The Internationalization and HR Strategies of Emerging Market
Multinational Enterprises (EM MNEs): The Case of Thai EM MNEs

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ABSTRACT

This paper uses a matched case comparison of two Thai multinational enterprises (MNEs) in the food industry, Charoen Pokphand (CP) and Thai Union Frozen Products (TUF), to examine how emerging market MNEs (EM MNEs) successfully overcome the liability of foreignness and the liability of origin. I also examine whether different business strategies and internationalization strategies are associated with different HR strategies for managers and professional employees in EM MNEs. CP, the world’s largest producer of animal feed and shrimp among other products, is a paternalistic corporation that has focused on an exploitation business strategy; it has grown organically in the international arena from a family-owned business. It has remained almost completely vertically integrated across its supply chain. By contrast, TUF, the world’s largest canned tuna producer, has focused on an exploration business strategy, has expanded globally through M&A, and has outsourced parts of its supply chain. Its HR strategies for managers and professional employees diverge as a result. CP mainly relies on internal labor market or “making” HR strategies to build a set of loyal Thai and local managers and professional employees who run their operations at headquarters and in other developing countries (south-south expansion) to overcome the two types of liabilities. By contrast, TUF, relies on external labor market or “buying” managers and professional employees from other well-recognized companies when it enters developed countries (south-north expansion) to overcome the two types of liabilities, to learn from developed country practices, and to help integrate the headquarters with the brands and / or subsidiaries.

Keywords: Emerging market multinational enterprises (EM MNEs), liability of foreignness, liability of origin, internationalization strategy, human resource strategy
BIOGRAPHICAL SKETCH

Chaturong Naphorn grew up in Bangkok, Thailand. He received his Bachelors Degree of Business Administration (Finance and Banking) with First-class Honors from Chulalongkorn University in Thailand. He graduated from Cornell University with a Masters in Industrial and Labor Relations. He worked at the Bank of Thailand for several years. He has been working as a lecturer at Faculty of Commerce and Accountancy at Thammasat University in Thailand. Since August 2011, he has been a MS/PhD student at School of Industrial and Labor Relations at Cornell University.
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Introduction

The emergence of multinational enterprises (MNEs) originating from emerging countries or developing countries is not a particularly new phenomenon in the global arena. These emerging market MNEs (EM MNEs) have been emerging for some time and have grown very fast during the past 15 years. The growth rate of a number of EM MNEs has actually exceeded that of MNEs originating from developed countries (Thite, Wilkinson, & Shah, 2011). The literature on these EM MNEs is still limited, however, especially in terms of their internationalization either into developed countries or into other developing or emerging countries (Wright, Filatotchev, Hoskisson, & Peng, 2005). Most of the literature still relies on theories drawn from MNEs originating from developed countries even though they are rather different from those emanating from emerging markets (e.g. Gammeltoft, Pradhan, & Goldstein, 2010; Ramamurti, 2012) and, therefore, need different explanatory frameworks. For instance, the speed of internationalization of MNEs from developed countries and those from emerging markets is different in that the latter follows accelerated paths of internationalization while the former are more gradual (Guillen and Garcia-Canal, 2009). The preferred modes of entry are also different from each other because most emerging market multinational enterprises are likely to use joint ventures or mergers and acquisitions (M&As) as their modes of entry. The existing MNE theories also cannot explain what the competitive advantages of EM MNEs are, where those advantages come from, or why some EM MNEs make substantial up-market investments compared to other or why some of them successfully compete against MNEs from developed countries (Ramamurti, 2008).

In addition, the relatively little research on EM MNEs has mostly paid attention to the internationalization strategies and processes of those firms without examining their challenges and the HR implications of that internationalization (e.g. Sim, 2006; Contractor, Kumar, & Kundu, 2007; Chang, 2007; Cuervo-Cazurra and Gene, 2008). An exception is the Thite,
Wilkisson, & Shah (2011) report, which explores the internationalization and HR strategies across subsidiaries in EM MNEs based on a pilot study of an Indian MNE. The result of the report has not been fully presented, however. The purpose of the current study, then, is to answer some research questions regarding emerging market multinational enterprise’s internationalization strategies and their HR implications. To do this, I use a matched case comparison of two leading Thai MNEs in the food and food processing industry --- Charoen Pokphand Group (CP Group or CP) and Thai Union Frozen Products (TUF) or Thai Union Group (TU Group). I have chosen this industry because Thailand’s food and food processing industry is substantial and is one of the most rapidly internationalizing industries in Thailand (Thirawat, Robins, & Baume, 2012). It began internationalizing in 1970. Since then, the industry has generated double-digit annual export growth rates, except for the year 2007 when the rate declined to below 10% (9.52%). In 2008 Thailand’s overall food exports, however, reached a 26% annual export growth rate (Thirawat, Robins, & Baume, 2012), which was very high. The food and food processing industry’s contribution to gross domestic product (GDP) from 1980 to 2009 demonstrated an overall increasing trend. In 1980, the industry contributed 42,412 million Thai Baht to the economy and this amount rose to approximately 250,979 million Thai Baht in 2009 (National Economic and Social Development Board, 1980; 2009; Thirawat, Robins, & Baumel, 2012). Note that 1 US Dollar is approximately 30 Thai Baht.

Specifically, CP has become the world’s largest producer of animal feed and shrimp, and one of the leading producers of poultry and food products and TUF is considered the world’s largest canned tuna producer. Both groups are in the same industry (food and processing industry) but they have very different internationalization strategies. CP has primarily focused on organic expansion while TUF has used mergers and acquisitions (M&As) as its main internationalization strategy. Both of them are considered the two top-
ranked firms in Thailand, especially in the food and food industry. Both of them are successful at the world-class level and are ranked as two of the 26 global challengers in the 2013 BCG Global Challengers list (Boston Consulting Group, 2013). The matched-case comparison of two leading emerging market multinational enterprises from the same country and industry should explain how and why these two similar firms apply different internationalization strategies and whether and how different internationalization strategies are associated with different HR strategies. This study then should provide a building block for developing a grounded theory regarding the internationalization and HR strategies of emerging market multinational enterprises that can be tested in the larger population of emerging market multinational enterprises in the future.

I bring together the perspectives of international management (i.e. liability of foreignness and liability of origin) and of strategic human resource management (HRM) to help investigate the motives for internationalization of emerging market multinational enterprises, their internationalization strategies, responses to overcome the liability of foreignness and the liability of origin, and their related HR strategies. I define the liability of foreignness (LOF) as disadvantages or costs incurred in host countries by any MNE (e.g. Hymer, 1976; Zaheer, 1995). The liability of origin (LOR) is defined as disadvantages or costs incurred due to the fact that an MNE comes from developing or emerging countries such as Thailand (e.g. Barlett and Goshal 2000). This study is then aimed at answering the following research questions:

(1) How do emerging market multinational enterprises or MNEs originating from developing or emerging countries internationalize? How do they successfully overcome the liability of foreignness and the liability of origin?

(2) How are differences in internationalization strategies of EM MNEs associated with their HR strategies for managerial and professional employees?
This study therefore contributes to the literature on international business management and strategic human resource management by bridging both literatures to explore how emerging market multinational enterprises (EM MNEs) internationalize and whether their different business strategies and internationalization strategies are associated with different HR strategies for managerial and professional employees.

**Theoretical Perspectives and Propositions**

**The Liability of Foreignness and Liability of Origin**

The notion of liability of foreignness (LOF) has been discussed in the international management literature for a long time. This idea stemmed from the work of Stephen Hymer (1976) and Srilata Zaheer (1995). Hymer proposed that firms establishing their business operations abroad face several types of inevitable costs that firms operating domestically do not. Hymer coined the term “cost of doing business abroad (CDBA)”. These costs result from various sources, such as higher coordination costs, unfamiliarity with host country environment and culture, and lack of information and networks in the host country. Not surprisingly, in a host country environment a foreign firm faces a comparative disadvantage compared to a local firm. More simply put, a foreign firm faces LOF when conducting business abroad (Zaheer, 1995). Zaheer (1995) first used the concept of liability of foreignness and proposed that there are four kinds of liability of foreignness: (1) liabilities or costs associated with spatial distance such as transportation costs, (2) firm-specific costs based on the unfamiliarity with host country environment, (3) costs arising from host country environment such as lack of legitimacy in the host country, and (4) costs resulting from home country environment such as the restrictions of sales to some countries imposed on US MNEs. Zaheer tested the notion of LOF in the currency trading industry and found that LOF decreased after a foreign firm gained more experience in the host country (Zaheer, 1995; Zaheer and Mosakowski, 1997). Both CDBA and LOF have been used interchangeably in the
literature and even by Zaheer (1995). However, in her 2002 article, Zaheer differentiated between CDBA and LOF: CDBA concerns market-driven costs while LOF pays more attention to structural/relational and institutional costs of firms operating their businesses abroad. LOF tends to rely more on institutional theories. Luo and Mezias (2002) later challenged that most of the research in the area of LOF applied institutional theories. Other theories such as resource dependence theory, organizational learning theory, and network theories should be more applied to this investigation to extend the literature, however.

Research in this stream has later reappraised or extended the analysis of LOF based on the seminal work of Hymer (1976) and Zaheer (1995). For instance, Mezias (2002) called attention to two additional, potential sources of liability of foreignness (LOF). First, he proposed that LOF can result from costs that are not exclusive to foreign firms. Put simply, some costs affect both foreign firms and domestic firms but foreign firms may experience these costs disproportionately (e.g., costs arising from lawsuits in the US). Second, the other potential source of LOF is the advantages enjoyed by domestic firms that are not available to foreign firms such as government subsidies. It is also possible that LOF can vary across host countries. That is, LOF may occur in highly competitive host countries, but not in less competitive host countries (Miller and Richards, 2002). In addition, Qian, Li, & Rugman (2013) classified LOF into two main types: liability of regional foreignness (LRF) and liability of country foreignness (LCF). LRF can be defined as the costs of operating business across regions such as from Asia to North America whereas LCF can be defined as the costs of operating business between countries such as from Thailand to China. These two types of costs jointly influence each other and strengthen their effects on inter-regional business operations.

Sethi and Judge (2009) argued against Zaheer (2002) that the liability of foreignness (LOF) is just a component of costs of doing business abroad (CDBA), however. They
proposed that CDBA consists of two main components: (1) LOF which is the subsidiary’s costs incurred in the host country environment and (2) Liability of Multinationality or LOM which is the subsidiary’s costs incurred out of the host country in the multinational environment. Sethi and Judge also contributed to the international management literature by focusing on assets of foreignness and assets of multinationality, which are benefits incurred from operating businesses abroad.

In addition to reappraising LOF as mentioned earlier, research on LOF has also focused on how MNEs can cope with LOF when operating their businesses abroad. Luo, Shenkar, & Nyaw (2002) proposed two different approaches to help mitigate LOF. Defensive or proactive strategies can help reduce the dependence on local environment and minimize the interaction of MNEs with host country environments. They consist of four mechanisms: contract protection, parental control, parental service, and output standardization. Offensive strategies can enhance local adaptation and localization. They comprise local networking, resource commitment, legitimacy improvement, and input localization. In addition, research has proposed that foreign firms can lower their LOF through engagement in learning how to conduct business in host countries (Peterson and Pedersen, 2002). This study was likely to support the result proposed by Zaheer and Mosakowski (1997) that LOF declines over time. Furthermore, Sethi and Guisinger (2002) presented the idea that foreign firms can mitigate the LOF by enhancing their environment-reading skills. Applying the resourced-based perspectives, this study focuses on the skills at scanning, interpreting, and analyzing the international business environment (IBE) to reduce the LOF and gain competitive advantage over other rivals.

Most of the research on LOF focuses on foreign firms that are MNEs from developed countries, however. There has been scant research on how EM MNEs deal with the liability of foreignness (LOF) when operating their businesses abroad. One of the exceptions is the work
by Gaur, Gumar, & Sarathy (2011) who proposed that several EM MNEs do not internationalize from a position of strength but they do so in order to strengthen their long-term position and that EM MNEs that internationalizes to similar environments (e.g. from emerging to emerging countries) face less LOF than EM MNEs that moves to dissimilar environments (e.g. from emerging to developed countries).

With regard to the concept of liability of origin (LOR), Barlett and Ghoshal (2000) were the first to suggest that MNEs from peripheral countries can fall into a trap called LOR when internationalizing to other countries. This notion was extended by Ramachandran and Pant (2010) who proposed that LOF and LOR are different from each other. LOF explains disadvantages incurred in host countries by any MNEs as a consequence of where they are not from (i.e. not from that host country) whereas LOR captures disadvantages incurred as a consequence of where MNES are from (i.e. from developing or emerging countries). Thus, EM MNEs face a higher level of LOR than do MNEs from developed countries when internationalizing to other countries (especially to developed countries) due to the fact that consumers in developed countries tend to evaluate product quality or value based on the level of economic development of the producer country (Cordell, 1993). More simply put, consumers pay attention to country-of-origin effects (COO) when purchasing products manufactured from other countries (Roth and Romeo, 1992).

The literature on COO effects began with the seminal work by Schooler (1965) and was later extended by several other researchers such as Cordell (1992, 1993), and Peterson and Jolibert (1995). Cordell (1992, 1993) empirically tested whether the COO effects exist when consumers express preference for products originating from some countries over those of other countries. Peterson and Jolibert (1995) conducted a meta-analysis of COO effects and found that this research stream tends to be somewhat generalizable. Later, Verlegh and Steenkamp (1999) also conducted a review and meta-analysis of COO research, confirmed
that COO effects exist, and supported the notion that consumers believe that products originating from less-developed countries (LDCs) are lower in quality and that they are associated with a larger performance risk and customer dissatisfaction.

In the current study, based on the notion of LOR and COO, LOR shall be defined as disadvantages or costs incurred when customers perceive products manufactured by an MNE originating from developing or emerging markets to be of lower quality and performance and of less satisfaction than those manufactured by an MNE originating from developed countries. Put simply, LOR is viewed as disadvantages or costs incurred as a result of the COO effects. There has been scant research on how EM MNEs cope with LOR, however.

**Business Strategy**

*Exploration and Exploitation Strategy*

The exploration strategy has been first defined by March (1991) as the following terms: “search, variation, risk taking, experimentation, play, flexibility, discovery, and innovation” whereas the exploitation strategy has been defined as the following: “refinement, choice, production, efficiency, selection, implementation, and execution (March, 1991: 71). It is important for an organization to balance the exploration and exploitation in organizational learning. This means that an organization must search for new knowledge or things that should be known while at the same time such organization must use and develop knowledge or things that have already known (Levinthal and March, 1993) in order to ensure its current success and future prospects. With regards to the balancing mechanism, researchers (e.g. Gupta, Smith, and Shalley, 2006) later proposed that either the ambidexterity strategies (the exploration and exploitation strategies can occur at the same time in an organization) or punctuated equilibrium strategies (the exploration and exploitation can switch across time in an organization) may serve as the more appropriate balancing mechanism between the exploration and exploitation strategies, depending on the context or domains.
The concept of exploration and exploitation has been used and empirically tested in a wide range of managerial contexts such as in strategic management (e.g. He and Wong, 2004; Uotila, Maula, Keil, & Zahra, 2009) and in strategic human resource management (e.g. Kehoe and Collins, 2008). Researchers have consistently argued that exploration and exploitation can lead to different performance outcomes over time. On the one hand, exploitation is likely to foster positive short-term performance at the expense of long-term performance of the firms due to the fact that firms exploit their existing resources and technologies without searching for new types of resources or technologies that are significant for long-term prosperity. On the other hand, exploration is likely to help the firms develop new types of knowledge and create long-term capabilities necessary for survival. Thus, firms that are able to balance both exploration and exploitation are optimal (e.g. He and Wong, 2004; Uotila, Maula, Keil, & Zahra, 2009).

The notion of exploration and exploitation strategy has also been used in the international management literature (e.g. Cantwell and Mudambi, 2005; Yang, Mudambi & Meyer, 2008). Yang, Mudambi & Meyer (2008) defined subsidiary roles of MNEs with regards to the subsidiary mandates as suggested by Cantwell and Mudambi (2005). The two subsidiary roles are: competence creation and competence exploitation. In terms of competence creation, the headquarters of MNEs expect “competence creating” subsidiaries to introduce new knowledge or practices that can be adopted or used by the headquarters and other subsidiaries. More simply put, the competence creating subsidiaries will develop knowledge or assets and diffuse such knowledge or assets to the parent firms. In this case, the headquarters of MNEs advance the “exploration” strategy because the subsidiaries act as the “agent” to help the MNEs explore new types of knowledge, practices, or technologies in other countries or regions. By contrast, the headquarters of MNEs expect “competence exploiting” subsidiaries to adopt and use the home country-based knowledge or practices. Thus, in this
case, the headquarters of MNEs transfer knowledge, practices, or technologies to competence exploiting subsidiaries and the subsidiaries then adapt those knowledge or practices to local markets or regions. The headquarters of MNEs then advance the “exploitation” strategy because the subsidiaries exploit the established home country-based knowledge effectively in local environments.

In the current study, the exploration strategy shall be defined as follows: The headquarters of MNEs adopt new types of knowledge, practices, or assets that are introduced or developed by the subsidiaries in other countries and diffuse to other units or subsidiaries of the MNEs. While the exploitation strategy shall be defined as follows: The headquarters of MNEs transfer knowledge, practices, and intangible or tangible assets to the subsidiaries in other countries and the subsidiaries then adapt them to local environments.

**Organic Expansion and M&A Internationalization Strategy**

Although there are different ways firms may enter foreign markets such as exporting, licensing, and foreign direct investment (FDI) (e.g. Dunning, 1980; 1988; Root, 1994; Buckley and Casson, 1998), this paper only pays attention to the foreign direct investment. The foreign direct investment here means an investment that pays attention to the ownership and that leads to effective management control.

With respect to the FDI, the choice of entry mode is an important part of a firm’s internationalization strategy. Typically, firms do not focus only on what countries they are going to internationalize and what activities to perform in those countries when they decide to conduct foreign direct investment. They must consider how they will enter each country or market or whether they will choose the greenfield investments or M&A or joint venture as their entry modes (Chang and Rosenzweig, 2001). Greenfield investments or organic expansion is defined as building an entirely new organization or subsidiary in a foreign country from the scratch (e.g. Barkema and Vermeulen, 1998). In this case, the parent firm
expands organically in the international arena so I will use the term greenfield investments and organic expansion interchangeably in this paper. The parent firm fully owns the subsidiary in this situation. M&A (Mergers and Acquisitions) can be defined as the purchase of at least part of the equity of an existing local firm in a foreign country (e.g. Barkema and Vermeulen, 1998). Joint venture here can be defined as the pooling of assets, resources, or technologies of two or more firms in order to form a separate organization (e.g. Barkema and Vermeulen, 1998). Normally, joint venture is a way to draw on the resources of a local partner and to reduce risk from investing in wholly-owned subsidiaries (like in the case of greenfield investments or M&A) but there may be some problems about the management of partners in the joint venture. In the current study, I will focus only on the greenfield investments (or organic expansion) and M&A internationalization strategy.

The choice of entry mode can be explained by several theoretical perspectives in the literature. First, the transaction cost theory focuses on the differences between greenfield investments and M&A in that both choices are distinct in terms of exploiting existing resource and acquiring new resources (Chang and Rosenweig, 2001). On the one hand, when firms seek to exploit their existing assets, brands, resources, or expertise, they choose to enter a foreign country via the greenfield investments (or organic expansion) because they are able to install the management system and practices in their subsidiaries from the outset. Hannart and Park (1993) suggested that Japanese MNEs preferred to choose greenfield investments over M&A as their internationalization strategy because such firms already invested a lot of money and resources in research and development (R&D) in their headquarters, and greenfield investments were a more efficient way to transfer these resources to their subsidiaries in other foreign countries. On the other hand, when firms enter foreign markets to acquire new types of intangible assets (such as brands), resources, or expertise embedded in the local firms or acquire general knowledge of the local economy, they choose to accomplish this goal by
M&A or, probably, joint venture (Chang and Rosenweig, 2001; Myer, Estrin, Bhaumik & Peng, 2009). Hennart and Park (1993) empirically tested and provided support for this argument.

Second, the choice of entry mode can be explained by cultural and national factors. Kogut and Singh (1988) tested the hypotheses and supported the argument that the greater the cultural distance between the home country of investing firms (MNEs) and the host country, the more likely that the MNEs preferred to enter the host country by greenfield investments or joint venture over to enter by M&A due to the fact that firms from culturally distant countries faced greater costs to the management of acquired firms (M&A) (e.g. cost of integration between the parent firm and the acquired firm) than firms from culturally similar countries.

Third, the institutional and resource-based views can also explain the choice of entry modes. Meyer, Estrin, Bhaumik & Peng (2009) demonstrated that M&A internationalization strategy became more important than greenfield investments (or organic expansion) when a firm would like to enter a foreign country in order to access resources that were intangible (such as brands) and organizationally embedded (such as knowledge-based assets). This argument was eventually stronger when the parent firm would like to seek intangible resources (such as brands) that were embedded in local firms in a country with “strong” institutions such as in developed countries.

Fourth, the international corporate strategy and headquarters – subsidiary relationship is associated with the choice of entry modes (Harzing, 2002). The international corporate strategy is defined as the way a firm positions itself in the global business environment and can be classified into 2 types of strategy: global strategy and multidomestic strategy. Global strategy refers to a high level of global integration and a focus on economy of scale and scope. In this situation, a firm integrates and rationalizes their production in order to produce standardized product at low cost. The multidomestic strategy refers to a decentralized
network. The subsidiaries are able to be responsive to the local requirements (instead of standardization of products) (Barlett and Ghoshal, 1992; Harzing, 2000). In her 2002 article, Harzing argued that firms pursuing global strategy preferred to use greenfield investments whereas those pursuing multidomestic strategy preferred to use M&A as their entry modes. Her empirical study also supported the argument that the control of parent firms over their greenfield investments was higher than that over acquired subsidiaries.

Finally, the organizational learning perspective can help to examine the international expansion of firms through greenfield investments or M&A (Vermeulen and Barkema, 2001). These authors applied the concept of exploration and exploitation strategy proposed by March (1991) to explain the firm’s internationalization strategy. Firms with superior knowledge assets often use greenfield investments in order to exploit their existing knowledge. They do not intend to take over other local firms in foreign markets because they believe that those other firms may have relatively little knowledge assets to offer them. By contrast, firms pursue M&A internationalization strategy when they intend to explore and acquire new technological resources and to adopt new practices and skills from the acquired firms.

In sum, there are several factors that affect firms’ internationalization strategies. Whether firms choose to enter foreign markets via organic expansion (referred to as greenfield investments in the literature) or M&A depend on factors such as transaction costs, cultural and national factors, strength of institutions in foreign markets, intangible resources, international corporate strategy, and organizational learning.

**Strategic Human Resource Management**

Over two decades ago, Wright and McMahan (1992) defined strategic human resource management (SHRM) as “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals.” They also argued that to be effective, an organization must develop a human resource (HR) system that achieves both horizontal fit
and vertical fit. Horizontal fit refers to the internal consistency among HR practices within an organization, whereas vertical fit refers to the alignment between the HR system and other organizational characteristics such as business strategies (Baird & Meshoulam, 1988; Delery, 1998).

SHRM scholars have continuously conducted research in this area in order to find support for the notion of “fit”. With regards to horizontal fit, scholars have argued that firms should create a bundle or an integrated system of HR practices that are internally consistent (alignment among HR practices) with one another in order to achieve desirable organizational performance (e.g. Arthur, 1994; MacDuffie, 1995; Huselid, 1995; Evans and Davis, 2005). This system of HR practices is referred to as high involvement work system (HIWS) or high performance work system (HPWS) or high commitment work system (HCWS). The HR practices in this system are interdependent such that the inclusion of one HR practice necessitates the inclusion of others. While there has been agreement that developing the high performance work system leads to better organizational performance, there has been less agreement regarding individual HR practices that shall be included in order to make up this system. For instance, Arthur (1992, 1994) included the following HR practices into the high performance work system: broadly defined jobs, employee participation, formal dispute resolution, information sharing, highly skilled workers, self-managed teams, extensive skills training, extensive benefits, high wages, salaried workers, and stock ownership. While Huselid (1995) proposed that HPWS consisted of the following HR practices: personnel selection, job design, employee participation, incentive plans, training hours, formal grievance procedure, attitude assessment, personnel selection, performance appraisal, promotion criteria, and recruitment intensity. Several themes emerged across the studies, however. The root of high performance work system is likely to promote three important employee outcomes: skill enhancement among employees, employee empowerment and
participation, and employee motivation based on several types of incentives (Youndt, Snell, Dean & Lepak, 1996; Batt, 2002; Combs, Liu, Hall & Ketchen, 2006).

Empirical research on horizontal fit, specifically on the concept of high performance work system, has consistently found that this fit leads to better organizational performance outcomes. Arthur (1992, 1994) empirically tested the high performance work system in U.S. steel minimills and supported the argument that the high performance work system was associated with higher productivity, lower scrap rates, and lower employee turnover. In addition, MacDuffie (1995) also tested the HR practices as a “bundle” (referred to as the HPWS) in the manufacturing industry (automobile industry) and found support for the use of HR bundle similar to Arthur’s. Huselid (1995) found that the adoption of high performance work system in firm across industries was associated with lower employee turnover and greater productivity and corporate financial performance. Batt (2002) was among the first empirical test of the high performance work system in service sector (call center settings). She also demonstrated that establishments implementing the high performance work system had lower employee quit rates and higher sales growth. The meta-analysis of the effects of high performance work system on organizational performance (Combs, Liu, Hall & Ketchen, 2006) also confirmed that the use of high performance work system (as a system) had stronger effects on organizational performance than that of individual HR practices. In sum, the empirical evidence in the SHRM literature seems to support the positive relationship between horizontal fit and organizational performance outcomes across settings.

With regards to the vertical fit, scholars have argued that there seems to be no one best HR system. Instead, an organization’s business strategy is likely to augment or diminish the impact of HR practices on performance (e.g. Wright, Smart & McMahan, 1995; Youndt, Snell, Dean & Lepak, 1996). It is thus important to match organizational resources, i.e., human resources (HR) to an organization’s strategy. More simply put, the fit between HR
system and organization strategy is significant since it leads to superior organizational performance (Baird and Meshoulam, 1988).

There has been scant empirical research that supports the vertical fit perspectives, however (e.g. Wright, Smart & McMahan, 1995; Youndt, Snell, Dean & Lepak, 1996; Batt, 2000). Wright, Smart & McMahan (1995) empirically tested the vertical fit argument among NCAA basketball teams and provided evidence that strategies were associated with the acquisitions of specific HR skills. They also emphasized the need to match human resources and strategies in order to maximize organizational performance. Youndt, Snell, Dean & Lepak (1996) also tested this argument but in manufacturing plants in the metal-working industry in the US. They found that the effect of an HR system focusing on human capital enhancement was significant when firms linked such HR system with a “quality” manufacturing strategy. The quality manufacturing strategy was defined as the business strategy that focused on continually improving manufacturing processes to increase product quality and customer satisfaction. By contrast, they also found that an administrative HR system interacted with a “cost” manufacturing strategy and a “delivery flexibility” strategy. Thus, from this study, the vertical fit was significant. It was thus not accurate to conclude that there were strong universal or best HR practices across contexts. Instead, the study of Youndt et al (1996) was likely to support the contingency perspective to HRM (e.g. Schuler and Jackson, 1987a; Schuler and Jackson, 1987b; Lengnick-Hall and Lengnick-Hall, 1988).

In addition to the two empirical studies mentioned above, Batt (2000) also empirically supported the vertical fit argument. She tested this concept in the service settings (call center). She found that there was a fit between business strategy and HR system based on the strategic segmentation of customers into 3 main groups: residential customers, small businesses, and middle-market businesses. Specifically, when firms were able to segment their customers into groups according to their demand characteristics and potential revenue generated, firms were
able to match each group of workforce with each group of customers based on levels of employee’s skills and education. In this case, firms did not invest in the high performance work system for employees serving low margin customers such as residential customers or small businesses because the cost of investment in HPWS was high. Instead, the use of high performance work system fitted better with the group of employees serving middle-market businesses. In sum, the empirical evidence mentioned above supports the argument that the alignment between business strategy and HR system is positively related to organizational performance.

Consistent with the concept of vertical fit, Kehoe and Collins (2008) incorporated contingency and equifinality perspectives and argued against the universal approach to HRM by developing a theoretical model of the relationships between different business strategies and multiple HR systems. They proposed that different business strategies require different organizational and workforce competencies and behaviors. Thus, an organization must need an HR system that supports such competencies and behaviors in order to drive better organizational performance. Specifically, on the one hand, the exploration business strategy (March, 1991) fits well with the engineering HR system or the commitment HR system (Baron, Burton, & Hannan, 1999). On the other hand, the exploitation business strategy (March, 1991) fits well with the bureaucratic HR system or the autocratic HR system (Baron, Burton, & Hannan, 1999).

Related, Lepak and Snell (1999) and Lepak and Snell (2002) proposed a human resource architecture, which seems to support the contingency perspective to HRM. The use of different HR configurations is associated with different employment modes for human resources. The notion of “internal development” mode posits that firms are more likely to develop their own employees internally by investing in firm-specific education, training, and development when these skills are not transferable. The use of “make” approach or internal
development mode fits well when the strategic value and uniqueness of human resources are both high. More simply put, when human resources are both valuable and unique, firms are more likely to use the internal development mode. By contrast, when human resources are valuable but not unique or when skills are widely transferable to other firms, firms are more likely to use the “buy” or “acquisition” employment mode. More simply put, firms are likely to hire employees externally instead of developing them internally in this latter scenario. They also argued that different firms even within the same industry might place great emphasis on different employment modes. For instance, one firm may prefer to develop their employees internally while other firms are likely to adopt the “buy” approach.

The notion of internal development mode is aligned with the literature on “internal labor market” (e.g. Doeringer and Piore, 1971; Osterman, 1984a, 1984b; Kanter, 1984; Osterman, 1987; Osterman and Burton, 2004) while the notion of “acquisition” is consistent with what Doeringer and Piore (1971) and Kanter (1984) termed as “the external labor market” or what Cappelli (2008) termed as “outside hiring”. The “internal labor market” has been defined by Doeringer and Piore (1971: 2) as “an administrative unit, such as a manufacturing plant, within which the pricing and allocation of labor is governed by a set of administrative rule and procedures”. The main point of this term is that the pricing of labor market and its allocation functions occur within a firm or an establishment (Osterman, 1984a). In this case, the market consists of a lot of rules that limit the hiring of new employees only at the entry level. Rules and procedures are issued in order to specify who are eligible to move along the ladders to higher positions. Persons outside the firm are not eligible to be hired directly to higher positions. Wage is also defined by a lot of rules in order to demonstrate a set of relationships among all of the jobs within a job family. There can be a lot of job families within a firm or establishment. There are also other kinds of rules such as rules covering job rights and job security within this internal labor market. Osterman (1984b)
classified the internal labor market within firms into three types: industrial, craft, and secondary subsystems. In industrial subsystems, employees have a limited number of ports of entry. Jobs and company norms are well-defined while training is primarily on-the-job or only a short course. The movement across firms is also not very possible. Technicians, professionals, and some kinds of “managers” are under this type. In craft subsystems, employees can move across firms more easily due to the fact that employees are more loyal to the profession than to the firm. In this case, workers have a higher level of market power than those in industrial subsystems. Computer programmers are under this type of subsystem. Secondary subsystems can be defined as jobs that lack of advancement opportunities. The jobs are low skilled and poorly paid such as clerical jobs. Osterman (1987) later proposed a useful set of categories which, taken together, can well define the notion of internal labor market: job classification and job definition, deployment, security, and wage rules. The job classification and definition is rules that define whether jobs are rigid or loose and are broad or narrow. The deployment is rules that define how an employee can move from a job to the other within a firm. The security is rules that promise lifetime employment or make no promise. Finally, the wage rules are rules that define whether wages are attached to the individuals or the jobs. In this paper, Osterman also added the fourth subsystem of the internal labor market: the salaried subsystem (Osterman, 1987). The salaried model fits well with managerial and professional employees in the firm. This model pays most attention to the employment security. That said, employees can expect the lifetime employment after they pass the probationary period. In addition, this model also emphasizes that job descriptions are subject to revisions by two parties (supervisors and employees), that there are flexible career paths and promotion criteria, and that pay considerations are merit-based. This salaried subsystem under the internal labor market is aligned with the situation among managerial and professional employees at CP. With regard to the internal labor market for managerial and
professional employees, Kanter (1984) studied the internal labor market in high-tech firms and proposed that “high growth and relative newness mean a greater need for obtaining high-ranked managerial personnel from external labor markets…..Stable and predictable growth theoretically allows hiring at the lowest entry level and promoting from within, then replenishing the supply at entry level”. In this case, internal labor market strategy ensures that a firm would have a more stable workforce.

Later, Cappelli (1999) argued in his famous book titled “The New Deal at Work” that the notion of internal labor market or what he termed as “the old deal” faded and was likely to disappear and what he termed as “the new deal” has replaced. The new deal is classified as the concept of “employability”. There is no lifetime employment in this case. The relationship between employers and employees is open-ended. Whether each side gains or loses depends on the negotiation between two parties and the state of labor market. In this case, companies are not willing to invest in firm-specific training since employees can hop from their companies to others anytime, depending on the state of the labor market. Employees then need to acquire training on their own. The emergence of postsecondary institutions is the most obvious example of the place where employees acquire such training. Later, in his 2008 book titled “Employment Relationships: New Models of White-collar Work”, Cappelli stated there are new paradigms of finding talents (Cappelli, 2008). Firms are likely to find talents (i.e. managerial and professional employees) externally instead of developing them internally. This argument seems to support that the new deal for talents or managerial and professional employees also occur. Specifically, he stated that when firms have vacant positions and need talents, they then turn to the outside market for hiring. That said, when firms change its direction or strategy, the new strategy typically require different competencies that do not exist internally. In this situation, firms then turn to what Cappelli termed as “outside hiring” instead. The term “outside hiring” is aligned with what Doeringer and Piore (1971) and
Kanter (1984) previously defined as “the external labor market. The company typically finds talent externally when the talents cannot be found within the firm context.

In this paper, I integrate the perspectives of liability of foreignness (LOF) and liability of origin (LOR), on the one hand, and of business strategy and strategic human resource management (SHRM), on the other hand, to examine how EM MNEs overcome the liability of foreignness and liability of origin based on different internationalization and HR strategies. Specifically, two propositions are developed for further empirical tests based on the theoretical perspectives mentioned above.

Proposition 1: When an EM MNE implements the exploitation business strategy in order to exploit their existing knowledge and resources in other developing countries, it is likely to prefer to use the organic expansion internationalization strategy over the M&A internationalization strategy. Such an EM MNE does not intend to take over local firms because most of the local firms in developing countries do not have better knowledge or resource base to offer to the EM MNE. Instead, this EM MNE has invested a lot of money and resources in research and development in its home country so it would like to keep its knowledge and technological base within its own company. In addition, the institutions such as the legal system and government policies in developing countries are usually “not strong” so this situation should facilitate an EM MNE to adopt the organic expansion internationalization strategy. Further, based on the concept of vertical fit and contingency perspective to HRM, when an EM MNE adopts the exploitation business strategy and organic expansion strategy upon internationalizing its businesses to other developing countries, such an EM MNE is likely to develop an HR strategy that helps the EM MNE transfer the knowledge and practices from its headquarters to the “exploiting” subsidiaries. In this case, the “internal labor market” HR strategy or the “make” HR strategy is appropriate due to the fact that such an EM MNE needs to invest a lot of money in personnel selection and firm-
specific training and development of employees in order to develop human resources who are able to transfer the “practices” from the headquarters to the subsidiaries. The “make” HR strategy then helps develop this kind of specific employees to the EM MNE. Other employment modes such as the “buy” HR strategy may not be appropriate because an EM MNE does not need employees whose skills are easily transferable to other firms. Instead, such an EM MNE needs employees whose skills are very unique and specific to its own firm and at the same time needs employees whose strategic value is very high in order to be successful in the international arena. These business and HR strategies should finally help such an EM MNE overcome the liability of foreignness and liability of origin in foreign markets.

**Proposition 2:** When an EM MNE implements the exploration business strategy in order to acquire new types of intangible assets (i.e. brands), technologies, or resources in other developed countries, it is likely to prefer to use the M&A internationalization strategy over the organic expansion internationalization strategy. Such an EM MNE does not intend to set up the subsidiaries from scratch (i.e. organic expansion) because the intangible assets such as brands, technologies, or resources are usually already embedded in local firms in developed countries. In addition, setting up a new firm is risky and takes a long time to become successful, especially in dissimilar group of countries like in developed countries due to high level of the liability of foreignness and liability of origin. The organic expansion internationalization strategy then does not match well with the “exploration” business strategy. Moreover, the institutions such as the legal system and government structure in developed countries are usually “very strong” so this situation should not facilitate an EM MNE to adopt the organic expansion internationalization strategy because such an EM MNE has to overcome high level of institutional differences before being able to set up a new subsidiary. Further, based on the concept of vertical fit and contingency perspective to HRM,
when an EM MNE adopts the exploration business strategy and M&A strategy upon
internationalizing its businesses to other developed countries, such an EM MNE is likely to
develop an HR strategy that helps the “exploring” subsidiaries to transfer knowledge and
practices back to the headquarters so that the headquarters are able to implement such
practices and diffuse them to other subsidiaries. In this case, the internal labor market HR
strategy or “make” HR strategy is not appropriate because the parent firm does not intend to
install its own specific knowledge and practices into the employees at the “exploring”
subsidiaries. By contrast, the firm would like to adopt useful generic knowledge and practices
that will be beneficial to and help to upgrade the status of the headquarters from the
employees at the “exploring” subsidiaries. Thus, the external labor market HR strategy “or
the “buy” or “acquisition’ HR strategy is more appropriate due to the fact that such an EM
MNE does not need to develop generic skills on its own and, actually, has no need to do so.
Instead, this HR strategy helps an EM MNE acquire individuals who already possess the
needed generic skills from the labor market or from other well-recognized firms. In this case,
the employees’ skills are transferable among firms. More simply put, the EM MNE needs
employees whose skills are not unique and specific to its own firm but needs employees
whose strategic value is very high in order to help the headquarters to be successful in the
international arena. These business and HR strategies should finally help such an EM MNE
overcome the liability of foreignness and liability of origin in foreign markets.

**Research Design**

I used “a matched-case comparison” to help explore the EM MNEs and their
internationalization and HR strategies. I compared two leading EM MNEs in food and food
processing industry in Thailand: Charoen Pokphand Group (CP) and Thai Union Frozen
Products (TUF). CP is the world’s largest producer of animal feed and shrimp, and one of the
leading producers of poultry and food products and TUF is considered the world’s largest
canned tuna producer. Both firms are still considered “family businesses”, even though they are now public companies. The founding members of these two firms originally came from mainland China. Both companies are ranked as one of the 26 global challengers according to the Boston Consulting Group (Boston Consulting Group, 2013). Both groups implement quite different internationalization strategies, however. CP has primarily focused on organic expansion, while TUF has used mergers and acquisitions (M&As) as its main internationalization strategy. In comparative institutional research, the matched-case comparison approach has effectively been used in several studies of firms and workplaces in order to explain how institutional differences lead to quite different employer behaviors and employee outcomes, despite similar competitive conditions (Batt and Hermans, 2012). This matched-case comparison between two similar firms with different internationalization strategies thus provides a story research design to examine strategic responses to the liabilities of foreignness and origin and related HR strategies.

In the summer of 2013, I gained access to CP. I had already gained access to TUF in the winter 2012. For the first case study (CP), I conducted a total of 21 semi-structured interviews with the director of the company, executive vice presidents, vice presidents, country HR managers, domestic HR managers, and employees and workers at the corporate level and at factory level. I also visited an in-house farm and a plant in Saraburi province to examine HR practices at this level, observe its work processes, and carry out interviews with employees at the factory level. I was also able to access a plant and its laboratory located in Rayong province in order to conduct interviews with managers and laboratory specialists and observe the real working conditions. In addition, I also reviewed archival documents and web-based resources such as annual reports in order to better understand the history and growth of CP during the past several years.
For the second case study (TUF), I conducted a total of 25 semi-structured interviews with the Chairman and CEO, assistant managing director, HR director, Chairman and CEO of Chicken of the Sea in the USA (one of TUF’s brands), Chairman and CEO of MW Brands in Europe (one of TUF’s brands), Group HR Director of MW Brands in Europe, and employees and workers at the corporate level and at the factory level. I also visited a plant in Samut Sakorn province in Thailand (about 30 - 45 minutes from Bangkok, the capital city) and accessed the production line to experience the real factory environment, observe its work processes, and conduct interviews with employees at the factory level. In addition, as in the case of CP, I also reviewed archival documents such as powerpoint presentations and web-based resources such as annual reports in order to better understand the history and growth of TUF during the past several years as well as its future plans.

In addition, I conducted 7 semi-structured interviews with four representatives of labor unions in two companies in the food and food processing industry (Both TUF and CP are union-free.), a food industry expert and scholar, a labor NGO representative, and a labor scholar. Thus, I conducted 53 semi-structured interviews in total during winter 2012, summer 2013, and winter 2013. Each interview lasted between 20 minutes and 2 hours. Of the 53 interviews, 51 of them were conducted in Thai but two of them with representatives from Chicken of the Sea and MW Brands were conducted in English. Most of the interviews were one-on-one interviews but some were focus group interviews. I used 3 types of interview protocols: the protocols for top managers and middle managers, those for first-line managers, and those for employees or workers. I used the same interview protocols for both firms. The protocols are classified into 3 main parts: company profile, internationalization strategy, HR strategies and practices. In addition, I confirmed information from managerial and professional employees of both companies by conducting semi-structured interviews with independent voices (i.e. industry experts, NGOs, and labor unions) as mentioned earlier.
I used a snowball technique to help me access to interviewees who are experienced in each area I was interested in. Over the course of the interview, I was able to cover various topics, including the background of each interviewee. Each interview was digitally recorded, and I also took field notes during the interview in order to help facilitate the transcription. I assured interviewees complete confidentiality of the data they provided. The list of interviewees is provided in the Appendix 1. The thematic analysis was applied in this study (Teddie and Tashakkori, 2009). This technique helped me to pinpoint, examine, and record the patterns or themes within the data. After transcribing, coding, and summarizing the interviews based on the thematic analysis, I produced over 215 pages of material from the two case studies. My inductive analysis is composed of interview transcripts, multiple rounds of readings of fieldnotes, archival analysis, and my assessment of the interviewees regarding their background and their jobs as well as their opinions towards the companies.

In this study, a matched case comparison approach was chosen in order to rule out other explanations for HR strategies and practices. I used a qualitative approach because this study is exploratory and I aim to collect comprehensive and holistic data (Eisenhardt, 1989; Yin, 1994) about the two Thai EM MNEs. Such an approach also permits a deep exploration of how the institutional contexts in which EM MNEs are embedded inform the way they operate, and allow an exploration of the interactions of several actors at different levels of analysis (Cooke, 2012). This study may provide data for more extensive research and testing of hypotheses as part of ongoing research on EM MNEs and strategic international HRM.

I chose the case studies of the two Thai EM MNEs: CP and TUF based on the purposive sampling (Teddie and Tashakkori, 2009) because I believe that these two companies should help me understand the phenomenon of the study, i.e., the internationalization and HR strategies of EM MNEs and how EM MNEs overcome the liability of foreignness and liability of origin. Both firms are very successful in the
international arena so they should be able to overcome the liability of foreignness and liability of origin upon internationalizing its business operations to foreign markets. Both firms are comparable in terms of industry, where the founding members are from, the status of publicly listed companies even though each is considered a “family business”, and ranking in BCG Global Challengers list as mentioned above. In addition, both are considered each other as “one of the main competitors” in the industry. But, each company applies different internationalization strategies when internationalizing its business operations. Thus, both companies should be an appropriate choice for my matched-case comparison.

**Empirical Findings**

This section presents the empirical findings from the two case studies: Charoen Pokphand Group (CP) and Thai Union Frozen Products (TUF). In each case study, the corporate background, business model, the liability of foreignness and liability of origin each firm faces, business strategy (i.e. internationalization strategy), and HR strategies for managerial and professional employees are covered.

**Charoen Pokphand Group (CP)**

*Corporate Background*

Charoen Pokphand (CP) Group has become the world’s largest producer of animal feed and shrimp, and one of the leading producers of poultry. It is a paternalistic corporation that has grown organically from a family-owned business. It now operates businesses in several countries across the globe, including in China, India, Pakistan, Bangladesh, Turkey, Russia, Vietnam, Cambodia, Myanmar, Laos, and Kenya. Its head office is located in Bangkok, Thailand. CP currently employs approximately 98,000 people across the globe (About 57,000 employees in Thailand). CP’s profit in 2012 was approximately 37,421 million Baht. (1 US Dollar is about 30 (Thai) Baht)

*Business Model*
Even though CP is a multinational enterprise, it is still considered a “family-owned firm” of the “Chearavanont” family. The Chearavanont family holds about 90% of the shares in the mother company of CP Group, which is a private company. This mother company then holds the majority of shares in several public companies within the group. For instance, the mother company holds about 25% of the shares in Charoen Pokphand Food Public Company Limited (Charoen Pokphand Food Public Company Limited, 2014). Charoen Pokphand Food Public Company Limited went public in 1994 (Charoen Pokphand Food Public Company Limited, 2014). Mr. Dhanin Cheravanont, the Chairman and CEO of CP Group, is considered the number one billionaire in Thailand and the 58th richest world’s billionaire in 2013 according to Forbes. CP’s business model starts from upstream to downstream food and agricultural business. Put differently, CP has remained almost completely vertically integrated across its supply chain. CP started the business operations from the animal feed business. CP’s main policy is to purchase raw materials (e.g. corn seeds, soy bean meal) from several suppliers to produce the animal feed. From the animal feed, CP uses its own animal feed to feed their chicken, swine, ducks, shrimps, and others in its farming business. CP mostly operates its own farms both in Thailand and in other foreign subsidiaries. To respond to the growth of its businesses and to maintain positive relationships with farmers, agriculturists, and communities surrounding the businesses, however, CP also applies the “contract farming” model as it has done in the animal feed business. Then, CP processes its own meat or meat from the “contract farming” model (that is under the close supervision of CP) to produce semi-cooked food products or ready-to-eat products. All of the products are usually sold under “CP” brand. Finally, in addition to exporting the processed meat and food products CP has its own retailers such as CP Fresh Mart, CP Fresh Mart Plus, Chester’s Grill fast food restaurant, and “Five Star” Roasted Chicken Kiosk, “CP Kitchen” Restaurant, and “CP Food World” Food Court to help distribute products to final consumers. CP has moved into the
food business to meet the mission of “Kitchen of the World”, meaning that CP’s products must be distributed and sold in every part of the world. In Thailand, CP also operates the 7-Eleven franchise business from the USA and has established over 7,000 stores throughout the country to help distribute its products in another way.

With respect to distribution and logistics, CP operates its own logistic and distribution company in Thailand named “CPF Logistics” responsible for distributing products to agents or customers throughout the country. In other countries, CP obtains logistic and distribution services by contracting out such services to other companies. CP has implemented an important policy in terms of location of company and subsidiaries in order to reduce costs and maintain the quality of its products, however. Specifically, when CP intends to set up factories in Thailand or in other countries, CP must consider an important issue, i.e., weight loss. The distance from the animal feed plants to the chicken or swine farm must be within 150 kilometers while the distance from the chicken or swine farm to the slaughter house must be within 80-100 kilometers in order to protect weight loss during transportation.

Later, CP as a conglomerate has also expanded itself to several kinds of unrelated businesses such as the 7-Eleven franchise convenient stores in Thailand (by purchasing franchise from the US), telecommunication businesses in Thailand, and real estate development. CP has also been successfully conducted motorcycle business and real estate development in China (in addition to food and agricultural businesses).

*The Liability of Foreignness and Liability of Origin*

In terms of which countries to target, CP focuses primarily on internationalize its business to developing countries in Southeast Asia, East Asia, and South Asia as well as Russia and Turkey (South-South expansion). When CP internationalizes its business to those foreign countries, it faces several challenges regarding the liability of foreignness (LOF) and liability of origin (LOR). I will describe them as follows.
First, CP actually began its internationalization strategy by attempting to enter developed countries but its experience was not successful due to its inability to adjust to the circumstances in those countries, including rules and regulations, financial systems, people lifestyles and work procedures. CP was unfamiliar with host country environment, especially when CP had to internationalize its business operations to dissimilar group of countries, i.e. developed countries. CP failed to legitimize its business operations in this case. So, CP faced a comparative disadvantage compared to local firms. This failure demonstrates that CP faced a high level of liability of foreignness when entering other developed countries. One top executive explained the failures:

“For instance, we used to open the factory in Portugal. We then closed the factory about 5-6 years afterwards since we did not get used to the contexts and work procedures in that country. About 20 years ago, we set up a factory about 70 kilometers from Lisbon. We could not recruit accountants due to the fact that they were not willing to work outside Lisbon. After we were able to recruit ones and our business became successful, we wanted them to work overtime with pay. They said nobody worked overtime in Portugal. The situation might be better now. Also, we wanted to transfer our money from one bank to the other just across the road. The bank floated our money for about a week. We almost suffered losses from that transaction. In addition, when our President and major customers in Portugal met for a business lunch, they complained that we should not talk about business over a meal. We thought that this was because the Portuguese thought they are superior to people from developing countries like us so we decided to do businesses with the Chinese instead…..” (Interview #1, Top Management, CP, June 12, 2013).

CP also faced a high level of liability of foreignness when it internationalized its businesses to the US about 10 years ago. The institutional differences such as labor and environmental laws and regulations played a very important role in this failure. CP
established a slaughter house in Arkansaw, USA in order to operate an integrated chicken factory. The slaughter house produced waste water so CP treated it and intended to drain it under the ground. The regulators then required CP to use the treated water to water the grass. So, CP had to purchase over 100 Rais of land to cultivate grass and use treated water to water it (1 Rai (in Thai) is a little smaller than 1 Acre). Later, the regulators required CP to purchase a larger plot of land for this purpose and CP believed that the gain from conducting an integrated chicken factory there cannot cover the expenses and losses incurred from this kind of investment (purchasing a larger plot of land without taking advantage from it). This case seems to demonstrate that CP did not have legitimacy to conduct business operations in the US. More simply put, CP faced a high cost arising from the host country environment. CP finally closed the factory and shut down the operations in the US. In this case, it seemed like the institutional contexts and the lack of knowledge of cultural norms made CP unsuccessful in developed countries.

Second, it is also possible that entering developed countries was not successful for CP because CP did not have an “advantage” or handicap in these countries. For instance, CP was able to breed and raise a million chicken in the US while its competitors were able to raise about 100 million chicken. CP then has to sell its chicken in the spot market in the US instead of selling them in the chain due to the fact that CP did not have sufficient amount of chicken for sale in the chain. This liability of foreignness was already high when accessing the foreign market but for EM MNEs like CP, the liability of origin was also high when CP tried to enter developed countries due to the fact that CP’s products originated from developing countries. It was very hard for CP to establish its own “CP” brands among customers in developed countries due to the country-of-origin effect that is a part of liability of origin. Developing its own brand in developed countries is likely to take time and require high work costs. Thus, CP seemed to face a “double hurdle” in trying to enter developed countries. This issue shows that
CP faced both a high level of liability of foreignness when entering unfamiliar foreign markets and a high level of liability of origin when customers in developed countries did not trust products manufactured by a firm from a developing country. Moreover, it is also possible that the food and agricultural industry in most developed countries is already saturated. Even though CP has well-developed technology and strong technical knowledge, other competitors in developed countries also own the same kinds. This situation may not be advantageous to CP as compared to entering developing countries. Two top executives at CP explained this point:

“Later, CP has primarily entered developing countries because there seems to have more opportunities there. The western countries are more developed in terms of food and agricultural industries and the market becomes saturated. When you enter the saturated market and you would like to establish your own brands by producing and selling products that are not totally new to the markets. It takes a longer time for customers to accept your products, especially if your products originate from developing countries. The chance of success must be lower than entering developing countries. If you exert your efforts equally in entering developed and in entering developing countries, of course it is better that you do your businesses in a place with more opportunities. It will be worth your investment.” (Interviews #2 and #5, Top management, CP, July 10, 2013).

Third, CP is able to accept and adapt itself to the instability in developing countries even though the markets there are not stable. CP can stay with the undeveloped rules and regulations in developing countries. Entering developing countries makes CP be able to speculate what will happen in the future in that situation and to prepare itself to serve that future. That said, CP is able to lower the liability of foreignness (LOF) when entering developing countries because CP can minimize costs incurred from the unfamiliarity with host country environment. At the same time, CP can convert the comparative disadvantage
realized from entering developed countries into comparative advantage when entering
developing countries. Lessons learned from the failures in entering developed countries help
CP better adapt itself to the condition in developing countries. A top executive explained why
CP has chosen to enter developing countries after it failed at trying to penetrate developed
countries.

“…After the case of Portugal and USA, we have decided to enter developing countries
instead since we appear to be “insignificant” and “disadvantageous” when conducting
businesses in developed countries. By contrast, we turn to be “significant” when entering
developing countries. We are the leader in terms of technology because we understand that
the level of development in those less developing countries is 30 years lag behind that in
Thailand. Thus, we know what would happen afterwards in those countries and we also know
what would happen between the lapse between the level of development of Thailand and that
of the USA. We can learn from the history of development. Instead, if entering the US, we are
not able to guess what would happen and we might fail.” (Interview #1, Top Management,
CP, June 12, 2013).

One of the examples of how CP has become the leader in terms of food and
agricultural technology when entering developing countries is the case of Russia. CP found
that people in Russia were able to produce about 14 – 15 swine per breeder per year while CP
in Thailand was able to produce 25 swine per breeder per year. In this situation, CP thought
that the situation was decent enough for CP to invest in Russia. CP was able to struggle with
undeveloped rules and regulations or even severe weather condition in Russia. In case of the
developed countries like in the US, CP might not have an “advantage” or “handicap” like in
Russia.

In addition, the financial system in each developing country also plays an important
role in CP’s business operations. CP has to adapt itself to the different and unique financial
system in each country to lower its liability of foreignness (LOF) in order to be successful. Usually, during the first 5 – 10 years that CP conducts business in each country, CP mainly serve customers in domestic markets. Thus, CP encourages its employees in each country to borrow and sell in the same currency such as borrowing in Rupiah (Indonesia) and selling in Rupiah. CP’s main problem, however, is that CP always faces a challenge from borrowing in local currency because CP is not familiar with the host country environment and commercial banks in that country. Thus, CP has to bring US dollars into that country, and foreign exchange problem usually follows immediately. For instance, in case of Turkey, CP entered Turkey more than 20 years ago when CP realized that Turkey would likely become an associate member of EU although until now Turkey has not been that member of EU. CP’s main problem was that at that time 10,000 Lira (Turkey) was equivalent to 1 US Dollar. When CP entered Turkey, the interest rate in Thailand was very high at about 8 – 10%. The deposit rate in Turkey, however, was equivalent to 72% per year while the loan rate was much higher. The currency value in Turkey was continuously depreciated. Turkey possessed an important strength, however. Although the inflation rate in Turkey was very high at about 70 – 80%, Turkey’s government allowed free flow of exchange. It was not easy for CP to request for loan in Turkey due to the unfamiliarity with the host country environment. CP, then, brought US dollar currency into Turkey. CP analyzed the situation and found that 90% of its costs in conducting animal feed business in Turkey came from soybean meal. CP thus negotiated with USDA to purchase soybean meal from the US. The US offered CP 3-year credit with the interest rate at 1 -2 %. CP then requested for credit from the US on behalf of CP Group (a private company) from Thailand. In this case, CP’s debt was in US dollar (e.g. 10 million US dollars). CP then assigned its Chief Financial Officer (CFO) to open the credit line in lira equivalent to 10 million US dollars. CP paid the fee to a Turkish bank. The outcome was that the gap between the exchange rate and interest rate led CP to gain at about
15%. CP then instructed the CFO in Turkey that if the gap decreased to about 5%, he or she should withdraw the lira from the bank, exchange it with the US dollars, and pay to the US immediately. Twenty years later, the gap has never been lower than 10%, which is safe to the case of CP. There was also another case regarding the financial system when the inflation rate in Turkey was very high at about 80 – 90%. CP usually sold its products in cash while customers in Turkey paid CP in cheque. CP discovered that such cheque was issued by banks in different cities. That said, CP’s income may be floated for about 2 – 3 weeks. This situation then affected CP’s profits. Hence, CP’s policy at that time was that the subsidiary in Turkey must hire at least 3 accountants or cashiers and the subsidiary must give each of them a motorcycle. Then, CP asked those accountants or cashiers to open the account with all of the banks within the distance of 100 kilometers from the subsidiary. When customers paid CP by cheque from any banks, CP was able to assign its accountants or cashiers to deposit the cheque immediately. The situation was challenging because CP never conducted its business in a country with “hyperinflation” before. Thus, CP has then implemented a policy that the CFO in each subsidiary must be Thai so that the headquarters is able to follow up his or her work progress all the time even late at night. These are the two examples of how CP is able to adapt itself to the instability of the financial system in developing countries. In this case, CP is able to lower its liability of foreignness and survive in the host country environment (Interview #1, Top Management, CP, June 12, 2013).

Fourth, CP perceives that the food and agricultural industry is central to the development of most developing countries. This industry in developing countries has mostly been “under-developed”. The more each developing country develops itself, the higher the level of meat consumption. Whereas the situation is opposite in developed countries because the market is already saturated so the level of meat consumption shall be continuously lower. This is of course a precious opportunity for CP in terms of investment in developing
countries. The existence of CP and its products are then welcome by consumers in developing countries. Consumers in those countries such as in Pakistan trust CP’s products and their quality. They are able to consume CP’s products and are not suspicious about its origin. Although Pakistan is very risky due to the bombs and political instability, it has a high potential for growth because of a large number of population. CP then can generate profits from its businesses while at the same time can transfer its accumulating farming knowledge and technology to Pakistan. This can both foster the productivity and enlarge the market size for CP. In this case, the liability of origin (LOR) seems to be lower when entering developing countries. Consumers there believe in CP’s product quality. CP then becomes the leader (instead of the follower) in terms of food and agricultural knowledge and technology when operating in developing countries as mentioned earlier (Interviews # 6 and #7, Middle Managers, CP, August 15, 2013).

These four points above demonstrate the liability of foreignness and liability of origin that CP faces when internationalizing its business operations. CP faced a high level of two types of liabilities when entering developed countries. So, its strategy is to change the targeted countries from developed countries to developing countries in order to minimize the two types of liabilities.

Business Strategy (i.e. Internationalization Strategy)

In terms of the business strategy, i.e., the internationalization strategy, CP has continuously implemented the “organic expansion” when entering its targeted countries (i.e. developing countries). Joint venture was once used but CP has discovered that this strategy was not successful because it posed some managerial problems for CP from time to time. Regarding the M&A strategy, CP has almost never implemented this strategy when it internationalizes its business operations to other developing countries due to the fact that this strategy does not match with CP’s strategic choice. Its main strategic choice is to exploit its
existing intangible assets (i.e. CP brands, resources, expertise, and technologies) when entering developing countries. This strategic choice seems to fit well with an exploitation business strategy and organic expansion internationalization strategy instead.

Specifically, there was only one case that CP applied the “joint venture strategy”. CP gained access to China around 1979. At that time, China just opened up the country and announced “Shenzhen” to be the Special Economic Zone. CP has obtained business license No. 1 from the Chinese government to conduct businesses in China, meaning that CP was the first foreign company to operate its businesses in China. CP implemented “joint venture” internationalization strategy with the government of several cities across China. There were no privately owned companies in China at that moment because the Chinese government must take part in all of the business operations. CP, therefore, owned 75% of the company it established and the government of China owned 25%. CP applied this joint venture strategy for several years but CP found that this strategy was not so convenient for CP because later most foreign companies were 100% privately owned by foreign investors but CP owned only 75% of the share. CP then was afraid that it would not be able to compete with other competitors. So, CP finally bought the remaining of the shares from the Chinese government (Interview #4, Top Management, CP, July 24, 2013).

The “organic expansion” internationalization strategy is one of the strengths of CP. Several companies have been implementing the M&A as their internationalization strategy because they need well-recognized brand name and know-how from the acquired firms. In case of CP, however, it enters developing countries where there is no well-established brand name and know-how to acquire. Instead, developing countries are CP’s main target because CP’s technology, resources, and know-how are better than those in developing countries. There is nothing to purchase from developing countries. Within these developing countries, if CP intends to use an M&A strategy, negative news about CP will become widespread and this
will eventually affect CP negatively. People in developing countries will probably think that CP would like to take over their countries and may attack CP instead of supporting the emergence of CP. Thus, the organic expansion strategy best fits CP’s internationalization approach. Typically, CP builds up its company in each country little by little.

By contrast, if CP enters some developed countries, CP may need to acquire well-known brand name, technology, know-how, or markets in these countries in order to be successful like other multinational enterprises. But, in case of developing countries there are no markets there when CP internationalizes its business to these countries because CP is usually the first or second foreign company in the food and agricultural industry there. In addition, the food and agricultural industry itself has still been under-developed in these developing countries at that moment. One top executive at CP explained that there is no problem for CP to enter other developing countries due to the fact that CP itself is powerless and does not threaten their countries and local people.

“We are Thai companies so there are no problems upon entering other developing countries. This is because those countries believe that we are powerless and do not threaten their countries and people. Instead, these countries and people can do anything to us since our Thai government has never played any role or assisted us in any case. Thus, these countries think that they can deal with us directly and we have no power to threaten them. Instead, if we are companies from developed countries or powerful countries, these countries may think that we will threaten or take over them since we can directly contact the mother countries to assist or protect us. Thus, if our company (CP) does not treat their countries well we will be dismissed from the country easily. If we come from developed countries with full government support, however, we may have troubles in operating businesses in other developing countries.” (Interview #1, Top Management, CP, June 12, 2013)
The organic expansion internationalization strategy also implies the centralization of decision-making processes and the diffusion of practices from headquarters in Thailand to other subsidiaries such as accounting system and HR practices. This centralization fits well with CP’s policy because CP’s main policy also focuses on diffusing systems, patterns, and practices used in Thailand to other subsidiaries. For instance, CP’s accounting system in other subsidiaries mainly relies on practices that the mother company in Thailand applies. More simply put, the accounting system must be in the same pattern across the globe. CP’s top executives brought the accounting system and practices from the headquarters and then localized some parts of the system and practices that may be related to legal issues or GAAP. CP’s top executives believe that its accounting model in Thailand is decent enough so it exports its support team to the subsidiaries to help employees at the subsidiaries to implement the system. In this case, CP prefers to implement organic expansion because CP is able to build up its businesses little by little so its businesses are able to survive the troubles in less developing countries.

Regarding the M&A, there was only one M&A case in the history of CP. At that time, CP intended to request for business license in order for CP to be able to raise swine in Malaysia. It was very hard to obtain the business license in Malaysia at that time, however, meaning that the number of licenses was limited and all of the licenses were already obtained by other companies. So, CP finally purchased the company that already had such license after carefully considering the pros and cons of each option.

In addition, the organic expansion internationalization strategy implies that CP develops its subsidiaries in each country little by little and at the same time cultivates the relationship with multiple stakeholders in host countries in order to minimize costs of unfamiliarity with host country environment and support the sustainable growth of CP in that country.
Specifically, CP emphasizes that one of the most significant strategies that make CP become successful in entering other developing countries is that CP develops and maintains a decent relationship with multiple stakeholders such as the governments of host countries, farmers and agriculturists, chamber of commerce, trade associations, labor unions, and NGOs. Such decent relationship of course helps to alleviate the liability of foreignness incurred from entering other foreign countries. Upon internationalization, CP always relies on the Charoen Pokphand Food (CPF) way that pays attention to 3 benefits: benefits to the country, benefits to customers, and benefits to the company (CP) (Interviews #2 and #5, Top management, CP, July 10, 2013). The government of host countries plays a vital role in the survival of CP in developing countries. Typically, if CP is interested in investing in any developing countries, CP will contact directly with the government officials, or with Ministry of Agriculture, or Ministry of Commerce of that country. CP then invites the government officials of that country to come to Thailand for a study visit of CP’s headquarters. Their trip is free-of-charge; CP definitely pays for everything. Or, CP sometimes invites the government officials of the targeted countries to visit the subsidiaries in other countries in order to promote CP’s successful cases. Then, it asks the government of the host country for the willingness to let CP enter the country and for the investment promotion. If the host country government is willing to let CP enter the country, CP then is able to do so since CP realizes that the food and agricultural industry is a very sensitive industry. If the government of host countries does not welcome CP, CP must be unsuccessful or may face losses.

For instance, in case of India, it took quite a long time until the government of India welcomed CP to conduct the food and agricultural businesses in India. The government of India finally gave CP the permission for holding 100% shares of its subsidiary in India and the eligibility for investment promotion. The government of India issued an invitation letter to CP and amended its rules and regulations in order to facilitate CP’s investment. It also
shortened the company establishment processes for CP from 220 steps to 72 steps. Even if the
government did so, it took about a year for CP to register and establish its subsidiaries.

An additional example regarding the role of government in host countries is the case
of Malaysia. When CP met with several Ministers from Malaysia last year, the Ministers were
very surprised why CP has been able to hold 100% of shares in its company there. According
to Malaysia’s laws, when foreigners would like to enter and set up a firm, they must find local
partners. Foreigners are not allowed to hold 100% of shares in Malaysia. In fact, CP discussed
this issue with the government of Malaysia when it started gaining access to Malaysia several
years ago. CP had to make them understand that it would not aim at taking advantage from
their country. But CP had to protect its competitive advantage in order to survive in the
market. Thus, CP needed to own 100% of its shares in its subsidiary in Malaysia. The joint
venture strategy was not very convenient for CP.

Generally, CP must develop and maintain good relationship with the government of
host countries because it is an important stakeholder that plays an important role in the
survival and success of CP in that country. CP must demonstrate that there will be positive
spillover effects upon its entry into each country. For instance, CP transfers food and
agricultural know-how and technology to host countries. CP creates a large number of jobs
among local people because typically CP hires local employees and “constructs” its own local
employees from the scratch. Upon opening a new factory in any country, CP imports only 4
categories of Thai people into that country: Chief Executive Officer (CEO), Chief Financial
Officer (CFO), lab specialists, and farm or factory supervisors. Its policy is to recruit local
employees in each host country as many as possible. Afterwards, CP continuously reduces the
number of Thai employees from host countries. Finally, only CFO remains in host countries
since according to its HR policy CFO must be Thai in order to help CP to protect foreign
exchange problems.
The relationship between the government of host countries and the Chairman and CEO of CP’s subsidiary in that country is not negligible. When the Chairman and CEO of CP in any country does not pay close attention to this relationship, the resistance from any party may follow, especially when businesses in that country have continuously grown and become the number one of food and agricultural industry in that country. Local people in that country may think that CP would like to take advantage from their country and CP may not be able to survive from this situation. In this case, if CP is weak in terms of managing relationship with stakeholders, the firm will easily be attacked from the media or any group of stakeholders in the host country. Thus, the relationship between CP and government of host countries must always be strong. (Interview #3, Top Management, CP, July, 23, 2014)

In addition to the government of host countries, relationship with communities around the company in each developing country is also equally important. It is not even possible to just take advantage from the host country without giving something back. CP comes from Thailand, which is a developing country (or an emerging country), so it is not possible that the home country is powerful enough to force each developing country to accept and support its existence. That said, adapting itself to the host country environment and the needs of multiple stakeholders is crucial.

One of CP’s classic cases regarding the relationship with local communities is the case of Indonesia. Indonesia is the second country CP has internationalized its business after Hong Kong. CP has established its business in Indonesia for over 40 years. From only a small company, CP has later become the number one company in the food and agricultural industry in Indonesia. The number two and number three companies in the food and agricultural industry are those owned by the son and nephew of Ex-President Suharto, respectively. It is hard to imagine how much trouble CP has faced in operating its businesses in Indonesia. In this case, CP has to protect itself by developing and sustaining relationships with communities
surrounding the company. Several years ago, many agricultural cooperatives in Indonesia planned to raise chicken and requested for assistance from the number two and number three companies in the food and agricultural industry. The number two and number three companies, however, denied the proposal since they thought the cooperatives were small-sized and were not significant. Such cooperatives then turned to request for assistance from CP. CP, of course, was willing to assist them. It offered the cooperatives free-of-charge training for a month. Whether the cooperatives would purchase the company’s chicken feed or broiler chicks afterwards was voluntary. CP also helped the cooperatives to set up the farming system. The cooperatives finally purchased chicken feed and broiler chicks from CP. CP finally also purchased chicken from them for further processing. What actually happened was that the number two and number three companies in the food and agricultural industry owned by the son and nephew of Ex-president Suharto attacked CP during the annual national agricultural assembly. Members of the agricultural cooperatives then stood up and defended for CP. Members of the cooperatives said that “Even though CP is a foreign company, the company itself has benefited our local communities much more than what you (the number two and three companies) have done.” (Interview #1, Top Management, CP, June 12, 2013)

In addition, during the financial crisis in 1997 the famine in Indonesia was widespread all over the country. A large number of farm plunders, of course, followed until the number two and three companies in the food and agricultural industry owned by the son and nephew of Ex-president Suharto closed many of their own farms. The government of Indonesia asked CP to see whether CP would like to hire soldiers to protect its farms or not. CP replied to the government that the famine was so prevalent and CP was certain that if its farm was plundered, the soldiers or police would not be able to protect the farm. Instead, CP implemented the following policy to help to alleviate the situation of farm plunder. CP invited the village heads to the company and proposed that CP would give them 1% (about 1,000) of
its broiler chicken to the village heads every 6 weeks to help to alleviate the famine in the village surrounding the firm. The villagers then had enough food to consume. But, if someone had plundered CP’s farm, the farm then would have had to be closed and the villagers would have had no food. Apparently, when any strangers got closer to its farm, the villagers then helped to protect CP’s farm and CP was able to survive the situation while other competitors had to close farms during that period.

In case of the factories that did not raise chicken, however, CP instead invited the village heads to its factories and asked them how many people lived in the village and the amount of rice they usually consumed per month. CP then gave them 20 jumbo bags of rice per month. But, it was not able to give more than that number because the costs were too high. The villagers finally helped to protect CP from the plunder. The number two and number three companies as well as small-sized companies in the food and agricultural industry closed a lot of farms since they were afraid of the situation. The price of chicken in Indonesian market then increased due to the shortage of supply. CP then rented several closed farms to expand the business while others closed their farms. This was because CP has developed and paid special attention to the relationship with communities surrounding the firm. Hence, when CP enters any poor or developing country, CP always uses the classic case of Indonesia as its business model.

Furthermore, the role of labor unions and chamber of commerce or trade association in host countries are also important. CP has taken care of the relationship with these multiple stakeholders. For instance, in case of labor unions in Vietnam, according to its labor law at least 10 persons can gather together and establish the labor union in the workplace in Vietnam. There are several levels of labor union in Vietnam: firm-level labor union, province-level labor union, and national-level labor union. In the industrial estate, there are industrial estate-level labor unions. It seems like labor unions are the mandatory organizations
in this socialist country. When CP realizes that there are labor unions in Vietnam, CP has to adjust itself (There are no labor unions in CP in headquarters in Thailand) and look for ways to cooperate with labor unions. For example, CP requested labor union representatives to participate in some company’s activities in order for them to recognize the “real” situation of the company. CP also regularly met and discussed with labor union representatives. Since labor union committee was elected every 4 years, the best way was to send employees from CP’s “side” to participate in the labor union committee as the Vice President or President of labor union, depending on the election cycle. The company and labor union are likely to have decent relationship with each other. In every firm that has labor unions, CP always thinks that labor unions are “friends” and then CP attempts to work with them. (Interviews #7 and #8, Middle Managers, CP, August 15, 2013)

In case of India, labor union in India is typically very vigorous. This seems to be the basic condition in India. When CP entered India, CP was not able to apply the “consumption-based” concept used in Thailand over there. CP had to conduct in-depth study there and searched for ways to adapt itself to the new situation. Due to the fact that India was colonized by the UK for a long time, it was possible that the local people in India might think that foreigners like CP would like to take advantage from their country. Thus, CP had to educate them and made them understand that CP played a role in developing their wellbeing and also transferred advanced food and agricultural knowledge and technology to their own country. As mentioned earlier, CP relies on the CPF way which pays attention to 3 benefits. Its executives communicated with labor unions in India regularly regarding the benefits such as job creation, employment growth, knowledge transfer, and better quality of life for employees and their family members. CP had to explain to labor unions that CP did not intend to take advantage from them because CP did not want to conduct business over the short run. Instead,
CP did not bring the money back home because it aimed at expanding its business in the long term. (Interview #6, Middle Manager, CP, July, 2013)

Regarding the chamber of commerce or trade association, CP has also had to manage the relationship with this party in order to overcome the attack and to survive in the market. In India, the Broiler Association in India attempted to force CP to follow the claims of the association. Sometimes, these claims were not in compliance with the law, which led to a huge problem. For instance, the Broiler Association forced CP not to launch a large amount of broiler meat into the market because the market price was likely to be lower. CP thought that this was not a right way since CP sold its products according to the market mechanism. Even though CP obtained lower margin, it can benefit from selling a bulk quantity of products. The Broiler Association needed a higher margin with lower supply of products in the market. So, the objective of two organizations was different. CP then had to educate and make the Broiler Association understand what CP was thinking. CP was not able to generate conflicts there; otherwise, CP might not survive in that market because the Broiler Association was one of its stakeholders. CP has always faced the challenge or claims from this group of stakeholders when it operates business in the subsidiaries. In case of NGOs, CP stated that “They have almost never come to us since we strictly follow the laws.” (Interviews #7 and #8, Middle Managers, CP, August 15, 2013)

In sum, developing and maintaining decent relationships with multiple stakeholders is a significant strategy that helps CP to successfully implement organic expansion internationalization strategy in other developing countries. One middle manager proposed an interesting comment regarding the relationship between CP and its stakeholders in developing countries as follows:

“CP has always used the “wall of humans” as our power to help CP to sustain our business in other developing countries. That said, we attempt to take good care of
communities around us. Our contract farming model helps to transfer knowledge to them and to create jobs for them. If we can demonstrate that our food and agricultural company can benefit their communities and their countries, we will finally be able to survive.” (Interview #8, Middle Manager, CP, August 15, 2013)

When CP chooses to enter any targeted developing country, in addition to considering the level of economic development (under-developed), of food and agricultural industry development in that country (not saturated), and the relationship with multiple stakeholders, there are also two additional factors CP has to take into consideration. The first one is the natural resources of that targeted country. CP has to conduct the feasibility study of each targeted country to see whether it has sources of raw materials and sources of water for food and agricultural business. CP’s farming business needs to use water supply and its animal feed business needs source of corn and/or soy bean. These raw materials needs water supply for growth. Actually, there were several countries such as those from Middle East that asked CP to help to develop their food and agricultural business in their countries. These countries have plenty of financial resources but they do not have sufficient amount of water supply. Compared with the amount of water supply in Thailand, the amount in these countries is too little. With regards to sources of raw materials, when CP conducted in-depth study there, it found that these countries also had a major problem regarding the source of corn, soybean, or wheat for feeding livestock. In addition, the nature of these raw materials was not suitable to be transported from one to the other countries. They were not electronic products. Thus, CP denied the proposal from these countries.

The other factor is the economy of scale. CP’s policy is to upgrade the standard of living among people in every country it enters. CP needs to consider whether its entry into each country leads the firm to the economy of scale, however. CP has already gained access to all of the countries in ASEAN, except for Brunei, due to the fact that the number of
population in Brunei is too small. CP cannot gain the economy of scale if conducting its businesses there. So, import is a better solution for Brunei.

Last but not least, the details of how CP conducts the feasibility study of each targeted developing country before setting up its subsidiaries are as follows. When CP chooses to enter any developing country, it also considers the price level for meat in that country in addition to other factors mentioned above. If CP perceives that there are some price gaps that it is able to take advantage from, CP will send the study team to that country to conduct the feasibility study and look for the location of an animal feed factory and a farm. The study period normally takes approximately 1 year. In this case, CP also has to consider the economic conditions and the possibility to find suppliers or agents in that area. Then, it starts to contact agents by sending its own animal feed to the agents for sale in that country. CP usually opens the market in this way. Then, it waits until it is able to obtain the expected sales volume of animal feed. More simply put, it makes sure that the firm definitely is able to make sales in that country. Typically, the expected sales volume is equal to 1 shift of the new factory CP would like to set up. If CP can obtain one shift, it will set up the factory in that country. In this way, CP ensures that upon opening the new factory, it is able to make sales on the first day. CP at least has to make one shift of sales volume. Generally, within a year after the grand opening of factory CP is able to expand its sales volume to 2-3 shifts. It has never opened the new factory without any feasibility study.

Strategic Human Resource Management (for Managerial and Professional Employees)

The managerial and professional employees at CP are classified as “monthly workers”. They receive monthly salaries (instead of daily wages) and they are eligible for annual bonus. These monthly workers typically work both in the corporate office (such as accounting managers and HR specialists) and in the factory system (such as quality control supervisors). In terms of HR strategies for these managerial and professional employees, they
are likely to be in accordance with the “organic expansion” internationalization strategy mentioned above. The headquarters in Thailand primarily centralizes human resource strategies and practices in order to ensure that the same HR strategies and practices have been standardized across the globe.

Actually, the term “human resource management (HRM)” that is widely used in the US is not applied in the CP context. Instead, CP uses the term “people management or personnel management” because it tends to fit better with its corporate culture. In practice, CP attempts to apply the same “people management” system across subsidiaries. One of the top executives explained why the same “people management system” is applied across subsidiaries: “We know that our people management system is not perfect but we would like to standardize the system throughout the globe. Sometimes, there are some legal issues so we may have to localize some parts. But, the people management system in our subsidiaries must be as similar to the system in Thailand as possible.” (Interview #1, Top Manager, CP, June 12, 2013).

CP’s main HR strategy at the headquarters in Thailand is to rely on internal labor market HR strategy to build a set of loyal Thai managers or to “make” its own managers and professional employees from scratch. CP emphasizes that “making” its own managerial and professional employees from scratch leads to a stronger and more powerful organization. The “internal labor market” HR strategies also fit well with the organic expansion internationalization strategy in that this strategy implies that organizations and people have grown together little by little.

Specifically, CP recruits young generations and builds them up over the long run. This strategy strengthens the firm and is much better than “acquiring” or “buying” mid-career personnel from other companies. Of course, this process is very slow but CP is able to obtain employees who really understand the business operations and would like to stay with the
company because CP is “CP”, not because CP is “a typical firm”. CP seems to be fortunate enough to be able to recruit people who would like to stay with the firm and can do everything for CP as can be seen from the fact that CP’s top executives now have been working for the company for about 30-40 years. They have been staying with the company since they were young. When CP has grown, these employees have also grown. One of the top executives confirmed this point: “I was recruited as a first-line manager about 30 years ago. CP has always given me a challenging assignment and I have always been able to show my capabilities and potential.” (Interview #3, Top Manager, CP, July 23, 2013)

Several top executives at CP also stressed that the most important factor for the company’s success in Thailand and in the international arena is “people”. If CP do not have its own employees but CP instead “hijacks” people from others and tell these people that CP will give them extra amount of salaries, this plan is eventually not sustainable. Other companies can also do in the same way. These people (as grasshoppers) can hop from place to place. They of course do not stop at only CP. The top executives at CP, however, did not deny the fact that there are some grasshoppers at CP. They stated that sometimes, it is necessary to have grasshoppers at the company because CP would like to acquire new technologies and knowhow from these grasshoppers. This group of grasshoppers then transfers technologies and knowledge they may acquire from previous employers to CP. But CP has to limit the percentage of these people at no more than 3-5% of all employees. Top executives at CP have never thought that these grasshoppers would stay with their firm over the long run and would not move to other companies. These people may stay with CP for 3 – 5 years and move to others so CP would rather “make” its own employees from scratch.

Interestingly, one of the HR practices that CP has been implementing during the past decades in order to ensure that the recruits would commit to stay with CP over the long run is the recruitment and selection of applicants based on their horoscope and physiognomy and /
or face reading. Many middle and first line managers confirmed that this practice eventually plays a role in sustaining its internal labor market HR strategy.

In terms of the HR strategies and practices in the subsidiaries, the internal labor market HR strategy of course naturally fits well with the organic expansion internationalization strategy. CP intends to build up its businesses little by little in each country so it is very important to have its own loyal managers and professional employees who have been staying with the company from the starting point and running the business operations until the company becomes the number one or number two in the food and agricultural industry in each country.

Regarding the number of Thai employees who have been sent to each subsidiary, CP usually looks at the legal requirement of each country and needs of the businesses in that country. However, the needs are much more important. CP’s main policy is that the firm would not send a huge number of Thais to the subsidiaries. CP expects to “make” its own local employees from scratch so only a handful of Thais should be sufficient. The other main policy is to use organic expansion internationalization strategy by exporting the patterns, i.e. systems and practices used in Thailand and using such patterns to set up its businesses in each country little by little. This policy also implies that CP’s main human resource strategies are centralized in some way. One middle manager explained the rationale behind this logic.

“When CP first sets up the new factory or company in any country, Thai employees sent from the headquarters play a very important role in this stage. In case of organic expansion internationalization strategy, we have to use Thai employees in the initial stage because they know CP’s requirement very well. For instance, they know how to construct animal feed factory, how to build broiler and layer farm, how to select the location, and the appropriate characteristics of land according to the headquarters’ standards. Thus, our Thai employees have to set up the factory and farm in each country. They can use their own
experience from working in Thailand and they know what to do in each country. Afterwards, we then recruit a lot of local employees into our company there. They can be workers, supervisors, and sometimes middle managers. We then try to build up our own local employees from scratch until they become middle and top managers, respectively. Finally, we continuously reduce the number of Thai employees in the subsidiary at the same time.”

(Interview #6, Middle Manager, CP, July 31, 2013)

In terms of the number of Thai employees in all of the CP’s subsidiaries, currently there are approximately 600 employees and managers; some of them are Presidents, Chief Executive Officers (CEOs), and middle managers. These Presidents and CEOs are working in countries that CP is still in the process of making its own local employees in order to become the President and CEO in the future. Some of them are experts or specialists. These experts or specialists normally go back and forth between the headquarters and subsidiaries. With respect to the managers, some of them are Chief Financial Officer (CFO) and some are HR specialists. The only critical position is the CFO who must be Thais, however. But it takes quite some time to achieve this goal – only one Thai (who is a CFO) in each subsidiary and others are local people - due to the fact that CP’s businesses have rapidly grown during the past several years so CP cannot “build up” its own local employees to respond to the growth. That is why there are about 600 Thais from the total number of employees in all of our subsidiaries of approximately 30,000. These Thai employees play an important role in running the subsidiaries during the initial stage of establishment while CP is in the process of making its own local employees as mentioned above.

In order to make its own local employees in other subsidiaries, first CP must pay these local employees well and provide them with sufficient amount of benefits in order to motivate them to stay with CP over the long term. Second, CP must have strong career paths for local employees so that they think they have “bright” future with their company. In this case, CP’s
policy is that the local employees can achieve the highest position in each subsidiary if they are knowledgeable and capable. CP does not limit this position for only “Thai” people. The CEO of each subsidiary can be local employees. The only position that CP limits for only Thai people is CFO as stated earlier. More simply put, CP implements localization policy in this case. Localization at CP is defined as its local employees not being forced by “expats”; they can achieve even the highest position in each subsidiary. Third, local employees shall continuously be trained and developed. Many of them need training and development because sometimes the promotion cannot answer every question. They should be developed in terms of knowledge, skills, and more challenging jobs. Fourth, their job assignments shall be suitable for their qualifications, knowledge, and skills. Finally, work environment shall encourage local employees to work harder and shall not be the obstacles for them to work at CP. In this case, CP mainly focuses on happy age, meaning that its employees must be healthy, and happy soul, meaning that its employees must be warm-hearted, sociable, and considerate. Altogether, these HR practices have been implemented to attract, develop, and take care of local employees in subsidiaries. Actually, these HR practices are not that different from the practices CP has been implementing in the headquarters in Thailand.

Specifically, some important HR practices implemented across CP’s subsidiaries are described as follows.

1) Recruitment and Selection

The attraction of students from targeted universities in each country has been considered one of the CP’s main recruitment and selection practices in each subsidiary. Put simply, the internal labor market HR strategy has been primarily implemented by external hires at lower levels. In this case, CP networked with targeted universities in each country or each local community. CP dealt regularly with the presidents and deans of the universities as well as the faculty in order to promote its company among students. CP has to build up its
own brand in each country in order to facilitate the recruitment and selection processes. Its main policy is to attract students in the universities into the company because it is easier to make these students become the company’s long-term staff.

This strategy has also demonstrated the importance of maintaining positive relationships with multiple stakeholders as mentioned earlier. Several top executives at CP stated that CP is the number one in food and agricultural industry in Thailand so CP intends to become the number one in every country where its subsidiaries are located. Put simply, the main philosophy is to conduct the businesses on the basis of continuous and sustainable growth and, finally, CP would become the number one in food and agricultural industry in each country. The next question is how CP is able to survive in each society. In this case, relationship is the most important element. CP communicated regularly with stakeholders, including its targeted universities, regarding how CP created jobs for local people, how CP promoted wellbeing among people, and how CP benefited their country. In addition, CP communicated with targeted universities that farmers and agriculturists in that country were able to absorb advanced knowledge and technology from CP and this could help improve their productivity. This is one of the positive spillover effects. CP also has to collect and publicize its own records because sometimes if CP does not inform others of what CP has always done and when its stakeholders do not know, this may affect CP’s survival in that country. The reason is that local people may think that CP only takes advantage from their countries if CP does not communicate with the multiple stakeholders regularly. In this example, CP has realized that communication and public relations is a useful tool towards its sustainability in each country. One of the first-line managers stated that “If CP intends to become the kitchen of the world, CP has to act like “an ant” and strive for the best.”

(Interview #9, First-line Manager, CP, July 28, 2013)
Of course, as in the case of the headquarters in Thailand the selection of local employees in some critical positions based on their date of birth, horoscope, and face appearance has still been applied. (Interview #10, First-line Manager, CP, July 16, 2013)

2) Training and Development

CP has always paid attention to training and development of local employees. Under CP’s perspectives, local employees are as valuable as Thai employees so the firm attempts to “make” local employees to become CP’s future leaders in each subsidiary. One top executive explained the case of training and development in Turkey.

“In case of Turkey, CP has found that there are a lot of skillful and competent workers there and we would like to conduct businesses there over the long run. Thus, CP has implemented the following strategy. We first sent Thai employees there in order to set up the company. Then, we recruited people who had just graduated with Bachelor Degree into the company. They worked as a salesman / saleswoman or other positions for 1 or 2 years. CP then traced each employee’s potential and performance and sent employees who had high potential to further their Master Degree in universities in Turkey. The tuition and all of other expenses was sponsored by CP. When they graduated with Master Degree, they become our own local employees and finally we promoted them further. We have “constructed” our own local employees from scratch in order to become valuable assets in their country since our CP’s main policy is to promote local employees to the highest position if they are eligible.” (Interview #1, Top Management, CP, June 12, 2013)

In addition, CP has also sent some high potential employees in each country to attend training and development programs in the headquarters in Thailand. For instance, in case of Myanmar or Vietnam, CP has developed local employees in these countries in the following ways. First, CP has regularly sent some high potential employees to attending training programs in Thailand. The other strategy is to export our specialists from Thailand to conduct
short-term training for local employees there on a regular basis. Finally, CP has also sent some specialists from Thailand to work in each subsidiary in these countries for 2 – 3 years and brought them back. In case of India, CP sent its specialist team to work in India and imported some Indian potential employees to attend training program in Thailand for about a month. Many of these Indian employees, however, worked for CP for over 10 years at that time. CP intended to develop them until they specialized in the other area, so CP sent these Indian employees to learn from the headquarters in Thailand directly. CP typically chooses employees who have high loyalty to the company. Some of them worked with CP for 15 years at that time as a salesperson and CP in India planned to open a new production line of business. So, CP in India sent them to Thailand to attend the training program here. When they went back to India and if they were eligible to work in that new line of business, CP would promote them later. In order to protect failure in this development program, CP has also sent its support team from the headquarters to work closely with these groups of employees for 6 months after the employees finish the training and development program. They typically work like a buddy since CP would like to see its businesses become successful in the international arena.

Specifically, CP has to train all of the local employees across subsidiaries until they are able to work according to CP style. CP has always given an opportunity to every local employee who has outstanding performance. High performers, successors, or talents from each subsidiary who would become CP’s future leaders in each country have been sent to attend training programs in Thailand. Actually, CP has its own training institutes both in Thailand and in other countries. Those local employees who have strong potential or talents, however, would have an opportunity to conduct study or business visits and attend training sessions at the head office in Thailand. They are able to participate in several activities at the head office in this case. The experts at the headquarters in Thailand teach these local
employees regarding what the headquarters has done in each case and how CP’s businesses can become successful in Thailand and in the international arena. CP’s top executives emphasized that high performers in each country have to learn from the best practice in Thailand. This group of employees may 100% imitate the best practice or they may adapt some parts into their contexts but these people must learn from the best practice at the head office first. More simply put, CP aims at diffusing the practices at the head office to other countries’ subsidiaries. CP strongly hopes that these talents would become the future leaders in each country. CP’s talent pool is very dynamic, however. Thus, some talents can be dismissed from the pool if they are working in an area that does not have “bright” future or they are working in an area that their mentors do not take good care of them until their performance declines from the expected target. Some executives stressed that when CP’s people management system, however, becomes stable and excellent in the future, its dream shall come true, meaning that CP can perfectly attract and retain talents as needed.

3) Performance Management and Compensation

As in Thailand, CP’s subsidiaries in other countries has focused on result-based performance management and linked the performance outcomes with incentive system. CP’s main compensation policy across the globe is to focus on clean wage and pay above industry average. Specifically, in terms of performance management, CP has been using the concept of balanced scorecard. That said, it uses key performance indicators (KPI) and result-based performance management and link the performance outcomes with incentive. The incentive system in each line of business may not be equivalent. The main concept, however, is to focus on clean wage. CP pays its employees in cash more than in “benefit” because its top executives believe that this way is more appropriate with lifestyle of people in the current situation. Employees are more knowledgeable so they are able to manage cash by themselves while in the past company may have to plan and manage benefits for employees. Typically,
CP has to look at the norms in each country and adapt this compensation policy to the context of that country.

When CP enters each developing country, it has never had any problem regarding the attraction and retention of employees due to the fact that its main policy is pay above industry average. CP takes good care of its employees in order to retain them over the long term. For instance, in case of animal feed factory in Thailand or in any other country, the attraction and retention of employees are not so problematic. The situation, however, is more sophisticated in case of farming because most of the farms are located out of the city. Some top executives and several professional employees emphasized that CP built and decorated its staff’s home in order to make that staff felt like they were staying at cozy home and they did not want to go back to their real “home”. In every farm, the staff’s home must have air-conditioner and heater with basketball field and fitness room. CP provided chef to cook for the employees. These employees had free-of-change meal in the company’s decorated dining rooms. The company also provided 24-hour doctors and nurses. Thus, when the company had to close the farm for cleaning periodically, its employees said they did not want to go back to their real home. They would like to stay in the farm. CP has implemented this policy in every country so it is able to attract decent employees. In addition to pay above industry average, CP must ensure that its employees’ quality of life is better than when they stay at their real home.

(Interview #1, Top Management, CP, June 12, 2013 and Interviews #11, #12, #13, #14, Employees, CP, July 15 & 16, 2013)

4) Employee Relations

CP in Thailand is union-free but the situation in other subsidiaries is different. As mentioned earlier, the union is quite strong in India, and probably, in Vietnam. CP’s main policy, however, is to apply the paternalistic style the company has been using in Thailand for
several years in sustaining decent employee-management relations and family-like work environment in other subsidiaries.

In Thailand, each line of business has unique employee relations patterns. Some factories have wire broadcasting; some have Buddhist Club, Saving Club, Happy Age Club, Annual Sports Day, Annual Employee’s Day, and HR Clinic. HR department then has to encourage these factories to share their experiences with other factories in order to select the best practices of employee relations activities. Due to the fact that CP has over 70 factories in Thailand and each of them has its own employee relations program suitable for their environment and locations. So, each year each factory shares its own experiences with one another and HR department selects the best practice that would be implemented in other subsidiaries across the globe. The other important issue is as follows. Even though CP has labor unions in some other subsidiaries, CP has never thought they are our enemies; instead, the management works closely with them and maintains the same family-like environment in its factories across the globe.

Hence, in terms of HR practices that support the internal labor market HR strategy or “make” HR strategy in each subsidiary, CP pays special attention to the attraction of students from targeted universities in each country, training and developing them to become local talents, focusing on clean wage and pay above the industry average in order to retain such local talents over the long term and protect these talents from being “shopped” by other competitors, and applying the paternalistic employee relations style to maintain the family-like work environment.

In sum, CP, the world’s largest producer of animal feed and shrimp among other products, is a paternalistic corporation that has grown organically from a family-owned business. It has remained almost completely vertically integrated across its supply chain, including its own retail stores and restaurants as mentioned above. CP mainly relies on
internal labor market HR strategy or “make” HR strategies to build a set of loyal Thai and local managers and professional employees who run their business operations in the headquarters and other developing countries (south-south expansion).

**Thai Union Frozen Products (TUF)**

*Corporate Background*

Thai Union Frozen Products (TUF) is considered the world’s largest canned tuna producer at this time. Its mission is to be the “chef of the world”. The firm started its operations from a small family business producing every kind of frozen seafood under OEM (Original Equipment Manufacturer) about thirty-five years ago. The founding member of the company originally came from China. The company has expanded its business by using strategic alliances, joint ventures, and, primarily, M&A strategies. TUF has also invested in other relevant businesses such as the Thai Union Graphics Corporation in order to reduce any financial burden from printing labels for every product under TUF. The company now employs over 30,000 employees across the globe. It currently owns several well-known brands such as Chicken of the Sea (USA), MW Brands (Europe), Century (China), Sealect, Fisho, and Belotta (Thailand and nearby countries). TUF’s total sales revenue in 2012 was 106,697,622,358 (Thai) Baht and its net profit was 5,471,487,524 (Thai) Baht.

*Business Model*

TUF’s business model focuses on food (especially seafood) and related businesses along the production chain such as the production of steel can and aluminum can, label printing, a professional marketing company, a manufacturer and seller of white shrimps and nauplii, and a producer and seller of fish and shrimp feed. The company, however, does not intend to expand itself to other types of businesses beyond the food industry and still does not dominate the entire “supply chain” as in the case of CP. For instance, TUF distributes its...
products via other retailers such as other department stores and convenient stores that do not belong to TUF (e.g. 7-eleven convenient stores).

Its main business can be categorized as follows. First, TUF’s main business is tuna. The tuna business consists of frozen cooked tuna products and canned tuna. These tuna products are produced under the customer’s brands (OEM) and under TUF’s brands. The tuna products generate approximately 49% of income for the company and its subsidiaries. Second are the shrimp businesses and any businesses related to shrimps. These businesses consist of frozen shrimp products and any other products related to shrimp businesses such as shrimp feed and shrimp farms. These shrimp products account for approximately 23% of the company’s incomes. Third, TUF has conducted sardine and mackerel businesses. These businesses are composed of canned sardine and canned mackerel under the customers’ brands and under its own TUF’s brand. They account for approximately 6% of the company and its subsidiaries’ incomes. Fourth, TUF has conducted salmon businesses. These businesses consist of frozen salmon products, processed salmon products, and canned salmon under its customers’ brands and under its own TUF’s brand. They account for approximately 4% of the company and its subsidiaries’ incomes. Pet food is considered the fifth business consisting of cat and dog food. This kind of food has also been produced under the customers’ brands and TUF’s brand. It accounts for about 7% of the company and its subsidiaries’ incomes. Finally, TUF has offered several other value added products such as ready-to-eat food, canned seafood, frozen cephalopod, and bakery products under the customers’ brands and TUF’s brand. These products account for about 11% of the company and its subsidiaries’ incomes.

In addition to the main businesses, TUF has several related businesses owned by its subsidiaries. First, Asian Pacific Can Company Limited (APC) is one of the TUF’s subsidiaries that conduct businesses regarding the production and sale of steel can and aluminum can for food packing. The can is classified into two main types: conventional lid
and 2-piece easy-open lid. The company has just purchased the new equipment for can production by investing about thirteen million (Thai) Baht. The company’s production capacity has been expanded to 16 million cans per month. In addition to the production of can to serve TUF, this company has also produced can for other external customers. The second company is Thai Union Graphic Company Limited (TUG). This company is responsible for any high-quality offset printing services such as label printing, box printing, book printing, and rolled sticker printing. This company has conducted printing services both for TUF’s products (e.g. label printing for canned food) and for other external customers. The third company is T-Holding Company Limited (THD). This company has served as a professional marketing company for “Sealect” products, “Fisho” products, and “Belotta” products, and acted as a strategic planner for these products. “Sealect” products cover a wide range of seafood products for sale in Thailand and other neighboring countries such as canned tuna, sardine, and mackerel. “Fisho” products are fish stripe snacks for sale in Thailand and also in other neighboring countries whereas “Belotta” products are cat and dog food manufactured from some kinds of waste from seafood processing. The fourth company is Thai Union Seafood Company Limited (TUS) responsible for producing and exporting frozen shrimp. The fifth one is Thai Union Feedmill Company Limited (TFM). This firm produces and sells aquaculture feed domestically and internationally. Its main products are fish feed and shrimp feed. The last one among TUF’s main subsidiaries in Thailand is Thai Union Hatchery Company Limited (TUH). This firm serves as a manufacturer of white shrimps (Penaeus vannamei) and nauplii for sale both to TUF and to other external customers.

TUF’s main strengths can be described as follows. First, TUF has been recognized as the world’s number one producer of canned tuna. One in five canned tuna sold across the globe is produced by TUF (including our subsidiaries). At the same time, TUF has been considered the world’s leader in frozen seafood products. Second, TUF has owned several
world’s leading brands of canned and frozen seafood products, i.e., “John West” which is the number one brand in the UK, Ireland, and the Netherlands, “Petit Navire” and “Hyacinthe Parmentier” which is the number one brand in France, “Mareblu” which is the number three brand in Italy, “Chicken of the Sea” which is the number three brand in the USA, “Century” which is the number one brand in China, and “Sealect’ which is the number one brand in Thailand. TUF has also had the production base that spans throughout the four continents across the globe, namely, North America, Europe, Africa, and Asia. Finally, TUF and all other Thailand-based subsidiaries are all major seafood processors with production capacity of tuna, frozen shrimp, frozen seafood, and canned pet food of 580,000, 76,000, 131,000, and 55,000 tons per year respectively. TUF’s large annual output enables lower production costs from economy of scale.

Actually, TUF outsources several parts of its supply chain to others such as the purchase of raw materials such as tuna and shrimps from other suppliers or contract farmers. TUF has primarily purchased its main type of raw materials, i.e. tuna, from fishing vessels. Tuna is usually caught from Thai Bay or imported from foreign countries such as the Pacific Ocean and the Indian Ocean. There are several kinds of tuna used at TUF such as Longtail tuna, Kawakawa, Skipjack tuna, Albacore tuna, Yellow fin tuna, Mackerel Scad, Sardine, and Sea Bream. TUF typically uses every part of the fish and tries to avoid wasting any part. For instance, tuna loin is used to prepare canned tuna and some waste from tuna loin is used to make animal feed products. The products of tuna such as head, bone, guts or internal organs are used to make animal feed. The water remained from boiling tuna is processed and finally becomes seasoning flavors. In addition, tuna “eyes” are separated and used to prepare “Omega-3” tuna oil. All of the processes mentioned above are operated by TUF’s subsidiaries. Finally, waste from processing tuna in the factory is treated in order to be used as
“fuel” for its electricity generating machine and cooler or freezer. This helps to save the energy costs for the factory of about millions of Baht a year.

The reason why TUF purchases fresh tuna from other suppliers and uses such fresh tuna for further production and export from Thailand is because the cost of Thai labor and/or immigrant labor from Myanmar who are experienced in scraping, cutting, and boiling tuna is cheaper than that that in other countries. TUF boils and processes fresh tuna in Thailand until it becomes ready-to-cook tuna and then the company freezes such ready-to-cook tuna, pack it into the can, and export this tuna to other subsidiaries such as export to MW Brands in Europe. If European customers would like to eat tuna with olive oil, the subsidiaries (MW brands) will open the frozen canned tuna from Thailand and process it until it becomes tuna with olive oil for sale in Europe. Thus, tuna that is scraped, cut, boiled, and canned typically comes from Thailand. This can be considered “OEM”, meaning that tuna has been initially processed from Thailand and exported to other subsidiaries for further processing and cooking. In addition, OEM also includes external customers. In this case, TUF processes tuna for other external companies that do not belong to Thai Union Group (TU Group). These external companies only need to put their brands on our processed tuna and sell to customers but TUF later attempts to reduce the dependence on this type of strategy. In terms of shrimps, the only source of TUF’s raw shrimps comes from contract farming. This approach is quite different from the case of CP that relies heavily on its own farms and acquires some from contract farming.

The Liability of Foreignness and Liability of Origin

TUF’s business expansion started from the fact that the company conducted its businesses under OEM for about 20 years. The company then discovered that it did not have its own well-recognized brands in the international arena and relied too much on their customers; so, they started considering launching its own brands in the global arena in the late
1990’s. When TUF internationalizes its business to other foreign countries, it faces several challenges regarding the liability of foreignness (LOF) and liability of origin (LOR). I will describe them as follows.

First, TUF has chosen to enter developed countries, which is a dissimilar group of countries to the country of origin, Thailand. The rationale behind this decision was that until the late 1990’s TUF and its subsidiaries in Thailand had grown for approximately 20 years under the “OEM” model. TUF’s top executives asked themselves if the company intended to leapfrog in the international arena, what should it do? Should the company just follow the same path by serving as the “OEM”? Then, their answer was that if the company followed the “OEM” model, this option was not a sustainable growth due to the fact that the company had to service the customers without knowing whether they would come to purchase from the company tomorrow or not. It was very possible that customers wanted to purchase from the company today but they might change their mind tomorrow. They would probably purchase from other cheaper sources tomorrow. TUF could not control this situation; the company could only control the manufacturing processes. Hence, TUF’s executives finally thought that the company should have its own brands because the “OEM” pattern was not really sustainable and possessed a lot of constraints. The company’s growth depended too much on the customers and these customers could also control the prices we should obtain. Then, TUF’s executives strongly intended to have its own brands in the international arena.

From the late 1990’s, TUF then has focused on acquiring the brands and companies all over the world. Actually, the company would like to expand its own local brands in Thailand (e.g. Sealect and Fisho) to other countries across the globe but it is very hard to develop and expand its own domestic brands to other countries, especially in developed countries. This process took quite a long time and TUF used to fail from this attempt. This failure may be due to a high level of the liability of origin (LOR). Customers in developed countries felt
suspicious about the brands originating from a developing or emerging country. They may think that the brands were lower in terms of the quality and performance. The country-of-origin effects, which was a part of the liability of origin (LOR) seemed to play an important role in the failure of TUF in launching its own local brands in other countries.

Due to the failure mentioned above, TUF’s executives then thought that the M&A internationalization strategy was able to help the company to expand its businesses in the international arena. This internationalization strategy would help TUF to acquire world-class, well-established brands and expand the name of TUF all over the world. In this case, most of the world-class, well-established brands are located in developed countries, however. Thus, developed countries are a group of targeted countries for its internationalization. As in the case of CP, TUF’s executives believed that there are no world-class, well-established brands to acquire in developing countries. Upon internationalizing its businesses to developed countries, which is a dissimilar group of countries to the country of origin, TUF faced a high level of liability of foreignness (LOF) due to the unfamiliarity with the host country environment and the lack of legitimacy in the host country. For instance, when TUF acquired the “Chicken of the Sea” brand in the US, its Chairman and CEO of Chicken of the Sea faced a lot of difficulties when dealing with the Congressmen and the Food and Drug Administration (FDA) in the US. At least once a year, the Chairman and CEO of Chicken of the Sea has to go to Washington D. C. and talk to the Congressmen about the company, the operations of the factory in Georgia, what the company is doing in the US, and what the company needs from these Congressmen. In some cases, the Chairman and CEO had to obtain support from the Congressmen regarding the Bill. The congressmen have to consider whether the company’s needs are aligned with their objectives or not. Usually, based on the perspectives of a company from a developing country, it is not easy to deal with these people.
because of the lack of legitimacy of the company in the US and unfamiliarity with the laws and regulations in developed countries.

Second, TUF has had to encounter differences in terms of language, culture, laws and regulations, and specialties in each developed country. For instance, TUF has still not been able to enter the Spanish-speaking countries because entering this group of countries in Latin America where people there primarily speak Spanish language is much more difficult. The level of liability of foreignness (LOF) is very high. TUF’s managerial and professional employees as well as its expats are not able to speak Spanish language although the company has sufficient financial resources to purchase or acquire companies in this group of countries. One of the major problems is that when TUF was able to acquire companies in these countries, TUF had to pay attention to the management philosophy of those companies to see whether such philosophy was compatible with the philosophy and policies of TUF in Thailand or not. This was one of the major challenges for TUF. In addition, countries in Latin America typically have a close relationship with Spain, Portugal, or France. If TUF enters this area (Latin America) as a company from an Asian country, it is possible that the company may be attacked from Spain, Portugal, or France because these countries may also need to conduct tuna and seafood business in this region. Or, if TUF enters countries in Latin America, it is also possible that people there may not accept the entrance of TUF. These are the obstacles in terms of cultures and languages, an example of a high level of liability of foreignness (LOF) TUF has been facing.

Third, one of the challenges or obstacles TUF has been facing is the issue of people management and development. The company’s history during the first 20 - 25 years focused on the ‘OEM’ model. Thus, its existing employees at the headquarters in Thailand have been very specialized in factory management, i.e. how to run the machine operations, how to operate the production processes, and how to manufacture the products according to the order
from other well-known brands in developed countries, and how to deliver the products on time. Its employees have been very familiar with the manufacturing processes in the factory environment. After acquiring a lot of well-known, international brands and companies in developed countries that can be classified as “marketing companies”, not “manufacturing companies”, however, such acquisitions have then required different types of employees. Employees must have different knowledge, skills, and abilities to work in the marketing company environment, not the factory environment.

This challenge should be considered a high level of liability of origin (LOR). TUF originates from an emerging country, Thailand. The company has operated its businesses without its own “internationally well-recognized” brands for a long time. Instead, the company only operates its own local brands such as Sealect, Fisho, and Belotta. As mentioned earlier, this is a typical phenomenon because there have almost never been any internationally well-recognized brands originating from developing countries. Its employees then only know how to make products according to the order and how to run the factory with maximum efficiency. They do not know how to market their products in the international markets, especially in dissimilar group of countries, i.e. developed countries, how to manage different groups of personnel, and how to run the internationally well-recognized brands such as Chicken of the Sea and MW Brands. In this case, this challenge results from the fact that the company itself originates from a developing country. The company then has a disadvantage in terms of its exposure to developed countries and modernized work environment, so it has to overcome this liability of origin by recruiting new generations of employees who have had experience in the international arena and developing its existing employees to become familiar with this new work environment.

Fourth, fish, specifically tuna, are usually popular among foreigners, especially in western countries and it can become their main diet in daily life. In case of Thai people and
people in other neighboring countries, however, they normally do not like consuming tuna. The rationale behind this fact is probably due to the fact that Thailand and its neighboring countries is abundant in terms of food supply such as local fish and river prawn so people there have varieties of food choices and it is very easy for Thai people and those in neighboring countries to access and consume “fresh” food. They do not have to depend on “processed” food, canned food, or frozen food at all. In addition, canned tuna or canned seafood has usually been expensive in Thailand and its neighboring countries compared to the price of the same portion of fresh food. In this case, the position of “Sealect” tuna in the domestic marketing campaign must be the alternative canned food instead of “main” diet. TUF aims at producing high-quality canned food by selecting “A-class” fish loin and using it to prepare the canned food to serve domestic consumption. Also, the company has to offer varieties of products for consumers in order to add value to its products. There are over 100 kinds of canned tuna products in Thailand such as green curry tuna, stir-fried tuna with chili, Masaman curry tuna, and tuna sandwich.

This situation implies that TUF, unlike CP, has not had sufficient level of demands for its products from local consumers and consumers in nearby countries so the company itself has to internationalize its businesses to dissimilar group of countries, i.e., developed countries where the demands of tuna and canned seafood are higher. Actually, TUF has already exported its products to these developed countries; however, most of the products exported are under “OEM” as mentioned earlier. The firm then thought that this OEM strategy was not a very sustainable strategy if they intended to be successful in the international arena. This demand issue also demonstrates the liability of origin (LOR) TUF has been facing.

Finally, after acquiring several internationally well-recognized brands, TUF has still faced a problem concerning the acceptance of TUF (as the new owner and the major shareholder) from employees of several acquired brands in developed countries. The HR
director at MW Brands explained that many employees are still reluctant to accept that TUF is a new owner of MW Brands and MW Brands are a part or division of TUF. The HR director stated that most employees at MW Brands still believed that:

“We are not the regional brand or division of TUF. We are a standalone MW brands business with TUF as a shareholder.” (Interview #11, Top Manager, MW Brands, July 18, 2013).

In addition, employees of several acquired brands in developed countries seemed to dominate Thai management and employees. They usually thought that Thai management and employees were too soft in making decisions. The HR director at TUF in Thailand explained this point:

“When TUF acquires brands in other developed countries, employees in those brands still perceive that Thai people are shy and do not express their own opinions. Actually, they are our subsidiaries but we are normally dominated by them since we are sometimes too soft. Thus, we think that we have to decentralize our management. We build up the capability of people in every region to be able to make decisions based on similar approach at the right time. TUF’s main weakness now is that each region of each brand is reluctant in making decisions. For example, they are reluctant regarding the volume and price that we shall sell the products since they are afraid that the factory cannot produce such products at the right time so the process of decisions is slow.” (Interview #3, Top Manager, TUF, June 6, 2013)

This issue demonstrates that TUF has been facing a high level of liability of origin (LOR). The origin of the company from an emerging country is likely to make employees of its acquired brands feel suspicious about the status of TUF and these employees may think that they are from a developed country so they may be more advantageous in terms of knowledge, skills, and abilities as well as work experience. It is thus very challenging for TUF to overcome this liability.
These five points above demonstrate the liability of foreignness and liability of origin that TUF faces when internationalizing its business operations. Specifically, TUF faced a high level of two types of liabilities when entering developed countries to acquire well-recognized brands.

**Business Strategy (i.e. Internationalization Strategy)**

In terms of the business strategy, i.e., the internationalization strategy, TUF has continuously implemented the “mergers and acquisition (M&A)” strategy when entering its targeted countries (i.e. developed countries). As mentioned earlier, TUF’s executives emphasized that the internationalization of its own domestic brands (e.g. Sealect, Fisho, and Belotta) took quite a long time and that TUF used to fail from this attempt before. The liability of foreignness and liability of origin were very high in this case. In addition, exporting the products to other countries, especially to developed countries, were very tough and competitive because of the institutional differences in those countries. The solution to this problem then was to acquire international brands in several regions across the globe. The company then started acquiring brands in the USA and expanded to Europe later. Thus, the targeted countries for TUF at this point are mainly developed countries (south-north expansion) because of several reasons. First, these regions have several international and well-recognized brands among customers. Second, TUF itself has had trading experiences with several brands in these regions before when TUF operated its business under the OEM model. As a result, TUF became familiar with the history and background of each targeted brand. Finally, after acquiring these foreign brands, TUF was able to learn from these developed countries’ brands in terms of know-how and technologies in order to help upgrade the practices implemented in the headquarters (exploration business strategy).

Specifically, TUF intends to have its own brands across the globe. Having its own brands, instead of the OEM model, is a more sustainable strategy. In addition to the intention,
TUF’s executives also believed in the “fortune” or “luck”. In mid-1990’s, the company titled “Chicken of the Sea” encountered a huge financial problem and was about to get bankrupt. This company has been the third largest canned seafood company in the USA. TUF then acquired the Chicken of the Sea in 1997. During the initial stage of its acquisition, TUF cooperated with two partner companies in the USA to acquire this company. TUF held 50% of the share and the other two partner companies held 50% of the share in Chicken of the Sea brand. The three companies jointly purchased the “Chicken of the Sea” in the USA. This deal was the first time that TUF was able to own a well-recognized brand of canned tuna and other canned seafood products in a developed country, the US. About 3 – 4 years later, TUF then purchased the remaining 50% of the shares back from the other two partner companies. Finally, TUF held 100% of the shares in the “Chicken of the Sea” brand. Actually, TUF did acquire several companies in Thailand before acquiring the Chicken of the Sea brand.

After the year 1997, another decent opportunity came to TUF again. TUF acquired another company in the USA titled “Empress International”. This company now acts as an importer of frozen shrimp and frozen seafood products. The company has been established for over 50 years. The previous owners did not want to continue the business operations anymore so they sold the company to TUF. Little by little, TUF has expanded its business operations and brands throughout the world. Its strong intention is to acquire more brands. More simply put, TUF would like to have as many brands as possible. Sometimes, TUF had an opportunity to purchase a brand but the deal was not successful since the company was not able to compete with other competitors who were also interested in that brand. However, about 4 years ago the other precious opportunity came to TUF again. TUF successfully acquired MW Brands which have 4 different sub-brands in Europe, i.e. John West, Petit Navire, Hyacinthe Parmentier, and Mareblu into its portfolio.
TUF’s main policy is that the firm must get closer to the market and customers in different regions across the globe. The firm attempts to become familiar with the market and aims at acquiring information without using any middlemen or agents. It has taken more than 30 years for TUF to be successful like this. TUF is one of the fewest canned tuna companies that have brands in each continent across the globe, except Latin America. In the USA, it owns the Chicken of the Sea brand. In Europe, TUF has four different sub-brands in UK, Ireland, Netherlands, France, and Italy. In Thailand, Vietnam, and Myanmar, TUF has a Thai-based brand titled “Sealect”. And, in China, the company has the “Century” brand that sells canned tuna in China. It is also the number one canned tuna brand in China. Recently, the firm just acquired a Thai company titled “PacFood”. This company manufactures frozen shrimps and helps to supplement the volume of frozen shrimp in Thailand. That said, the volume of frozen shrimp produced by two companies in TUF group is the largest (supply) among every company in Thailand. TUF then becomes the largest frozen shrimp producer in Thailand.

The main advantage of acquiring several brands or companies in foreign markets is that these brands help TUF to get closer and closer to the final consumers as mentioned above. In addition, TUF is also getting closer and closer to the source of information or the market. In this case, TUF then has useful information from all over the world. TUF does not have information that comes from only Thailand as it used to be before the acquisition. TUF is gaining advantage over other competitors in every market and the company is also able to learn the movement of the market and the raw materials across the globe. The company is also able to share different types of technology and knowledge with each brand or subsidiary. Specifically, the headquarters in Thailand is able to adopt knowledge, practices, and technology from its subsidiaries in developed countries. This adoption of knowledge, practices, and technology would finally help to upgrade the status of the headquarters in
Thailand and help overcome the liability of origin (LOR) as mentioned in the previous section.

For instance, TUF in Thailand is very specialized in using workers’ skills but TUF in Europe (MW Brands) is specialized in automation or how to use machinery in the production process. On the one hand, the Thai-based company (TUF in Thailand) is able to learn how to use several types of machinery in Europe. Is there any kind of modern technology or cutting-edge machinery used in Europe that can be applied into Thailand’s context? This would help TUF to acquire new types of knowledge and technologies from its subsidiaries. This is the notion of “exploration business strategy”, meaning that the headquarters is able to learn and absorb knowledge and technology from its subsidiaries. On the other hand, MW Brands (TUF’s subsidiaries in Europe) have their factories located in Ghana and Seychelles and these factories use a lot of workers in their production processes. They are able to come to learn from the headquarters in Thailand regarding how to manage a lot of workers and / or human resources in the factory environment and how to debone and scrape the fish efficiently and effectively. They can visit and learn from TUF in Thailand. This is a knowledge sharing process between headquarters and its subsidiaries.

In terms of how TUF approached each M&A deal during the past years, the first step was that TUF had normally conducted business transactions with the targeted company for some time before it acquired such company. TUF did not purchase or acquire any unknown companies that it had never had business transactions before. For instance, in case of Chicken of the Sea, this company used to be TUF’s major customers before the acquisition. So, TUF knew the background and history of the company. In addition, TUF made several business deals with customers in the US before, so it knew the situation in the US. TUF then thought that this deal should not be tough since it only needed people who can speak English when dealing with American companies or people. And, TUF’s top executives had these
qualifications because they graduated from universities in the USA. There were no language barriers in this case. Further, TUF thought that American people were easy-going, so the deal should be successful as expected. In terms of other cases, the strategy was also similar. TUF started from trading with the targeted companies for some time in order to learn the background and history of business operations of these companies. TUF did so little by little or step-by-step until it finally made decisions regarding whether the company should acquire or purchase the targeted companies or not. This process usually took some time and the company cannot rush in this situation.

About MW Brands in Europe, actually TUF had known these brands for some time before the company acquired them. Unlike the case of Chicken of the Sea, TUF, however, had not had many business transactions with MW brands. TUF sold its products to other customers in that market but the company did not sell its products to John West or Mareblu or to MW brands directly. In this case, TUF knew the situation and the European market instead. But as mentioned earlier, dealing businesses with companies from English-speaking country like MW Brands were easier to become successful. Like the case of Chicken of the Sea, there were no language barriers. TUF’s executives can get along with the executives at MW Brands very well. TUF’s executives then thought that there should not be any major obstacles or constraints because both companies were in the same industry. Finally, TUF successfully acquired MW Brands.

Since TUF has expanded its business operations via mergers and acquisitions (M&A) internationalization strategy, TUF has still implemented the “decentralized” management strategy in each brand / subsidiary. Each of its brands / subsidiaries has its own management (the same management as before TUF acquired each of them). TUF has then managed each brand / subsidiary via the Board of Directors. In this way, TUF has not had to utilize a lot of human resources given that it is currently facing the shortage of managerial and professional
employees who have had international work experience. The Chairman and CEO of TUF then has to travel to each subsidiary every month to monitor the performance and attend the Board of Directors’ meeting at each place.

For the next 5 years, the main TUF’s internationalization strategy is still to acquire more brands. In addition, the company would also like to expand itself to the markets that it has not yet entered such as South America and Scandinavia countries. TUF’s executives have to wait for the opportunity to come to them again. In terms of South America, TUF must acquire brands there in order to be able to enter the markets because if TUF exports its products to that region, it has to pay a very high amount of tax. Exporting products into those countries must be very tough and competitive because they have their own rules and regulations to protect their own markets. The solution is thus to acquire or purchase companies there or acquire or purchase brands there. (Interview #2, Top Management, TUF, June 28, 2013)

The other important strategy for the next 5 years is that TUF must expand itself little by little. The company will continue staying in food business. TUF’s executives said that the company will focus on canned food, frozen food, and value-added food since TUF has had specialization in this business for a long time. Currently, the company is also offering canned sandwiches, brownie, and pie. It attempts to diversify its own products. The firm may also supply its products to restaurants or coffee shops in Thailand (Interview #2, Top Management, June 28, 2013). The Chairman and CEO of TUF stated his vision regarding the next M&A deal and the future prospects of the company:

“The Euro-zone crisis was a good opportunity for TUF due to the fact that several European companies had weakened in line with the regional economy. This creates more mergers and acquisition (M&A) opportunities together with a stronger Thai Baht, which lowers the company’s M&A costs for us. Of course, TUF would like to purchase such
companies but it must also be the right time for these targeted firms, meaning that they would also like to sell their companies out. TUF in Thailand is also positioning itself as a regional brand for canned tuna and seafood products whereas TUF as a group aims to become a global brand. We would not like to design ourselves as a “single-brand operator”. That is why we concentrate on acquiring more existing brands for our business expansion in the future. You can look at Heineken’s operations---They manage about 100 local brands.” (Interview #1, Top Manager, TUF, January 16 & June 5, 2013)

The following describes the details of two main TUF’s brands / subsidiaries, i.e. Chicken of the Sea and MW Brands.

1) Chicken of the Sea

Chicken of the Sea brand has been ranked as the third largest canned tuna and seafood producer in the USA with 20% market share and it is now one of the main subsidiaries and brands under TUF’s management. Its corporate office is located in California, USA and its factory is located in Georgia, USA. The subsidiary has approximately 420 people, including 2 people from Thailand (one is the Chairman and CEO of Chicken of the Sea and the other is his secretary). Most of the staff at Chicken of the Sea are local people. TUF as the major shareholder of Chicken of the Sea has still retained most of members in the original management team. TUF took out only some weak members and added some stronger members into the management team. Regarding the organizational structure, the Chairman and CEO of the company is a representative from TUF and below the Chairman and CEO is a COO (Chief Operating Officer). All of the departments will report directly to the COO. There are sales department, marketing department, operations department meaning the plant, and QA, procurement, finance, and HR departments. The procurement here means procurement of fish or finished products. The whole plant in Georgia will be reported to the operations department. In the plant, there are a general manager, a production manager, a QA manager, a
maintenance manager, a HR manager, and a warehouse / logistics manager, as well as a planning and accounting manager. They all report to the operations department. This is a quite simple form of the organization. The plant in Georgia has 320 people. And, the corporate office, including sales, has about 100 people.

According to the exploration business strategy, TUF as an MNE originating from Thailand intends to adopt resources, practices, and technologies from its subsidiaries in developed countries. This adoption would finally help to upgrade the status of the headquarters in Thailand to the level equivalent to its subsidiaries in developed countries and also help to overcome the liability of origin (LOR). There are many issues or practices at Chicken of the Sea that the headquarters of TUF in Thailand intends to imitate or adopt. First, the marketing practices in the US are very sophisticated so TUF in Thailand should adopt these practices. When TUF conducts its business operations in Thailand, the firm always uses connection or makes relationship with others to generate sales volume. But, in the US, the marketing practice at Chicken of the Sea always relies on information or data presentation. For instance, in order to convince Walmart to adopt the Chicken of the Sea’s products, it is not because the Chairman and CEO of Chicken of the Sea know people at Walmart. Instead, it is because the company (Chicken of the Sea) is able to convince people at Walmart regarding why its brand is strong and why Walmart can make more margins or sales volumes. Marketing practices in the US put more emphasis on excellent marketing skill and evidence-based presentation. So, TUF in Thailand should adopt this kind of evidence-based marketing practices in order to convince retailers to carry its own domestic brands, i.e. Sealect or Fisho. The second area is the production side. The production processes at Chicken of the Sea rely more on how to operate the machinery than on how to manage a lot of factory workers. More simply put, TUF in Thailand should learn how to operate machinery from Chicken of the Sea in order to reduce the reliance on immigrant workers at the factory level in Thailand. The
third one is the procurement. Procurement in this case means the function regarding the
supply of raw materials. Chicken of the Sea is able to access the information about South
America continent whereas TUF in Thailand does not have this kind of data or information.
So, Chicken of the Sea should provide a lot of information about South America continent to
TUF. TUF is very strong in Indian Ocean and Pacific Ocean but Chicken of the Sea has a lot
of information about Atlantic Ocean. So, Chicken of the Sea should share information and
resources with TUF in Thailand. (Interview #10, Top Manager, Chicken of the Sea, July 10,
2013)

Regarding the notion of information technology (IT), Chicken of the Sea has a good
inventory system regarding how to track fish and the first-in first-out (FIFO) method. The
headquarters of TUF in Thailand should learn from the Chicken of the Sea in this case.
Finally, HR seems to be the function that Chicken of the Sea is very good at. Chicken of the
Sea has just recruited the head of HR. TUF itself has a lot of room to improve regarding the
HR system. So, the headquarters in Thailand should learn from its subsidiary in the US.

2) MW Brands

TUF has acquired MW Brands in Europe in 2010. These brands have four
different sub-brands, i.e., John West in the UK, Ireland, and Netherlands, Petit Navire and
Hyacinthe Parmentier in France, and Mareblu in Italy. John West has been recognized as the
number one canned tuna brand in three countries mentioned above. Petit Navire and
Hyacinthe Parmentier have been realized as the number one canned seafood brands in France
(Petit Navire’s product range includes canned tuna, sardine and mackerel whereas Hyacinthe
Parmentier’s product range covers classic recipe, cooked, and shredded sardines). Mareblu
has been recognized as the number three canned seafood brand in Italy with the product range
including tuna in olive oil, tuna steak and mackerel fillet, and tuna salad.
The total number of employees at MW Brands was 5,556 people as of November 2013. The company (MW Brands) is in the process of transition. Its previous CEO left the company last year (2013). And, the company has recruited a new female CEO that came in last August. She has over 35 years of experience in multinational companies in the food industry, including Danone, Yoplait and Kellogg’s. Her last role at Kellogg’s was Senior Vice President responsible for emerging markets, including Russia and South Africa. The HR director of MW Brands has also just been recruited. She has approximately 23 years of work experience. She was an HR specialist and director at Unilever for 12 years with various local and regional roles. Her last role was a global HR director at Knorr, the Unilever’s biggest brand and billion-euro business.

One of the biggest challenges for MW Brands is to integrate several offices and factories under MW Brands across the globe with TUF. The company has several offices, including factories in Europe, Africa, and Seychelles. Specifically, its offices, including factories, are located in the UK, Ireland, Netherlands, France, Italy, Portugal, Ghana, and Seychelles. The head office of MW Brands is located in France. The offices and factories at MW Brands are still fragmented. Thus, one of the important projects that MW Brands are executing is the “employer branding” project in order to help unite the company’s business and its HR practices across subsidiaries. The project starts by building common beliefs and strategy in order to prepare for the integration and this project will bring the MW Brands close together. In this case, it does not mean that the MW Brands have to centralize the structure and its management because it is very difficult to centralize its organization structure in food business.

The other challenge that MW Brands are currently facing is that the company has to develop and maintain the relationship with several groups of stakeholders, especially the non-governmental organizations (NGOs) and labor organizations (i.e. unions). NGOs and labor
organizations are important stakeholders. Currently, MW Brands are facing a storm in that employees, customers, shareholders and most NGOs want the company to take care of all of the living resources (people, fish and ocean). This is why the MW Brands have integrated sustainability and corporate social responsibility (CSR) at the heart of their strategy. The intensity of their relationships with the NGOs varies from country to country. The pressure has been stronger in the UK than in the rest of Europe and it is also stronger at the headquarters in Thailand. The MW Brands are dealing with this through stakeholder management and monitoring. They also have a clear strategic roadmap about where they would like their sustainability strategy to be implemented. The MW Brands are in the process of recruiting a fish sustainability manager to ensure that their sustainability projects evolve. They are also recruiting a sustainability program director to ensure that the people and planet parts of their program advance together. TUF in Thailand just recruited a very good sustainability director and, then, MW Brands and TUF work closely together in this project.

Labor organizations also exist in MW Brands’ factories. The company has labor unions in France and in the UK, and the labor unions are probably stronger in plants in Ghana. There are 7 labor unions just in the Ghana factory alone. The company has just recruited an HR director in Ghana after this position was vacant for some time. This HR director handles the labor unions extremely well. In this case, MW Brands must ensure the level of transparency and engagement in order to maintain decent relationships with these labor unions. (Interview #11, Top Manager, MW Brands, July 18, 2013)

In sum, the implementation of M&A strategy implies that TUF applies the “decentralized” management strategy in each brand / subsidiary. Each of TUF’s brands / subsidiaries has its own management (the same management as before TUF acquired each of them). TUF has then managed each brand / subsidiary via the Board of Directors. The
headquarters and its brands / subsidiaries connect only at the top level, but not at the middle and operational level. The fragmentation then takes place at the lower level.

*Strategic Human Resource Management (for Managerial and Professional Employees)*

Like CP, the managerial and professional employees at TUF are also classified as “monthly workers”. They are working both in the corporate office in Bangkok and in the factory in Samut Sakorn province and other provinces. The human resource function at TUF is divided into 2 main parts. The first part is human resource management (HRM) department responsible for all of the daily workers who are non-managerial and non-professional employees. This department is under the supervision of the assistant general manager who takes care of HRM, safety and security in the factory, and general administration. The second part is human resource development (HRD) department responsible for all of the monthly workers or all of the managerial and professional employees. The HRD department consists of 6 main functions: recruitment, learning and development, employee relations, performance appraisal, compensation and benefits, and human resource information system (HRIS). In addition to these two departments, TUF has just set up the corporate HR department within the company in order to support the global business operations. It is quite interesting in that all of the employees in this department, including the director, manager, assistant managers, and senior supervisors are newly recruits. They are acquired or purchased from several well-known companies both in Thailand and in other countries.

Specifically, TUF’s human resource strategies and practices in Thailand are supervised by the HRD department as mentioned above. The department is responsible for all of the main HR functions for managerial and professional employees who are working at the headquarters in Thailand. The strategies and practices there and even the perspectives of managers, supervisors, and employees in this department are still very local-based. They
concern only what happens in headquarters—-in Thailand only--- and emphasized that the corporate HR department will deal with every international HR issue.

To help alleviate the fragmentation among brands and/or subsidiaries, the corporate HR department in Thailand has been set up a few years ago. The main duties and responsibilities of this department are to help integrate the HR strategies and practices among brands and/or subsidiaries across the globe and deal with the expansion of TUF in the global arena. Its main strategy now is to let each brand and/or subsidiary manage itself by using the existing qualified employees and managers, and “buying” or “acquiring” any eligible managers, employees, or expats from other well-recognized companies in Thailand or different countries to help to support the company’s direction towards the global brand since the most important challenge for TUF is the issue of HR management and development. The company does not have a sufficient number of qualified human resources to support its rapid growth in the international arena. Thus, the “buy” or “external labor market” HR strategies seem to help TUF alleviate fragmentation and the shortage of qualified personnel.

As mentioned in the section of liability of foreignness and liability of origin, one of the most significant challenges or obstacles TUF has been facing is the issue of human resources. The company’s history during the first 20 – 25 years relied on the “OEM” model, so its human resources have primarily been specialized in factory management. They have learnt how to run the production line efficiently and how to manage factory workers. But, the company is lacking human resources who are able to manage the internationally well-recognized brands and marketing process. The company then needs to recruit new employees who are able to work at its brands/subsidiaries in developed countries and transfer this kind of knowledge, skills, and experience to the headquarters in Thailand in order to upgrade the status of its human resources at the headquarters in Thailand. The other reason why TUF is lacking its human resources is that the company has expanded its business operations to
several developed countries very rapidly during the last 5 years until it is very hard to find its own Thai expats to go out and work in other countries. There is a limited pool of qualified Thai middle-managers who can work as “expats”. Thus, the company inevitably has to “buy” or “acquire” many of them from other world-class companies both in Thailand and in other countries where these qualified Thai middle managers are working. The Chairman and CEO of TUF shared this important view:

“My main policy here is that if you think you are a top performer or if you are brilliant enough, I am willing to pay to attract you to help us to develop TUF in the global business arena.” (Interview #1, Top Manager, TUF, January 16 & June 5, 2013)

In order to deal with the issue of shortage of human resources, TUF has still retained its existing employees in each country or each brand. The company does not have its own central model so it tends to be more decentralized in terms of management. When TUF acquires any brand or subsidiary, it is likely to use the HR model or HR directors of that brand or country. Later, Mr. Thirapong, the Chairman and CEO of TUF, started “acquiring” HR directors from several world-class companies for each of its acquired brand or subsidiary. For instance, the HR Director of the headquarters of TUF in Thailand responsible for the corporate HR department was purchased from IBM. She is a native Thai but she had an extensive work experience in HR functions in PricewaterhouseCoopers and a telecommunications firm in the US. Her current responsibility at TUF in Thailand is to build up more corporate HR. Actually, the HR department in each domain connects with one another but the system or governance has still been unclear. Specifically, TUF headquarters in Thailand actually has had a clear picture of the global HR at TUF but the company is in the process of setting up TUF’s Global Business Model (Global Thai Union Model). So, the global HR model would be set up afterwards.
In terms of synergy, TUF’s Board of Directors has agreed that there are 4 steps in implementing global HR strategy. The company has also paid attention to HR technology in order to be real-time and everyone in every area can access the database at the same time.

First, the global HR strategy at TUF must start from business needs, namely, how can the company make TUF people anywhere in the world perceive themselves as the same corporate citizen under the same employer brand (TUF)? They must be “TUF people”. The background of this issue is that people in France (MW Brands) still perceive themselves as “MW Brands’ people”, not “TUF” people. They are still attached to the original brand and perceive that TUF is just a company that acquires them. So, how can we make them attached to “TUF Brand” instead? Thus, the company has to build up its own TUF people or employer brand and make them perceive the strength of TUF. Why do they have to work for TUF? This question must be linked with the business model that TUF will be a “seafood expert” of the world. TUF Brand is very important since it can help TUF to attract talents from all over the world. With TUF brand, the company can motivate talents to come to work with it. The company’s plan is trying to build the global workforce because TUF’s Board of Directors thinks that everyone at TUF is using the same raw material, which is mainly tuna, and the same assembly line so he or she must possess the same skill set. TUF is now in the process of transitioning to global HR.

Global HR strategy at TUF then focuses on Thai Union Group’s values, leadership pools, and people mobility. The latent issue is the same competencies among TUF people. The company has not yet talked about compensation and benefit issues. Global HR at TUF is not the structure or system but the “capability” to support the growth of business with the implication that global workforce should be more effective and must drive growth to other new areas or continents such as Latin America via global talent management, group values, spirit, employer brand, leadership pool, and succession planning.
The main challenge at TUF is that TUF can attract typical employees but it cannot attract talents. Top executives at TUF are very tired in this case because they cannot find any qualified employees to work for their brands such as MW Brands. Management at TUF accepted that TUF is good at business but, in terms of brand, talents are still reluctant to come to work for the company globally. Thus, the two main global HR strategies at TUF are “driving global principles, culture, and mindset” and “talent pools identification and consolidation to create significant value”. In addition, TUF has also implemented the global recruitment by using the headhunter services in order to help attract or “buy” or “acquire” talents from all over the world. Sometimes, TUF recruits prospective employees first and assigns the place to work later such as in France or USA. TUF has recently recruited several middle managers and top managers such as a global strategic business development manager. He is a US native and he was on board in Bangkok in August 2013. The company is willing to pay for him and he is also willing to come to Bangkok. Further, TUF has also been in the process of developing the global talent management team and TU’s group succession planning. These projects started at the headquarters in Thailand first and will connect to other domains later.

In case of the headquarters in Thailand, the company has a group of 50 – 60 star employees (talents) or 5% of its monthly workers, i.e. managerial and professional employees. The headquarters have a total of approximately 12,200 people and only about 10% are monthly workers. The rest of them are daily workers. The daily workers are really labor, not contractors who graduate with Bachelor Degree like in other companies. They are labor who are responsible for scraping fish. At most, they are technicians who fill in the oil and take care of the machinery or quality control (QC) employees who check the quality of fish. The management of daily workers is the other story since they have no career and have high turnover rate (approximately 80%). The company also has a lot of migrants from
Myanmar (approximately 7 - 8,000). The human resource management department at the headquarters takes care of them. The company separates the responsibility between management of daily workers and monthly workers.

Most of the monthly workers in Thailand are Thais and there are no immigrants working as monthly workers. There are not many expats working at the headquarters in Thailand but the number should increase steadily in the near future. Regarding Thai employees in each country, there are also not many. In some countries, only CEO and his secretary are Thais.

As mentioned earlier, the company has just set up the corporate HR department in order to facilitate the integration of HR department between the headquarters of TUF in Thailand and its subsidiaries. The members of this department are actually very new to TUF since they have been acquired from several well-recognized companies in Thailand and other countries. The tenure of the employees in this department is less than 3 years. Most of them are fluent in speaking English language. The objective of the corporate HR department is to help the headquarters in Thailand integrate itself with its subsidiaries in other countries and become ready for the global business operations. Each member of this department has different kinds of responsibilities. Ms. A, who is the HR Director of this department, is supervising the overall HR picture of the headquarters and subsidiaries. Ms. B (manager) and Mr. C (assistant manager) are responsible for talent development project. This project started in Thailand first and will connect to other subsidiaries later. Mr. D, Mr. E, and Mr. F are responsible for several projects that help to integrate the HR among subsidiaries in Thailand. Mr. D, Mr. E, and Mr. F act as HR partners for each subsidiary in Thailand. Ms. B who is a manager is also responsible for global recruitment for the headquarters and other subsidiaries. TUF has just recruited a global strategist and a global marketing professional into the company. They are expats with widely extensive experience. And, when the company
recruited more qualified staff, it must be more flexible in terms of compensation package offered to employees. In the past, if an employee was filled in each position, he / she would receive the fixed amount of salary and benefit packages for that position. Now, TUF has to be more flexible but it also has to look at the overall HR framework of the company to see how much the company can be more flexible. Mr. D is also acting as the coordinator of the Management Associate (MA) project. The main objective of this project is to help the Chairman and CEO of TUF (Mr. Thirapong) to develop new generation of leaders for TUF. The project looks like the management trainee in nature. Mr. Thirapong intends to make his new generation of leaders but it must take a long period of time due to the fact that the pool of trainees in the MA program are still very young (with less than 2 years of work experience) and there are only 5 people in the current pool. They come from several backgrounds: Industrial engineering, food science, MBA, accounting, and finance. Actually, this pool has six people but one of them did not pass the probationary period. In this case, the company has had to rely on the external recruitment strategy and will continue using this strategy over the middle term in order to help the company overcome the liability of foreignness and liability of origin in foreign markets.

In sum, TUF, the world’s largest canned tuna producer, has expanded globally through M&A internationalization strategy and has outsourced some parts of its supply chain including the supply of raw materials such as tuna. TUF, relies on the external labor market HR strategy or “acquiring” managers from other well-recognized companies when they enter developed countries (south-north expansion) to learn from developed country practices (exploration business strategy), to alleviate the shortage of qualified human resources, and to help to integrate the headquarters with the brands and / or subsidiaries.
Case Analysis & Discussions

Based on the empirical research, I therefore develop three main theoretical findings as follows. These theoretical findings finally confirm the two propositions mentioned above.

**The Liability of Foreignness and Liability of Origin**

Both Thai emerging market multinational enterprises (EM MNEs) (i.e. CP and TUF) faced a high level of liability of foreignness (LOF) and liability of origin (LOR) when they internationalized their businesses to other developed countries.

In terms of LOF, both companies did not have much experience in operating their businesses in foreign markets. The situation was worse when they had to internationalize to dissimilar group of countries, i.e. developed countries. They faced a high level of costs due to the unfamiliar with the host country environments, costs from the lack of legitimacy in new environments, and a high level of institutional differences in developed countries such as differences in terms of laws and regulations, financial system, lifestyle of people, languages, and cultural contexts. In this case, they tend to face a high level of disadvantages or costs when doing business abroad. In case of CP, this level of LOF was too high and the company was not able to adapt itself to this dissimilar environment. So, it has decided to solve the problem by withdrawing its business from developed countries and internationalizing its business to other developing countries instead. This group of developing countries instead has institutional contexts that are similar to those in Thailand. CP in this case can lower its LOF by entering developing countries. The level of development of these developing countries is the same as or lower than that in Thailand so the company can speculate what would happen in the future by looking back to the case of Thailand. Put simply, CP uses the case of its headquarters in Thailand as its role model and transfers its model and / or practices used at the headquarters to other subsidiaries in other developing countries instead. In addition, CP has been able to adapt itself to the instability in other developing countries because CP itself used
to face this kind of instability when operating its businesses in the home country, Thailand. The company has known how to manage any unstable situation (e.g. financial and political instability). The costs of operating businesses in developing countries are lower than those in developed countries because CP is able to minimize the costs of unfamiliarity with host country environments. Further, CP is also able to legitimize its business operations in developing countries because CP is typically invited by the host country environments to operate businesses in these countries. In this case, CP is able to exploit its accumulated knowledge, experience, resources, and technologies when entering developing countries. CP, thus, is able to lower its liability of foreignness when operating its business in developing countries instead of developed countries. In case of TUF, the company intends to invest in developed countries in order to acquire intangible assets (i.e. brands), resources, knowledge, and practices from developed countries to strengthen the status of headquarters in Thailand, which is an emerging country or developing country. The headquarters in Thailand has accumulated its experience as an OEM (Original Equipment Manufacturer) for almost 30 years of its operations. The company has not had much knowledge and experience as the owner of internationally well-recognized brands. Its employees are considered an expert in factory production but they do not know how to market the products and how to manage the brands in international arena. More simply put, TUF intends to explore and acquire new types of assets, resources, and work practices from developed countries. Developed countries are thus the main target of TUF. TUF cannot solve the problem of a high level of LOF by moving out of developed countries and entering developing countries instead due to the fact that the objective of TUF is different from that of CP (exploration versus exploitation) as mentioned above. TUF cannot acquire intangible assets, resources, knowledge, or practices from developing countries. As mentioned earlier, the level of development of other developing countries is the same as or lower than that of Thailand. TUF cannot fulfill its objective by
entering developing countries. Thus, TUF has still had to operate its business operations in
developed countries. It has still faced a high level of LOF when entering developed countries
and this level of LOF that TUF has faced is higher than that of CP because CP has changed its
targeted countries from developed countries to developing countries. For instance, TUF has
had to face the unfamiliarity with the host country’s rules and regulations and the lack of
legitimacy in the US (in case of Chicken of the Sea). It has to apply internationalization and
HR strategies to overcome this high level of LOF, which will be mentioned later.

In case of the liability of origin (LOR), CP also faced a high level of liability of origin
when operating its business in developed countries. CP intended to develop its own brand
(“CP” brand) in developed countries. Put simply, the company wanted to exploit its own
accumulated brand, knowledge, and experiences in developed countries. Usually, the food
and agricultural markets in developed countries are saturated or almost saturated. The markets
were competitive. A lot of competitors in the home country, e.g., US companies competed
with one another to expand their market share. There was not much room for a company from
developing countries like CP. Developing its own brands in any country took a very long time
to become successful. The company’s products might not be accepted by the consumers in
developed countries due to the fact that the products originated from a developing country,
Thailand. Consumers felt suspicious about CP’s product quality and performance. The
country-of-origin effects which are a part of the liability of origin (LOR) played an important
role in the failure of CP’s products in this case. CP faced a high level of liability of origin
when operating its business in developed countries. The company was not able to overcome
the liability of origin in this case so it changed the targeted countries from developed to
developing countries. In developing countries, CP instead has faced a lower level of liability
of origin (LOR) because its products are welcome in developing countries. The food and
agricultural industry in developing countries has been under-developed. Hence, there are a lot
of opportunities for CP in these countries. In addition, the government of several developing
countries typically invites CP to conduct the businesses in their countries so CP has been
viewed as a “legitimate” business in this situation. The entrance of CP is not questionable.
Instead, CP’s products are perceived as “high quality” in developing countries due to the fact
that CP transfers its accumulated advanced knowledge and technology to developing
countries. The products are then manufactured by using advanced technologies. The company
(CP) itself seems to be the role model for domestic companies in the food and agricultural
industry in these developing countries. Almost nobody feels suspicious about the products
manufactured by CP. They typically appreciate the company’s products. Thus, CP is able to
lower its liability of origin (LOR) when operating its business in developing countries instead
of developed countries. In terms of TUF, the company has still faced a high level of LOR
because the main targeted countries for TUF are developed countries. In developed countries,
TUF has had to acquire new types of assets, knowledge, experience, and practices and transfer
them back to the headquarters in Thailand. This would help upgrade the status of the
headquarters and would help minimize the liability of origin. Thus, TUF cannot change the
targeted countries to developing countries like in the case of CP. Actually, TUF used to
launch its own brands in foreign markets but it failed in this case due to a high level of LOR.
Consumers were likely to question TUF’s product quality and performance because they
originated from a developing country, Thailand. In addition, the accumulated knowledge and
experiences under the OEM model has not made TUF become successful in developed
countries. Instead, the company has not known how to manage the internationally well-
recognized brands and how to market products in the international arena. Further, the demand
of canned tuna and seafood products in Thailand and its neighboring countries has not been
high enough to help TUF to accumulate its knowledge and experience under its own domestic
brands in order to launch its own domestic brand in developed countries. Instead, TUF has to
rely on OEM model or has to manufacture products under other brands. Finally, TUF has had to face a high level of LOR when employees of its brands/subsidiaries have not accepted the status of TUF as the owner. They still view themselves as employees of a standalone brand and view TUF as the company who have just acquired their brands. They also do not respect the status of the headquarters in Thailand as can be seen by the fact that these employees always dominate the project or situation as mentioned in the empirical findings. TUF then has to apply internationalization and HR strategies to overcome this high level of LOR, which will be described later.

In sum, I argue that both CP and TUF faced a high level of LOF and LOR when operating their business in developed countries (See Figure 1 for CP and Figure 2 for TUF). In case of CP, the company was not able to adapt itself to the institutional differences in developed countries so the company has chosen to enter developing countries in order to lower the liability of foreignness and liability of origin. In developing countries, I hypothesize that CP then is able to lower the liability of foreignness (LOF) to moderate-to-low level. That said, CP cannot reduce its LOF to zero by changing its targeted countries to developing countries. Even though CP is able to adapt itself to the instability in other developing countries, it is possible that CP has still faced unfamiliarity in other developing countries due to cultural differences and other institutional contexts. Each country, even in countries that are similar to itself, i.e. developing countries, has its own uniqueness in terms of cultures and institutional contexts. Thus, CP has had to implement internationalization and HR strategies in order to reduce the LOF from the moderate-to-low level to the lowest possible level. Consistent with this perspective, I also hypothesize that CP then is able to lower the liability of origin to moderate-to-low level by changing its targeted countries to developing countries. That said, CP cannot reduce its LOR to zero in this case because it may be possible that people in other developing countries are suspicious about CP’s product quality and
performance when CP’s products are compared with those from developed countries. Even though CP’s products are of high quality and the status of CP is legitimate in developing countries, it is still possible that there has still been some level of LOR in this case due to customers’ suspicion of CP’s products. Thus, CP has had to implement internationalization and HR strategies in order to reduce the LOR from the moderate-to-low level to the lowest possible level (See Figure 3 for CP). I will describe these strategies in detail further.

**Business Strategy (i.e. Internationalization Strategy)**

Both Thai EM MNEs (i.e. CP and TUF) use different business strategies as well as internationalization strategies in order to overcome the liability of foreignness and liability of origin when doing its business abroad:

CP started its business by developing its own brands (e.g. Chia Thai, CP, Chester Grill) in Thailand for a very long time; it was very successful there before internationalizing its business operations. Upon internationalization, CP realized that its LOR is likely to be higher if CP internationalizes its business operations to dissimilar group of countries (i.e. developed countries) because customers in developed countries may not trust CP’s product quality and performance due to its origin (from a developing country like Thailand) and the demand for food and agricultural products in developed countries is not as high as in the case of developing countries. Thus, its strategic choice to overcome LOR for CP is to internationalize its business operations to other developing countries instead, especially to developing countries in which the level of food and agricultural development is still low and such industry in these developing countries needs accumulated knowledge and experience from CP to help to develop their country as mentioned earlier. In this case, customers in these countries should instead welcome the entrance of CP as the catalyst for economic development. They probably do not question CP’s product quality and performance. More simply put, CP realizes that its LOR is lower if it implements the exploitation business
strategy by exploiting its own accumulated knowledge, experience, and technologies in other
developing countries and transferring its own brand into those countries where the needs of
food and agricultural products and production know-how and technologies are high, and the
institutional environments in other developing countries are similar to those in Thailand even
though many prospective investors are afraid of several types of uncertainties such as political
uncertainties incurred in those developing countries. Although the markets in developing
countries are not stable, CP has already become familiar with the uncertainty or instability in
Thailand (which is considered one of the developing countries) for a long time, so it is able to
develop its own brands and manage any uncertainties in other developing countries very well.
In addition, CP also perceives that entering these developing countries should equip CP with
precious opportunities for international growth. Also, CP has not had to put much effort into
adapting itself to isomorphic institutional pressures. In case of the liability of foreignness
(LOF), CP realizes that in order to overcome a high level of LOF when entering into new
countries CP must develop some strategies to deal with this situation. The stakeholder model
should help CP overcome LOF in those developing countries. The stakeholder model here is
defined as the fact that CP develops decent relationships with its stakeholders (e.g.
government, local communities, farmers and agriculturists, and labor unions) even before
formally setting up its subsidiaries in those countries (when CP sends an informal team into
these countries) in order to become familiar with the new environment and institutional
pressures and to minimize any attack that may come from those stakeholders. In this case, the
LOF for CP when entering other developing countries is also lower than when entering
developed countries as mentioned in the previous section. Based on these arguments, the
organic expansion internationalization strategy should be appropriate for CP because this
strategy should help CP to exploit its own accumulated knowledge, experience, and
technologies by transferring its own brands and practices from the headquarters in Thailand to
the subsidiaries in other developing countries little by little and increasingly develop and maintain relationships with stakeholders in those countries. The subsidiaries themselves can be defined as “competence-exploiting” subsidiaries because the subsidiaries play a very important role in exploiting the headquarters’ accumulated knowledge and competence. A firm with superior knowledge assets like CP then uses organic expansion internationalization strategy in order to exploit their existing knowledge, experience, and technologies. CP does not intend to take over other local firms in other developing countries because those other local firms may have relatively little knowledge assets to offer CP. One of the interesting findings from the case study is that CP’s executives mentioned that if CP enters these developing countries as a big and powerful brand by acquiring other existing brands in these countries, it is possible that people in developing countries may act against the entrance of CP since they may think that CP will come to take over their countries.

In the case of TUF, TUF also has its own brands (e.g. Sealect, Fisho) in Thailand, but it started its business operations as an OEM (Original Equipment Manufacturer) and much of the company’s business operations and know-how have come from being an OEM (as a subcontractor to other brands). TUF has been operating businesses in Thailand as an OEM for over 30 years, and its own brands were launched several years after being an OEM. When TUF tried to grow internationally, it realized that the firm did not have a strong competitive advantage, infrastructure, firm-specific resources, and branding to be successful in the international arena, even in other developing countries, by expanding its own brands. This is unlike in the case of CP in that CP has accumulated its knowledge and experiences under its own brands at the headquarters in Thailand for a long time. Also, the demand for canned tuna and seafood products in developing countries is lower than that of developed countries. Instead, TUF perceived an opportunity of internationalization when trading its OEM products with partners from developed countries. TUF, however, realizes that it has to overcome a
higher level of LOR when internationalizing its business operations to different groups of countries (i.e. developed countries) where customers in those countries may feel suspicious of TUF’s product quality and performance due to the country-of-origin effects. Customers in developed countries may not welcome the entrance of an MNE from a developing country such as Thailand. In addition, TUF has accumulated strong production know-how under OEM. The production and marketing experience that TUF has gained under OEM are different from that of internationalization in that these two paths require different kinds of experience and expertise. More simply put, TUF is not able to adapt its own domestic brands to the new and “stronger” institutional environments and isomorphic pressures in developed countries under the organic expansion internationalization strategy over the short- or middle-term. TUF instead may face losses if implementing the organic expansion internationalization strategy. Thus, the only way to overcome a higher level of LOR when entering into different groups of countries is to implement the exploration business strategy by acquiring the intangible assets (i.e. brands), knowledge, experience, and technologies from internationally well-recognized brands and adopting new practices and skills from the acquired firm in developed countries. The new types of knowledge and practices adopted from the subsidiaries in developed countries would finally help upgrade the status of the headquarters in Thailand and strengthen the knowledge and experiences of the management and personnel at the headquarters in managing internationally well-recognized brands. Of course, most well-known seafood canned product brands belong to developed countries. Thus, the mergers and acquisition (M&A) internationalization strategy should fit well with the background and strategic choice that TUF has made when TUF intends to internationalize its business operations to other developed countries. Acquiring several internationally well-known canned tuna and seafood products in developed countries and acting as the shareholders of those companies would help TUF to overcome a higher level of LOR. Almost all of the customers
in developed countries do not pay attention to the shareholder structure of these
internationally well-known products as long as these companies can manufacture and sell
products with high quality under the same well-recognized brands. By contrast, if TUF
launches its own domestic brands in developed countries by using the organic expansion
internationalization strategy, the company may face losses due to a high level of LOR. In case
of the liability of foreignness (LOF), upon internationalizing its business operations to other
developed countries, TUF has to face a higher level of LOF than that in the case of CP due to
the internationalization of its business operations to different groups of countries meaning
dissimilar institutional environments and higher level of unfamiliarity with host country
environments. Since TUF applies the M&A strategy as its internationalization strategy to
overcome a high level of LOR, TUF’s strategy to overcome a high level of LOF and become
familiar with the new environment is also aligned with the M&A strategy in that TUF has
usually developed a decent relationship with trading partners and / or previous owners of the
brands in the targeted countries before acquiring each brand / subsidiaries. TUF has never
acquired any brand without conducting the feasibility study of the targeted countries and
without developing decent relationships with partners in these countries. This strategy finally
helps TUF to lower the level of LOF when operating its business in developed countries
because TUF becomes familiar with the environments and people in these countries. In
addition, TUF also develops decent relationships with the existing local employees by
announcing that TUF does not intend to restructure the companies it has acquired. These
employees then feel secure and are motivated to continue working at each company TUF has
acquired. Many of them have been working with the brands TUF has acquired for some time
so they are able to help TUF overcome a higher level of LOF when TUF has to cooperate
with several public agencies (e.g. federal agencies, Congressmen, and FDA), trade
associations, and NGOs and has to follow a lot of procedures required by these agencies in order to smooth its business operations.

In terms of the HR strategies that help CP and TUF overcome the liability of foreignness and liability of origin, I will describe in detail in the next section.

**Strategic Human Resource Management (for Managerial and Professional Employees)**

Different internationalization strategies between the case of CP and TUF are associated with different HR strategies for managerial and professional employees of the two EM MNEs:

In developing countries where CP internationalized its business operations, even though the institutional pressures such as laws and regulations, government policies, and political situations are uncertain, CP has been able to adapt itself to the instability within these countries due to the fact that the level of development of these countries are the same as or lower than that of Thailand. So, CP is able to speculate what should happen next and what CP should do next in order to tackle with the future events by looking back to the case of the headquarters in Thailand. Thus, the exploitation business strategy describes the case of CP. CP exploits its accumulated knowledge, experience, and technologies at the headquarters in Thailand and transfer them to each subsidiary in each developing country. To exploit these knowledge, experience, and practices, the organic expansion as its internationalization strategy is appropriate for CP because the organic expansion internationalization strategy can help CP to exploit its own intangible assets (i.e. brands), knowledge, and experience without fearing that such knowledge and experiences would be stolen by other partners or outsiders. CP is also able to develop decent relationship with all of the stakeholders little by little and, thereby, adapt itself to the institutional pressures in these developing countries.

In addition, laws and regulations are amended and tailored according to the needs of CP due to the fact that CP applies the organic expansion internationalization strategy to
develop relationships with stakeholders when internationalizing its business operations. Specifically, the government of host countries invites CP to conduct business, transfer food and agricultural knowledge and technology, and create jobs for their people. Therefore, CP is able to negotiate with the government of host countries to facilitate the amendments of laws and to provide support for organic firm establishment, knowledge and technology transfer from the headquarters, and business operations. The institutional pressures such as laws and regulations are then neutralized to help CP conduct businesses in developing countries more smoothly. CP is also able to manage the uncertainty well enough by looking back to the case of its headquarters in Thailand as mentioned earlier.

According to the organic expansion internationalization strategy, the use of “make” HR strategies or internal labor market HR strategies should be the most appropriate because the exploitative organizations like CP needs to invest a lot of money in personnel selection and firm-specific training and development of employees in order to develop human resources who are able to transfer the “practices” from the headquarters to the subsidiaries. Thus, ideal employees for CP are willing to collaborate and create networks with stakeholders and have the ability to carefully and consistently follow strategies and practices implemented by the headquarters in Thailand in order to maintain its own brands in each country. They must acquire firm-specific training such as CP’s organizational cultures, CP’s way of thinking, and how to conduct businesses in a way to maintain high-quality products and its own brands to facilitate the organic expansion internationalization strategy. CP then needs a specific type of employee who is willing to work in developing countries and who understands CP’s specific organizational cultures and CP’s way of thinking. They must also understand CP’s business policies to be able to present the company to all of the stakeholders in these countries regarding the existence of CP and to protect any attack from the stakeholders. They must be “employees” who grow up together with CP to be able to accomplish this. Their skills and
abilities are very specific to CP. Employees are also less likely to quit their jobs at CP since they would have difficulty finding another job that fully utilizes their skills. CP then pays attention to the internal training and lifetime employment in order to retain its managerial and professional employees over the long run. Theoretically, their strategic value and uniqueness of human resources at CP are very high. So, the use of “make” HR strategies or “internal labor market” HR strategies that fit well with CP’s business strategies is effective. By contrast, the use of “external labor market” HR strategies or the “buy” HR strategies does not fit well. If skills are highly specific, then firms will be unwilling to hire from the external market into the top ladders because individuals hired are unlikely to be productive. Not surprisingly, CP adopts all of its practices, including its HR strategies and practices from the model in Thailand into each subsidiary to ensure that it is able to make ideal employees. In addition, the “make” HR strategies or the internal labor market HR strategies also help CP to minimize the liability of foreignness and liability of origin that CP has been facing in other developing countries. Specifically, these HR strategies play a very important role in making CP’s employees in each subsidiary who are able to adapt themselves to the institutional environment in each country based on the CP’s way of thinking and who are able to develop decent relationships with stakeholders in each country and legitimize CP’s businesses among the views of stakeholders. These employees learn how to conduct businesses and maintain CP’s brands in each developing country and are able to accurately communicate CP’s philosophy and principles to local people in other developing countries because these employees have grown up together with the company for some time. In this case, these strategies help to familiarize the company with the host country environment more rapidly. The liability of foreignness (LOF) in this case is minimized. Further, the “make” HR strategies or internal labor market HR strategies also help CP to make employees who are able to transfer its accumulated advance knowledge and technologies to the business.
operations in each subsidiary. CP then is able to produce high-quality products in the host country. Consumers should be satisfied with CP’s products and performance. The liability of origin (LOR) will also be minimized (See Figure 4 for CP). The internal labor market or the “make” HR strategies are thus implemented in every subsidiary based on the exploitation business strategy and organic expansion internationalization strategy. Interestingly, the use of horoscopes, and face appearance or physiognomy is also applied internationally to ensure the same type of employees. In sum, the exploitation business strategy fits well with the organic expansion internationalization strategy and these two strategies finally support the “make” HR strategies or the internal labor market HR strategies across its subsidiaries.

By contrast, TUF is likely to face a higher level of LOF and LOR and of institutional pressures because TUF mainly internationalizes its businesses to dissimilar groups of countries (i.e. developed countries). Its main philosophy of entering developed countries is to acquire well-established intangible assets (i.e. brands) and product domains in these countries where the markets are quite stable. Thus, TUF’s main business strategy fits well with the exploration business strategy because TUF explored and acquired intangible assets (i.e. brands), resources, knowledge, and technologies in order to upgrade the status of the headquarters in Thailand. The headquarters in Thailand did not have sufficient knowledge and resources to manage its own brands internationally. The company has primarily accumulated its knowledge and experience under the OEM (Original Equipment Manufacturer) model instead of under its own local brands for approximately 30 years. The company then needs different kinds of assets, resources, knowledge, and technologies in order to be successful in the international arena. Thus, it needs to enter developed countries because there are new types of knowledge and experiences and internationally well-recognized brands for TUF to acquire in these countries. But, there are no new types of assets, knowledge, and technologies to acquire in developing countries.
In this case, the laws and regulations as well as government policies in developed countries are usually very strong and well-established. Put simply, the institutional norms in developed countries are very strong. They are not tailored to the needs of TUF. Instead, TUF itself has to comply with such institutional norms (coercive isomorphism). Thus, developing its own brands using the organic expansion internationalization strategy is not a good solution for TUF when internationalizing its businesses in developed countries since this process takes a long time and TUF may fail in this attempt due to dissimilar institutional environments. In addition, TUF has to overcome a much higher level of institutional norms as well as LOF and LOR to be able to do so. Thus, the main internationalization strategy that fits well with TUF’s philosophy is the M&A approach, meaning that TUF must explore and acquire intangible assets (i.e. well-known brands) and new types of technological resources in these countries to internationalize its business operations. This process helps TUF better acquire the existing product domains and brands in these countries and to be able to adopt new practices and skills from the acquired firms and transfer them back to the headquarters in Thailand. The headquarters in Thailand then is able to learn how to manage internationally well-recognized brands and how to market the products internationally. These kinds of knowledge and experience hence supplement the existing knowledge base of the headquarters (under the OEM model) and help the headquarters to upgrade its status and gain better credit among employees in each brand / subsidiary it has acquired.

TUF is an EM MNE that does not have a very strong infrastructure and abundant resources at the headquarters in Thailand. Currently, TUF itself has been facing a lack of qualified human resources who are able to serve as “global workforce or global managers”. Therefore, TUF has to apply a decentralized management to each subsidiary or brand that TUF has acquired from its M&A internationalization strategy; each subsidiary then has
almost complete discretion over the decision-making process. The headquarters and its subsidiaries are connected only at the top level.

Since TUF has changed its direction from operating the business under OEM model to operating several internationally well-recognized brands, the headquarters then needs a new generation of managerial and professional employees who are able to manage multi-international brands. This new generation of employees would connect closely with the headquarters in Thailand and play an important role in transferring the new types of knowledge, practices, and skills from the acquired brands back to the headquarters in order for the headquarters to better manage the international brands over the long run. This transfer also helps to upgrade the status of and strengthen the knowledge base of the headquarters in Thailand. Normally, new directions of businesses require different competencies that do not exist internally. TUF quite understandably has to look outside to find managerial and professional employees with these competencies. Specifically, TUF has to search for candidates who have had experienced in managing multi-international brands externally; such persons then play an important role in integrating multi-subbrands the same name of “TUF” and in transferring their knowledge, skills, and competencies back to the headquarters as described above. The level of accumulated knowledge at the headquarters is then equivalent to that of the subsidiaries due to the continuous transfer of knowledge. The status of the headquarters would then be legitimate. No one can look down on the management at the headquarters in Thailand. One question may arise: Why don’t TUF let each brand operate itself so there is no need to acquire employees externally? In this case, it may not be a good idea to let each brand operate itself over the long run (without anybody serving as the “integrator”) since nothing can be improved if each brand is managed by the same person and the status of each brand has changed from a standalone brand to the sub-brands of TUF. In this case, TUF needs managerial and professional employees who have knowledge, skills, and
experience that are different from those of the existing managers of each brand. Specifically, managing multi-international brands requires skills different from managing a single brand. These managerial and professional employees must also be responsible for integrating multi-subbrands together to become the only one brand under “TUF”. Thus, the best solution for TUF in terms of HR strategies is to rely on external market HR strategies or to “buy” or to “acquire” managerial and professional employees from several well-known, world-class companies. These managerial and professional employees typically possess state-of-the-art knowledge and skills in their field to help to strengthen the status of each brand after the brand has been acquired by TUF. These managerial and professional employees are also able to transfer their knowledge and skills to the headquarters in Thailand. They are normally familiar with the institutional pressures in developed countries, and they can help strategically integrate TUF in Thailand with the brands or subsidiaries in developed countries. The knowledge, skills, and abilities TUF need from these managerial and professional employees are not very specific only to TUF (e.g. how to manage multi-international brands, how to integrate several sub-brands, and how to manager diverse human resources across subsidiaries). Instead, they are quite transferable from firms to firms. These managers typically hop from place to place in order to move along the job ladders to higher positions. They are willing to share and transfer their new types of knowledge, skills, and experience to TUF. The cost for changing from jobs to jobs for them is not high because their knowledge, skills, and abilities are not specific to each individual firm. Theoretically, their strategic value is very high to TUF, since they can help TUF to overcome the liability of foreignness (LOF) and liability of origin (LOR) and strengthen the status of each brand but their uniqueness is not high since their skills and abilities are not specific to only TUF as mentioned above. This external labor market HR strategy is also aligned with what Kanter (1984: 111) proposed that “high growth and relative newness mean a greater need for obtaining high-ranked managerial
personnel from external labor markets…. Stable and predictable growth theoretically allows hiring at the lowest entry level and promoting from within, then replenishing the supply at entry level.” In this case, TUF has grown very rapidly during the past years due to the M&A internationalization strategy and the company is relatively new in the area of international brand management. Whereas CP has grown stably during the past several years in the market and, of course, the company has been in the international market under its “own’ brands for a longer time. So, the internal labor market HR strategy fits well with the case of CP while the external labor market HR strategy should be the most appropriate in the case of TUF.

Specifically, these acquired managerial and professional employees should help TUF to overcome the higher level of liability of origin (LOR) that TUF has been facing when the employees who work for the brands that TUF has acquired (e.g. MW Brands) deny the status of TUF as its headquarters or mother company. They think of TUF as a company who acquires them and have never accepted the “TUF” as a global brand but still stick to their original brand, “MW Brands”. The acquired managers and professionals can thus help TUF to gain confidence and acceptance from such employees because these managers and professionals have had extensive experience in managing multi-international brands in several developed countries. In addition, the acquired managers and professionals are also able to transfer their knowledge, skills, and experiences back to the headquarters in Thailand because they typically connect closely with the headquarters. In this situation, the status of the headquarters in Thailand would then be upgraded and the knowledge base at the headquarters would be improved. The LOR would finally be minimized. In case of the higher level of liability of foreignness (LOF), the acquired managerial and professional employees derived from the external market HR strategy typically have had extensive experience in managing multi-international brands in several developed countries. They are familiar with the institutional norms in developed countries. They would finally use their experience to help to
manage the institutional pressures in developed countries and the LOF that the company has been facing would be minimized (See Figure 5 for TUF). In sum, the M&A internationalization strategy TUF has adopted when internationalizing its business operations to developed countries support the external labor market HR strategy or the “buy” or “acquire” HR strategy.

Based on my theoretical arguments above, I therefore argue that for EM MNEs, the exploitation business strategy fits well with the organic expansion internationalization strategy and these two strategies vertically support the internal labor market HR strategy or the “make” HR strategy. Whereas the exploration business strategy fits well with the M&A internationalization strategy and these two strategies vertically support the external labor market HR strategy or the “buy” or “acquire” HR strategy. By contrast, I argue that for EM MNEs, the exploration business strategy and the M&A internationalization strategy do not vertically support the internal labor market HR strategy or the “make” HR strategy because EM MNEs using the M&A internationalization strategy typically grow very rapidly, and too rapid growth does not permit advance human resource planning or does not permit waiting for the slow internal development process to occur. EM MNEs using this internationalization strategy need human resources that have state-of-the-art knowledge and skills to perform predetermined tasks and to help strengthen the status of the already well-established firms. These skills and abilities are usually highly transferable and are not specific (high in strategic value but not high in uniqueness). Further, the exploitation business strategy and the organic expansion internationalization strategy do not vertically support the external labor market HR strategy or the “buy” or “acquire” HR strategy, because EM MNEs using the organic expansion internationalization strategy typically grow slowly but stably, and this slow growth permits advance human resource planning to occur. The need for acquisition of managerial and professional employees from an external market is then minimized. EM MNEs using the
organic expansion internationalization strategy instead need human resources that are both high in strategic value and high in uniqueness in order to grow together with the company. Thus, the internal labor market HR strategies or the “make” HR strategies fit well in this case. The 2x2 matrix that demonstrates the fit between business strategies versus internationalization strategies and HR strategies for managerial and professional employees should be as shown in Figure 6. In sum, my theoretical findings presented above finally support the two propositions mentioned.

**Conclusion**

This paper uses a matched case comparison of two Thai EM MNEs in the food industry, Charoen Pokphand (CP) and Thai Union Frozen Products (TUF), to examine whether different business strategies (i.e. exploitation and exploration business strategies) and different internationalization strategies (i.e. organic expansion and the M&A internationalization strategies) are associated with different HR strategies (i.e. internal labor market and external labor market HR strategies) for managerial and professional employees in EM MNEs. As mentioned earlier, EM MNEs are different from MNEs originating from developed countries in several aspects and there has been scant research that explores the internationalization strategy and its HR implications among these EM MNEs. The paper then makes a number of contributions to the existing literature on international management and strategic human resource management as follows. First, this study bridges the literatures on international management and strategic human resource management in order to understand how emerging market multinational enterprises (EM MNEs) internationalize and how different business strategies and different internationalization strategies are associated with different HR strategies for managerial and professional employees. This study also explores how the EM MNEs use these business and internationalization strategies as well as HR strategies to overcome the liability of foreignness (LOF) and liability of origin (LOF) in
foreign markets. Second, this study adds to the qualitative understanding of EM MNEs. The combination of several theoretical perspectives and the investigation of a range of internationalization and HR issues through a case study approach enable me to extend existing international management / strategic human resource management theories. A single theoretical perspective may not be insufficient to understand the whole process of internationalization and its HR implications. Third, this study adds to the limited empirical knowledge on the internationalization of two Thai firms in the food and agricultural industry, particularly the different situations and institutional contexts they encounter in different parts of the world in their globalization endeavor.

This study also has managerial implications for the study of MNEs from other developing countries, an understanding that is to date underdeveloped but of growing importance. One is the alignment of the business strategies and internationalization strategies with the HR strategies for managerial and professional employees to overcome the LOF and LOR. Another is to understand the differences between LOF and LOR and to solve each type of liability in an accurate way. In particular, developing decent relationships with various stakeholders in the host country plays a very important role in the success in the international arena. In addition, understanding the institutional norms in the host country is also a key to success.

Last but not least, this study has some limitations in terms of its methodology. First, access to local employees and other stakeholders in host countries across regions has been difficult due to resource constraints. This may restrict the sources of information to enable the construction of a better global picture of the two Thai EM MNEs. Second, the case study of the two leading Thai firms in the food and agricultural industry may not be a representative of all of the EM MNEs across sectors in terms of their internationalization and HR strategies. Specifically, this study omits the other popular internationalization strategy (i.e. joint
venture). Future researchers may explore how this joint venture internationalization strategy aligns with any HR strategy. In addition, in-depth longitudinal case studies as well as quantitative studies with large sample size from a wide range of industrial sectors might be useful to deepen our understanding of a topic that is significant from both the international management and strategic human resource management perspectives.
Figure 1: Liability of foreignness and liability of origin of CP when entering developed countries

Liability of foreignness

High

Low

× CP

Liability of origin

Low

High
Figure 2: Liability of foreignness and liability of origin of TUF when entering developed countries.
Figure 3: Liability of foreignness and liability of origin of CP when it has changed its targeted countries to developing countries.

<table>
<thead>
<tr>
<th>Liability of foreignness</th>
<th>Liability of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>

× CP
Figure 4: Liability of foreignness and liability of origin of CP

when it has changed its targeted countries to developing countries and when it has
aligned its business strategy and internationalization strategy with the HR strategy

High

Liability of foreignness

Low

Low

 Liability of origin

High

× CP

× CP

× CP

× CP
Figure 5: Liability of foreignness and liability of origin of TUF when it has aligned its business strategy and internationalization strategy with the HR strategy.
Figure 6: Fit Between Business VS Internationalization Strategies and HR Strategies of EM MNEs That Would Help EM MNEs Overcome the Liability of Foreignness (LOF) and Liability of Origin (LOR)

<table>
<thead>
<tr>
<th>Organic (Exploitation)</th>
<th>M&amp;A (Exploration)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Labor Market</td>
<td>Fit</td>
</tr>
<tr>
<td>External Labor Market</td>
<td>Unfit</td>
</tr>
</tbody>
</table>
Appendix 1: List of Interviewees as of January 31, 2014

Charoen Pokphand (CP) Group

<table>
<thead>
<tr>
<th>No.</th>
<th>Position</th>
<th>Number of Interviewees</th>
<th>Interview Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Director</td>
<td>1</td>
<td>June 12, 2013</td>
</tr>
<tr>
<td>2-4</td>
<td>Executive Vice Presidents</td>
<td>3</td>
<td>July 10, 2013 / July 23, 2013/ July 24, 2013</td>
</tr>
<tr>
<td>5</td>
<td>Senior Vice President</td>
<td>1</td>
<td>July 10, 2013</td>
</tr>
<tr>
<td>6-8</td>
<td>Vice President</td>
<td>3</td>
<td>July 31, 2013 / August 15, 2013</td>
</tr>
<tr>
<td>9</td>
<td>Manager of Subsidiary in China (Telephone)</td>
<td>1</td>
<td>July 28, 2013</td>
</tr>
<tr>
<td>10</td>
<td>Manager</td>
<td>1</td>
<td>July 16, 2013</td>
</tr>
<tr>
<td>11-20</td>
<td>Employees</td>
<td>10</td>
<td>July 15, July 16, July 17, 2013</td>
</tr>
<tr>
<td>21</td>
<td>Ex-employee (Telephone)</td>
<td>1</td>
<td>July 18, 2013</td>
</tr>
</tbody>
</table>

Thai Union Frozen Products Public Company Limited (TUF)

<table>
<thead>
<tr>
<th>No.</th>
<th>Position</th>
<th>Number of Interviewees</th>
<th>Interview Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>President / CEO of TUF</td>
<td>1</td>
<td>January 16 &amp; June 5, 2013</td>
</tr>
<tr>
<td>2</td>
<td>Assistant Managing Director</td>
<td>1</td>
<td>June 28, 2013</td>
</tr>
<tr>
<td>3</td>
<td>HR Director</td>
<td>1</td>
<td>June 6, 2013</td>
</tr>
<tr>
<td>4-5</td>
<td>Managers</td>
<td>2</td>
<td>June 28, 2013 / July 19, 2013</td>
</tr>
<tr>
<td>6-9</td>
<td>Assistant Managers</td>
<td>4</td>
<td>June 28, 2013 / July 19, 2013</td>
</tr>
<tr>
<td>10</td>
<td>President / CEO of Chicken of the Sea (Subsidiary) (Skype)</td>
<td>1</td>
<td>July 10, 2013</td>
</tr>
<tr>
<td>11</td>
<td>HR Director of MW Brands (Subsidiary) (Skype)</td>
<td>1</td>
<td>July 18, 2013</td>
</tr>
<tr>
<td>12</td>
<td>Assistant General Manager</td>
<td>1</td>
<td>June 28, 2013</td>
</tr>
<tr>
<td>13-16</td>
<td>Senior Supervisors</td>
<td>4</td>
<td>June 28, 2013 / July 19, 2013</td>
</tr>
</tbody>
</table>

A labor NGO representative: August 26, 2013
A labor scholar: August 31, 2013
Four labor union representatives in food industry: January 23, 2014
A food industry expert and scholar: January 30, 2014
Appendix 2: Charoen Pokphand (CP) Group’s Organization Structure

The Charoen Pokphand Group (CP)

- Charoen Pokphand Foods (CPF)
  Profit 2012: 18,790 million Baht

- CP All
  Profit 2012: 11,023 million Baht

- True Corporation
  Profit 2012: 7,428 million Baht
Appendix 3: Charoen Pokphand Food (CPF)’s Organization Structure
Appendix 4: Charoen Pokphand Food (CPF)’s Organization Structure
## Appendix 5: Headquarters and CP’s Subsidiaries across the globe

<table>
<thead>
<tr>
<th>Countries</th>
<th>Status</th>
<th>Production capacity</th>
<th>Approximate Number of Factories in Each Country (for Every Kind of Business)</th>
<th>Approximate Number of Employees in Each Country (for both blue collars and white collars)</th>
<th>Approximate Number of Farms Owned by CP</th>
<th>Approximate Number of Contract Farms</th>
<th>Approximate Net Revenues or Profits by Subsidiary in 2012 (in Thai Baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>Headquarters</td>
<td>CPF-MHC, has the shrimp feed capacity 315,000 tons/year with 30 production lines, fish feed capacity 192,000 tons/year with 7 production lines.</td>
<td>65 factories</td>
<td>57,000 employees in Thailand</td>
<td>700 farms</td>
<td>6,300 contract farms</td>
<td>Profits of CPF and its subsidiaries = 18,790 million Baht</td>
</tr>
<tr>
<td>China (CPF Only)</td>
<td>Subsidiary</td>
<td>3 factories (CPF only) Animal feed production plant are more than 100 plants such as 1. C.P. Aquaculture (Beihai) Co., Ltd. (Animal feed, Aquaculture, Hatchery) 2. C.P. Aquaculture (Dongfang) Co., Ltd (Shrimp hatchery) 3. C.P. Aquaculture</td>
<td>1,100 employees (CPF only)</td>
<td>14 farms (CPF only)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Subsidiary</td>
<td>Products/Services</td>
<td>Employees</td>
<td>Farms</td>
<td>Contract Farms</td>
<td></td>
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<tr>
<td>India</td>
<td>Subsidiary</td>
<td>- Animal feed (fish) in Vijayawada and West Bengal = 24,000 tons/month</td>
<td>3,950</td>
<td>68</td>
<td>2,900</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>- Animal feed (chicken) in Pune</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>- Animal feed (shrimp) in Vizag and Chennai.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>- Chicken farm = 1.5 million chicken/ week or 300,000 tons/year</td>
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<td></td>
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<tr>
<td></td>
<td>24 factories:</td>
<td>1. C.P. Aquaculture (India) Private Limited (Animal feed (fish and shrimp) and shrimp hatchery)</td>
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<td></td>
<td></td>
<td>2. Charoen Pokphand (India) Private Limited. (Animal feed and Chicken hatchery)</td>
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<td>3. Charoen Pokphand Seeds (India) Limited (Corn seed)</td>
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</tr>
<tr>
<td>Indonesia</td>
<td>Subsidiary</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Animal Feed</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Subsidiary</td>
<td>Livestock Farming</td>
<td>Shrimp Farming</td>
<td>Integrated Broiler Business</td>
<td>Vietnam</td>
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<tr>
<td></td>
<td>- Animal Feed</td>
<td>- Livestock Farming</td>
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<td></td>
<td>- Livestock Farming</td>
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<td></td>
<td>- Integrated Broiler Business</td>
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<td>Totally 6 animal feed plants</td>
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<td></td>
<td></td>
<td>- Animal feed plant in Hai Duong has</td>
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<td></td>
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<td>production capacity = 720,000 tons/year</td>
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<td></td>
<td></td>
<td>- New Animal feed plant in Binh Dinh</td>
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<tr>
<td></td>
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<td>with production capacity of 216,000 tons/year</td>
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<tr>
<td></td>
<td></td>
<td>17 factories</td>
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<td>11,277 employees</td>
<td>82 farms</td>
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<tr>
<td></td>
<td>- Taiwan (Province of China)</td>
<td>- Animal Feed</td>
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<td></td>
<td>- Livestock Farming</td>
<td>- Livestock Farming</td>
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<tr>
<td>Taiwan (Province of China)</td>
<td>- Integrated Broiler Business</td>
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<td></td>
<td></td>
<td>4 factories:</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>1. Arbor Acres (Taiwan) Co., Ltd.</td>
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<tr>
<td></td>
<td></td>
<td>(Livestock farming)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Charoen Pokphand Enterprise (Taiwan)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Co., Ltd. (The whole value-chain of</td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>chicken business and Livestock farming)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Charoen Pokphand (Taiwan) Co., Ltd.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>(imported and sale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,266 employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>21 farms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>168 contract farms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subsidiary</td>
<td>Animal feed with production capacity of 120,000 tons/month. In 2013, the production capacity will increase up to 1 million tons.</td>
<td>11 factories: C.P. Standart Gida Sanayi ve Ticaret A.S. (The whole value-chain of chicken business) with 4 slaughterhouses and 6 animal feed production plants.</td>
<td>3,277 employees</td>
<td>14 farms</td>
<td>442 contract farms</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
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<td>-----------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
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<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>Subsidiary</td>
<td>Animal feed with production capacity of 120,000 tons/month. In 2013, the production capacity will increase up to 1 million tons.</td>
<td>11 factories: C.P. Standart Gida Sanayi ve Ticaret A.S. (The whole value-chain of chicken business) with 4 slaughterhouses and 6 animal feed production plants.</td>
<td>3,277 employees</td>
<td>14 farms</td>
<td>442 contract farms</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>Subsidiary</td>
<td>200,000 Swine/year</td>
<td>4 factories:</td>
<td>524 employees</td>
<td>17 farms</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Subsidiary</td>
<td>Animal feed with production capacity 60,000 tons/month from 4 plants</td>
<td>9 factories:</td>
<td>9,652 employees</td>
<td>42 farms</td>
<td>231 contract farms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subsidiary</td>
<td>Animal feed with production capacity 60,000 tons/month from 4 plants</td>
<td>9 factories:</td>
<td>9,652 employees</td>
<td>42 farms</td>
<td>231 contract farms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subsidiary</td>
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<td></td>
</tr>
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<td></td>
<td>Subsidiary</td>
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<td></td>
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</tr>
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<td>9 factories:</td>
<td>9,652 employees</td>
<td>42 farms</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Subsidiary</td>
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<td>9,652 employees</td>
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<td>231 contract farms</td>
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</tr>
<tr>
<td></td>
<td>Subsidiary</td>
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<td></td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Subsidiary</td>
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<td></td>
</tr>
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<td>231 contract farms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subsidiary</td>
<td>Animal feed with production capacity 60,000 tons/month from 4 plants</td>
<td>9 factories:</td>
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<td>231 contract farms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subsidiary</td>
<td>Animal feed with production capacity 60,000 tons/month from 4 plants</td>
<td>9 factories:</td>
<td>9,652 employees</td>
<td>42 farms</td>
<td>231 contract farms</td>
<td></td>
</tr>
</tbody>
</table>

124
<table>
<thead>
<tr>
<th>Country</th>
<th>Subsidiary</th>
<th>Facilities and Production Capacity</th>
<th>Employees</th>
<th>Farms</th>
<th>Contract Farms</th>
</tr>
</thead>
</table>
| Russia  | Subsidiary | 1 factory:  
1. Charoen Pokphand Foods (Overseas) LLC. (Animal feed and Livestock farming)  
2. CPF Agro LLC. (Livestock farming)  
3. Russia Baltic Pork Invest ASA (RBPI) (Swine farm in Kaliningrad, Nizhny Novgorod, and Penza)  
4. CPM will integrated with CP-Meiji to initiate the business related to dairy products under trademark "Meji" and "Meji-Pigen" | 295 employees | 4 farms | - |
| Laos    | Subsidiary | - Animal feed with production capacity of 70,000 tons/year  
- Swine farm with production capacity of 100,000 swine/year | 621 employees | 7 farms | 150 contract farms |

In 2012, RBPI had annual sale value of 1,393 million Baht and net profit 343 million Baht (exchange currency rate 5.2491 Baht/1 krone)
<table>
<thead>
<tr>
<th>Country</th>
<th>Subsidiary</th>
<th>Feed Mills</th>
<th>Company operation details</th>
<th>Number of feed mills factories</th>
<th>Number of employees</th>
<th>Number of farms</th>
<th>Number of contract farms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Myanmar</td>
<td>Subsidiary - Livestock Farming - Retort food processing</td>
<td>- Feed Mills-Our Company operation have four branches such as Yangon, Mandalay, Kyaut Me and Taung Gyi.</td>
<td>5 feed mills factories</td>
<td>4,017</td>
<td>31</td>
<td>762</td>
<td></td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>Subsidiary - Animal Feed - Livestock Farming</td>
<td></td>
<td>7 factories</td>
<td>3,050</td>
<td>6</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td>Subsidiary - Animal Feed - Livestock Farming</td>
<td>Animal feed production plant with production capacity of 10,000 tons/month</td>
<td>4 factories: C.P. Cambodia Co., Ltd. (Animal feed and Live-stock farming)</td>
<td>1,286</td>
<td>6</td>
<td>839</td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Subsidiary</td>
<td>Activity Description</td>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>--------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>-----------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>Subsidiary</td>
<td>Newly operated plant for Animal feed production and Chicken hatchery</td>
<td>4 employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>Subsidiary</td>
<td>Charoen Pokphand Foods Kenya Co., Ltd. (Animal feed and Livestock farming)</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>Subsidiary</td>
<td>(Yellow corn plantation)</td>
<td>40 employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 6: Types of Businesses among Subsidiaries and Trading Offices of CP

<table>
<thead>
<tr>
<th>Countries</th>
<th>Status</th>
<th>Types of Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Subsidiary</td>
<td>Feed and Farm (70 factories with over 10,000 employees), Motorcycle, Real Estate Development, Biotechnology</td>
</tr>
<tr>
<td>India</td>
<td>Subsidiary</td>
<td>Feed, Farm, and Food Business</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Subsidiary</td>
<td>Feed, Farm, and Food Business</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Subsidiary</td>
<td>Feed, Farm, and Food Business</td>
</tr>
<tr>
<td>Turkey</td>
<td>Subsidiary</td>
<td>Feed, Farm, and Food Business</td>
</tr>
<tr>
<td>Philippines</td>
<td>Subsidiary</td>
<td>Feed and Farm Business</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Subsidiary</td>
<td>Feed and Farm Business</td>
</tr>
<tr>
<td>Russia</td>
<td>Subsidiary</td>
<td>Feed and Farm Business</td>
</tr>
<tr>
<td>Laos</td>
<td>Subsidiary</td>
<td>Feed, Farm, and Food Business</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Subsidiary</td>
<td>Feed, Farm, and Food Business</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Subsidiary</td>
<td>Feed, Farm, and Food Business</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Subsidiary</td>
<td>Feed, Farm, and Food Business</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Subsidiary</td>
<td>Feed and Farm Business</td>
</tr>
<tr>
<td>Kenya</td>
<td>Subsidiary</td>
<td>Feed and Farm Business</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Subsidiary</td>
<td>Feed and Farm Business</td>
</tr>
<tr>
<td>UK</td>
<td>Joint Venture</td>
<td>Import and sale of basic processed meat and frozen food and import of frozen food for further processing and sale</td>
</tr>
<tr>
<td>USA</td>
<td>Trading Office</td>
<td>Import and sale of seafood products</td>
</tr>
<tr>
<td>Denmark</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>Australia</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>South Africa</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>Spain</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>France</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>Italy</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>Germany</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>Belgium</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>South Korea</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
<tr>
<td>Japan</td>
<td>Trading Office</td>
<td>Import and sale of processed food-meat and ready-to-eat products</td>
</tr>
</tbody>
</table>
Appendix 7: Thai Union Frozen Products (TUF)’s Organization Structure

Total sales revenue in 2012 = 106,697,622,358 Baht
Net profit in 2012 = 5,471,487,524 Baht
Appendix 8: TUF’s Organization Structure

ORGANIZATION CHART

BOARD OF DIRECTORS
- Audit Committee
- Nomination and Remuneration Committee
- Risk Management Committee

PRESIDENT/CEO
- Quality Management
- Office of President
- Strategic Business Development

Fish Product Lines
- Marketing
- Production/QC
- Procurement

Shrimp Product Lines
- Marketing
- Production/QC
- Procurement

BU Support
- Engineering
- Supply Chain Management
- Research & Development

Corporate Support
- Finance & Accounting
- Human Resource
- Safety

Internal Audit
- Sustainability Development
- Communication
- Investor Relations & Corporate Investment
- IT

Total Workforce as of December 31, 2012
- 12,540 Staffs
  - Salaried Employee
  - Daily Employee
- 1,502 Staffs
- 11,047 Staffs
### Appendix 9: Headquarters, Subsidiaries, and Trading Offices of TUF

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Brands</th>
<th># of employees</th>
<th>Sales Revenues (Million Baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TUF + others (Thailand)</td>
<td>Sealect + Fisco + Bellotta</td>
<td>12,200 (only TUF)</td>
<td>48,624.94</td>
</tr>
<tr>
<td>Thai Union International (USA)</td>
<td>Chicken of the Sea</td>
<td>420</td>
<td>32,700.36</td>
</tr>
<tr>
<td>US Pet Nutrition (USA)</td>
<td>n/a (pet food)</td>
<td>n/a</td>
<td>508.74</td>
</tr>
<tr>
<td>Thai Union Investment Holding (Netherlands, UK, Ireland, France, Italy, Portugal, Ghana, Seychelles)</td>
<td>MW Brands (John West) Retit Navire, Hyacinthe Parmentier, Mareblu</td>
<td>5,500</td>
<td>24,116.98</td>
</tr>
<tr>
<td>P.T. Jui Fa International Food (Indonesia)</td>
<td>n/a</td>
<td>n/a</td>
<td>459.51</td>
</tr>
<tr>
<td>Yuch Chyang Canned Food (Vietnam)</td>
<td>n/a</td>
<td>n/a</td>
<td>287.09</td>
</tr>
<tr>
<td>Century Pacific Group (China)</td>
<td>Century quality, Century tuna, Birch Tree, 555, Argentina, Fresca, Blue Bay, Angle, Lucky7, Wow</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>
## Appendix 10: TUF’s Percentage of Sales in 2012 by Products

<table>
<thead>
<tr>
<th>Product</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuna</td>
<td>49%</td>
</tr>
<tr>
<td>Shrimp</td>
<td>23%</td>
</tr>
<tr>
<td>Sardine and Mackerel</td>
<td>6%</td>
</tr>
<tr>
<td>Pet food</td>
<td>7%</td>
</tr>
<tr>
<td>Salmon</td>
<td>4%</td>
</tr>
<tr>
<td>Others</td>
<td>11%</td>
</tr>
</tbody>
</table>
# Appendix 11: TUF’s Percentage of Sales in 2012 by Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>36%</td>
</tr>
<tr>
<td>Europe</td>
<td>30%</td>
</tr>
<tr>
<td>Japan</td>
<td>9%</td>
</tr>
<tr>
<td>Thailand</td>
<td>10%</td>
</tr>
<tr>
<td>Africa</td>
<td>5%</td>
</tr>
<tr>
<td>Australia</td>
<td>3%</td>
</tr>
<tr>
<td>Asia (excluding Japan)</td>
<td>3%</td>
</tr>
<tr>
<td>Middle East</td>
<td>2%</td>
</tr>
<tr>
<td>Canada</td>
<td>1%</td>
</tr>
<tr>
<td>South America</td>
<td>1%</td>
</tr>
</tbody>
</table>
References


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