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International Business strategy for French Companies

(By studying the success of THALES in South East Asia)

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Authors,
Sanaea Virjee & Hamza Gilani

Important Terms

Partnership Arrangements

A partnership arrangement is an agreement between two or more parties with the intention of doing business together. With this agreement profits and losses are also shared between the parties. The advantage of having partnership arrangement is that both parties agree to put their factors of production to gain the best results/maximum returns from their merger.

Joint Venture

Joint venture is an entity formed between two or more parties to undertake economic activity together. The parties agree to create a new entity by both contributing equity, and they then share in the revenues, expenses, and control of the enterprise.

Collaboration

Collaboration is a structured, recursive process where two or more companies work together toward a common goal.

THALES E-Security

THALES E-Security activities offer a wide range of security solutions to protect Government and Defence critical information infrastructures, thereby positioning the company as a leading worldwide supplier of certified network security products

Build-to-suit (BTS) project between THALES and Ascendas

This joint partnership is the first build-to-suit (BTS) project between THALES and Ascendas, and serves as Ascendas' 14th BTS project in Asia. Ascendas will own, develop and manage the property for THALES. Ascendas' clients include Infineon, Exel, Friwo, Honeywell, INSEAD and NH Technoglass.

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Abstract

Date: 5th June, 2008

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Title: International Business Strategy for French companies
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Research Questions:

- i. What strategy did THALES adopt which enabled it to be successful in the South East Asian market?
- ii. How did THALES establish itself in the South East Asian market? I.e. did it carry its operations from home outside its borders or did it directly start its foreign operations after birth?

Aim of Study: The aim of our study is to determine the different strategies that THALES could choose from and single out the one that it adopted in the South East Asian region. This will give other French companies in the same industry and THALES competitors an overview of its business operations in those countries.

Conceptual Framework: This part of paper describes the models used in this paper. The models used are *corporate level international strategy*, *Traditional internationalization model* and the *Born Global concept*.

Methodology: This chapter describes the methods selected to conduct this study. It describes the reasons why certain methods of gathering and analysing information have been used.

Conclusions: A multi-domestic approach is an important part of THALES's global strategy. It is based on the belief that a global player must be more than a collection of operations and must have a long term vision for international growth and development.

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Chapter 1

1. Introduction

In this chapter the subject of this thesis is introduced, background information is presented and the purpose is formulated.

Globalization is a worldwide phenomenon which brings about a borderless world (Ohmae, 1989). Due to globalization world is becoming one with different companies from different countries coming together; entering different and new markets at a rapid pace but there is a different extent to which each country is globalizing. In order to measure the degree of globalization of different nations, a globalization index was developed by cooperation between Foreign Policy Magazine, AT Kearney and EDS Company (Foreign Policy, 2001, 2003). The index indicates that some small developing countries in the South East Asian region such as Singapore and Malaysia were among the top 20 most globalized nations from 2001 to 2004. Singapore was ranked as the most globalized nation in 2001 (AT Kearney, 2002). Thus, it is clear that globalization is affecting every nation, regardless of its size¹. So it would be very interesting to study how a company from a developed country enters a developing region i.e. in this case South East Asian region.

With increased globalization, even French companies are expanding internationally, establishing sales and operations in different countries at a growing pace. One of these regions is the South East Asian region which is the focus of our thesis. For this thesis we have analyzed 9 South East Asian countries i.e. India, Indonesia, Japan, Malaysia, Pakistan, Singapore, South Korea, Thailand and Vietnam. The South East Asian countries encompass many common characteristics and above all the region provides a vast magnitude of economic activities.

In the past, companies would approach target countries with a global strategy along with minor adaptations to local preferences. This ingredient was thought to be enough to enter a new market successfully. However, in the case of today's Asian market, it is not a closed and conserved market anymore; rather it is termed as a fully integrated market. Asia was once viewed as a place of low quality and cheap products, it was thought of as a region in which it was difficult to do business due to psychic differences. But today Asia is experiencing rapid change, bringing in new challenges and opportunities. It is seen as a region currently experiencing the world's fastest economic growth and where customers are becoming more aware of foreign products. It must be realized that the Asian markets are no longer emerging but emerged markets with a wealth of competent talent and strong local competitors all of the highest caliber.²

¹ https://research.wsulibs.wsu.edu:8443/dspace/bitstream/2376/192/1/a_thoumrungroje_042804.pdf

² http://www.swedishtrade.se/kina/DocFile/siabusinessletter_17f89aa5-22df-4cd0-8eb4-1926fb446ab3.pdf

1.1 Choice of Company “THALES”

For this thesis we have chosen to work with THALES. It is one example of a French company which has internationalized as its core business is focused on all three sectors aerospace, defense and security. So we believe that by studying their experience and partnership arrangements / business activities it will be very useful information for THALES competitors and other French companies in the same industry that are interested in establishing themselves abroad especially in the South East Asian region. We chose this company as our main focus since it has come a long way to stand where it is today. THALES has its branches located in many different countries all over the world.

1.2 Target Audience

We believe that this thesis will be useful for the following target audience:

- ⌘ French companies in the same industry/THALES competitors that are interested to know how THALES is operation and that would like to enter South East Asian market.
- ⌘ Anyone fascinated in studying internationalization.

1.3 Problem

Problem Discussion

Today the world with its complex markets is creating situations which make it very hard for local companies to internationalize, in this regard French companies establishing themselves in the South East Asian region. For this reason many questions need to be answered like how companies internationalize? Or which strategy is most suitable?

A good decision based on the type of strategy to use can really improve a company's overall standing in terms of revenues generated, sales and marketing. Strong fundamentals or foundations about strategic objectives and plans can lead to companies executing their plans really well. Strategies are all about setting trends, being ahead of the game and their competitors, they are what define a company and its clarity of market operations. A good strategy choice is the recipe to success for a company (Mark Goyder 1998, pp 97).

It is for this reason and many others that a business strategy needs to be formulated by companies wanting to move outside their home soil. Business strategies are not followed by text book rules, when we consider companies. However they help us determine the approach that a company may have employed when we take in the similarities of its movement in contrast with a strategies formulation.

Business strategies help companies to relate themselves to the target market that they wish to enter. This means that many different factors come into view in relation to the way a company wants to operate and by studying these factors a company will adjust itself towards the needs of its target audience. It is thus essential to realize that business strategies are important because they allow a company, amongst other things, to plan their approach and allocate their resources

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in the most efficient way possible so that they can reap economies of scale and earn larger profits. If resources are wasted this will lead to pursue of opportunities that do not fit with the company's core objectives.

It must be kept in mind that psychic differences do prevail in the South East Asian region. This is why we have studied different international strategies to investigate the particular strategy that THALES has adopted to overcome these differences collectively. This research will greatly benefit French companies that wish to go international. The strategies have been carefully analyzed taking THALES into context. All factors contributing to the choice of strategy have been discussed. These results should make clear to the reader what to look for when deciding to enter a market, in this case the South East Asian market and how to relate the partnership arrangements to the workings of the particular company. Focusing on this region we have also presented the different partnership arrangements of THALES in 9 different countries. This is additional information presented in Appendix I for those that want to study the topic in depth and gain a wider understanding of the specific types of operation being conducted by THALES in the region.

Problem formulation

- 1) What strategy did THALES adopt that enabled it to be successful in the Asian market?
- 2) How did THALES establish itself in the South East Asian market? I.e. did it carry its operations from home outside its borders or did it directly start its foreign operations after birth?

1.4 Purpose

The aim of the study is to determine how THALES has managed to establish itself in the South East Asian market, by investigating the different partnership arrangements and by studying different business strategies. Our ultimate goal is to determine the exact strategy that THALES is using in the region of focus.

1.5 Limitation

Even though THALES has a wide global establishment, given the time frame we were only able to study a particular region i.e. the South East Asian market. Our information on THALES Partnership Arrangements has been limited to specific years basically from 2000 onwards. However in some cases during our research we actually managed to stumble upon information from years before 2000. The thesis is primarily focused on strategy choice and the reasons behind the choice of strategy. Hence it does not give consultative advice on strategy employment.

1.6 Disposition of the Thesis.

Here we have stated very briefly what each chapter comprises of to display in the mind of reader the flow with which this thesis has been carried out.

Chapter 1: Introduction.

The company THALES has been introduced, the purpose and the problem has been described and the research questions have been stated.

Chapter 2: Conceptual Framework.

We have focused on:

1. Corporate level International strategies.
2. Traditional Internationalization Model (Uppsala Model).
3. Born Global concept.

The research concerning these two theories has been divided into two parts; Model 1 and Model 2.

Chapter 3: Methodology.

Here we have given an account of different research methods and briefly stated our approach for the thesis using these methods.

Chapter 4: Arms Industry.

This chapter gives a general overview of the arms industry and further continues to discuss this industry in relation to South East Asia.

Chapter 5: The Company "THALES".

This chapter describes the French company THALES.

Chapter 6: THALES Partnership Arrangements.

In this chapter we have presented our research and analysis in the form of opinions. The partnership arrangement that we have researched are the main focus of this chapter.

Chapter 7: Strategy Analysis.

Here we have elaborately tried to make connections between our study on Partnership Arrangements and different corporate level international strategies, furthermore we have made a distinction about THALES being either a born global or the follower of a traditional internationalization model.

Chapter 8: Conclusion.

In this chapter we have drawn conclusions from our study.

Chapter 2

2. Conceptual Framework

In the Conceptual Framework we have presented theories which are being used in this research. The focus is to study International Business Strategies of French companies by using THALES as an example. The Frame of reference is divided into “Corporate level international strategy, Traditional Internationalization model and the Born Global concept”.

2.1 Corporate level international strategy (Model 1)

Prahalad and Doz provide the most widely used framework for corporate-level international strategies³. Different firms and organizations have to adapt different strategies best suited and their environment when working internationally. Choosing a strategy is one of the most significant and complex tasks, as success/failure depends on the strategy preferred. Choice of which strategy to employ depends on environmental factors as well as company interests.⁴

As we are studying International business strategies of French companies in South East Asian region and taking THALES as an example it is very important to determine which strategy it used in order for it to be a role model for other French companies in the same industry going abroad; so in order to determine that it is very important for us to decide which model we should use and for the purpose of our research study we think Corporate level international strategy is the most effective model for this type of study.

³ J.H. Taggart 1999, pp233-255

⁴ HILL CHARLES W.L.6th Edition),pp 426-431

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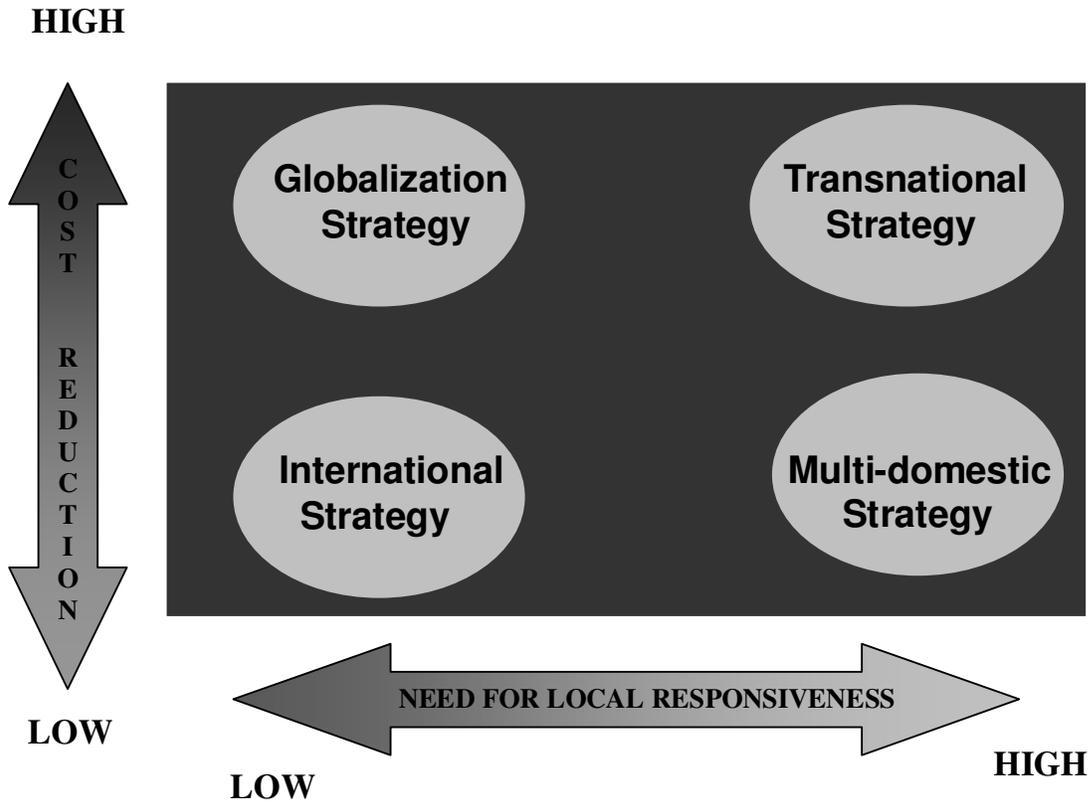


Figure 1: Corporate level international strategy⁵

According to “Corporate level International strategy model” there are four different kinds of strategies

- 1. Globalization Strategy**
- 2. Multi-Domestic Strategy**
- 3. Transnational Strategy**
- 4. International Strategy**

⁵ Created by Authors

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There are two variables that are crucial in this model; since they ultimately help a company take decisions on the choice of strategy. These variables are explained below:

2.1.1 Cost Reduction

Cost efficiency in almost all industries is a prerequisite for success (Robert M. Grant, pp 274). In today's competitive global markets enterprises often face pressures for cost reductions. In other words this means that the firms must lower the cost of value creation. There are a number of ways that firms can lower the cost factor in production. They can select one optimal location where they can mass produce standard products which can result in economies of scale. On the other hand they can outsource their activities to low cost locations and make use of cheap resources in order to lower their costs. An example can be the R&D branch of a firm. Firms can outsource such a sector to a low cost location where the hiring of labour is cheap. As a result have the product produced in that location according to the same standards and have it sent back.⁶

There are high pressures for cost reduction in industries where the price competition is fierce, with commodity products or where there are many competitors. With regard to these competitors pressures for cost reduction are also high if these competitor firms are located in low cost locations for example. Another reason why firms tend to watch out for the cost pressures is because it's a factor that affects the financial performance of firms.⁷

2.1.2 Need for Local Response

Pressures for local responsiveness arise from national differences in consumer tastes and preferences, infrastructure, accepted business practices and distribution channels and from host – government demands (HILL CHARLES W.L 6th Edition, pp 423). In order for a firm to meet the local responses it has to differentiate its products and market strategy from place to place irrespective of the strategic positions it has considering its sister business units (Alan M. Rugman 2002, pp 207).

When the local response is high, companies go for manufacturing standard products, and in the case when the local response is low then companies usually disperse their activities and cater for the local needs by producing accordingly (John Miltenburg 2005, pp 163).

When companies take these two factors into account i.e. cost reductions and the need for local response then they are able to decide what strategy they want to employ in the region that they are focusing on. These two variables are important parts of the corporate international strategy model and ultimately steer companies to their choice of strategy.

⁶ HILL CHARLES W.L.6th Edition ,pp 422

⁷ Robert M. Grant 2002, pp 272

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The strategies that make up the model are now discussed below:

2.1.3. Globalization Strategy

This strategy is purely focused on increasing the profit growth of firms by reaping the cost reductions that come from economies of scale, learning effects and location economies. The production, marketing and R&D components of the firm are situated in different locations around the world that are best suited for its efficiency. Firms following this strategy tend not to change their products in any way, in other words the product characteristics are the same no matter where in the world they are sold. The reason for this is that customization leads to shorter production runs which in turn increase the costs of production. With standardization the products can be produced in bulk with no modifications needed. The marketing of these products is also the same throughout.

The Characteristics of an industry using this strategy is that it competes in markets of a particular type of product and it focuses on achieving competitive advantage based on economies of scale and economies of scope across markets (HILL CHARLES W.L, 6th edition, pp 426-427). There are a number of drives that determine the industries possibility to globalize; these are mentioned as follows (Alan M. Rugman 2002, pp 46 -52):

1. Cost drivers
2. Customer drivers
3. Competitive drivers
4. Government drivers

Global companies disperse their activities in many countries but yet they tend to concentrate their important activities in one location (Michael E. Porter 1998, pp. 310). The use of this strategy makes sense when there are high pressures for cost reductions and low pressures for local responsiveness. Industries that are usually found using this strategy are ones whose products serve global needs. This strategy is useless when the demands for local responsiveness are high.

2.1.4 Multi-Domestic Strategy

A multi-domestic firm views itself as a collection of different subsidiaries operating in specific markets around the world. This strategy focuses on increasing the profits earned by customizing the product offerings to the tastes and preferences of the target markets. This strategy follows a decentralized pathway as the subsidiaries are individually responsible for catering to the local market needs. As a result of this the subsidiaries are allowed flexibility to function the best possible way in the particular markets that they are present in, in order to meet the needs of the customers.⁸

It is easy to understand why this is so since this strategy is employed if the cost pressures are low and the local response pressures are high (HILL CHARLES W.L, 6th edition, pp 427).

⁸ Griffin Ricky & Pustay Michael , 2nd edition, pg377

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Customizing the products to the needs of the local consumers the firm increases the value of the product in the eyes of the consumers. It must therefore be understood that this strategy is only useful if there are clear differences amongst the various national markets.

The negative aspect of this strategy is that it leads to duplication of tasks and short production runs which in turn increases the costs slightly. If the pricing was high then this would make sense for the companies as they would be able to recover all their costs. (HILL CHARLES W.L, 6th edition, pp 426-427).

2.1.5 Transnational Strategy

A transnational strategy is one that faces a situation present in both the global strategy and the multi-domestic strategy. In other words the pressures for cost and local responsiveness are both high.⁹ The major aspect of this strategy is to be able to cope with all the environmental factors that are present. This strategy leads to the development of products that are relatively standardized and the products/services are flexible to capture the local markets.

Core competencies and skills do not just reside in the home country, but can arise from the firms worldwide operations. Thus it is said that the flow of skills and information should be a two way channel, from home country to the foreign country and vice versa. This is a management approach in which an organization integrates its global business activities through close collaboration and interdependence among its operations.

This strategy is not an easy one to pursue, as it places excessive demands on the company. Differentiating the product to meet the demands of the local markets raises the costs and also runs against the concept of having to reduce the costs. With a transnational strategy companies can enter into strategic alliances in order to save time and capital.

In transnational strategy the pressures for cost and local responsiveness are both high (HILL CHARLES W.L, 6th edition, pp 429). Companies which sell relatively standardized products and are accepted by the local market as they are, usually go for transnational Strategy. With a transnational strategy companies can enter into strategic alliances in order to save time and capital. The decisions made on the other hand are a result of a combined process between headquarters and subsidiaries.

The organization has to create a balance between the cost and response pressures, this means that it has to use a strategy that is a mixture of both centralization and decentralization. Under the transnational model all activities are spread out in the regions where they are best suited. Transnational organizations seek consistency in their operations. Thus the international operations are interdependent and knowledge/skills are shared worldwide (HILL CHARLES W.L, 6th edition, pp 429).

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2.1.6 International Strategy

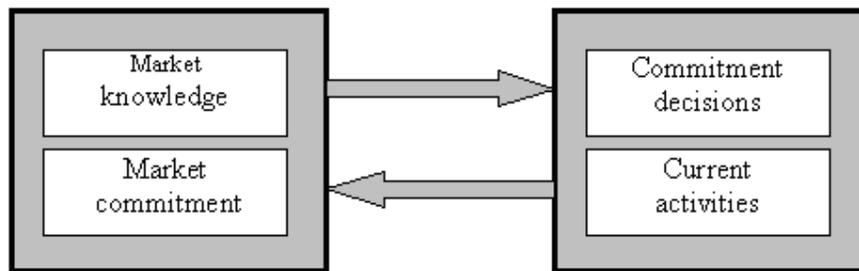
This strategy is used when there is a low pressure for cost reduction and local response. The firms that use this strategy are the ones that plan to take the same products to the foreign market that they produce for their home market. Companies following this approach are producing products that serve universal needs and have no significant competition (HILL CHARLES W.L, 6th edition, pp 430)

Companies follow a centralized pattern, and may also place certain aspects of their company in the different geographic locations that are best suited for those tasks. An example would be the production/manufacturing elements. Usually the head office maintains control over the activities like marketing and production.

2.2 The Traditional Process Model / Uppsala Model (Model 2)

In today's world where there is greater trend of internationalization than ever before and where markets tend to be different across borders, it is very important that a firm knows how they should internationalize; they can do so through Uppsala Model which is also called Traditional Process Model or by being a Born Global.

The Uppsala model is concerned with the collection of data regarding specific market knowledge and the commitment of firms to these markets with regard to the resources available to them.



Uppsala model of internationalisation (Johanson & Vahlne 1977).

Figure 2: Uppsala Model of Internationalization¹⁰

The Uppsala model is a collection of four different elements (Johanson, J. and Vahlne, J.-E, 1977, pp.23-32)

- **Market Knowledge**

This constitutes the knowledge of opportunities, problems and alternatives of the market and the firm itself. These different factors can include the demand/ supply, competitors and distribution channels. There are four different kinds of knowledge

- i. Objective Knowledge: is knowledge that can be taught.
- ii. Experiential Knowledge: can only be learnt through personal experience.
- iii. General Knowledge: is concerned with the know-how of customer characteristics and marketing methods.
- iv. Market Specific Knowledge: is concerned with the know-how of specific national market for example culture or business ethics etc.

¹⁰ Uppsala Model of Internationalization(Johanson & Vahlne 1977)

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- **Commitment Decisions**

Commitment decision leads to connecting market imbalances with respect to risk as this leads to speedy market growth. The problems, opportunities and alternatives are studied and decisions are taken relating to current market activities. Economic opportunities are also focused upon for example increasing the scale of operations.

- **Current activities**

Current activities can include operations such as marketing. Such activities can consist of lags between implementation and their consequences. In other words a product may need to be marketed several times before it gains recognition by customers, this adds to market commitment.

- **Market Commitment**

Market commitment depends on the resources available. Resources located in a particular market are considered a commitment to that market. There is more commitment when the resources can be used by all activities of a firm.

There are different problems firms can face when they internationalize like lack of knowledge due to physic differences i.e. culture, language, economic factors, business practices etc.

According to Uppsala international model there is a specific pattern firms can follow when they internationalize. Firms start to invest in just one or in a few countries cautiously by studying the market as there is greater physic distance, rather than to invest in numerous countries simultaneously. According to Traditional process firms after getting mature in their domestic market gradually internationalize. Typically firms start exporting to a country, later they establish a sales subsidiary and then with the passage of time start production in host country.

Market choice is also dependent on physic distance i.e. firms begin to start internationalizing in those markets that has a close physic distance and later expand their sales in markets that have greater physic distances. Due to lack of knowledge about international markets this serves as an effective process.

2.3 Born Global

There are many firms which instead of adapting incremental process while going abroad they chose to internationalize right from their birth in order to enter multiple countries at once directly without establishing themselves and experiencing in the domestic market. Born global means a firm that has at least 25 percent international sales within three years of founding (Neri Karra and Nelson Phillips 2004, pp 1)

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The concept Born Global was developed almost 10 years ago in an Australian report (McKinsey & Co., 1993 and Rennie, 1993.). Knight and Cavusgil (1996) define born global as small, technology-oriented companies that operate in international markets from the earliest days of their establishment (Thomas Borghoff, 2003, pp.79).

The Born Global internationalization is driven by their network ties. Born Globals already have knowledge about the international markets before they enter. They take into account the needs of the individual markets/clients and the knowledge supplied by their networks before deciding upon their foreign market entry modes¹¹.

Born global sell products and services that are entirely new and totally different from what is already in the market. In other words they bring innovation into the market, due to the possession of intense market knowledge. This competitive advantage i.e. the possession of a huge knowledge base that helps develop new products is something that is dependent on its network ties.

However it must be understood that Born Global are newly born firms. In other words they suffer from “liability of newness”. These firms lack the exposure to domestic market operations. Thus they are exposed to high levels of insecurity with regards to potential client’s needs and demands.

Those firms who operate in international environment right from their birth see the world as one market and focuses on growth through international sales. They consider exploring and working in international markets as opportunities for them rather than obstacles.

¹¹ Sharma, D.D. and Blomstermo, A. (2003), pp. 739-753

Chapter 3

Methodology

This chapter will describe the methods selected to conduct this study. It describes the reasons why certain methods of gathering and analyzing information have been used.

The type of research method that is chosen is important since it determines the way and the type of information that is to be collected. The authors' choice of research methods is based on first identifying the problem, only after doing this did the method of research become more visible for selection.

3.1 Problem Identification

It is very obvious to see that the world is becoming one. In other words globalization is happening at a very rapid pace, and for some, faster than they can keep up with. It is not always an easy task to engage with foreign clients. A firm or a company must adhere to the different concepts governing the business dynamics in the region where it wants to do business. We found this area of study to be interesting because "The rules of the game" are always different across borders, and we wanted to dig deep into the study of internationalization in foreign markets. The company chosen for research analysis is one which has already established itself in the region of focus. Thus the authors are interested in finding out how it internationalized and which particular strategy is used by this company by taking all these factors of globalization into account.

3.2 Selection of method

In order to answer the problem, the selection of methods for research should be carefully chosen. There are a number of different research methods that are available, but we chose the ones that were useful for us to reach our conclusions. We have selected to work with qualitative research method, which in turn leads us to collecting primary and secondary data. Furthermore we have studied different business strategies and internationalization models to create a link between them and the data we collected on the company.

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Qualitative and Quantitative methods are two broad research methods that can be used. Thus for this research we have based our study on the qualitative method.

3.3 Qualitative research

Qualitative research is a powerful tool for research (Evert Gummesson 1999, pp.1). This is a formal method which is commonly used to investigate research questions (Jane Ritchie, Jane Lewis 2003, pp 5). With the help of qualitative research method the researcher can search for new knowledge, in both the investigated and un-investigated areas. It does not require the delimitation of information gathering from previous research, (Eliasson, 1995).

This method of research then leads to the collection of primary data and secondary data:

3.3.1 Primary data

Primary data is original data collected for the research problem at hand, especially when secondary data is not available to answer research questions (Ghauri 2005 p 100). There are several choices to collect primary data, since our thesis is formulated by using qualitative method, we felt it necessary to build effective communication with our research company i.e. THALES, in order to obtain useful information, since interviews are considered the best method to collect data (Ghauri 2005 p 132). For the purpose of Primary data we have contacted the different regional offices of THALES; we received a response from one contact. Our contact with this business unit was helpful in the sense that it cleared up certain concepts about THALES's activities. The interview questions were direct and to the point according to the information we wanted to gain. Also this acted as a source of verification for our chapter on THALES partnership arrangements and strategy analysis.

3.3.2 Secondary data

Secondary data is widely used in solving researching problems. Secondary data are data collected by other researchers for their own research purposes that ethnographers can obtain either through public access or personal negotiation. It is data that can enhance the comprehensiveness of data collection and understanding of results (Jean J. Schensul, Margaret Diane LeCompte, Stephen Schensul, 1999, pp 201-202).

Secondary sources include: books, articles, and online data, academic papers and so on (Ghauri, 2005, p 91). For this thesis, we collected the basic information about the history of THALES and company characteristics from their homepage apart from that we conducted extensive research by using the internet search engine Google. However only the information published by formal investigating organizations is adopted by us. Apart from that we used literature books/articles; this gave us basic theoretical support to investigate THALES's internationalization process and business strategies. Some of the articles and books referred to were used as part of our course literature in Mälardalens University.

The research design of focusing on French companies within the same industry by studying THALES in particular is essentially similar to a case study design, which in itself portrays a qualitative approach. We have studied the reasons that contribute as factors to the choice of

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strategy that THALES has adopted and why, by analyzing the implications of the other strategies as opposed to the one it has used.

3.3.3 Explorative & Descriptive

Another characteristic of Qualitative research is that it is explorative as well as descriptive (Mandy Van Der Velde, Paul Jansen, Paulus Gerardus Wilhelmus Jansen, Neil Anderson 2004, pp 218).

The nature of our study is purely explorative and descriptive.

- Explorative: Consists of collecting information to observe and to form a hypothesis.¹²
- Descriptive: Consists of describing what we analyze. In other words how does a trend make itself visible?¹³

We collected information on the business strategies that have been adopted by THALES, and we also studied its partnerships arrangements in the South East Asia region. Such data is very limited and difficult to find, given the time frame we managed to find information on 9 countries. What we found was very helpful to us with regards to our research on the THALES Partnership Arrangements chapter. As far as the collection of information regarding strategies is concerned, it is important because it makes it easy to follow and relate the pattern of the company's movements with that of the definition of the models. Companies don't follow text book rules, but with gaining knowledge about the models one can make comparisons and see the similarities.

We have also discussed the different strategies and come up with answers as to why THALES has been so successful in its operations. The answers are presented based on what we have learned through our research on the company. This research is discussed in our chapter on THALES partnership arrangements based on this research we have discussed the strategy of choice of THALES. The company's history has been studied and the reasons behind choice of strategy of the company have been clearly mentioned. In other words conclusions have been reached by comparing the current position of the company to the different models.

¹² <http://etd.rau.ac.za/theses/available/etd-02032006-125237/restricted/CHAPTER2.pdf>

¹³ Information Resources Management Association International Conference, Mehdi Khosrowpour 1999, pp 1106

3.4 Validity & Reliability

Validity is “establishing correct operational measures for the concepts being studied” (Yin, 1994). In order to ensure the validity of this thesis, the methods and theories used to conduct this study were chosen from literatures written by authors known to be experts in this field and articles recommended by Mälardalens University. Further more; the information from chapter 6 used in the analysis was collected through extensive internet research and an e-mail interview with the General Manager of a company chosen by the authors. Further more the validity of our study is provided by the chapter on THALES partnership arrangements where we have in depth studied the motive of THALES with regards to its partnership arrangements. The partnership arrangements are presented in Appendix 1.

The major points of chapter 6 are reliable since we got them approved by our contact, as shown in Appendix III.

3.5 Methodology critique

The fact that we have related certain aspects of our research to just one interview can be subject to criticism, that how we can base our whole study on just one interview. However, we want to state that numerous offices of THALES both in the region and beyond were contacted but we did not receive any response from them except from one office in Malaysia. This is a channel marketing business partner. As a result our questions got answered with that in mind. However we did not let that deter us from our goal. We have done an extensive research on our own regarding the partnership arrangements or the way THALES is doing business in each of these 9 countries. This is sufficient information in order to backup our conclusion regardless of the interviews shortcomings.

Chapter 4

ARMS INDUSTRY

This chapter gives a general overview of the arms industry and further continues to discuss this industry in relation to South East Asia.

The arms industry supplies goods and services that can impact relations between countries. This is the reason why such an industry is subject to rules and regulations and close control by the governments. The main reason that distinguishes the arms industry from other civil industries is the nature of its products and the relations that are formed amongst different governments.¹⁴

This is an industry from which the armed forces of countries obtain a wide range of goods and services. These goods can range from combat aircraft, combat ships, armoured vehicles, and guns. The goods can also be used for civilian purposes such as certain transport and communications equipment, logistical services and a wide range of general goods like food, clothing, fuel, and office equipment etc.¹⁵

Civilian technologies are also mixed with the products that are developed for military purposes. This notion has been supported by two key factors:

- 1) There has been a reduction in demand for arms since there is shifting away of government spending from this trade.
- 2) Civilian technologies are advancing at a rapid pace, particularly the electronics field.¹⁶

At one point the arms production facilities were owned by the national governments, but after the 1990's a privatization phase swept this industry and resulted in a reduced number of government owned companies. Even though this is the case national governments still finance and regulate the production of arms in their borders. In effect they also provide a financial and political hold for the sale of arms to foreign governments.¹⁷

There are certain reasons why the governments support the development and production of such an industry:

- 1) Domestic production of arms is seen as an important factor for guaranteeing sovereignty in foreign policy.
- 2) Arms production adds to the economy's autonomy.
- 3) Support of arms sales to other nations can be viewed as a device of military and foreign policy.¹⁸

¹⁴ <http://www.sipri.org/contents/milap/milex/aprod/transparency.html>

¹⁵ <http://www.sipri.org/contents/milap/milex/aprod/transparency.html>

¹⁶ <http://www.sipri.org/contents/milap/milex/aprod/transparency.html>

¹⁷ <http://www.sipri.org/contents/milap/milex/aprod/transparency.html>

¹⁸ <http://www.sipri.org/contents/milap/milex/aprod/transparency.html>

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There are many countries around the world that are involved in the arms industry selling their produce to other nations. This following pie chart shows 10 of these countries:

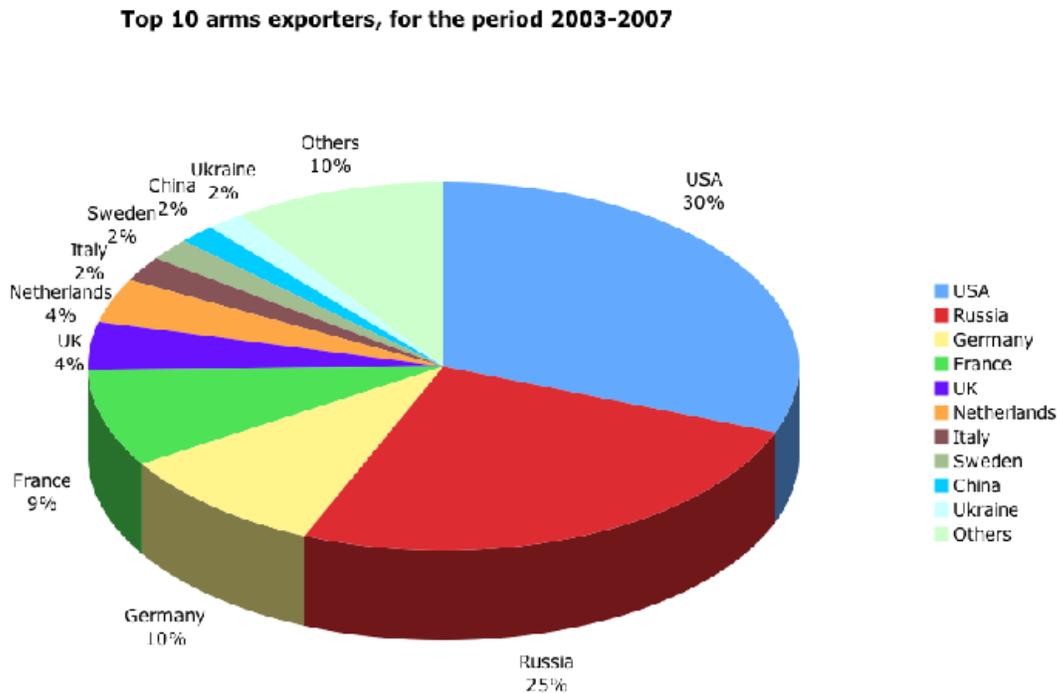


Figure 3: Arm export, for the periods 2003-2007¹⁹

(The pie chart above shows how global arms imports are divided around the world. The percentage shows the country's share of total world arms exports, for the period 2003–2007)²⁰

We shall now divert our attention to the South East Asian region with regards to the arms industry as this is the focus of this research.

Due to its openness and recent growth, Southeast Asia is an increasingly critical market for arms exporters. At the same time, however, it is reasonable to question whether these arms purchases directly serve military requirements and whether they may unintentionally increase the “security dilemma” in the region.²¹

¹⁹ http://www.sipri.org/googlemaps/at_top_20_exp_map.html

²⁰ http://www.sipri.org/googlemaps/at_top_20_exp_map.html

²¹ <http://www.ntu.edu.sg/RSIS/publications/Perspective/RSIS0432008.pdf>

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The South East Asian regions arms market is fairly small, it is worth around US\$2 billion to US\$3 billion annually. However even though this maybe the case there are certain aspects of this market that make it worth investing in:

Firstly, with regards to arms sales, South East Asia is one of the most competitive markets. All the major arms exporting nations: the United States, Russia, Britain, France, even Sweden and China have fruitfully sold weapons to this region.

Secondly, the South East Asian market is an emerged market. The regions economy and defense spending has increased drastically. As a result of this the region provides a hub of opportunities for this particular type of industry.²²

The defence spending of nations in the region has expanded greatly. According to data provided by the Stockholm International Peace Research Institute (SIPRI), Malaysia's military budget has grown by 75%, Indonesia's budget has grown by 68% and finally Singapore's budget has grown by 24%. These are just some examples of the magnitude with which the arms industry is gaining opportunity in the region. It is obvious that the South East Asian militaries have much more money to spend on new weapon systems.²³

This new phase of weapons delivery into the region has been termed as an arms race by many defence analysts. The main question that is raised is if such a huge influx of arms into these nations in such short time can cause destabilization in the region. This is regards to issues and political factors that cause regional conflicts.²⁴

One justification for such arms deals is that they will bring along with them other economic benefits. In other words the belief is that this trade will open up routes to foreign markets for domestically produced goods e.g. rice, oil or dried fruits. Thus the question that comes to mind is whether these arms deals are done to fulfil basic requirements or to reap the other benefits that they present.²⁵

As already shown in figure 4 above, France is in the top 10 countries supplying arms equipment to the world contributing 9% of its share. The French arms sales are increasing drastically. The governments instructions to the defence sector are "sell, sell, sell" says a Western Diplomat.²⁶ According to figure 4 France is the fourth largest supplier of defence equipment behind USA, Russia and Germany.

French defence firms are gearing up for a strong political push to allow them to win defence contracts as well as a boost in research spending to allow them the technological edge that they desire.²⁷

Paris offers easy term loans by giving permission to countries to assemble aircraft for example while the parts are shipped from France. This is the way that France competes for sales. This arms manufacturing in turn provides jobs. The French defence industry has won contracts with

²² <http://www.ntu.edu.sg/RSIS/publications/Perspective/RSIS0432008.pdf>

²³ <http://www.ntu.edu.sg/RSIS/publications/Perspective/RSIS0432008.pdf>

²⁴ <http://www.ntu.edu.sg/RSIS/publications/Perspective/RSIS0432008.pdf>

²⁵ <http://www.ntu.edu.sg/RSIS/publications/Perspective/RSIS0432008.pdf>

²⁶ <http://www.time.com/time/magazine/article/0,9171,959218-1,00.html>

²⁷ <http://www.javno.com/en/economy/clanak.php?id=61018>

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many countries and no doubt North Africa and the Middle East account for more than 76% of the total French arms revenues.²⁸

Nation states have the right to equip themselves with the military gear that they need, but at the same time these arms dealings can have an unforeseen impact on regional security. In other words an arms build up by one state can be intimidating for another state in the same region. This leads to a chain reaction by other states in the region to do the same for purposes of national security. In the end of it all however the only ones that benefit from such deals are the sellers themselves.²⁹

²⁸ <http://www.time.com/time/magazine/article/0,9171,959218-1,00.html>

²⁹ <http://www.ntu.edu.sg/RSIS/publications/Perspective/RSIS0432008.pdf>

Chapter 5

The Company Thales

This chapter is going to introduce the company "THALES" on which this thesis is based.

THALES is one of the largest French defence and consumer electronics corporations. It is the number one contender in the development of mission-critical information systems for various markets. These would include aerospace, defense and the security markets³⁰. It is a global organization operating in 50 countries, with 68,000 employees and generating revenue of over 12 billion Euros in 2007.³¹ THALES generates close to 80% of its revenues from abroad and over half of its workforce is based outside France³².

THALES originated as a defence supplier for the French armed forces but with the passage of time it broadened its product line which accelerated its internationalization and being one of the largest non-U.S. defence electronics it spread itself all over from the American, European to Asian markets. This is to say that its broad product line is spread over many international markets.

The ownership of THALES is divided amongst the French government and Alcatel, with the remaining portion distributed amongst the public and institutional stockholders³³.

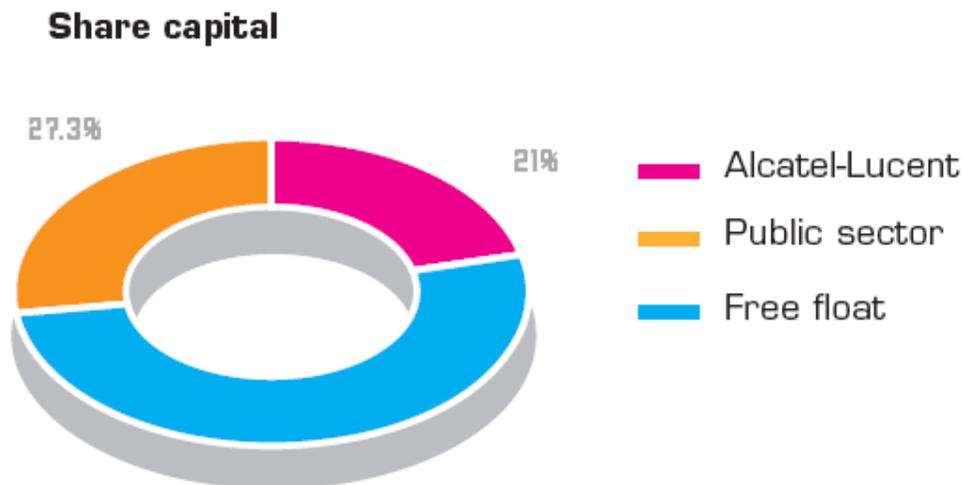


Figure 4: Share capital³⁴

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³⁰ <http://www.thalesgroup.com/About-us.html>

³¹ Corporate Brochure (<http://www.thalesgroup.com/>)

³² <http://www.thalesgroup.com/Global-Presence.html>

³³ THALES report by forecast international January 2006.

³⁴ Corporate Brochure (<http://www.thalesgroup.com/>)

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THALES initially known as Compagnie Francaise Thomson-Houston (CFTH) was established in 1893. The company was involved in many different operations on a national level. By 1968 Thomson – Brandt (successor of CFTH) merged with Compagnie Generale de Telegraphie sans Fil (CSF) to create a major player in electronics in France. After nationalization of the company in 1982, its focus turned towards the defence sector and consumer electronics. In 1999 Thomson – CSF entered a strategic partnership with Alcatel. It took over the space and defence sector of Alcatel. In June 2000 the company acquired the British group Rascal Electronics. Finally in December 2000 Thomson renamed itself THALES. This name comes from THALES the Milesian, one of the first Greek astronomers and mathematicians.³⁵

THALES steps up to accept security challenges of its customers by providing them with all the key aspects of this technology driven world. The fact that the core of technologies is the same for both civil and military systems, THALES has a long tradition of developing these dual technologies with the help of its global network of 22,000 high-level researchers³⁶.

In many cases, THALES has expanded into new markets through partnerships with local industries. Most of these partnerships have later been dissolved, with THALES taking control or full ownership of the local subsidiary once local customers have recognized its legitimacy and capabilities.³⁷

When a French company enters an Asian market, in this case THALES, two very different cultures meet and therefore co-operation amongst the parties involved becomes a challenge. Successful integration is only possible when the correct strategy is adopted by understanding the nature of global industries.

The following diagram shows the different sectors THALES is involved with:

³⁵ <http://www.ebfonline.com/Article.aspx?ArticleID=322>

³⁶ <http://www.thalesgroup.com/docfile/dyn/12345678LANGCCDDDDDEEEEEEEEEEE01:16782D4A617575402C615E1375731A1F:PG2262850977AAAAAAAAAAAAAAAA10820>

³⁷ <http://www.thalesgroup.com/Global-Presence.html>

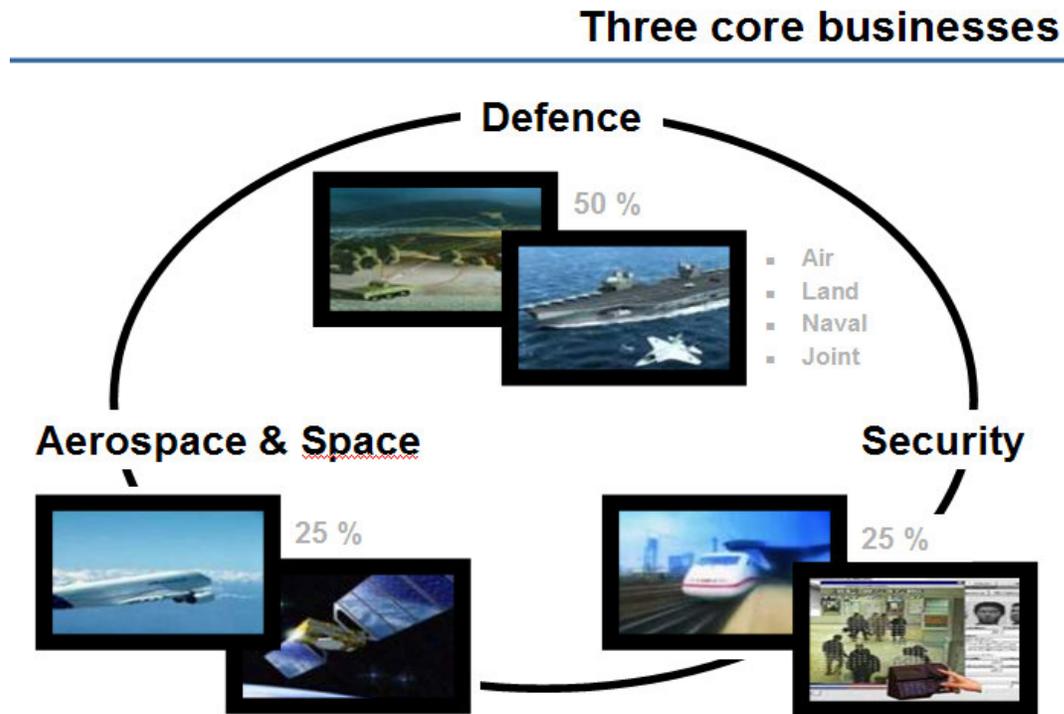


Figure 5: Three Core Business³⁸

The subsidiaries of THALES are involved in the manufacture of an extensive range of military and commercial equipment. “The firm also supplies civil markets with products such as electronic flight instrumentation, simulators, and air traffic control systems. The company’s aerospace sector is a major international source for a variety of systems and capabilities, including airborne radars, electro-optics, simulators, air defence systems, submarine electronics, weapon electronics, air traffic control systems, battlefield surveillance systems, naval combat electronics, communications, identification, and navigation information technology, specific components, and logistical support.”³⁹

³⁸<http://www.thalesgroup.com/docfile/dyn/12345678LANGCCCCDDDDDEEEEEEEEEEE01:5A336D53465B6822540A187D0D185852:17444E72500C0C03532328673E556970>

³⁹ THALES report by forecast international January 2006.

Chapter 6

THALES Partnership Arrangements

This chapter is the “back bone” of our Thesis. In this chapter we have discussed THALES’s business activities (Appendix I). In other words we have used this chapter to make our claim about the strategy that THALES has employed.

For this section we have done an extensive research (Appendix I) concerning the different partnership arrangements in 9 countries of the South East Asian region. Studying the partnership arrangements is essential in the sense that it allows us to understand the pattern of internationalization that helps decide which strategy the company can pursue. Our study on the partnership arrangement is mainly focused after the year 2000. To find such information through secondary sources is not an easy task. It is for this reason we have based our study on selected countries for which we can find information on.

South East Asia is made up of a number of countries all of which have certain differences. These differences can spring up in the form of culture, value, norms etc. and can also arise in the form of economic developments or government interventions. THALES has established itself in the number of South East Asian markets despite these differences.

Malaysia

THALES is not new to Malaysia it has a local presence in Malaysia since 1980. Our research for the establishment of partnership has been done for the years between 1995 and 2006. According to our research all the business activities are with local participants whereas THALES has one owned company in Malaysia. So far from our research we can say that THALES has 9 defence oriented activities and 9 civil oriented activities.

Thailand

Our research for the establishment of partnership has been done for the years between 2001 and 2006. In Thailand THALES have mostly partnerships with local companies. So far from our research we can say that THALES has 2 defence oriented activities and 5 civil oriented activities.

Japan

THALES also has a prominent position in Japan. Our study from 2000- 2007 shows that Defence market is more vital for THALES then the Civil orientated markets as it has twice as many defence orientated activities with local partners then partnerships in civil sector.

Singapore

THALES has had a local presence in Singapore since 1993. Our research is based from 2000 onward. On the basis of this research we have discovered that THALES has established its local presences in Singapore mainly by having fully/partly owned local subsidiaries, we found 10 such companies in Singapore. According to our research THALES seem dominant in Civil as oppose to the defence orientated activities.

Indonesia

Our study of THALES in Indonesia from 2000 onwards depicts that THALES has one owned local subsidiary in Indonesia. Besides that it has a much stronger presence in collaboration with local partners. It has a strong interaction with defence orientated activities as opposed to the civil orientated activities.

South Korea

Having done our research on South Korea from 1997-2007 we found that THALES is involved with local partners in one joint venture and 3 commercial contracts. Apart from that we found that its presence is totally focused on the defence orientated activities.

Vietnam

Vietnam was the most difficult to research on as information regarding this country is very difficult to find. But from what we have been able to uncover it has 3 different operations all of which are focused on civil activities with local partners.

India

THALES is India's third largest arms trading partner⁴⁰. THALES has been in India for more than 50 years. It has a local presence in Malaysia since 1953. From our research we can say that THALES is establishing its local presence mainly through collaboration with local partners which we think is the key factor for their success in India. According to our study from 2001 to 2008 there are 7 defence business partnerships and 7 civil partnerships which show that THALES is not only dominating in defence sector it have a major role in civil area as well.

Pakistan

According to what we have researched about THALES in Pakistan between 1994 and 2004 we can say that THALES doesn't have a very strong presence in Pakistan like it has in most of the other South East Asian countries. On the basis of our study we found that THALES is not playing a dominant role in either of these sectors i.e. Defence and Civil; the activities are roughly equal i.e. 2 in defence and 3 in civil.

The French defence industry is aggressively sinking its roots into the Asian market; however for an industry as sensitive as the defence market there are many issues that need to be factored in, when making such military deals with nation states. Such dealings with one state can cause concern for other states not only within the region but also far beyond. It's all about interests of third parties who may have nothing to do with such military deals but are indirectly affected by them since their interests are jeopardized. We can relate this issue with the French defence market and with THALES in particular. The news that Pakistan is likely to get French air-to-air missiles and radar equipment for its fighter jets (JF-17) has sparked some concern in the US. The reason for this is that the US fears that if Pakistan gets the technology that it wants China will somehow benefit from this deal, which as a result is a cause of concern for India and Taiwan. As a result this puts France in a dilemma and THALES also. By going ahead with this deal they are

⁴⁰ http://www.defenceindia.com/company_news/news89.html

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putting themselves at risk of complicating their defence relations with India and Taiwan, who are two important buyers of THALES.⁴¹

The purpose of describing the activities of THALES in each of the above mentioned countries is to show clearly that THALES has a solid presence in these countries. Finally we wanted to show the extent to which THALES is involved in both the Civil and the Defence orientated activities in these countries.

From our research conducted on the selected countries we have compiled that the total number of activities in these geographical markets is 84 which includes 13 owned companies. If we take into consideration the number of activities per country, our research implies that Malaysia, India and Singapore are the most significant markets for THALES within that region.

By means of this research we have been able to distinguish between activities concerning the defence and the civil sectors in the region. For example it is evident that in India, Malaysia and Pakistan the activities are equally split. The defence oriented activities are much more dominant in Indonesia, Japan and South Korea when you compare this to the civil oriented activities in these individual countries.

The civil activities are more dominant in Singapore, Thailand and Vietnam in comparison to the defence activities in each of these countries. Vietnam is the only country where we have not come across any defence activity. THALES fully/ partly owns one local company in India, Indonesia and Malaysia and as many as 10 in Singapore.

This collection of data is important as it provides a skeletal framework for our investigation to determine the strategy that THALES has adopted and back up our claim. In the research that we have conducted it is clear to us that THALES has not ruled out interactions with the local actors. In fact all of the links are with local partners and some of the establishments are fully/partly owned companies by THALES.

We the authors would like to clarify that the different partnership arrangements that we have mentioned for each country regarding each year are not necessarily the “only” partnerships that were established during those years. The partnerships that we have mentioned for each year are the partnerships that we were able to unearth during our research.

6.1 Benefits of THALES Partnerships

THALES has many connections that are on a contract basis as well. However it is usually contracts like these that lead to long term relationships. According to our research THALES has focused on such an approach because there are advantages associated with this arrangement.

⁴¹ http://www.atimes.com/atimes/South_Asia/IJ10Df01.html

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These advantages can include the following:⁴²

- Firstly THALES benefits from the knowledge of its local partners. This knowledge can be about the competitive conditions in the region, the culture, language, political systems and business systems. The “rules of the game” are always different across borders, and thus having such an establishment is favourable for THALES.
- Secondly THALES can cover the development costs and/or risks of establishing their presence in the South East Asian markets. This is made possible by the sharing of costs or risks with the local partner.
- Thirdly the political factors in each country can make the concept of partnership arrangements more favourable for THALES. As a result THALES is protected from any kind of intervention on its activities by the local government. Nationalization of the company for example is one threat that THALES can be protected from, with regards to its collaboration with local partners.
- Fourthly some markets are protected. This can again point in the direction of the government since most markets are government protected. So for a foreign company such as THALES to penetrate the market, it can greatly benefit with such an alliance with local partners because this will make its entry into the market a lot easier. This point is with reference to the first point.
- Fifthly THALES can gain access to the different marketing and distribution channels that can be available to it in the local markets when it enters. We know from our research that for example in Malaysia with regards to its E-security business THALES has a channel marketing partner. According to our interview with the General Manager of this business unit we learned that THALES uses this contact of it's to make a connection with its clients.

Apart from all these above mentioned factors in favour of THALES's approach one must understand the company's intentions with regard to its actions. THALES wants to produce its products in a manner that fulfils its customer's requirements. It wants to come into close contact with its clients in all countries to be able to produce or upgrade existing equipment for them according to their specific needs.

All this information that we have been able to collect with regards to our research on THALES points to one direction. We know that THALES wants to gain information about the different local markets. This will help THALES to understand and respond to specific customer requirements. Why is this so? This is so because THALES caters for an audience that has high expectations. On the other front THALES wants to lower its costs when it establishes itself in the local markets, and it does this of course from what we have learnt through the collaboration it has with the local partners. These simple analogies make us come to one conclusion about the type of strategic implementation that THALES is focusing on, that is a multi-domestic approach.

⁴² Refer to appendix III for verification.

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A multi-domestic strategy by definition is applied when the local response is high, and where the cost pressures are low. This is parallel to the information on THALES partnerships arrangements that we have presented. So we “the authors” believe that THALES is using a multi-domestic approach and in the analysis chapter we have discussed this concept in greater detail.

Chapter 7

Strategy Analysis

In this chapter we have linked our research on THALES partnership arrangements to each of the different corporate level strategies in order to show that multi-domestic strategy really is what our research suggests. Furthermore we have discussed how THALES is not a born global.

We would like to at this point make clear to the readers that our entire analysis has been backed up by our finding that we have done in chapter 5.

7.1 Corporate Level International Strategies (Model 1)

Adapting a sound strategy plays a vital role to achieve desired results which leads towards success. There are different elements that play a deciding role upon which strategy is ultimately chosen. These can range from customer preferences to the firms personal interests.

Why does THALES seem to go through all this hassle when they wish to internationalize? The answer to that is that they simply wish to gain a sustainable competitive advantage over their rivals in what they do.

7.1.1 Globalization strategy

Global strategy is for firms that produce products with absolutely no modifications at all. In other words the products should be standard. In the case of THALES it produces both standard and adapted products depending on the situation faced⁴³. Adaptation in the sense that it has to meet customer demands and for that it has established partnerships with local companies which help them provide products according to the local requirements. As we stated in chapter 6, in almost every country THALES is providing their services and products which are specifically catered according to the needs of local customers. For example in 2003 THALES trained Malaysian Navy sailors in submarine handling and operations which was in accordance to the local need of Malaysian navy. In Thailand THALES signed a Business to Business commercial contract with Shine Satellite Inc. which is the first satellite operator of Thailand to build Thaicom 5; this was specially designed according to the local needs.

These are just a few examples to show that THALES is not only providing standardized products but also takes care of local demands and caters the local market with products which are in accordance with their requirements.

As already stated in the framework firms that use a global strategy are ones that compete in markets of a particular type of product.⁴⁴ THALES on the other hand is not a company that is competing in one particular type of market; rather it is setup in three different types of markets,

⁴³ HILL CHARLES W.L, (Sixth Edition ,pp 426-427)

⁴⁴ HILL CHARLES W.L, (Sixth Edition ,pp 426-427)

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defence, aerospace and security. These make up the three core businesses of THALES as shown in Fig 1.

THALES is a company that faces a high customer demands for its products and this is because of the nature of its products. THALES on the other hand also wants to keep its costs low as we have managed to determine in our empirical data. The use of this strategy makes sense when there are high pressures for cost reductions and low pressures for local responsiveness while in the case of THALES doing business in South East Asian region there is high local responsiveness and low cost reduction so this is not the best strategy they should use, since it provides a broad range of custom-made products as there is high local responsiveness in Asian market.

Globalization strategy is thus not at all feasible for THALES as local responsiveness is always high and global strategy is for those firms that produce products with absolutely no modifications at all and that's not the case with THALES.

7.1.2 Multi-domestic Strategy

According to our research in chapter 6, we are able to see that THALES is operating as a collection of different subsidiaries. The subsidiaries are allowed the flexibility to function in the best possible way to achieve increased profits by having the products customised to the specific preferences of the local markets.

Coming back to the particulars of this strategy, it is employed when the local response is high and the cost factors are low. From our study of THALES we know that the company obviously has a high response towards its products since the nature of its products line is so sensitive. As far as the concept of cost issues is concerned THALES is keeping that low by the different partnership arrangements that it has in the region. This means that the costs/risks of the business are shared between the two parties involved. Other benefits of such business activities are presented in Chapter 6.

There are obviously differences in the markets that it works in. This means that not all customers have the same requirements. This is obvious to us when we refer back to the partnership arrangements that have been presented in appendix I that THALES has varied the number of its operations in the both the defence and the civil sector in the nations mentioned.

THALES has outsourced some of its activities one of which is its R&D. The investments are not specific to its customers but rather it follows the idea of having its research used in other sectors. THALES has outsourced this sector to 12 different countries. The financing for this sector comes from the national defence ministries in the countries where it is set up. Apart from that THALES makes use of its connections with universities and research facilities across Europe, USA and Asia. The software department of THALES is further being outsourced to India for the production of complex software technology⁴⁵.

The concept of decentralization is also present in the THALES vision. This is so because of the different sectors of the industry being located all over the world. All these sectors are well versed

⁴⁵ <http://www.ebfonline.com/Article.aspx?ArticleID=322>

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with the local knowledge of the locations where they are established. The way they function then is according to the way business is conducted in those locations. According to our research study we have concluded that in Singapore for example THALES has 10 subsidiaries. This makes the point that they have a decentralized approach and are employing local staff as well.

7.1.3 Transnational Strategy

THALES is producing products that are both standard and adapted. In the case of standard products for example THALES, in Malaysia signed a business to business contract with Malaysian Airlines, in 2005 to Supply them with an Airbus A380-800 full flight simulator. Similarly in 2006 THALES signed a business to business contract with the Thai air force regarding two simulators, one for the F16 and the other for the F5.⁴⁶

Similarly in the case of adapted products, THALES has a partnership with FPT Information System, which is an E-security partner in Vietnam. The purpose of this partnership is to provide IT solutions. This particular segment how ever can be both adapted and standard in nature depending on the situation.

For this strategy as already discussed in the frame work firms need to use a mixture of both centralization and decentralization to create a balance between cost and response pressures. THALES we know is using not a mixture but rather just decentralized tactics. This is possible to see with the way that it has spread its activities in the form of local subsidiaries that can cater best for the needs of the customers.

After studying the company with regard to its partnership arrangements in chapter 5 it is clear to us that THALES has not adopted this strategy. The reason for this is that a transnational strategy is very expensive to maintain. From what we have learnt there are not a lot of companies that are using this approach. THALES is customizing its products for all of its clients. The products are not always standard, since the local response for the locations that it enters is high. But on the other hand THALES wants to keep its costs at a minimum. It does this by outsourcing its tasks in the regions that seem appropriate for their tasks. For example the software sector of THALES has been moved to India⁴⁷. The reason being they wish to employ Indian engineers for the development of new software that will be useful in both India and for the THALES group. R&D facilities are also located in different regions, making use of the resources that are available in those regions.

We understand from this approach that THALES is trying to lower its costs and make use of resources in the most efficient and less expensive way possible. Hence it wants to keep its costs at a minimum, and for that reason this strategy is out of the question since according to the model it depicts a higher cost.

⁴⁶ Refer to appendix I

⁴⁷ <http://www.ebfonline.com/Article.aspx?ArticleID=322>

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7.1.4 International Strategy

This strategy does not seem feasible for THALES. According to this strategy the local response must be low. After studying THALES it is sensible to state that the response factors for such a company cannot be low at all. The customers are always looking for a particular type of product, for a particular type of situation and THALES is considering that factor when providing their products and services to the different markets.

Since THALES is producing products that are both standard and adapted according to preference it cannot be said that the company is just taking the products that it produces for the home market to the foreign markets. THALES does provide equipment or spare parts to existing products, that are the same for every market these can be called “universal products” for this particular category of products as the strategy defines. However as previously stated this is not always the case. Further more to say that THALES has no significant competition is void.

THALES does not follow a centralized pattern of operation. This has been noted earlier on in the partnership arrangements which states very clearly that they don't have a centralized system rather they have established their local subsidiaries in almost every country and in Singapore they have approximately 10 local companies which helps them cater the needs of local customers in the best possible way. THALES has also outsourced some of its activities because of the local responses being very high in relation to the products that it produces, while also taking into account the cost factors. There is no particular head office that looks over all these international activities. Thus it is following a decentralized concept in order to be an efficient producer and to have the managers in the different locations take control of the marketing and production strategies.

7.2 Traditional Internationalization Model & Born Global (Model2)

The roots of THALES go back as far as the early 1900's, but its corporate structure was established in 1968. An elaboration of the company history has been described in chapter 5. This history of THALES is important for this section because it is a proof of the activities that THALES has done while first being present in the French market, rather than having gone global right from its inception. Thus the point being made is that only after being fully established in France did the company seek to go abroad. These are the characteristics of a company following the traditional process model.

We must create a contrast between the traditional process model (Uppsala Model) and the born global.

According to Traditional process firms after getting mature in domestic markets gradually internationalize (Johanson J. and J-E. Vahlne 1977, pp 23-32). This is what THALES did, it established itself in 1893 and then later on after being successful in the local market it started establishing itself in the South East Asian region. By 1953 it turned its focus on India⁴⁸ thereafter it started establishing itself in a number of other countries in that region.

A company that wishes to go international must have a strong control or possession of resources e.g. capital, technology, skilled labor force that can provide the necessary knowledge pertaining to the different foreign markets. It is only then, that we can conclude or state that the home market was the proper channel for the development of a company and a base where the requirement of its resources was fulfilled, in this case focusing on THALES. In other words this means that THALES first produced and supplied its products for the French market in order to accumulate capital and gain business experience.

Due to the vast advancements and expansions of the company it attracts people with knowledge and experience to join. The analysis has clearly shown that the domestic market was the base for the expansion of THALES and the resources it attained from home was what built the platform for future international activities.

It is not an easy task to engage with foreign clients. There are many different barriers or obstacles rather that need to be dealt with or overcome in the process. A firm or a company must adhere to the different concepts governing the business operations in the region where it wants to expand. Core concepts may be the same but differences arise when political factors for example are taken into account. It should be noted that the type of government in a region depicts the way business is conducted.

Apart from that the cultural divide amongst nations i.e. psychic distance, management styles and other legal challenges need to be taken into account. All these factors contribute to the fact that having inadequate knowledge about markets can be a major obstacle in the way of

⁴⁸ <http://www.thalesgroup.com/india/about-us.html>

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internationalization operations. In order to be stable and familiar with markets firms must be acquainted with and learn “The rules of the game” of the particular target markets.

For firms to choose a market is a steady process. Firms often expand to countries that have similarities, i.e. the gap in the psychic distance is not that large (Mark Easterby-Smith, Marjorie A 2003, pp 240). The advancement into foreign markets can be looked at as stages of development for a company. This means that every new market that a company enters, in this case THALES, it learns new ways of doing business. It learns the way business is conducted in that region, and when it moves on to the next country it will try to employ the knowledge that it has learnt from its previous experience. If that knowledge is not sufficient then the new information that THALES acquires about business operations in other markets will just add to the knowledge that it has previously acquired. This will make its knowledge base more extensive (Mats Forsgren, 2001). Sune Carlson, One of the pioneers within the research area of firm internationalization, once said “once the firm has passed the cultural barriers and had its first experience of foreign operations, it is generally willing to conquer one market after another”⁴⁹

Experience generates business opportunities and is supposed to work as a driving force in the internationalization process (Johanson and Vahlne, 1990, pp.11). Companies that enter foreign markets are companies that have a vast allocation of resources at their disposal, and the most vital asset that they can possess for this task is the skilled workers with knowledge about the foreign markets or experience in this work. As a result this means that internationalization is more practical for companies when they have spent enough time developing in the domestic markets first.

After completing our analysis it is possible at this point to answer the questions that we introduced in the introduction chapter. These are as follows:

1. What strategy did THALES adopt which enabled it to be successful in the South East Asian market?
2. How did THALES establish itself in the South East Asian market? I.e. did it carry its operations from home outside its borders or did it directly start its foreign operations after birth?

⁴⁹ By Uppsala universitet, (Digitized in 2007)

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These are answered as follows:

1. After studying THALES establishment in South East Asian region and the way THALES is doing business we have concluded that THALES has a “multi-domestic strategy” which suits the nature of an arms industry, where usually government requires their suppliers to be located in the country.

According to our interview that we conducted (**appendix II**), we were able to discover that THALES uses channel partners for its activities to get into contact with its customers. This makes sense to us since it coincides with the concept of a multi-domestic strategy. The channel marketer is the way customers can get in contact with the company itself, and is a way to make sure that the products that are sold to the customers are in accordance to their preferences and needs.

From the interview we know certain aspects of how THALES is operating in the regions where it has a presence. These aspects can be summed up as follows:

- THALES has regional offices to provide sales, marketing and technical support services to all channel marketing partners.
- To establish regional offices is the most important ingredient for internationalization as a strategy.
- Channel partners are an indirect marketing sales model and they work with THALES to overcome local, cultural, economical, legal and political factors.
- The multidomestic approach is the right choice of strategy taken by THALES. Customer demands are different in every country, thus to meet these requirements THALES has taken a positive approach.
- All THALES business divisions have similar business models in their countries.

These different points are a good indication that THALES is all about the customer preference. The fact that it has located itself in the regions of business and also placed channel partners is a good example of its strategic choice. The channel marketing partners act as a link between the customers and the company itself.

According to our chapter on THALES partnership arrangements (chapter 6), we have made claims as to the way THALES is operating and suggested the advantages for those operations. All these claims are focused towards one view point. By definition in a multi-domestic strategy a company must be faced with high local responses and the costs must be low. This is exactly what we have managed to uncover in chapter 6 on the company. THALES is working together with its local partners in the regions of operation. This not only brings THALES much closer to its customers, but by working with a local partner that knows the market, THALES is doing best not to make itself an alien entity in the region. It is working to fulfill the requirements of its clients and in the process it is keeping its costs at a minimum and increases its profits by customization to the local markets with the concept of partnership arrangements. This is so because the cost and risks of the business are then shared amongst both parties as the idea of partnership arrangements states.

We have studied the partnership arrangements in detail regarding each of the countries, and we can safely state that we view THALES as a collection of different subsidiaries operating in

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specific markets around the world, in this case the South East Asian market. The subsidiaries are focused on functioning in the best possible way regarding their region of operation because they have to meet customer demands in each of the regions and those can vary from one area to the next. Keeping this view in mind THALES aims to increase the value of its products in the eyes of its customers. Decentralization is the concept that is being followed here since the subsidiaries are given the flexibility to work as they wish in accordance to meet the market demands and realities.

Our result is in accordance with what a senior manager stated regarding the activities of THALES: “Our strategy is a multi-domestic strategy of international expansion in defence markets. Our company tries to achieve this goal by acquiring numerous business and participation outside of our home country, which is France, and by strengthen out International network of alliances and partnerships”⁵⁰.

2. In our study we mentioned two theories “Traditional Internationalization Model” and “Born Global” which companies can use while going international. Some companies prefer to gain knowledge and experience using a long term plan where as others go global soon after their establishment.

In order to internationalize according to the Traditional process model firms require a strong local presence. When we link this view point to THALES, we know that this is exactly what THALES is doing. It is gaining the markets knowledge through its partners in the different localities in effect bridging the physic distance. This concept is however not required by a Born Global as it internationalizes very soon after its establishment.

The most important tool for a successful born global is capable employees who have knowledge and experience about foreign markets which can lead a firm on the right track as they don't have wide range of resources because of internationalizing from the beginning. Whereas companies who internationalize step by step after developing themselves in domestic market have the ability to enter foreign markets and compete with foreign competitors as they have the knowledge of the environment and have managed their resources accordingly.

When we say that a firm follows the traditional process model of internationalization, we mean that it first established itself in the home market before it went abroad. After studying the history of THALES this is what we discovered. The history has been presented in chapter 5.

Born global on the other hand enters the market with new products that are different from existing market products, and employs a work force that is highly knowledgeable about foreign markets. We know that THALES attracts people with knowledge and experience due to advancements and expansions in the company, however we can rule out the fact that it's a born global with its historical timeline.

For that reason we believe that internationalization is more feasible if French companies follow an incremental approach rather than born global.

⁵⁰ <http://www.thalesonline.com/Global-Presence.html>

Chapter 8

Conclusion

In this chapter Authors have drawn conclusions from their study.

This thesis is focused around a French company THALES which is the market leader in defense, security and civil industry. The multi-domestic approach is an important part of THALES's global strategy. It is based on the belief that a global player must be more than a collection of operations and must have a long term vision for international growth and development. A true global player must be able to appreciate the cultural variety in all of its locations of operation and must be able to establish a strong local presence after taking such factors into account.

A good argument presents itself in the case of THALES when studying the defence market in particular. Issues of national dominion are faced in this regard. Having a multi-domestic strategy makes it possible to be able to understand customer wants and needs, and to be able to cater to those needs resulting in customer satisfaction. This ultimately will lead to customer satisfaction, recognition and will add to the factor of long term trust⁵¹.

The partnership arrangements of THALES have been thoroughly researched by the authors in chapter 6, this is crucial to our study of THALES since it provides the backbone for our strategy analysis/results. We have studied the partnership arrangements in Nine South East Asian countries i.e. India, Indonesia, Japan, Malaysia, Pakistan, Singapore, South Korea, Thailand and Vietnam and on this basis we have analyzed our results on which strategy THALES adopted and have given reasons which have supported our study. The link between its partnership arrangements and the concept of a multi-domestic strategy fit together like a lock and key and thus we claim that THALES really has used a multi-domestic approach to its establishment. These partnership arrangements are presented in tabular form in **appendix I**.

We have evaluated the international pattern that THALES has implemented. Choosing an international pattern is very important since it ultimately decides which strategy the company must pursue. We have studied the corporate level international strategies, and made our conclusions regarding that with THALES. After this we studied the Traditional process model (Uppsala Model) and the Born Global concept to determine where THALES exactly has its roots. According to our study and analysis of partnership arrangements, we conclude that it is not a born global rather it went abroad after establishing itself in the home market i.e. it followed the traditional process model of internationalization.

We believe that our research can be used as a guide for other companies in the same industry that want to internationalize. We state this because the experience and the motivation we have been surrounded by during our research regarding THALES can be useful to gain an advantage in foreign markets. We believe that it is a good tactic for companies to establish themselves in the home market first in order to gain experience, in the process learn about other markets and then start expanding in to the foreign markets. Being a born global requires a lot of capital, resources, experienced employees, technology and talented people. This on the other hand can become a

⁵¹<http://www.thalesgroup.com/docfile/dyn/12345678LANGCCCCDDDEEEEEEEEEEE01:16782D4A617575402C615E1375731A1F:PG2262850977AAAAAAAAAAAAAAAA10820>

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costly matter, and according our research on partnership arrangements we can state that THALES is a company that is looking to lower its costs, but in the process still be an efficient supplier for its markets.

So in our opinion, the step by step incremental approach of THALES is one of their secrets of success. Thus according to our study the traditional process model is a stronger approach as opposed to the born global theory and in our view is more suitable for other companies in the same industry.

8.1 Further Research

The authors have done an extensive research for the purpose of this thesis. A lot of valuable and informative data has been brought to view in the process. The information on partnership arrangements that we have gathered together with the presentation of this data in appendix I is an important asset. This is so since this information can be used for future research purposes, by any researcher who wishes to study the company THALES in greater detail. The properties of the information used to build this thesis in effect are not just limited to what has been presented in this thesis.

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INDIA

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International Business Strategy for French Companies
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SINGAPORE

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International Business Strategy for French Companies
(By studying the success of THALES in South East Asia)

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SOUTH KOREA

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VIETNAM

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APPENDIX I

Research done by the “*Authors*” regarding the partnership arrangements have been presented here

No	Malaysia	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
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1:	Thales communication	Sapura	1995	Joint Venture	Defence	Develop defence electronics equipment locally.
2:	Sapura Thales Electronics	Malaysian Army	2002	B2B commercial contract	Defence	First STE order (TRC5100 radios)
3:	Armaris	Royal Malaysian Navy	2003	B2B commercial contract	Defence	Training sailors in submarine handling and operations.
4:	Thales GeoSolutions	Organic Holding Sdn Bhd	2003	Joint Venture	Civil	Joint venture will give rise to the sharing of ideas and technology

No	Malaysia	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
5:	⁵² Thales	AtlasONE	2003	Collaboration	Civil	Provide equipment and services for a national deployment of wireless broadband services in Malaysia.
6:	Thales Telematics Plc	(MIGHT-METEOR)& (IWT)	2003	Collaboration	Civil	Intelligent Vehicle Telematics System (IVTS) Project.
7:	Thales	Malaysian Government	2003	B2B commercial contract	Defense	Provide avionics for 18 Sukhoi 30 MKM aircraft
8:	Thales-Raytheon Systems	Ingenuity	2004	Collaboration works	Defence	Jointly Develop defence-related information technology (IT) systems in Malaysia
9:	Thales	Symphony	2004	E-Security Partner.	Civil	–

No	Malaysia	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
10:	Thales		2005	Owned	Def/Civil	First Naval Service Centre in Lumut
11:	Thales	Integrated Training & Services (IT&S)	2005	B2B commercial contract	Civil/Def	Supply an FNPT Level II type helicopter simulator
12:	Thales	Malaysian Airlines	2005	B2B commercial contract	Civil	Supply an Airbus A380-800full flight simulator
13:	Thales	Air Asia	2005	B2B commercial contract	Civil	Supply Several critical avionics components
14:	Thales	CASIO	2006	E-Security Partner.	Civil	–
15:	Thales	GIAT Information Technology Sdn Bhd	–	E-Security Partner.	Civil	–

No	Malaysia	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
16:	Thales	Malaysian Navy	2006	B2B commercial contract	Defence	To modernize the Royal Malaysian Navy's two Lerici Class minehunters
17:	France's Thales Communications	DefTech Sdn Bhd	2006	Strategic collaboration *	Defence	Supply of field vehicles, weapon systems, spare parts, and technology transfer to the local defence industry
18:	Thales	Airod Sdn Bhd	2006	Collaboration	Defence	Jointly upgrade two Royal Malaysian Air Force Beech King Air 200TB aircraft
19:	Thales	Air force	—	B2B commercial contract	Defence	4 Hawk simulators

* five foreign partners, including Switzerland's MOWAG GmbH and Ruag Land Systems, France's **Thales Communications**, Belgium's FN-Herstal and Turkey's FNSS Defence Systems

Thailand

No.	Thailand	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
1:	Thales	Planetcomm	2001	E-Security Partner	Civil	Provide solutions for wireless and multimedia applications.
2:	Thales e-Transactions	Siemens and Mitsui, Japan	2002	B2B commercial contract	Civil	To supply an electronic fare collection system for the new 18-station Chaloem Ratchamongkhon metro line
3:	Thales	(Aerothai)	2004	B2B commercial contract	Civil	Supply ATM including radars at Bangkok's Suvarnabhumi Airport.
4:	Thales Alenia Space *	Shin Satellite Inc.	2006	B2B commercial contract	Civil	Thaicom 5 is the second satellite build by Thales Alenia space for Thailand.
5:	Thales Nederland	Royal Thai Navy	2006	B2B commercial contract	Defence	Provide three electro-optical weapon control systems to be installed on the RTN's future Coastal Patrol Craft.
6:	Thales ATM	Sensis	-	Collaboration	Civil	Provide (Multistatic Dependent Surveillance) MDS to Suvarnabhumi.
7:	Thales	Air force	-	B2B commercial contract	Defence	Two simulators : F 16& F-5

India

No.	India	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
1:	Alcatel CGA Transport	Delhi Metro Rail Corp.	2001	B2B commercial contract	Civil	To equip the city's future metro
2:	Thales International India		2003	Owned	Civil/Def	Offers a range of IT and support services for local civil and military programmes.
3:	ARMARIS	Indian govt.	2005	B2B commercial contract	Defence	Acquisition of 6 Scorpène submarines
4:	Thales	Air India (state owned)	2005	B2B commercial contract	Civil	Installation of “TopSeries” system on 6 Boeing 747 aircraft
5:	Thales	Jet Airways	2005	B2B commercial contract	Civil	Thales to equip its two A330s.

6:	Thales	Indigo	2005	–	Civil	Chosen Thales’ TopFlight avionics products to equip the hundred A320 aircraft , including new generation Flight Management System (FMS)
7:	Thales	Air India	2006	B2B commercial contract	Civil	Installation of the advanced passenger entertainment system on 23 B777 aircraft
8:	Thales	Blue Star	–	E-security partner	Civil	
9:	Thales Land and joint system division	Rolta india	2006	Joint venture (51% Rolta)	Civil /Defence	Command, Control, Communications, Computers, Intelligence, Surveillance, Trget Acquisition and Reconnaissance (C4ISTAR) information systems, for domestic and international markets.
10:	Thales	Kingfisher Airlines	2006	B2B commercial contract	Civil	Supply of three new Full Flight Simulators
11:	Thales	Samtel Displays Systems	2007	Collaboration	Civil defence	Thales and Samtel works, towards development, production and sale of cockpit display systems destined for Indian and export markets
12:	Thales	Indian navy	2008	B2B commercial contract	Defence	To convert four of its 6 minesweepers into state of art minehunters

13:	Thales	CAE macmet	–	B2B commercial contract	Defence	To upgrade the indian Airforce's Jaguar and cheetah simulators
14:	Thales	Indian Army	–	B2B commercial contract	Defence	Deliver Catherine thermal cameras for the T90 tank program
15:	Thales	Indian army	–	B2B commercial contract	Defence	Deliver Sophie cameras for the infantry
16:	Thales	Indian Army	–	B2B commercial contract	Defence	Deliver a large COMIT system
17:	Thales	Air force	–	B2B commercial contract	Defence	5 simulators/trainers in use: Jaguar, M2000, Seaking, Cheetah

Pakistan

No:	Pakistan	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
1:	Thales	InfoTel Pakistan	–	E-security Partner	Civil	–
2:	UDS Int.*	Pakistan navy	1994	B2B commercial contract	Defence	Three Agosta 90Bs were ordered
3:	Thales	ABN Amro	2005	B2B commercial contract	Civil	Uses Thales' P3 technology ^Ω in banking business
4:	Honeywell /Thales	PIA (State owned)	2004	–	Civil	PIA selected Honeywell/Thales satellite communications systems for the eight B-777s
5:	Thales	Air force	–	B2B commercial contract	Defence	Two simulators(in use) F 16 & MIR

Japan

No.	Japan	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
1:	Thales	Mitsubishi Electric Corp. (Melco)	2005	B2B commercial contract	Defence	Delivery of a Thales missile control module that will be incorporated in Melco's new FCS-3 radar. This radar will be installed on the 16DDH for Japanese maritime self defence force
2:	Thales	Navy	–	–	Defence	Chosen AMASCOS
3:	Thales	Hucom	2006	–	Civil/Def*	Offer Japanese govt. and defence markets a complete family of THALES Datacryptor products
4:	Thales	Datacard Japan Ltd.	–	E-security partner	Civil	–

No.	Japan	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
5:	Thales	Japan Airlines	2007	B2B commercial contract	Civil	Top Series inflight entertainment system for new Boeing 787 aircraft
6:	Thales	Air force	–	B2B commercial contract	Defence	One B747 simulator in use
7:	Thales	Army	–	B2B commercial contract	Defence	7 small arms training/simulators in use

Singapore

No.	Singapore	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
1:	Thales	Land transport authority	2004	B2B commercial contract	Civil	Equip New Metro Line in Singapore with Secure e-Ticketing Solution
2:	Thales	Ascendas	2005	*Build-to-suit (BTS) project between Thales and Ascendas	Civil/Def	Thales appoints Singapore company to build new facility (aerospace hub)
3:	Thales	Exceltech Electronics (S) Pte Ltd	-	E-Security partner	Civil	-
4:	Thales	Singapore Airlines	2007	B2B commercial contract	Civil	A380 Full Flight Simulator

No.	Singapore	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
5:	Thales	–	–	Owned	–	Defence Electronics of Singapore PTE LTD Singapore
6:	Thales	–	–	Owned	–	THALES International Asia holding PTE LTD
7:	Thales	–	–	Owned	–	THALES International Asia PTE LTD
8:	Thales	–	–	Owned	–	THALES international Singapore PTE LTD
9:	Thales	–	–	Owned	–	Thales Security Asia PTE LTD Singapore
10:	Thales	–	2003	Owned	–	Thales Technology center Singapore PTE LTD (One of the four Thales R&D center in the world)
11:	Thales	–	–	Owned	–	ACP Metal finishing Pte Ltd – Singapore

12:	Thales	–	–	Owned 100%	–	AVIMO group limited Singapore PTE LTD (electro optics and engineering)
13:	Thales	–	2006	Owned	–	Regional headquarter building in Singapore (aerospace hub)
14:	Thales	–	2008	B2B commercial contract	Civil	Provide Singapore with a new air traffic control system ♦
15:	Thales	Air force	–	B2B commercial contract	Defence	Simulators in use: S 211, Super Puma and C-130

Indonesia

No.	Indonesia	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
1:	Thales Geosolutions		2002	Owned	Civil/Def	PT Thales GeoSolutions Indonesia.
2:	Thales Raytheon systems	Indonesian Ministry of Defense	2004	Contract	Defence	Supply a turnkey system
3:	Thales	Indonesian Navy.	2004	Contract	Defence	Thales will supply the ship's above-water defense system, the communication equipment and the sonar system
4:	ThalesRaytheonSystems	Indonesian gov.	2005	Contract	Defence	New Air defence radar system
5:	Thales	Navy.		Contract	Defence	Chosen AMASCOS
6:	Thales Alenia Space	Indonesian satellite operator.	2007	Contract	Civil	Thales Alenia Space to build and launch its broadband Internet satellite
7:	Thales	Air force		B2B commercial contract	Defence	4 simulators: including Hawk and F 16

South Korea

No.	South Korea	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
1:	Thomson-CSF	Samsung Electronics	1999	Joint venture 50-50%	Defence	The jointly owned company will develop products for the defense sector.
2:	Alcatel Alenia Space	Republic of South Korea Space Agency	2006	B2B commercial contract	Civil/Def	Provide a SAR (Synthetic Aperture Radar) payload system for KOMPSAT-5. •
3:	Thales	–	2007	Contract (industrial corporation)	Civil/Def	Development of Hull-Mounted Sonars for New FFX Frigates.
4:	Thales	Air force		B2B commercial contract	Defence	1 Hawk simulator

Vietnam

No:	Vietnam	Partner	Contract /partnership Establishment Year	Type of Partnership	Partnership Arrangement	Area/ purpose of partnership
1:	Thales	EIS Inc	–	E-security partner	Civil	–
2:	Thales	FPT Informat ion System	–	E-security partner	Civil	Providing IT Solutions
3:	Thales	Ho Chi Minh airport	Operational since 2003	B2B commercial contract	Civil	Thales delivered a complete Eurocat air traffic management system to Vietnam ATM at Ho Chi Minh airport

Summary of Business/ Partnership Activities

	Malaysia	Thailand	India	Pakistan	Japan	Singapore	Indonesia	South Korea	Vietnam
Total Number of Activities	19	7	17	5	7	15	7	4	3
Defence oriented activities	9	2	7	2	4	1	5	2	-
Civil oriented activities	9	5	7	3	2	4	1	-	3
Defence/Civil oriented activities?	-	-	2	-	1	-	-	2	-
Fully/partly owned local company	1	-	1	-	-	10	1	-	-

The above table is a summarized version of all that was depicted about the partnership arrangements. According to our evaluation we can conclude that THALES has the most interaction with Malaysia, this is followed by India and then Singapore at number three. The number of establishments regarding the defence and civil sectors has also been tabulated. Finally it can be seen that THALES has the large number of fully/partly owned companies in Singapore.

APPENDIX II

Interview with Alan Tey General Manager of a channel marketing partner of Thales E-Security Malaysia.

1. Who are the customers of Thales?

Answer:

Thales serves the Aerospace, Air systems, Land and Joint sectors and provides Security solutions and services. The U.S. Department of Defence, U.S. civilian agencies, and defence, allied, and coalition forces globally are some examples.

2. Would you like to tell us something about THALES doing business in Malaysia despite of it being very different from France?

Answer:

We are a channel marketing partner of Thales e-Security (a business unit of Thales France) in Malaysia.

Thales e-Security business model is an indirect marketing/sales model through local partners.

3. Could you tell us about the customers that “your” company focuses on and what are the main strategies for the company’s international business?

Answer:

Thales E-Security specializes in security/encryption products and solutions.

The customers are mainly the financial sector (e.g., Banks, Financial institutions, etc) and the Government sector (e.g., public security/police, defence security, etc).

4. What are the company’s achievements in your international business?

Answer:

Thales e-Security has a dominant market share in the Financial Sector of Malaysia whereas it has a limited market share in the Government sector of the country.

5. What are the problems and difficulties you faced during THALES internationalization process? How did you solve them?

Answer:

Thales E-Security provides a good marketing support for channel marketing partners like us.

Thales e-Security has an Asia Pacific regional office based in Hong Kong to provide sales, marketing, technical support services to all channel marketing partners in the Asia Pacific nations.

So far, there have been no major problems and difficulties dealing with Thales E-Security.

6. What is the most important thing for internationalization as a strategy?

Answer:

The most important thing for internationalization as a strategy is to establish a regional office to provide sales, marketing and technical support services to all channel marketing partners.

7. How does Thales cope with the business environment in its location of operation? (For example cultural, political, economical, legal factors).

Answer:

Thales E-Security business model is an indirect marketing/sales model. As such, Thales E-Security can work closely with local channel marketing partners to overcome local cultural, political, economical and legal factors.

8. Thales is using multi-domestic strategy for all of its operations. Do you think that's the right decision taken by Thales?

➤ **If so why?**

➤ **What do you think are the positive and negative aspects of this decision?**

Answer:

Thales has adapted its product manufacturing to the customer preferences. This is because it is obvious that the customer requirements in different countries are not the same. For this reason it is an important and a positive approach that Thales meets customers' requirement in different countries.

9. **Since you are working with Thales e-security you answered all the interview questions regarding that specific sector, but are you also in a position to answer questions regarding the overall work of Thales as well and not just the e-security sector?**

Answer:

I believe that the other Thales business divisions also have similar business models in other countries, i.e. indirect channel marketing partners' model, working with local partners in each country.

APPENDIX III

The purpose of presenting this e-mail is to validate our claim that we made in the chapter 5 regarding the activities/intensions of Thales.

From: Hamza Gilani [mailto:hamzagilani@hotmail.com]
Sent: Wednesday, May 21, 2008 9:12 PM
To: alantey@sns.net.my
Subject: Bachelor thesis

Hello Alan, hope all is fine with you, our thesis is going good so far but we have made some claims in the thesis that we would like to confirm with you:

- Firstly Thales benefits from the knowledge of its local partners. This knowledge can be about the competitive conditions in the region, the culture, language, political systems and business systems. The “rules of the game” are always different across borders, and thus having such an establishment is favorable for Thales.
- Secondly Thales can cover the development costs and/or risks of establishing their presence in the South East Asian markets This is made possible by the sharing of costs or risks with the local partner.
- Thirdly the political factors in each country can make the concept of partnership arrangements more favorable for Thales. As a result Thales is protected from any kind of intervention on its activities by the local government. Nationalization of the company for example is one threat that Thales can be protected from, with regards to its collaboration with local partners.
- Fourthly some markets are protected. This can again point in the direction of the government since most markets are government protected. So for a foreign company such as Thales to penetrate the market, it can greatly benefit with such an alliance with local partners because this will make its entry into the market a lot easier. This point is with reference to the first point.
- Fifthly Thales can gain access to the different marketing and distribution channels that can be available to it in the local markets when it enters. We know from our research that for example in Malaysia with regards to its E-security business Thales has a channel marketing partner. According to our interview with the General Manager of this business unit we learned that Thales uses this contact of it's to make a connection with its clients.

These are claims that we have made in order to back up our suggestion that Thales is using a multi-domestic approach. Since you are the only one who has been kind enough to respond

to our questions i wanted you to verify our claims so that they are actually valid. As the General Manager i think your view on this claim can be very useful as a source of validity. Please reply as soon as possible with your views on each of the points that we have made so that we can use your words as proof for our research on partnership arrangements.

Thankyou
Hamza/Sanaea

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RE: Bachelor thesis
From: **Alan Tey** (alantey@sns.net.my)
Sent: 23 May 2008 06:22:43 AM
Reply-to: alantey@sns.net.my
To: 'Hamza Gilani' (hamzagilani@hotmail.com)

Hamza/sanaea,

Your claims (1 – 5) are generally fair.

I do not have any additional comments.

Hope that my inputs help you and your thesis.

Best regards,

Alan Tey

General Manager