1990).

When firms create an interaction to each other or doing any business activities, firms will gain specific experience that causes specific market knowledge (experiential knowledge) (Johanson & Vahlne, 1990). In other words, market knowledge found on experience from current business interaction or activities. What is more, the interactions between firms also create networks and the connected network will construct the relationships (Johanson & Vahlne, 1990). In any specific country, industrial networks will be various depending on each region (Johanson & Vahlne, 1990).

It is more difficult to get into the network for the firm from outside as it requires other actors’ motivation to connect in interaction (Johanson & Vahlne, 1990). Therefore, in foreign market, or network, the other actors; insiders in the network, have to be initiative to engage interaction with outsider, so the outsider will be allowed to entry to the new network (Johanson & Vahlne, 1990).

With reference to the model figure.3.3, a focal firm; the firm who would like to go through internationalization and other actors in the foreign market are jointly committed to further business together. It is not merely learning among each other, but it also generates new knowledge from that interaction. Besides, focal firm and another firm will mutually create new opportunity for their business (Johanson & Vahlne, 2006). As a result, we can imply that the relationship between focal firm and another actor is created. If the partner firm commit to other relationship, focal firm will get engaged indirectly to the network of the partner firm. This process will enlarge size of focal firm’s network eventually (Johanson & Vahlne, 2003).

The provided opportunities that focal firm gain from network should be very large, therefore studying in internationalization process relating to network perspective should be focus on multilateral concurrently such as, market knowledge, market commitment, current business activities and commitment decisions. In addition, this process should be considered as an inter-organizational (Johanson & Vahlne, 1990, pp.19).

According to networks perspective, going through internationalization refers to the focal firm grows business relationship in networks in international market (Johannson & Mattsson, 1988 as cited in Johanson & Vahlne, 1990). It can be created through three ways (Johanson & Vahlne, 1990):

1. Relationship establishment in network of the new market.
2. Relationship development in network in other countries. The firm has already interacted with the market in low level, i.e. penetration.
3. Networks connection in different countries, i.e. international integration.
The important point is that cost of relationship is high; it consumes enormous cost, long lead-time, and high instability of process (Johanson & Vahlne, 2006). Therefore, this model manifests that why internationalization process take long lead-time to succeed (Johanson & Vahlne, 2006).

In summary, it is essential to focus and consider what the existing relationships of the companies are even if the firms are in home or host country, hence the firms will be able to analyze and assess themselves in order to develop their companies in the future. There are many criteria of relationship assessment for example, potential of relationship, resource requirement for specific market, source of the threats in relationship development, level of commitment, etc (Ford, 1979).

3.5 STRATEGY OF INTERNATIONALIZATION

Bartlett & Ghoshal, 1987 mentioned that in the past, most of organization put emphasis on unilateral rather than multilateral. Also, firms usually focus on limited organizational capability as a crucial constraint (Bartlett & Ghoshal, 1987). To be successful transnational organization nowadays, they suggest that firms require integration of three traditional strategies which are efficiency, responsiveness and ability to exploit learning simultaneously, in their international operation (Bartlett & Ghoshal, 1987).

Traditional Strategy

The traditional Strategy consist of three elements as follows (Bartlett & Ghoshal, 1987);

1. **Rewarding efficiency in global industry**
   In global industry, companies should concern about consumer needs, minimum efficient scale and context of competitive strategy which is viewed as global economy instead of individual national environments. Thus, global strategies should be more suitable to the evolving industry characteristics in order to get maximize efficiency, rather than applying only to specific country approach (Bartlett & Ghoshal, 1987).

2. **Building Responsiveness in multinational industries**
   Firms focus on not only product aspects, but they also need to aware of marketing strategies (Bartlett & Ghoshal, 1987). In the other word, the marketing strategies need to be responsive to different condition in different local market. Multinational industries referred to a several industries with similar characteristics (Bartlett & Ghoshal, 1987). They need local difference for business succeeds.

3. **Exploiting Learning in international industries**
   International industries are as series of firms where knowledge transferred to overseas organization and to manage the product life-cycle efficiently flexibly (Bartlett & Ghoshal, 1987). In some industry, learning and exploiting knowledge in multiple national markets is a key of achievement. The ability to learn and to choose suitable benefit will be able to turn the losers to be the winners in complex business (Bartlett & Ghoshal, 1987).
As above elements, Barlett & Ghoshal, 1987 mention about New Strategic Challenge: Transition to Transnationality that as currently the companies have to face to complex environment, therefore companies need to develop in multilateral aspects in order to identify where they can handle efficiency, learning and responsiveness on international circumstance. Transnational Industry means the business is driven by concurrent demand for global efficiency, national responsiveness and global learning (Bartlett & Ghoshal, 1987). Not only managing three factors compatibly, firms also have to balance these aspects to be optimal. Furthermore, they also emphasize responding to the challenge toward transnational capability that even though the firm is fit to all competencies, the firm still needs to improve multidimensional capabilities (Bartlett & Ghoshal, 1987).

Section II: CONCEPTUAL FRAMEWORK

![Conceptual Framework Concerning Internationalization Process of Rockworth PLC.](image)

*Figure 3.4:* Conceptual Framework Concerning Internationalization Process of Rockworth PLC.

*Source:* The researchers
This framework illustrates the concept conducting our study as well as reflects the core elements of internationalization theories related to the case study. Rockworth (Thailand) or Rockworth PLC. is expanding its business to global market by applying internationalization process. In this case, we specify global market to be only the Indian market as it is the place where the company makes a highest commitment by building up manufacturer named Rockworth Systems Furniture (India) Pvt. Ltd which we will call briefly as Rockworth (India). It aims to be the manufacturing base to respond to increasing demand in India in near future. To analyze the internationalization process of the case study, we use the Uppsala Internationalization Process Model (U-model) as a main theory. Also, we exercise another relevance theory in order to support the U-model and our concept; that is network theory. Moreover, there are specific concepts of each theory for instance; barriers of internationalization, foreign entry modes are such sub-theory to support U-model, while strategies of internationalization theory is a support theory for industrial network theory as all mentioned theories can describe each process of the company and bring comprehensive understanding.
CHAPTER 4: METHOD

In this method chapter, we clarify our alternative of research method and explain why we decide to choose this particular research method to apply for our thesis. We also discuss the ways we collected data, sources of data, validity as well as reliability of data.

4.1 RESEARCH METHOD

Research methods can be divided into two types which are qualitative and quantitative research method. However, some studies mentioned that there is another method which is the combination of both qualitative and quantitative research approaches. It can be called “Mixed Methods research Approach” (Creswell, 2003, p. 18). In this thesis, we explain only qualitative and quantitative research methods in this section below.

The qualitative research method is the approach that generates an insightful understanding for interviewees (Fisher, 2007). The critical point of qualitative approach is to understand the phenomenon studied and explain the circumstance. Qualitative data comprised of observations, excerpts from documents, quotations and description (Quinn, 2002). This approach is usually performed via observations and interviews without scientific and statistical measurement. Yin (1994) stated that there are five strategies which can be used in conducting the research namely case study, archival analysis, history, experiments and survey. Each strategy appropriates for different circumstance so the researcher should decide to choose the most proper strategy depending on three criteria: (1) form of research question, (2) control over behavioral events requirement, and (3) the degree of focusing on contemporary incidents (Yin, 1994).
<table>
<thead>
<tr>
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<th>Form of research question</th>
<th>Requires control over behavioral events</th>
<th>Focus on temporary events</th>
</tr>
</thead>
<tbody>
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<td>How, Why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, What, Where, How many, How much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, What, Where, How many, How much</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, Why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, Why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 4.1: Relevant Situation for Different Research Strategies

Source: COSMOS Corporation in Yin, 1994, p. 6

The quantitative research method is an approach which focuses on converting data to numeric and statistical models to analyze and explain the phenomena. The main instrument that used for collecting data is questionnaire (Fisher, 2007). This method gives an importance to an accuracy of measuring and analyzing data. As quantitative research approach is found of the quantity measurement involving researches which use statistical analysis in order to gain the information (Quinn, 2002).

Regarding the above mentioned research method; we have applied the qualitative research method for our thesis. As this method could help the researchers interpret and understand the reason why Rockworth PLC. chose India to be its market destination. From the table 4.1, since this thesis emphasizes to analyze how the company manages internationalization in India and study the internationalization process in the meantime, the suitable strategy for conducting qualitative research is to go through significant case study.

4.2 DATA COLLECTIONS

There are five approaches according to fisher 2004 to collect data for example interviews, panels, questionnaire, observation, and documentary. We explain in deep as per the following:
Firstly, interview can be conducted via three ways such as open interview, pro-coded interview and semi-structured interview (Fisher, 2004). The open interview is created in the informal way concerning in interesting topic (Fisher, 2004). Briefly, open interview can be conducted in unstructured way. However, pre-coded interview is an interview which is controlled by the researcher. In the other words, it is generated in structured way. The interviewer will prepare the script for asking the interviewee relating studying cores. Another one is semi-structured interview; is as a combination between open and per-coded interview (Fisher, 2004). Both planned and unplanned questions are occurred in this type of interview. Researchers will seek the critical incidents which are practiced by respondents (Fisher, 2004). Moreover, an interview is able to support researchers to congregate valid and reliable data (Saunders, et al., 2007).

Secondly, panels are also the general research method. They can be divided into two kinds consisting of open mode and pre-coded manner (Fisher, 2004). For the open mode, it is basically created for focus group. Focus group is a group of individuals that are brought together to study in a specific topic (Fisher, 2004). In contrast, pre-coded manner is the panel in a structure manner in which have more scenarios and options (Fisher, 2004).

Thirdly, questionnaires can be done by open and pre-coded formats (Fisher, 2004). Open questionnaires have a few questions that make people give their own opinions. Meanwhile, the pre-coded ones have many tick boxes for respondents to fill in (Fisher, 2004).

Fourthly, observation approach has got four patterns which are activity sampling, categories, checklist and unstructured observation (Fisher, 2004). Activity sampling is a high level of pre-coded pattern of the observation (Fisher, 2004). A category has a medium structured approach of observation (Fisher, 2004). Checklist is a low degree of structure, the semi-structured form of this approach can be succeeded by checklist (Fisher, 2004). Finally, the unstructured observation is a very open form with a low level of structure for instance; the researchers will listen, sit, and watch a circumstance that they are interested (Fisher, 2004).

Lastly, documentary research can be conducted in two forms which are open and pro-coded (Fisher, 2004). In term of open approach is the method which the researcher tries to understand texts and document (Fisher, 2007). Another one is pre-coded study of documents; the researchers will use electronic textual databases or electronic document files (Fisher, 2007).

To conduct the thesis, we chose the semi-structured interview approach to collect data by preparing questions script for asking an interviewee before an interview will be occurred. During the interview we also had an informal conversation between researchers and the interviewee. We set up several questions relating to the reason why Rockworth Thailand decided to set the manufacturing plant in India and also the internationalization process of Rockworth from Thailand to India. We asked the interviewee step by step in order to be smooth conversation and did not miss the material context. Furthermore, we also used documentary research as the way to collect data. Since this method can develop and fulfill knowledge in order to conduct the thesis comprehensively. From the interviews, researchers got more insights knowledge on the internationalization process, the obstacles and benefits from going through internationalization and the effects of difference between Thai and India toward internationalization operation.
There are two sources of data which are primary and secondary sources. As per following:

### 4.2.1 Primary Data

Primary data is collected directly from the original data source for the specific project at hand (Ghauri & Gronhaug, 2005). Although primary data takes long time and high cost to collect, it can grant more reliable and more effective outcome than secondary data (Charles, 2009; David, 2010). There is several research methods namely interviews, surveys, panels, observation (Fisher, 2004).

For primary data of this study, we gathered information about internationalization process by interviewing Mr. Teerapon Pongsutthimanus, Dealer Development Assistant Manager of Rockworth; who is in charge of the India account and being in the position of Product Marketing and Sales Manager in Rockworth (India).

**Contact Person:** Mr. Teerapon Pongsutthimanus  
**Position:** Dealer Development Assistant Manager  
**Tel:** +66 (0) 246 8888  
**Email:** teerapon.p@rockworth.com  
**Date of Interview:** April 20, 2010  
**Type of interviewee:** Teleconference via Skype

<table>
<thead>
<tr>
<th>Methods</th>
<th>Unstructured</th>
<th>Survey Research</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Interviews</em></td>
<td>In-depth and open</td>
<td>Critical incidents</td>
</tr>
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</table>

**Figure 4.1:** Unstructured and Structured Approaches to the Main Research  
We chose interview in a way of one-to-one interview via teleconference by using Skype which is a computer program that transmit picture and voice over the internet.

Found on semi-structured interview approach we mentioned above, it implies that we have to prepare both informal conversation (unstructured way) and questions for the interviewee (structured way).

Then, we firstly sent the e-mails from Sweden to the interviewee in Thailand to request for the telephone interview. This process took time for a day to get an appointment from the interviewee. The advantage for this type of data collection is that we can get the deep internal information from Rockworth, it saves cost and it also does not take so much time. The detail of interviewee can be shown as below:

Mr. Teerapon is selected to be our interviewee because he has experience for many years of working in international department of Rockworth and gained more internal knowledge of the company in a long period of both before and after Rockworth does international business. Furthermore, he has direct experience of working with the dealers in India and he is one of the first management team in another manufacturing base and sales representative unit in India. Therefore, he can bring us both benefits and drawbacks of the operation.

4.2.2 Secondary Data

Secondary data is gathered from previously published information. There are both benefits and drawbacks. In term of benefits, it spends lower cost of data collection and requires less time for data gathering. For the drawbacks, secondary data may be not up-to-date and some collected data may not involve in researchers’ purpose (David, 2010). In some cases, secondary data is unable to respond a particular research question, while the primary data can. This is because secondary data is collected for other aims (Charles, 2009).

Many scholars suggested that all researches ought to start with secondary data sources (Ghauri & Gronhaug, 2005). It can come from both internal and external sources (Ghauri & Gronhaug, 2005). For this study, internal sources can be the company’s website and company’ documents from Mr. Teerapon Pongsutthimanus who is the interviewee for our case study. While, the external sources are academic journals, research articles, online material, annual reports, academic books, business news and magazine articles. Moreover, for the research articles, we accessed Mälardalen University’s Electronic Library in order to reach journals’ database providers such as Emerald, ABI Inform and Sage Premier. In addition, research articles have been mainly applied for explaining theories; internationalization process and network theories which are also analyzed and connected to the case study. Finally, the World Wide Web is value source for secondary data collecting since it provides online information to the researchers.
4.3 VALIDITY AND RELIABILITY

We selected as our main interviewee, a person who is directly in charge of Indian market. Moreover, he is the main person in new manufacturing base management team which is responsible in product marketing and sales. He set up plans to develop sales and marketing team and being such coordinator in system set up for the company in India. Furthermore, he has to stay in India for two weeks per a month; therefore he is quite familiar with Indian culture. As per his experience in the market, the interviewee is such the best representative of the company that is able to convey us adequate information about internationalization process, strategy, Indian culture in perception of Thai, etc. Since enough information of both primary and secondary data is gained, we hope sufficient data are collected to produce a solid study.

From the above, we draw the conclusion that valid data will be collected, i.e. data that are relevant to our research question. As to reliability, it is obvious that other researchers may put the shoes on other aspects of this company’s internationalization process and may make other observations. These problems are inherent in case studies of this nature.
CHAPTER 5: EMPIRICAL FINDINGS

In this part, we illustrate the empirical findings of Rockworth PLC. We present findings by regarding our core perspectives during an interview as a primary data and a secondary data is conveyed through an annual report, electronic articles and journals from academic databases.

5.1 ORIGIN OF EXPORT AND INTERNATIONALIZATION

In 1997, Thailand faced economic recession. Thai government decided to announce floating exchange rate policy which had a lot of effects to internal Thai economy system at that time (Thai Appraisal foundation, 2003). Likewise, Rockworth also faced to the same crisis since year 1997 until year 2000. Its domestic sales in year 2000 dropped dramatically from 700 million baht to 150 million baht approximately (P. Teerapon, personal communication, April 20, 2010). As a result, Rockworth sought for solutions in order to increase its sales, one of interesting solution to expand market and business is export (P. Teerapon, personal communication, April 20, 2010).

In order to enter foreign markets at the beginning, Rockworth has taken counsel with Department of Export Promotion, Ministry of Commerce, Royal Thai Government about export its products to foreign market. Therefore, Rockworth got many chances to join exhibition in international market. However, policy of the department of export promotion at that time did not support furniture industry much as furniture industry is not the core industry that earn high income to country as well as activities of the department of export promotion did not match to Rockworth’s target group (P. Teerapon, personal communication, April 20, 2010).

In office furniture industry, the best way of customer approaching is direct approach strategy, thus meeting with customer directly is more practical than joining non-specific international exhibition (P. Teerapon, personal communication, April 20, 2010).

The first foreign market that Rockworth went through internationalization was Singapore because Singapore market was the strongest market in South East Asia at that time and there was high demand in office furniture. Nonetheless, the drawback of Singapore market is its system depending on USA market that means if USA market fluctuates, Singapore market will oscillate too (P. Teerapon, personal communication, April 20, 2010).

After Rockworth exported products to Singapore for a while, Singapore market in term of office furniture market was getting mature. Rockworth started seeking for expanding business to the other foreign countries in order to reduce risk of uncertainty income and market. The new market in their view would be independent and as trading country. At that time, Middle
East Countries seemed to be matched what they were seeking for (P. Teerapon, personal communication, April 20, 2010).

In the last decade, Rockworth could be such one of primary companies from Far East Asia doing business with Middle East Countries. Not many Middle East people knew about modular office furniture ¹, while this kind of market was growing up (P. Teerapon, personal communication, April 20, 2010). This is such advantage to the company because there was still some potential and space for business growth.

Rockworth entered Middle East Market by presenting itself via Dubai Office Furniture Exhibition. Al Reyami, furniture supplier in UAE (United Arab Amirates) is one of Rockworth’s customers, who is interested in Rockworth’s products. Then, Rockworth and Al Reyami have made mutual agreement to do business together; Al Reyami has been Rockworth’s dealer in UAE in year 2000 thenceforward (P. Teerapon, personal communication, April 20, 2010).

In conclusion, there are two factors driving Rockworth to present itself in international market as follows (P. Teerapon, personal communication, April 20, 2010):

1) To survive in economic crisis in 1997. As economic recession, investment in real estate and property business in Thailand slowed down. It has very large impact to Rockworth’s sales volume. Therefore, the company has to solve this problem as soon as possible.

2) Since the domestic sales plunge in 2000 cause unbalance of production capacity in the factory, Rockworth had to find solution to increase sales order in order to keep balance in production capacity otherwise the factory will be considered to cease production.

Now Rockworth has authorized dealers committed to work together in 22 countries throughout Asia including Thailand as below table (Rockworth office system furniture’s website, 2010):

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¹ Modular office furniture refers to furniture that the customers can choose the pieces which work best in their offices. It is like selecting custom furniture for customers’ office space (One Way Furniture, n.d.).
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>DEALER</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASIA</td>
<td></td>
</tr>
<tr>
<td>BANGLADESH</td>
<td>Nasreen Zamir and Associates</td>
</tr>
<tr>
<td>BRUNEI</td>
<td>Hi Biz Sdn Bhd</td>
</tr>
<tr>
<td>CAMBODIA</td>
<td>Heng Asia Home Product</td>
</tr>
<tr>
<td>HONG KONG</td>
<td>MTM Solutions Ltd.</td>
</tr>
<tr>
<td>INDIA</td>
<td>Hyderabad, Kochi, Chennai, Bangalore, Mumbai (Sales Office):</td>
</tr>
<tr>
<td></td>
<td>Reyami Interior Pvt Ltd.</td>
</tr>
<tr>
<td>INDIA</td>
<td>New Delhi: Falcon Interior Solutions</td>
</tr>
<tr>
<td>LAOS</td>
<td>Mobela Co., Ltd</td>
</tr>
<tr>
<td>MALAYSIA</td>
<td>Benel Marketing Sdn Bhd</td>
</tr>
<tr>
<td>PHILIPPINES</td>
<td>Infinite Quality Designs Center INC.</td>
</tr>
<tr>
<td>SINGAPORE</td>
<td>MTM Solutions Pte Ltd.</td>
</tr>
<tr>
<td>SRI LANKA</td>
<td>Avista International (Pvt) Ltd.</td>
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<td>BAHRAIN</td>
<td>Al Makateb</td>
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<tr>
<td>EGYPT</td>
<td>Style Design</td>
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<td>JORDAN</td>
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</tr>
<tr>
<td>TURKEY</td>
<td>Neotek Office</td>
</tr>
<tr>
<td>UNITED ARAB</td>
<td>Al Reyami office Furnishing and General Trading</td>
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<td>EMIRATES</td>
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</tbody>
</table>

**Table 5.1:** Dealers of Rockworth Thailand  
5.2 CRITERIA OF POTENTIAL DEALER SELECTION

Rockworth considers several aspects to choose appropriated dealer. Criteria of potential dealer selection consist of many elements as following (P. Teerapon, personal communication, April 20, 2010);

- **Reliable**
  The potential dealer should be trustworthy and have potential to grow in the market. Reliability is important to the boards of directors of Rockworth making decision whether they will make a deal with the becoming dealers or not (P. Teerapon, personal communication, April 20, 2010).

- **Financial Status**
  The potential dealer should have good financial status which is such a guarantee for Rockworth that dealer will be able to invest in business without further financial problem (P. Teerapon, personal communication, April 20, 2010).

- **Network in Local Market**
  Rockworth views network in local market as additional advantage of dealer. Having network or relationship in specific market helps Rockworth approaches customer easier. However, they think it is just advantage for first entry stage. In long term, network and relationship is depended on Rockworth’s performance itself (P. Teerapon, personal communication, April 20, 2010).

- **Vision, Mission, Management System and Organization Culture**
  It is the most crucial factor to become Rockworth’s dealer. The becoming dealer should have similar vision, mission, management system and organization culture to Rockworth because it helps in working together and makes operations run smoothly (P. Teerapon, personal communication, April 20, 2010).

- **Willingness**
  Another essential factor is willingness to be Rockworth’s dealer. The dealer should have willingness to grow in this business field. Dealer that has willingness will do its utmost to penetrate the specific market, grow its sales and develop the business in initiative ways which leads to business success (P. Teerapon, personal communication, April 20, 2010).
5.3 INTERNATIONALIZATION OF ROCKWORTH IN INDIA

Since Rockworth started running international operation in 2000, they got many customers via several ways such as walk-in customers that visit Rockworth’s Showrooms or website and the customers that company contacted them directly. Most of customers are interested in their products and services; they are from many countries all over the world, and of cause, some of customers are from India (P. Teerapon, personal communication, April 20, 2010).

From around 2003, India has opened country and tried to present themselves as “IT Hub (Information Technology Hub)” of the world (Department of Export Promotion, 2010; Business maps of India, 2010). Main IT business of Indians is to offer “Call Centre Service” to global market and Multinational Companies (Department of Export Promotion, 2010; Business maps of India, 2010). The growth of this business causes business extension in linkage industries such as real estate, office furniture, computer parts and network provider, etc (Department of Export Promotion, 2010). As per an impact of IT business extension, Rockworth expected that there would be high potential and demand in office furniture in India and would last for about two decades (P. Teerapon, personal communication, April 20, 2010).

As a result, Rockworth was getting to seek for dealer in India. In the meantime, Al Reyami, Rockworth’s dealer in UAE, is also interested in investment in India, furthermore Al Reyami’s owner is an Indian so he is quite familiar and understands characteristic of Indian market (P. Teerapon, personal communication, April 20, 2010). Therefore, Rockworth has made an agreement giving authority to Reyami Interior Pvt. Ltd.; another company in India of Al Reyami to be Rockworth’s dealer who takes responsibility in the Southern India in 2003 (P. Teerapon, personal communication, April 20, 2010).

Besides, Rockworth also finds additional dealers in Indian market in order to reduce risk of uncertainty income and expand business to cover Northern India. Finally, they found the dealer named “Falcon Interior Solutions” which has headquarter in Delhi; capital city of India. Rockworth knew Falcon from exhibition visitors’ suggestion (P. Teerapon, personal communication, April 20, 2010).

Nowadays, Rockworth has two dealers in India (Rockworth office system furniture’s website, 2010). The first one is Reyami Interior Pvt. Ltd., being responsible in Southern India States; there are Mumbai, Bangalore, Chennai, Hyderabad and Cochin. Latterly, this company became a partner of Rockworth’s manufacturing plant in India. While, Falcon Interior Solutions is in charge of Northern India States for example, Delhi and NCR (National Capital Region) (P. Teerapon, personal communication, April 20, 2010).

Even though Rockworth has been in Indian market for several years, this market has not brought Rockworth significant sales volume (figure 5.1). Regarding figure 5.1, it illustrates that Rockworth Sales in South Asia is a few portions when compares with other regions. The maximum sales volume of Rockworth is in Middle East. From this pie chart, it can imply that
sales volume of Rockworth in India does not increase rapidly although the firm has the transactions with Indian customers for many years.

Figure 5.1: Total Sales of Rockworth Thailand dividing by Dealers, Year 2008.


The reasons why Rockworth could not obtain high sales volume due to two barriers (P. Teerapon, personal communication, April 20, 2010);

- Delivery lead – time

In general, Indian customers prefer to receive all products in four weeks but the shortest transit time from Thailand to India already takes three weeks excluding clearance lead-time. Therefore, even if Rockworth can finish production and dispatch goods in only one week, it still requires three weeks for transportation, at least one week for clearance at port and also a couple days for inland transportation. This situation makes Rockworth cannot compete with local company even though customers are extremely interested in Rockworth’s products but delivery lead-time cannot be accepted (P. Teerapon, personal communication, April 20, 2010).

- Import duty

In the past, import duty of India in term of furniture is very high. Total import tax is 60% approximately (Department of Export Promotion, 2010). However, due to trade
agreement between countries in a couple years later such as FTA, import duty is gradually decreased until it is only 10% nowadays (Department of Export Promotion, 2010). Nonetheless, in fact, there are still hidden cost concerning import formality such as education taxes and etc which make the final import cost raised up to 24.66% (P. Teerapon, personal communication, April 20, 2010). As a result, the final price of Rockworth’s product is not competitive in the market due to import duty and cost of import formality (P. Teerapon, personal communication, April 20, 2010).

As per above barriers, Rockworth decided to construct another manufacturing base in India in order to skip over these obstacles.

5.4 AN ESTABLISHMENT OF NEW MANUFACTURING PLANT IN INDIA

5.4.1 Reason for Choosing India as the Base for Production

Rockworth had begun to think about setting another production plant since year 2007 by studying feasibility relating to the potential markets in the next two decades (P. Teerapon, personal communication, April 20, 2010). From the feasibility study, it found that many markets still have some space and opportunity to grow in office furniture in the future. Thus, the company’s view to construct the new plant is practical (P. Teerapon, personal communication, April 20, 2010).

Rockworth started to consider suitable countries that their labor costs are quite low namely China, India and Vietnam to locate the new production base, however; Rockworth decided to choose India because India is the “IT Hub (Information Technology Hub)” of the world (Department of Export Promotion, 2010; Business maps of India, 2010) which has high demand in office furniture (P. Teerapon, personal communication, April 20, 2010; Business maps of India, 2010). In addition, Indians can speak English fluently which is benefit for communication among colleagues within the company (Department of Export Promotion, 2010). Moreover, the Indian government encouraged the foreign investors to invest in this country by decreasing tax rate (Library of Thai Commercial Bank, 2005) and offering any facilities which supports India to be a suitable place for investment (Department of Export Promotion, 2010). The reasons why the government reduced tax rate resulting from attending SAARC\(^2\) of India (SAARC Charter, 2009) and FTA agreement (Free Trade Area) between Thai and India since year 2003 (Library of Thai Commercial Bank, 2005).

Furthermore, having Rockworth’s plant construction in India, it reduces delivery lead-time which leads to an increasing in the sales volume of the wooden furniture (P. Teerapon, personal communication, April 20, 2010).

\(^2\) SAARC: South Asian Association for Regional Cooperation, which supports India and others countries in South Asia to reduce tax rate for positive impact toward trading within this region.
Besides, most of the Indians believe that people who are white-collar workers are middle-class Indians which are accepted by Indian society (P. Teerapon, personal communication, April 20, 2010). In the future, it tends to be more white-collar workers which it refers to an increasing in demand of office furniture as well (P. Teerapon, personal communication, April 20, 2010). From the American and European views, India is high efficient labor market because of low cost of labor, a great numbers of workers, and high English communication skill of workforces (P. Teerapon, personal communication, April 20, 2010).

These reasons persuade several MNCs (Multinational Corporation) to invest in India. Since there are increasing in number of MNCs in India during the recent years, demand for office furniture is rising (P. Teerapon, personal communication, April 20, 2010).

At present, India has populations around 1,166,079,217 people (Basic Information about India, n.d.). The interviewee said that if there are Indian white-collar workers only ten percents of the whole Indian populations, demand for modular office furniture will rise dramatically. From company’s overview, it demonstrates potential of Indian market (P. Teerapon, personal communication, April 20, 2010). Several reasons mentioned above, have affected to the firm’s perspective. It showed that India could be both manufacturing base and a new market in the same time. Meanwhile, even though China and Vietnam are able to be only the production base with low cost of labor, they have less demand in office furniture industry than in India (P. Teerapon, personal communication, April 20, 2010).

- **Targeted Customers of Rockworth**

The main goal of the company to choose India as the new factory is to response the demand in the Indian market and also be able to serve a purchasing power of SAARC countries which consists of India, Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka. Lastly, supplying Middle East countries is a minor purpose.

- **Present and Future of Rockworth in India**

Nowadays, the company has already built the new production base at Andhra Pradesh city in Tamil Nadu state which taking an hour in transportation from this plant to Chennai city (P. Teerapon, personal communication, April 20, 2010). Chennai is the business city center in the south of India; the main industries in this city are automobile, IT, call center, fabric & textile and medical industries (Department of Export Promotion, 2009). The new Rockworth’s plant named “Rockworth Systems Furniture (India) Pvt. Ltd.”. This plant is an investment between Rockworth in Thailand and Reyami Interior Pvt. Ltd., in India which is called “Joint venture with the local investors” (Investment in India, n.d.). The company invested in India via “Foreign Investment Promotion Board Authorization” (Investment in India, n.d.). The company has started to plan for the new manufacturing base since the year 2007; now the factory has finished the construction however; the company has not run the operation yet because it has been under process of setting operation system (P. Teerapon, personal communication, April 20, 2010). In the same time, process of establishment of foreign subsidiary has occurred (P. Teerapon, personal communication, April 20, 2010). The
company has a variety of department which each department has a few people are responsible for (P. Teerapon, personal communication, April 20, 2010). The below paragraph is an up-to-date circumstance of Rockworth’s department in India (P. Teerapon, personal communication, April 20, 2010);

- Law and legal department is under the process.
- Sales and marketing department is under the process and try to stimulate the potential customers.
- Production line is under process of setting up operation system.

The company has expected to run the operation no longer than in November, 2011 (Rockworth Public Company Limited, 2009).

5.4.2 Barriers of New Plant Construction

When Rockworth decided to construct the new manufacturing base, there were several barriers appeared. One way that can prevent an Indian investment from foreign investors is issuing a new law for office furniture industry (P. Teerapon, personal communication, April 20, 2010). On the new law stated that this industry is the business that preserves for Indian populations only (Investment in India, n.d.). In addition, the company has to set the base of production in a re-export area (P. Teerapon, personal communication, April 20, 2010). Being in this area has an influence to the company in term of benefit; the company will get the extra benefits from Indian government about the import duty and any facilities in production (P. Teerapon, personal communication, April 20, 2010). On the other hand, our products which are produced from here have to export fifty percents of total products (P. Teerapon, personal communication, April 20, 2010).

5.4.3 Problems of New Production Base Establishment

There were both unexpected and expected problems occurred during plant construction as following (P. Teerapon, personal communication, April 20, 2010);

1) Unexpected problems means the problems that the company come across, or although the company is concerned about these problems before it invested, the problems are more complex than what the company estimated. Also, these unexpected problems seem to be tough to handle. We can divide problems into two main topics (P. Teerapon, personal communication, April 20, 2010).

- Corruption

India has high level of corruption and can corrupt in every class of Indian society which leads to an unfair business competition and high implicit costs (P. Teerapon, personal communication, April 20, 2010). For example, an
architecture company, who is responsible in specifying model of furniture for company A, will specify Rockworth’s furniture in furniture specification of company A, if the Rockworth offers some benefits in term of money to the architecture firm (P. Teerapon, personal communication, April 20, 2010). From an interviewee’s view, corruption in India had more level than in Thailand. This obstacle is difficult to cross over for the company.

- **Complexity of tax calculation**

Refer to varied state and varied tax rate (Department of Export Promotion, 2010), thus before where Rockworth decides to set up the new plant, the firm needs to know obviously where the potential customers are (P. Teerapon, personal communication, April 20, 2010). This action will reduce tax occurring from transportation in each state. In fact, the company studied about Indian tax in overviews but it is too complicated than the company planned (Department of Export Promotion, 2010). When the firm encountered with this problem, the firm dealt with it by offering the money to the officer who was responsible for (P. Teerapon, personal communication, April 20, 2010).

1) **Expected problems**

- **Cultures and Languages**

In term of culture, because of a diversity of Indian cultures, they have more than 20 languages in one country (*Basic Information about India*, n.d.). Sometimes Thais could not understand Indian culture for instance, Indians have not put emphasis on punctuality (P. Teerapon, personal communication, April 20, 2010). If you have an appointment with any Indians and they come late for thirty minutes, you cannot blame on them as it is kind of general situation for them (P. Teerapon, personal communication, April 20, 2010). They view that it is acceptable and not impolite in their country (P. Teerapon, personal communication, April 20, 2010). In sense of languages, although India has a great number of languages, it uses English as an official language (*Basic Information about India*, n.d.). Hence language is not the obscurity for Rockworth. Besides, middle-class Indians are able to communicate in English (P. Teerapon, personal communication, April 20, 2010). Though, Indian labors cannot speak English fluently, there is a translator or their chief who can communicate to the labors (P. Teerapon, personal communication, April 20, 2010). Furthermore, one of official writing languages is English (*Basic Information about India*, n.d.). So there is not a problem in document as well. On the other hand, the problem regarding language is from headquarter as its most of documents is in Thai, so all papers need to be translated in order to be able to transfer information from mother company to another subsidiary (P. Teerapon, personal communication, April 20, 2010).
• **Formality**
  Tax structure, tariff structure and law system in India are very complicated (Library of Thai Commercial Bank, 2007). Each state has its own structure which differentiated from the others (Library of Thai Commercial Bank, 2007). These systems retard the company’s progress as it leads to confusion, delay and additional cost such as when Rockworth import material from outside country, they have to process document regarding import formality, however, due to complex formality and tariff structure, it takes many days until finished product clearance as well as the company has to pay for tax in each state that the products transported inland in different rate (P. Teerapon, personal communication, April 20, 2010).

• **Religion**
  The main religions of Indian workforces who work for Rockworth are Islam and Sikhism (P. Teerapon, personal communication, April 20, 2010). The organization needs to adapt itself according to religions for example, there are many holidays in India around fifty days from the interview; they are comprised of restrict and alternative holidays which the latter one depends on each religion that the workforces profess (P. Teerapon, personal communication, April 20, 2010). As a result, working in India may be not full capacity (P. Teerapon, personal communication, April 20, 2010). Normally, weekdays of Rockworth in India are Monday to a half of Saturday (P. Teerapon, personal communication, April 20, 2010).

• **Foods**
  There are many kinds of Indian foods such as Curd Rice (it is a South Indian rice recipe with yogurt; It is easy and quick and simple to make (Vegetarian Cooking Recipes Tips, n.d.). Paratha is an Indian flat-bread which made from ground whole wheat, millet or sorghum (Indian Food, 2009) and etc. Normally, Thai people who work for Rockworth in India can eat the Indian food, however; it is not a main dish (P. Teerapon, personal communication, April 20, 2010). The main dish is still Thai food; sometimes they have a Korean dish because there are several Korean restaurants in Andhra Pradesh city which the factory is located (P. Teerapon, personal communication, April 20, 2010).

• **Ways of working**
  From an interview, traditional way of Indian working is not punctual; they always come late (P. Teerapon, personal communication, April 20, 2010). During work time, there are two tea breaks; in the late of morning around 10.00 AM. and once again in the afternoon by 15.00 PM (P. Teerapon, personal communication, April 20, 2010). Tea break is the Indian culture
which is transferred from the United Kingdom who is the previous governor of India (P. Teerapon, personal communication, April 20, 2010).

5.5 MANAGEMENT STRATEGIES OF ROCKWORTH IN INDIA

5.5.1 Localization

1) The company uses raw materials in India to produce office furniture for instance, steel, wood, and aluminum (P. Teerapon, personal communication, April 20, 2010). In case of steel, in the initial stage, the company import from Thailand as steel part requires more meticulous than wooden part (P. Teerapon, personal communication, April 20, 2010). For the wooden part, the factory in India will produce on its own (P. Teerapon, personal communication, April 20, 2010). In fact, the price of woods in India are higher than in Thailand, however; if Rockworth imports the woods from Thailand, the company has to pay more for import duty and cost of import formality which leads to an increase in total cost (including cost, import duty, clearance cost and delivery cost) of wood. Therefore, sourcing woods locally reduces total cost around twenty five percent (P. Teerapon, personal communication, April 20, 2010). In long term, the firm plans to use all local materials for production in India even if some of materials are more expensive than the import one (P. Teerapon, personal communication, April 20, 2010).

Raw Material Price Comparison in India excluding delivery cost (P. Teerapon, personal communication, April 20, 2010);

- **Steel**; lower than Thailand’s
- **Wood**; higher than Thailand’s
- **Aluminum**; close to Thailand’s

2) The company hires local workers instead of import from Thailand. There are two reasons for this case (P. Teerapon, personal communication, April 20, 2010);

- **Cost of labor**; it is quite low and there are several of workforces (Department of Export Promotion, 2010).

- **Efficient of local workforces**; In fact there are both advantages and disadvantages of white-collar Indians (operation level) (P. Teerapon, personal communication, April 20, 2010). According to the advantages, their characteristic is apparently straightforward which has a good benefit in management field. In addition, the Indian operation level has a good basis involving doing international business namely, advanced education in
information technology and English (P. Teerapon, personal communication, April 20, 2010). However, there are still the disadvantages for example, general characteristic of white-collar Indian is not eager to work and lack of ambition in working (P. Teerapon, personal communication, April 20, 2010). They often share their opinion but rarely to done it (P. Teerapon, personal communication, April 20, 2010). They lack of good attitude toward working and do not put enough their best effort in the assignments they got (P. Teerapon, personal communication, April 20, 2010).

5.5.2 Regional Strategy

Rockworth is on process of making decision about production strategy. There are two alternatives comprised of

- **Global Manufacturing**: produce different model of commodity to serve international market (P. Teerapon, personal communication, April 20, 2010).
- **Local Manufacturing**: produce same model of commodity to supply local market only (P. Teerapon, personal communication, April 20, 2010).

Anyway, Rockworth, India adopts local manufacturing strategy as they produce the same goods as Thailand’s; there are only a few models designed for India only such as Series 70 and Lean (P. Teerapon, personal communication, April 20, 2010). For the Series 70 and Lean products are the thinner partition which can contain wires inside (Rockworth Office System Furniture, 2010).

5.5.3 Authority

Rockworth, India is an independent unit; therefore general authority is mainly depended on Rockworth, India itself namely marketing and manufacturing issues (P. Teerapon, personal communication, April 20, 2010). Nonetheless, as research and product development center is in headquarter in Thailand, thus authority concerning research and product development issue is still centralized (P. Teerapon, personal communication, April 20, 2010).

5.5.4 Finance Risk Management

In the beginning of construction, Rockworth gradually invest on capital by divided into several periods. Then the company got the loans from Indian Bank, it is more convenient to invest and the company continues to pay back to the bank in the long term. In sense of stockholders, according to Companies Act 1956 of India, the company has to have the local people holding the company’s shares (Investment in India, n.d.). Therefore, within the company, having Indian investors hold the shares around thirty percents of total shares, Rockworth Thailand hold forty percents and the rest for Reyami Interior Pvt Ltd.; another
company in India of Al Reyami company which is the dealer of Rockwroth in UAE (P. Teerapon, personal communication, April 20, 2010).

5.5.5 Focusing on Manufacturing Base

Rockworth first focuses on investment in back line (production) because they view that they already have good foundation in term of sales and marketing from their accumulated knowledge. Hence, they should intensively invest in production line construction (P. Teerapon, personal communication, April 20, 2010).

5.5.6 Marketing Strategies

As Rockworth already has customer base and network in India (P. Teerapon, personal communication, April 20, 2010). Its strategy emphasize on maintain relationship and network with current customers along with finding new customers and expand network (P. Teerapon, personal communication, April 20, 2010). It also keeps building up brand awareness in its target group via various market activities for example, office furniture exhibition and architect gathering dinner (P. Teerapon, personal communication, April 20, 2010). Moreover, Rockworth needs to build up new marketing team in India in pararel (P. Teerapon, personal communication, April 20, 2010). The interviewee also mentioned that it is easy to communicate in marketing team here since we do not have many people now, so all information can be conveyed from top to down easily.

5.5.7 Risk Assessment

The firm has evaluated risks by management level at regular intervals but it is not official assessment (P. Teerapon, personal communication, April 20, 2010). Anyway, the interviewee stated that the result of risk assessment is still in positive way.

5.6 KNOWLEDGE DEVELOPMENT

5.6.1 Sharing Knowledge

Rockworth does not view that experiential knowledge is the most important for the company as mostly works are kind of routine works which mainly use machine and Rockworth applies capital intensive policy, thus most of work in production line use machine rather than skill labor requirement (P. Teerapon, personal communication, April 20, 2010). However, the company still has training for both labor and middle level to improve their working skill (P. Teerapon, personal communication, April 20, 2010). Moreover, there is exchange program for Indian manager and supervisor to visit the plant in Thailand, observe activities and study regarding their working area (P. Teerapon, personal communication, April 20, 2010). On the other hand, some managers from Rockworth (Thailand) also visit India plant in order to train
new colleagues, share knowledge and set up system (P. Teerapon, personal communication, April 20, 2010). The interviewee mentioned that “we got marketing knowledge from customer visit rather than colleagues, therefore knowledge in term of marketing as well as relationship we got mostly resulting from what we created by ourselves” (P. Teerapon, personal communication, April 20, 2010).

5.6.2 Problems from Sharing Knowledge

There are some problems occurred during process of knowledge sharing as following;

1) Most of documents of Rockworth (Thailand) are in Thai, so it needs to be translated to be in English in order to transfer to another subsidiary (P. Teerapon, personal communication, April 20, 2010).

2) There are a few amounts of fluent English speakers in Rockworth (Thailand), therefore it is such an obstacle when they are sharing knowledge for instance, the export staff has to be translator when space planning specialist of Rockworth (Thailand) was sharing knowledge about AutoCAD (Computer-Aided Design) program to Indian officer (P. Teerapon, personal communication, April 20, 2010).

3) Lack of knowledge

   - Lack of knowledge about regulation or limitation of local market; the firm does not know about rules or regulation which leads to cost and time waste for example, the firm does not know about rule of electricity system, size of electricity shelter, space of pathway, etc (P. Teerapon, personal communication, April 20, 2010).

   - Enterprise Resource Planning (ERP) System; there is a problem of information synchronization due to different ERP systems between Rockworth (Thailand) and Rockworth (India). This affects directly to information of downstream system changed such as inventory, account, purchasing, sales order and quotation system (P. Teerapon, personal communication, April 20, 2010).
5.7 RELATIONSHIP AND NETWORK BUILDING

5.7.1 Suppliers

Since Rockworth uses mostly international standard materials such as components from Hafle. The most of its international suppliers have their service covering in India. Therefore, Rockworth (Thailand) provided Rockworth (India) the vendor list (P. Teerapon, personal communication, April 20, 2010). It is not only the ease process of sourcing the suitable supplier, it also save time and cost of seeking for new suppliers. If subsidiary cannot find the suitable supplier, the mother company will assist it to find and develop new suppliers (P. Teerapon, personal communication, April 20, 2010).

5.7.2 Networks

Reyami; Rockworth’s dealer in India is such a good assistant helping Rockworth got into the market and extend network at the beginning (P. Teerapon, personal communication, April 20, 2010). However, nowadays network can be created from two ways as follow (P. Teerapon, personal communication, April 20, 2010);

- Rockworth build up relationship and network on its own via many activities such as product presentation to customer, dealer gathering dinner, architecture gathering dinner, joining furniture exhibition, etc.

- Another way of network creation is via dealer’s suggestion. When Rockworth have strong relationship with dealers, they might suggest or advise new customers or suppliers or suppliers of suppliers.

In conclusion, Rockworth applies combination of strategies for managing Rockworth in India. In short-term, the company thinks they will concentrate to brand development by trying to create brand awareness in the market primarily. While in long run, they have to set up complete factory which is able to run production efficiently, serve global demand as well as get benefit from the market.
CHAPTER 6: ANALYSIS AND DISCUSSION

In analysis part, we analyze the empirical data against the selected theories and divide the analysis into two parts; the first one, we consider the case study by using Uppsala Internationalization Process Model (U-model) as a main theory which is supported by barriers of internationalization theory, foreign entry mode theory and establishment chain theory respectively. Another one is analyzed by focusing on the industrial network theory which has the specific theory; strategy of internationalization supports for clarification.

Moreover, the explanation of analysis in each theory is concerned about two aspects both similarity and difference between the case study and these theories. They show whether the case fits to the theory or not. Besides, our analysis will answer the research question and connect to the conceptual framework. This can lead the reader to understand in internationalization process and real situation relating literatures accordingly. The final part is discussion which includes summary, discussion and recommendation of the case study.

6.1 THE UPPSALA INTERNATIONALIZATION PROCESS MODEL (U-MODEL)

- Similarity

In big picture, the internationalization process of Rockworth is quite similar to U-model as it refers to the firm that gradually increases its international involvement and knowledge development. Likewise, Rockworth started international business from scratch but they tried to gradually develop foreign market knowledge and continually increasing commitment to global market until they have been able to export their products irregularly. After that, they expanded their business to have regular export order. Finally, the company has a progress in international business as it is able to set up new sales subsidiary and manufacturing base in foreign market (India) as well as preserves their business in global market up until now. To analyze the case study in deep, we consider the case partially in each element of U-model and describe the relationship between four core elements along with foreign entry mode as following;

6.1.1 Market Knowledge

Rockworth gained market knowledge from self-study and external sources. The external sources of knowledge are dealers, department of export promotion, etc. Regarding U-model, market knowledge is separated into two types; objective knowledge and experiential knowledge, which are different in transferability as the latter knowledge is not transferable. Rockworth also has both kinds of knowledge as following;
Objective knowledge is general knowledge such as production methods, Rockworth policy, core value, mission, products knowledge, and organization structure. This knowledge can be transferred to subsidiary or person from person. Therefore, the mentioned knowledge is conveyed from Rockworth Thailand to Rockworth India which helped to reduce time and cost of collecting knowledge as the mother company already has appropriated pattern that subsidiary in foreign market can apply it to the company immediately.

Experiential knowledge; we consider knowledge of management level that they use for planning strategies as experiential knowledge, for example, Mr. Teerapon, the interviewee had market knowledge because he got chances to work and deal with Indians, so it is undoubtedly that why he knows characteristics, ways of working of Indian. This helps him in setting up market plans and strategies, understanding customer requirement and being able to manage Rockworth India. This knowledge is subjective and others cannot take from him. Even he is able to inform the knowledge to other employees, they are not appreciated and understand deeply until they experience it themselves.

Having market knowledge helps Rockworth reduces the risk of management and foreign market uncertainty, which encourages Rockworth increased its market commitment from no regular export to regular export. Then, it enlarged market commitment to have dealers until the firm finally built the factory. In the meantime, market knowledge also augmented opportunity in foreign market, for instance, Rockworth studied comprehensively about Indian market and also visited India and Indian customers continuously, so they knew about IT hub, demand and market trends which reflected to opportunities of office furniture in Indian market. As a result, Rockworth decided to fulfill demand by seeking for dealers and constructing manufacturing base respectively.

Moreover, experiential knowledge made the firm to understand market and perceive problem better which leded the firm to solve the problems appropriately. Thus, firm made a strong commitment into foreign market in order to gain more experience. At the beginning, even though Rockworth was concerned about many problems in India, the problems they came across are more complex than what they estimated. They got knowledge and learnt from business activities which occurred when they increased commitment. Examples of problems were found when the company started export products were complexity of taxes during each state in India and delivery lead-time. The delivery lead-time problem was exterminated when the company decided to build up factory in India. While good location of plant reduced taxes by the state very much because it was not necessary for firm anymore to transport via many states. In our opinion, this also reflects that market knowledge is such important key of Rockworth expediting progress of its internationalization process.
6.1.2 Market Commitment and Commitment Decisions

With reference to Forsgren & Hagstroem (2007) stated that market commitment comprise of two elements which are scale of investment and level of commitment. The first one is referred to volume of resource that firm commit and another one concerns about difficulty degree for commitment. The mentioned resources consist of tangible and intangible assets. For Rockworth India, tangible resources that the firm committed to Indian market are machine, capital, building, land, office furniture, and equipment. Meanwhile, knowledge of employee, relationship with dealers, goodwill of the brand, copy right, and patents are viewed as intangible resources.

In term of difficulty degree for commitment, we think that it is not easy to exploit knowledge because Rockworth faced unexpected problems, for instance, corruption and complexity of taxes and tariff structure. Consequently, Rockworth was not able to exploit other resources efficiently.

By the way, according to Johanson & Vahlne (1990), commitment decisions involve in making a decision to commit resources in overseas market. These decisions are created for responding the perceived problems or opportunities in the international market.

We can see market commitment and commitment decisions through our case study, Rockworth Thailand gradually commit to the international market especially Indian market from the beginning until setting up the factory in India. Rockworth increase market commitment proportionally following level of market knowledge perceived. The company started to go through internationalization in 2000 due to economy crisis in Thailand. Hence, the firm gained some of international business knowledge from global market which leaded to an idea to penetrate Indian market. At that time, the firm had irregular export to India from customers that visited showroom in Bangkok. However, without enough market knowledge, the internationalization process in India would not be smooth and stable. The company then tried to collect market knowledge from several ways such as taking counsel with Department of export promotion and ministry of commerce until the company had adequate market knowledge. At this stage, the firm decided to commit to market as we can see from process of dealer seeking. Thereafter, Rockworth has Reyami as a dealer, both companies had transactions between each other which cause market knowledge that convince and encourage Rockworth to add more commitment as we have seen via an increasing of regular export. Because of these business activities, Rockworth realized and learnt market condition and customer requirement which are considered as market knowledge. Besides, the firm realized in its strength and weakness, also they learnt that, to augment market commitment, firm needed to eliminate these obstacles. In 2008, Rockworth decided to construct manufacturing base in India. This process reflects commitment decisions of the firm that are created for solving problems and responding to new opportunity. Moreover, the commitment decision is a process leading to business activities eventually.
The commitment decisions of Rockworth were processed incrementally as it is not related to three exceptions of incremental steps of Johanson & Vahlne (1990) as below:

- Rockworth Thailand does not have great amount of resources to make larger internationalization step.
- Indian market is not stable and homogenous; therefore, Rockworth does not have other channels to get comprehensive market experiential knowledge.
- Although Rockworth may have some market knowledge from the other foreign market which is similar to Indian market. However, in fact, Indian market is quite unique that not allow Rockworth applying all knowledge from other markets to Indian market. Thus, internationalization process of Rockworth had progressed in incremental step.

As per above description, it illustrates how company increased commitment and made commitment decisions in Indian market little by little. We also notice that the process was driven by market knowledge.

6.1.3 Current Business Activities

Current business activities are sources of experience. It is resulting from market knowledge development via U-model. In other words, we can say that current business activities show performance of internationalization process obviously.

The demonstration of Rockworth’s current business activities are transactions such as selling products to Reyami leading to better understanding in customer requirement which helped Rockworth get an idea to produce customized product for Indian market and the firm also sought to solution of delivery lead-time for responding customer needs accordingly. Architecture gathering dinner and dealer gathering dinner are also one of business activities made Rockworth could get an approach to its target group and built up brand awareness among the customers. Moreover, there are some other activities which are mostly in marketing and sales approach such as joining furniture exhibition, product presentation and customer visit.

6.1.4 Relationship between each Element

With reference to U-model, all elements are the interplay between state aspects and change aspects. State aspects consist of market knowledge and market commitment. For the change aspects, they include commitment decisions and current business activities. Rockworth has all four elements and each part is interacted by the other parts which are in accordance to U-model. Market knowledge is the crucial element driving internationalization process of Rockworth to run smoothly. When the market knowledge is rising, market commitment is also increased which affect to commitment decision of the firm and the way of current business activities are performed respectively. Current business activities cause market
knowledge which is such key force to flow internationalization process (U-model) and to start new loop over again. Starting new loop reflects progress of Rockworth’s internationalization process. As a result, we think characteristic of Rockworth’s internationalization process fits to U-model.

6.2 BARRIERS OF INTERNATIONALIZATION

From the interview, barriers and problems that the company faced during setting a new production base in India are considered as psychic distance and lack of knowledge in the barriers of internationalization theory. Some obscurities are comparable with the theory, while some problems are not. We will analyze as per following:

- **Similarity**

6.2.1 Psychic Distance

Going through internationalization in India of Rockworth, it faced many problems resulting from the distinctions of culture, languages, politic and regulations between Thai and India which lead to an unsmooth information flow between the Rockworth in Thailand and the new plant in India. We call these differences are “psychic distance”. These are the examples of psychic distance in our case study; new law about the production base of foreign company, complexity of tax calculation in India, the Indian ways of working especially being on time in working, translation the documents from Thai to English, diversity of religions and difficulty in formality and tariff structure.

To begin with the diversification in culture, since India has many races of people which lead to a great number of languages, religions and ways of thinking. These differences are considered to be the obstacles in working between Rockworth Thailand and Rockworth India. They made a flow of information slow down. In term of languages, although Indians communicate very well in English but the language problem still happened. The mentioned problem is the language on the document. The Rockworth Thailand has to translate the documents from Thai to English which it may be waste time and misunderstand regarding the context in documents may be come out. These bring about the unsmooth of sharing knowledge. For the religions, within the company have two main religions which are Islam and Sikhism. Each of religion has its own holidays so the company has many holidays within one year. Having more holidays cause less working performance of Indian officers. Moreover, it can lead to inefficiency of company’s performance which it is not a good impact for the company. In sense of culture, since Indians do not concentrate on punctuality so there is a problem at the beginning of working. Because Thai officers do not understand about this culture hence a conflict of coordination between local workers and Thai workforces can emerge. However, this problem was eliminated after the Thai officers had already learnt about this norm throughout other Indian cultures concerning the ways of working. The distinctions we mentioned above have an influence to the company’s operations and
management in terms of data and information transferring. Another psychic is difference of regulations. In term of Indian regulation for tax calculation, it differs from Thai style obviously. In India, each state has its own tax rate and complicated calculation method. According to the complexity of tax calculation, it leads to an increasing in cost of product and time. Furthermore, it might be easy to make a mistake on the amount of tax that the company has to pay. From our point of view, the difficulty of tax calculation can bring about an inefficient in sharing information between the company in Thailand and India because complexity of tax might be root of misunderstanding when they have an interaction to each other. Besides, the high import duty is seemed to be an obstacle of Rockworth India to compete with other competitors in the same industries, this also affects directly to product price. Additionally, another obstacle is complex formality as it retards clearance process which makes customers unsatisfied in delivery lead-time because not only customer will receive product late but it also build up an additional cost of property rent. According to new Indian law which is issued to protect some investments from foreign country, it stated that manufacturing plant have to build in a re-export area which means that the company must export the product fifty percent of total quantity. This new law can be considered as the psychic distance of the company during internationalization process since it delayed the new factory construction and leded to a postponement in an operation within Rockworth India.

The last issue is a difference in politic especially corruption. We found that there is a corruption problem in every level of Indian Society. It blocks current activities and retards internationalization process of the company. Although the firm already had market knowledge and was ready to increase market commitment as well as made commitment decisions to Indian market, the firm could not run operation easily because of corruption. From empirical findings part, we realize that corruption in India is found more than in Thailand. As in Thailand, we viewed corruption as unusual situation and Thais do not have good attitude towards corruption, on the other hand, Indians take advantage from corruption from grassroots to the leaders of the country. They view corruption as common phenomena which make Rockworth have a hard time to cope with this problem. Moreover, this problem causes Rockworth cannot work out the exact cost of products and it also reflects uncertainty of investment in India.

6.2.2 Lack of Knowledge

According to the characteristics of knowledge in Uppsala model, the market specific knowledge is significant for the firm to go through internationalization. Similar to the case study, the interviewee does not put emphasis on specific knowledge; however, we think market specific knowledge plays an important role for middle and top management. As ability of the leader in terms of strategic planning, particular market understanding, and ability to intervene the world will lead the company to appropriated direction and success. On the other hand, in our opinion, we believe that specific knowledge is not required for operation level because most of knowledge for operation level is objective knowledge and kind of machinery job that quality of work is standardized by machine. Therefore, market specific knowledge is not quite crucial for operation workers.
The U-model also mentioned knowledge is obtained from experience-based. For our case company, we have seen that Rockworth gained some experiential knowledge from learning-by-doing such as customer base extension; at the beginning Rockworth find foreign customers by joining non-specific international exhibition. Nonetheless, the result from exhibition told them that using direct approach strategy is more practical than attending in international exhibition.

Another characteristic of knowledge referring U-model is subjective knowledge which is difficult to transfer to other individuals. Rockworth chose Mr. Teerapon (interviewee) to be in charge of the India account because he has dealt with Indian customers for long period. It can define that he gained lots of experiential knowledge from interaction with the market. It has taken long time to get experiential knowledge and the knowledge is embedded in particular person as well as it is not easy to be conveyed. If Mr. Teerapon is transferred to work in other foreign markets, he has to spend time to learn about new market in order to get market knowledge. So it would take some time to adjust himself to be able to manage that account efficiently.

The last aspect of knowledge characteristic is associated with market commitment addition that it will increase following the market knowledge acquisition. When Rockworth got more market knowledge, it would increase its ability to deal with the market. This allowed Rockworth to commit more resources. Frequency of dealing with Reyami brought about market knowledge in Rockworth’s staff and it helped improving sales orders. As we could see that sales record of Reyami is increased gradually referring figure 6.1.

![Accumulated Sales of Rockworth (Thailand) via Reyami, India in 2003-2009](image)

**Figure 6.1:** Accumulated Sales of Rockworth via Reyami, in 2003-2009  

* Based on currency rate 1 USD = 7.7 SEK on May 16, 2010 from [http://www.ratesfx.com](http://www.ratesfx.com)

From mentioned above, we realize that market knowledge is valuable. If the company has insufficient knowledge, it could not go through international business smoothly. Likewise,
Rockworth also lacked of some knowledge in the beginning of production base construction. For instance, the firm does not concern about rule of electricity system, size of electricity shelter, space of aisle, etc. Although these problems seem to be little problems, it wasted time of building factory and cost of fixing up.

- **Difference**

Although the languages are seen as psychic distance of Rockworth going through internationalization, in our opinion, diversity of languages might be not the problem of internationalization process regarding communication issue. Since the Indian white-collar workers are able to communicate in English well. Even if most of operation level’ Indians cannot speak English; the supervisor has ability to translate and transfer information from top to down completely.

With refer to psychic distance concept; it mentioned that education system, business practices, and industrial development can be physic distance for internationalization process. Nevertheless, we did not find these physic distances in our case company.

From the literature review, the barriers of internationalization are defined as psychic distance and lack of knowledge. Anyway, from the case study, there are still some other obstacles that the theory does not mention such as delivery lead-time. It is the main obscurity for Rockworth. Most of Indian customers will not accept longer lead-time than their schedule even if customers impress in product and are able to accept the price. Therefore, in order to close a sale, Rockworth has to concern about delivery lead-time as necessary factor.

According to the theory, Johanson and Vahlne (1990, p.13) stated that *at present the psychic distance tend to reduce as the world is more homogenous*. However, from our case company; we found that the psychic distance still plays a crucial role among globalization era. As there are still some distinctions between Thailand and India in terms of culture, religion, regulation, politic, language, and ways of working. In our point of view, some of differences tend to decrease such as languages, regulation, and ways of working. While some physic distances have a propensity to remain or increase namely, corruption, politics, culture, and religion. The best solution is Thai companies have to adjust themselves and understand Indian’s lifestyle. Moreover, cooperation from Government sector, private sector and people will support Thai companies succeed in Indian market.

### 6.3 FOREIGN ENTRY MODE

- **Similarity**

Foreign entry mode is the way to enter foreign market. Further to the case study, we found that Rockworth Thailand first got into Indian market by using exporting mode. This mode has a benefit in decreasing unbalance scale of production which is a primary problem of Rockworth. However, we found that means of international business could be changed after
first entry. As we realized from Rockworth Thailand; it began international business at exporting then change to use international agents approach (the dealer; Reyami). After that, they converted from international agents to joint venture and licensing approach at the same time. Rockworth's joint venture originates from the agreement between Rockworth and Reyami for establishing new company; Rockworth Systems Furniture (India) Pvt. Ltd. In the same time, Rockworth Thailand is also the licensor for Rockworth Systems Furniture (India) Pvt. Ltd.

6.4 ESTABLISHMENT CHAIN

- **Similarity & Difference**

As the patterns of internationalization process model have two types, the first one is development via establishment chain which is the process of commitment addition into foreign market incrementally. The second one is entering to new market with facing psychic distance.

For Rockworth Thailand, it started manage internationalization with the same process as first pattern; establishment chain. It also had reached to the same goal which is manufacturing base as per establishment chain mentioned (figure 3.3). However, there is some stage differ from the theory regarding figure 6.2.

![Figure 6.2: The Establishment Chain of Rockworth Thailand](source)

As per figure 6.2, Rockworth Thailand managed internationalization process in India by beginning with no regular export then it expanded the business by having dealer in India and exporting its product to Indian market. This stage performed how the company committed resources in India increasingly; the resources committed could be capital, marketing tools for the dealers, and product knowledge that should be transferred to the dealers. Shifting from no regular export to dealer setting up took around three years (year 2000-2003). At this stage, Rockworth was still in accordance with establishment chain theory. After that, Rockworth
kept expanding business as it had an idea to build the production base in India by joint venture with Reyami Interior Pvt. Ltd. who is the dealer in India. Therefore, in year 2008, sales subsidiary and the production base were established concurrently. It illustrates that the internationalization process is not necessary to follow the original chain. Some process can be occurred at the same time depending on the readiness and strategy of organization. From dealer establishment stage to sales subsidiary and production base stages, it consumed about five years to start new step (year 2003-2008). This demonstrates that the process is developed gradually. Additionally, sales subsidiary reflects a real investment because it is required to deal with its sales in foreign market directly. In our opinion, we think even if the last step was established, the company still needs a while to improve the last stage to be ready to serve Indian market efficiently.

6.5 INDUSTRIAL NETWORK THEORY

- Similarity

With refer to multilateral aspect of the internationalization process, Rockworth Thailand developed relationship via interactions with dealers in office furniture industry especially Al Reyami. They knew each other in Dubai Office Furniture Exhibition 1999 then Al Reyami has been Rockworth’s dealer in UAE since 2000. This showed both firms created network as they agreed to be partner that led to further interactions (current business activities) such as trading between companies, sales and promotion support for Al Reyami, after-sales services of Rockworth for Al Reyami, product training, customer visit of Rockworth, and customer extension in UAE of Al Reyami. The mentioned activities leaded to knowledge transferring as well as it built up mutual trust between each other. With positive result of these activities and frequent interactions brought about strong network and relationship creation eventually. In addition, both companies got specific experience from interactions. The experience also caused market specific knowledge for the companies as they learnt characteristics and market condition from each other. The market knowledge helped companies understood with specific market better and encourage the companies to increase market commitment. From good relationship between Rockworth Thailand and Al Reyami in UAE, it created opportunity in customer extension from only in UAE to India. Because Al Reyami was interested in Indian market penetration; meanwhile Rockworth Thailand was seeking for dealer in India. As a consequence, Reyami who is a subsidiary of Al Reyami has become first Rockworth’s dealer in India. In term of first foreign market entry, we believed that Reyami helped Rockworth Thailand to enter Indian market easier as per industrial network theory stated that it is more difficult to get into the network for the firm from outside since it needs other actors’ motivation to connect in interaction. Hence, in foreign markets, there should be insiders who are creative to build an interaction with outsiders. Then the outsiders will be allowed to enter new network (Johanson & Vahlne, 1990).

Regarding the multilateral aspect of the internationalization process (Figure 3.3), we analyzed the case firm by focusing on relationship between Rockworth Thailand and Reyami Interior Pvt. Ltd. in India. Rockworth Thailand is the focal firm who would like to go through
internationalization in order to support its business in Thailand. Reyami Interior Pvt. Ltd. is considered as another actor in foreign market (Indian market). They decided to make an agreement to be partners. Through the business activities, they generated new knowledge and learning each other in senses of product knowledge, customer demand, distribution channels, and traits of Indian market. Besides, the strong relationship led to new opportunity that was manufacturing base construction by international joint venture between Rockworth Thailand and Reyami Interior Pvt. Ltd., India. The new factory was built up under the name Rockworth Systems Furniture (India) Pvt. Ltd. We believe that having good partner as Reyami encouraged Rockworth to invest in another production base in India. Without Reyami, we think that the internationalization process of Rockworth would take longer time to commit building the factory since Rockworth has to find the other partners that they do not know them in deep before. In the other word, Rockworth Thailand may be dubious about whether the new partner will be the appropriated partner for Rockworth or not, so both firms would require some of adjustment period.

Further to literature review, if the partner firm interacts to other relationship, focal firm will be engaged indirectly to the network of the partner firm. This process will extend volume of focal firm’s network. For Rockworth, it also has network engagement as we can see that Rockworth Thailand and Al Reyami commit to be partner of each other. Then Al Reyami suggested Reyami to Rockworth becoming partners in India. This evidence reflects how the networks were connected and enlarged. Besides, Rockworth Thailand and Reyami support each other in terms of suppliers and customers suggestion. It showed that network of focal firm, Rockworth, was larger indirectly. To compare to the industrial network theory, the way that Rockworth applied for entering Indian market can be separated into two phases; pre-entry Indian market and during-entry Indian market. In the pre-entry phase, Rockworth used concept of relationship establishment in network of the new market as Rockworth had no network before getting into the market but they were seeking for the suitable dealer as they thought there are some potentials in the market. We think that the reason why Rockworth sought for dealer before going through internationalization is they did not have adequate market knowledge as well as they would not like to take risk in investment in the new market. However, in another view, we can say that during-entry the market, Rockworth had implicit existing network as Rockworth has good relationship with Al Reyami who suggested Reyami to Rockworth afterwards. We can imply that relationship in India was developed in network by having interaction with the market in low level before entering Indian market, for instance, Rockworth had irregular export. Nonetheless, once Rockworth and Reyami made mutual agreement to be partners as Reyami has been given authority by Rockworth selling the products in Southern India, Rockworth added degree of commitment by having regular export. When the time passed by, both parties had more business activities which improved their mutual trust until they decided and agreed to invest in production base construction.

Good network gives the large advantage to the owner namely, Rockworth’s network support in the factory setting up. However, as the benefit from network is quite large, hence not only we should concern about industrial network, we should also apply U-model to consider together.
From the above analysis, we notice that relationship building consumes huge cost, long lead-time, and high instability of process. From our case study, we found out that the company has taken ten years approximately to reinforce the relationship with Reyami. In addition, we think relationship is fragile; it can be broken anytime because of the owner’s carelessness. Therefore, organization must have a policy to sustain and improve the relationship continuously.

- **Difference**

In overview, we found that the case study is in accordance with Industrial Network Theory. There is no significant difference emerged regarding empirical data.

### 6.6 STRATEGY OF INTERNATIONALIZATION

- **Similarity**

Referring literature review, National Responsiveness strategy is required to be responsive to different condition in different local market. Rockworth Thailand decided to focus on building responsiveness in multinational industries strategy as we have seen from Rockworth India concerns about brand building and customer base extension. Besides, Rockworth Thailand also designed a few customized models in order to response Indian demand. The customized products are Series 70 and Lean which are the thinner partition that be able to contain wires inside. The customized products are still made in Thailand and the rest product designs in India are as same as Thailand’s.

In near future, we think Rockworth tends to apply regional strategy which means it will design more products for local market concerning local customer’s needs in order to fulfill demand of local market since each market has its own characteristic and it will be more obvious in further.

- **Difference**

Even though Rockworth India emphasizes on building responsiveness in multinational industries strategy, regard to Bartlett & Ghoshal, 1987, a transnational organization (Multinational corporation: MNC) will be achieve when firm integrates three traditional strategies that are global efficiency, national responsiveness and global ability to exploit learning simultaneously in their international management. Further to our case study, we think Rockworth India also tries to apply all three strategies; however, it is still not able to balance three aspects to go together. Most of strategies are emphasized on brand awareness, sales increasing, customer base extension, etc. as we can see from company’s business activities such as product presentation to customers, dealer gathering dinner, architecture gathering dinner and joining furniture exhibition. While, in the part of efficiency in global industry, it is considered as minor priority. They focus on investment in back line
construction but there are not many activities to improve production efficiency, product quality and transportation costs. At the same time, the last strategies which is exploiting learning in international industry, is hardly mentioned because Rockworth Thailand view themselves as licensor, so they think that they are the one who give knowledge (know-how) to Rockworth India. Therefore, they think they are not required to learn new technical knowledge from local market. It is kind of one-way learning, but in our opinion, Rockworth Thailand would get a few benefits from experiential knowledge namely, Rockworth learnt how to expedite factory construction permission, bank loan process and realize in rules for infrastructure construction from the beginning. As a result, the firm could reduce some implicit costs that happened from lack of knowledge.

In further, we think Rockworth India should balance in applying three traditional strategies together in order to reach optimal benefit.

Beyond the three traditional strategies from literature review, we found that there is a localization strategy applied in Rockworth India as it adopts this strategy to raw material and workers because approximately over ninety percents of raw material and workers are sourced from within India. In our point of view, this strategy is fit for current situation because it helps company escape from the main barriers which are import taxes, tariff, and formality process. It also reduces delivery lead-time. Concerning workers, wages of Indian workers are lower than Thai workers and India labor market is bigger than Thailand’s, so it is easier to recruit appropriated labor. Additionally, white-collar Indian workers generally have more skill in English and Information Technology (IT) than Thai workers. As a consequence, manufacturing base construction in India seems to have more competitive advantage than import products from Thailand.

In conclusion, we found that Rockworth’s strategic application had an effect to the company’s network as it reinforces network extension in both suppliers and potential customers. For example, national responsiveness strategy which focuses on local market responsiveness brings about specific market study, customer demand study, etc. which will cause market knowledge gained. The market knowledge will help company response to customer requirement appropriately, thus the network in term of customer base will be extended. Another example, Rockworth India uses localization strategy that means it will source the materials within India, therefore, the firm needs to contact with many suppliers in order to get the most optimized materials. Via these transactions, network of the firm will be enlarged indirectly. Consequently, strategies not only bring about improvement of operation system, but it also leads to network extension.

With regard to the similarity and difference that we compared above, we can summarize in the table as below;
<table>
<thead>
<tr>
<th>THEORY</th>
<th>SIMILARITY</th>
<th>DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>U - MODEL</td>
<td>- Rockworth Thailand chose to develop market knowledge before entering India market.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Rockworth Thailand has all four elements concerning U-model and each part is interacted by the other parts.</td>
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<tr>
<td></td>
<td>- Rockworth Thailand gained both kinds of market knowledge which are objective and experiential knowledge.</td>
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<tr>
<td></td>
<td>- There were knowledge transferring between all parties; Rockworth Thailand, Reyami India, Rockworth India, via business activities.</td>
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<tr>
<td></td>
<td>- Increasing market knowledge of Rockworth leads to market commitment addition.</td>
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<tr>
<td></td>
<td>- Increasing market knowledge of Rockworth reduces risk of market uncertainty and increases opportunity in India market.</td>
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<td></td>
<td>- Rockworth Thailand gradually commit to India market.</td>
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<td></td>
<td>- Rockworth India has both tangible and intangible resources.</td>
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<td></td>
<td>- Rockworth’s current business activities cause market knowledge for running business further.</td>
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<tr>
<td></td>
<td></td>
<td>- Rockworth Thailand put emphasis on objective knowledge rather than experiential knowledge.</td>
</tr>
<tr>
<td>ESTABLISHMENT CHAIN</td>
<td>- Rockworth’s internationalization process is accordance to establishment chain as Rockworth Thailand develop international business from no regular export until it has manufacturing base.</td>
<td>- Rockworth establishment chain does not ascending order as per the theory as Sales subsidiary and manufacturing base were occurred at the same time.</td>
</tr>
<tr>
<td>THEORY</td>
<td>SIMILARITY</td>
<td>DIFFERENCE</td>
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<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
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<tr>
<td>INDUSTRIAL NETWORK THEORY</td>
<td>- Process of network creation of Rockworth is fit the theory.</td>
<td></td>
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<tr>
<td></td>
<td>- Relationship between Rockworth and other parties especially Reyami, India took long time to be strong.</td>
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<tr>
<td></td>
<td>- Relationship of Rockworth leads to new opportunity in India market.</td>
<td></td>
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<td></td>
<td>- Reyami, the dealer of Rockworth help the first entry of the company in India market is easier.</td>
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<td></td>
<td>- Having good relationship, Rockworth dared to invest in new market.</td>
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<td></td>
<td>- Relationship of Rockworth causes foreign market learning which bring about market knowledge.</td>
<td></td>
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<tr>
<td>STRATEGIES</td>
<td>- Rockworth try to apply one of the traditional strategies.</td>
<td>- Rockworth cannot apply all three traditional strategies together.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Initially, Rockworth seems to focus on building responsiveness in multinational industry only.</td>
</tr>
<tr>
<td>BARRIERS</td>
<td>- There are some phychic distance in India market.</td>
<td>- For Rockworth, language in term of communication is not considered as a problem</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Some of aspects regarding psychic distance do not appear such as education, business practices, etc.</td>
</tr>
<tr>
<td></td>
<td>- Lack knowledge is found as a problem of the firm.</td>
<td>- Psychic distance tends to increase in future.</td>
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<tr>
<td></td>
<td></td>
<td>- There are the other problems regardless the theories for example, delivery lead-time, complicated of tax rates.</td>
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</table>

**Table 6.1:** Summary of the Comparison between Rockworth and Theories

*Source:* The researchers
6.7 DISCUSSION AND RECOMMENDATION

From all of the above analysis, it shows that the characteristic of Rockworth Thailand’s internationalization process management is harmonious to the pattern suggested by Uppsala Internationalization Process Model (U-Model) and Industrial Network Theory. We realize that the main theories are practical in office furniture industry in India. In the same time, there are minor differences in some area of the barriers of internationalization process, strategy of internationalization, and establishment chain. In term of business success, Rockworth has achieved going through international business in India as evidenced by sales obtained in India. Moreover, accomplishment in building up the factory in India expresses that the firm has been progressive in the market.

Trait of internationalization process of Rockworth is incremental. The company used market knowledge to overcome barriers. However, there are still some obscurities that firm could not eliminate since they are external factors which are difficult to control, namely, corruption and state taxes. Therefore, instead of removing the external factors, the firm should consider improving itself in order to increase efficiency in production, cost reduction, quality material acquisition improvement, and sales. These solutions would help the firm to be able to sustain in office furniture industry in India. In addition, market knowledge and network are significant aspects for going through internationalization. Thus, the organization should have apparent policy to develop market knowledge continuously. Besides, it is necessary to focus and consider where and what size of the company’s existing relationships are so that, the firm can set appropriate policy or strategy. The policy and strategy that emphasize network and relationship improvement will support Rockworth in terms of network and relationship sustainability and creation.

Regarding personal notion, we learnt from this study that there are a lot of invisible opportunities awaiting in foreign markets. To be successful, we need to study the interested foreign market very closely in order to prevent potential problems. Additionally, experiential knowledge still plays an important role in global market; thereby previous implementations should be considered as a more valid source of knowledge rather than theoretic, objective knowledge.

In summary, from studying in international business of Rockworth Thailand in India, we discovered that the internationalization process took a long time. Moreover, the process is complicated because of inherent complexity of Indian market.

Recommendation

Although applying U-model and Network Theory to Rockworth, made the firm growth slow and steady, in the real world scenario, any firm that is able to enter the foreign market quickly will earn enormous advantage from that market. Therefore, in our point of view, if the company managed to implement a solution or a strategy that shortens the internationalization process and still reaches its goal, it would be obtain huge advantage earlier than competitors. In addition, having a partner in foreign market helps the company enter foreign market more easily at the beginning. Preparation of the company in terms of market information, regulation, culture, etc is another significant factor for firms who are interested in investing in Indian market because the market is very complicated. Therefore, a good arrangement will prevent and reduce problems in further business investment in this market.
REFERENCE LIST


APPENDICES

APPENDIC 1. INVESTMENT ON INDIA

Channels of Investment

1. Investment via automatic route; it is in charge of Reserve Bank of India. Foreign investors must inform the bank within thirty days since the date that the investors invest in capital and issue the company shares.

2. Investment via Foreign Investment Promotion Board authorization; it is an industrial and services investment which the Indian law determined.

Types of Investment

1. Establishment of the firms under which the firms have to have the capital at least 100,000 rupee per year and the number of stock holders are not over 50 people, there are two kinds of establishment as per following:

1.1 Joint venture with the local investors; Indian government is a person who sets the portion of stocks holding depending on types of industry. For example, not over 74% of authorized capital for diamond and valuable stone mine, and telecommunication. In case of insurance businesses is not over 26% of authorized capital. However, for some industries which exclude from the list, they can hold the stocks relying on a satisfaction of two parties; local investors and foreigner investors.

1.2 100% Wholly – Owned Subsidiary; it is the investment that the Indian government allow foreign investors to invest on the businesses purely. The industries which foreigner investors can be the business owners completely is building infrastructures; such as electricity, road, bridge and port. Mining (excepting diamond and valuable stone mine) and pollution control and management also include in these industries.
APPENDIC 2. SAARC (South Asian Association for Regional Cooperation)

Objective

a) To promote the welfare of the peoples of SOUTH ASIA and to improve their quality of life
b) To accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realize their full potentials
c) To promote and strengthen collective self-reliance among the countries of SOUTH ASIA
d) To contribute to mutual trust, understanding and appreciation of one another’s problems
e) To promote active collaboration and mutual assistance in the economic, social, culture, technical and scientific fields
f) To strengthen cooperation with other developing countries
g) To strengthen cooperation among themselves in international forums on matters of common interests
h) To cooperate with international and regional organizations with similar aims and purposes.

Principle

a) Cooperation within the framework of the ASSOCIATION shall be based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in the internal affairs of other States and mutual benefit.

b) Such cooperation shall not be a substitute for bilateral and multilateral cooperation but shall complement them.

c) Such cooperation shall not be inconsistent with bilateral and multilateral obligations.
APPENDIC 3. INTERVIEW QUESTIONS

General Question

1. Please kindly introduce yourself, how have you been working with Rockworth and what is your position right now?
2. How did the company start to go internationalization and what is its motivation?
3. How to get the appropriated partner especially in India?
4. What are criteria of dealer selection?

The Uppsala Internationalization Process Model

5. How to get into Indian market?
6. What is your process of factory setting up in India?
7. How long does the process take?
8. Did you find any problems to set up the factory there?
9. Do culture and language have an effect to working in India?
10. Do you think politic and corruption are obstacles for build the manufacturing base in India?
11. Do you face any problems about Indian formality?
12. Were the problems company meet in factory setting up process the same as what company expect? If not, what is difference?
13. How different between Thai’s and Indian’s ways of working?
14. Please kindly describe about attitude of employees in Rockworth India and Rockworth Thailand toward the new factory in India?

Current business activity

15. How to get knowledge from within company and partners?
16. What is the business activity company does in India?
17. How to invest and how to get the capital?
18. What aspect did the company invest first, for example back line, front line? And what is the result?
19. Does the company aware of risk of investment?
20. We know that you had done the feasibility study before deciding to construct the manufacturing base in India? What is the result of the feasibility study?

Decision making

21. Who has authority for making any decision in the subsidiary in India? Is it centralized or decentralized?
22. Did the company invest in the new factory in once or they gradually invest?
Establishment Chain

23. Regarding the international process, the company starts up by exporting products then having dealer. Did they have sales subsidiary before factory construction?

Barriers

24. Do you have any competitors in Indian market?
25. Do you have any problems about knowledge transfer from mother to company to subsidiary? And how to cope with them?
26. Please kindly inform us about organization of Rockworth India.

Network

27. How to expand customer base in India?
28. How to extend company’s network in India?
29. How to find suppliers in India?
30. In the first entry period, do you think Reyami help Rockworth getting into Indian market easily?

Strategies

31. What is company’s strategy to manage Rockworth India?
32. Will the company have customized products for India?
33. What is the strategy for short term and long term of the company?
APPENDIC 4. SALES OF ROCKWORTH (THAILAND) IN UAE AND INDIA ACCOUNTS

Accumulated Sales of Rockworth (Thailand) via Al Reyami, UAE in 2001-2009

* Based on currency rate 1 USD = 7.7 SEK on May 16, 2010 from http://www.ratesfx.com

Sales Volume in Detail about Accumulated Sales of Rockworth (Thailand) via Al Reyami, UAE in 2001 - 2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (SEK)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>5,349,659.70</td>
</tr>
<tr>
<td>2002</td>
<td>7,713,220.90</td>
</tr>
<tr>
<td>2003</td>
<td>8,954,237.60</td>
</tr>
<tr>
<td>2004</td>
<td>12,048,521.10</td>
</tr>
<tr>
<td>2005</td>
<td>18,139,683.10</td>
</tr>
<tr>
<td>2006</td>
<td>26,423,543.30</td>
</tr>
<tr>
<td>2007</td>
<td>40,755,399.30</td>
</tr>
<tr>
<td>2008</td>
<td>62,245,791.30</td>
</tr>
<tr>
<td>2009</td>
<td>3,762,674.30</td>
</tr>
</tbody>
</table>

* Based on currency rate 1 USD = 7.7 SEK on May 16, 2010 from http://www.ratesfx.com
Sales of Rockworth in India in 2004 – 2009

* Based on currency rate 1 USD = 7.7 SEK on May 16, 2010 from http://www.ratesfx.com

Detail of Rockworth’s Sales in India in 2004-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Reyami</th>
<th>Falcon</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2005</td>
<td>1,291,767.40</td>
<td>155,455.30</td>
<td>1,447,222.70</td>
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<tr>
<td>2006</td>
<td>415,191.70</td>
<td>28,274.10</td>
<td>443,465.80</td>
</tr>
<tr>
<td>2007</td>
<td>924,739.20</td>
<td>1,640,862.30</td>
<td>2,565,601.50</td>
</tr>
<tr>
<td>2008</td>
<td>1,211,125.30</td>
<td>4,548,751.90</td>
<td>5,759,877.20</td>
</tr>
<tr>
<td>2009</td>
<td>1,514,382.10</td>
<td>301,324.10</td>
<td>1,815,706.20</td>
</tr>
</tbody>
</table>

* Amount in SEK, based on currency rate 1 USD = 7.7 SEK on May 16, 2010 from http://www.ratesfx.com
APPENDIC 5. SALES OF ROCKWORTH (THAILAND) FROM EXPORT

Sales of Rockworth Thailand only Export in 2007-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (SEK)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>75,403,656.79</td>
</tr>
<tr>
<td>2008</td>
<td>99,782,406.96</td>
</tr>
<tr>
<td>2009</td>
<td>29,712,204.75</td>
</tr>
<tr>
<td>2010**</td>
<td>18,545,801.51</td>
</tr>
</tbody>
</table>

*Based on currency rate 1 USD = 7.7 SEK on May 16, 2010 from [http://www.ratesfx.com](http://www.ratesfx.com)
**For this year, the sales volume are collected from January to April, 2010 only.