

# Service Exporting Decision : The Study of Thai International Service Firms

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**Abstract<sup>1</sup>— International service enterprises have become critical in the global market. As a result, there is increasing need to investigate what factors affecting a company’s decision to export as well as the impediments that prevent many firms from exporting. A proposed follow-up study is to develop and empirically test a theoretical framework of the antecedents cover organizational issues. This study is designed to extend previous research of the service sector in Thailand.**

**Keywords— services export, international marketing, export decision**

<sup>1</sup>The arguments proposed here are intended to provide the theoretical underpinning for an empirical study of this topic in Thailand.

## I. INTRODUCTION

There has been a significant increase in the global service trade. The total value of service exports was US\$ 3,780 billion in 2008, rising from US\$ 1,307.1 billion in 1997 (WTO). In Thailand, the service sector is likewise increasingly important as the total value of \$US 28.8 billion in 2007, increased from \$US 17.6 billion in 2003 (servicethaitrade), ranking at the twenty-seventh of the world’s top service exporters in 2007 (see Table 1) (WTO). Therefore, it implies that the role of the service sector on both global and national scopes continues to be increasingly important and present significant research opportunities in international services marketing (Javalgi and White 2002). Yet, despite the distinction of services in the world economy, and specific recognition of the importance of services in the 1993 General Agreement on Tariffs and Trade (GATT), the vast majority of services firms are still not marketing their services internationally. While services represent a rapidly growing sector of world exports (Annual Report of the President of the United States on the Trade Agreement Program, 1996), this sector is still proportionately under-represented in international trade.

TABLE I: WORLD’S TOP SERVICE EXPORTERS IN 2007

Country	World Rank	Value \$US billion	Annual percentage change
United States	1	456.4	15
United Kingdom	2	273.0	18
Germany	3	205.8	15
France	4	136.7	16
Spain	5	128.3	21
Japan	6	127.1	10
<b>Thailand</b>	<b>27</b>	<b>28.8</b>	<b>17</b>

Source: World Trade Organization Website (2008)

This study identifies and explores key factors driving the export performance of service firms in Thailand. Moreover, the key objective is to investigate the link between successful cross-border inter-firms relationships and service

## II. LITERATURE REVIEW

Several trends have caused the increasing globalization of services. First is the shift to services in the economies of most developed countries as manufacturing activity has shifted to low-wage economies. Second, as manufacturers go global, their service suppliers must follow. Third, technology has had a unifying effect, making national boundaries less significant than in the past. Finally, as many economies develop and reach higher levels of prosperity, more services are demanded (Winsted & Patterson 1998). Though there has been substantial research regarding many aspects of exporting manufactured goods, there has been very little research regarding the exporting of services (Sharma 1989). There are many characteristics of services that make international marketing of services more complex and potentially more challenging than marketing goods internationally (Bateson 1992). First, services are intangible. That means they are performances or experiences which cannot be touched, seen, transported, or lifted (Winsted & Patterson 1998). As a result, customer risk perceptions are increased and quality is more difficult to assess than for manufactured goods. Second, services are inseparable from their users. Most services require direct involvement and input from those benefiting from the service, and production and consumption take place simultaneously. As a result, it takes a lot of time and effort to build the trust and relationships are so crucial to the success of many services (Winsted & Patterson 1998). Therefore, this leads to increased cost and need for understanding of the local culture (Lovelock 1996). Third, services are perishable and cannot be stored like manufactured goods (Winsted & Patterson 1998). This demonstrates special challenges for balancing supply and demand. Finally, quality control in services is very difficult due to the heterogeneity caused by the fundamental role of personnel in providing services (Winsted & Patterson 1998). This challenge is intensified when hiring and training people from different cultures and implanting corporate ideas and values from a distance.

Together, these unique characteristics make international marketing of services a crucial demanding challenge.

Despite this challenge, services exporting offers a significant opportunity to developing countries and to services firms whose domestic markets are saturated or are becoming obsolete. Since it becomes easier for services firms to transcend distances and national borders, professional services and other services firms are increasingly considering marketing services internationally. The growing prominence of exporting to both services firms and to the export balances of their countries make it vital to understand better what the motivating factors are that encourage some services firms to export and what the impediments are that prevent many services firms from exporting in the context of Thailand. Hence, This paper explores two major research questions:

- 1) What factors motivate some professional services firms to export while other forms do not?
- 2) What are the major impediments that must be overcome to encourage other services firms to enter foreign markets?

### III. METHODS

The study was undertaken on firms that operate in the B2B service sector in Thailand since the majority of research on international services is based on data collected in North America or Europe (Pisharodi, Angur, and Shainesh 2003). Therefore, a study of Thai service exporters is deemed appropriate. The study employed qualitative research method since it can offer rich data and insights into the behavior of service exporters. Moreover, qualitative research method can provide researchers with some preliminary information on building conceptual models (Hair, Bush, and Ortinau 2000). This was important for this study as the researcher had the opportunity to verify and refine constructs to be used in the model. The chosen qualitative research method was in-depth interviews. In-depth interviews are defined by Kinnear et al. (1993, p.240) as an "unstructured personal interview, which uses extensive probing to get a single partner respondent to talk freely and to express detailed beliefs and feelings on a topic." During the interviews, the researcher could use probing questions, a unique characteristic of this data collection method (Hair, Bush, and Ortinau 2000), as a mechanism to obtain more information on the interviewees' thoughts and gain insight into likely factors motivating internationalization, perceived risks and benefits, barriers or hindrances to exporting or expanding export programs, and problems and opportunities posed by the characteristics of services..

20 service firms (15 of whom were engaged in international marketing) representing a wide range of industries were invited to participate in the study. These firms were randomly selected from the Directory of Thai Exporters published by the Department of Export of Thailand 2011 version. The interviewees were business executives who were knowledgeable of the international marketing activities of the service firms. These executives were the key informants for this exploratory study.

### IV. FINDINGS

A number of studies on manufactured goods suggest that firm characteristics like size have an impact on a company's decision to export and exporting success (Chetty and Hamilton 1993). Previous research shows that small firms (under ten employees) are unlikely to internationalize due to managerial and cost limitations, while large and medium-sized firms are more likely to internationalize due to greater resource availability (Turnbull 1987). This was confirmed in our qualitative interviews with service firms where most said small firms do not have the resources to support the substantial initial cost of foreign involvement. Larger firms are more able to risk the initial investment needed to internationalize. Another area examined in qualitative interviews is perceived barriers to exporting. Barriers to exporting include all attitudinal, structural, operational, and other constraints that hinder the firm's ability to initiate, develop, or sustain international operations. The qualitative interviews in this study suggested that regulations governing services in particular, often presented significant entry barriers. Firms already exporting services particularly reported that import restrictions frequently obstruct expansion plans. Interviews with non-exporters informed that a lack of international know-how (knowledge and expertise in researching and developing strategies to penetrate foreign markets) as the main reason for not pursuing international markets.

Also, from the literature, attitudes and perceptions toward exporting have been found to affect the exporting decision (Axinn 1988). These comprise constructs such as perceived attractiveness and perceptions of benefits and risks in international marketing. Findings in goods exporting literature shows that non-exporters view exporting as more costly, risky and less profitable than do exporters (Keng and Juan 1989). Consistent with the qualitative interviews in this study, both small-medium sized and small service firms reported that risk concerns are the major construct.

Another area examined in this study is motivations for exporting. One form of classifying motivations for exporting by services firms is distinguishing between offensive and defensive motives. Offensive motives are active and are aimed at providing competitive advantage for the firm through internationalization (Erramilli and Rao 1990). Defensive motives are reactive where a firm reacts to environmental initiatives and stimuli. The qualitative interviews in this study and the literature suggest that most business-to-business service firms initiate international operations using the defensive mode of following clients. Once such firms establish a foreign market presence, motivation is then likely to shift to serving local foreign clients (Li and Guisinger 1992).

### V. CONCLUSIONS

This paper seeks to extend knowledge about what factors motivate services firms to export and what impediments that must be overcome to encourage other services firms to enter foreign markets particularly in the context of Thailand. Therefore, on a practical level, this study provides provide international business

practitioners, especially those in the service sector, with a better understanding of the relevant factors associated with their export decisions. Furthermore, in terms of public policy makers and trade associations, this paper helps provide useful information of how to encourage more service firms to begin internationalizing.

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