International Business Strategy For French companies
(By studying THALES success in South East Asia)

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Abstract

Date: 24th May, 2008

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Title: International Business Strategy for French companies
       (By studying THALES success in South East Asia)

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Research Questions:

i. Which strategy Thales adopted which enabled it to be successful in the South East Asian market; despite of different economical, social, political and cultural factors?

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: We have studied the different strategies that THALES could chose from and singled out the one that it adopted in the South East Asian region. We have studied partnership arrangements of Thales in nine individual countries of the South East Asian region. This will give other French companies and Thales competitors an overview of its business operations in those countries.

Theoretical Framework: This part of paper describes the models we used in this paper. The models used are “Corporate level international strategy” “Traditional internationalization model” and “born Global”.

Methodology: This chapter will describe the method 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.

With increased globalization, 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 expanse which is the focus of our thesis. For this thesis we have analysed only a few countries of this region. These countries include 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 physical 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.¹

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

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

- French companies/Thales competitors that would like to enter south Asian market based on Thales’s experience.
- Anyone fascinated in studying internationalization regarding French companies.

1.3 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. This should provide interested parties with a better understanding of doing business in South East Asian markets.

1.4 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 which strategy is most suitable? Or what kind of problems French companies face when going abroad?

Companies tend to focus a lot on the different tactics and implementation plans, but don’t really take into account the more important issues like what strategy to employ that can have a staunch business impact for the company as a whole. A good decision based on the type of strategy to use can really improve a companies 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 your competitors, they are what define a company and its clarity of market operations. A good strategy choice is the recipe to success for a company².

It is for this reason and many others that a business strategy needs to be formulated by companies wanting to move outside of their home soil. Business strategies are not followed by textbook 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.

² Mark Goyder, 1998 “Living Tomorrows Company” pp 97
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 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 the pursuit of opportunities that do not fit with the companies core objectives.

It must be kept in mind that physical 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 findings 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. Which strategy did Thales adopt that enabled it to be successful in the Asian market; despite of the different economical, social, political and cultural factors?

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?

**1.5 Delimitation**

Even though Thales has a wide global establishment, given the time frame we were able to study a particular region i.e. the South East Asian market. Our finding has been limited to specific years basically from 2000 onwards. 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 Basic Structure

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 has been stated

Chapter 2: Frame of Reference (Literature Review)
We have focused on two models
1. Corporate level International strategies
2. Traditional Internationalization Model (Uppsala Model) and Born Global

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

Chapter 3: The Company “THALES”
This chapter describes the French company THALES.

Chapter 4: Methodology
Here we have given an account of different research methods and briefly stated our approach for the thesis using these methods.

Chapter 5: Findings
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 6: Analysis
Here we have elaborately tried to make connections between our findings 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 7: Conclusion
In this chapter we have drawn conclusions from our study.
Chapter 2

2. Frame Of Reference (Literature Review)

Frame of Reference will present theories 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 Born Global”.

2.1 Corporate level international strategy

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. 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 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.

Fig 1

3 HILL CHARLES W.L., International Business: Competing in the global marketplace(Sixth Edition ,pp 426-431)
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**

### 2.1.1. Globalization Strategy

Global strategy is adapted when firms produce products with absolutely no modifications at all. The Characteristics of such an industry are that they compete in markets of a particular type of product and they achieve competitive advantage based on economies of scale and economies of scope across markets. There are a number of drives that determine the industries possibility to globalize, these are mentioned as follows:

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. 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.

### 2.1.2 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. 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.

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.

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.

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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.\(^8\)

### 2.1.3 Transnational Strategy

In transnational strategy the pressures for cost and local responsiveness are both high.\(^9\) 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 organisations seek consistency in their operations. Thus the international operations are interdependent and knowledge/skills are shared worldwide.\(^10\)

### 2.1.4 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.\(^11\)

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.

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\(^8\) HILL CHARLES W.L., *International Business: Competing in the global marketplace* (Sixth Edition, pp 426-427)


2.2 The Traditional Process Model / Uppsala Model

In today’s world where there is greater trend of internationalization then 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.

![Diagram of the Uppsala model of internationalisation](image)

Fig 2

The Uppsala model is a collection of four different elements:\(^{12}\):

- **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.

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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 through an agent 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

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The concept Born Global was developed almost 10 years ago in an Australian report. Knight and Cavusgil (1996) define born global “as small, technology-oriented companies that operate in international markets from the earliest days of their establishment”.

The Born Globals 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 modes.

Born globals 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 Globals 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 then obstacles.

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15 Thomas Borghoff, 2003, Evolutionary Theory of the Globalization of Firms, pp.79

Chapter 3

The Company Thales

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

Company Background

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 markets. 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 stockholders.

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 Telegrafie 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.

Thales generates close to 80% of its revenues from abroad and over half of its workforce is based outside France.

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 researchers.

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.

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17 http://www.thalesgroup.com/About-us.html
18 THALES report by forecast international January 2006.
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.

We will study the strategies THALES adopted in the South East Asian region which can give us some appealing information which will be helpful for other French companies interested in internationalizing.

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

![Diagram of Thales' core businesses](image)

Fig 3

(This figure was taken from the PPT presentation on the website)²¹

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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.”22

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22 THALES report by forecast international January 2006.
Chapter 4

Methodology

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

We have studied what kind of strategy French companies should follow when they want to internationalise by studying what Thales has done. The research methods are a very important part of data collection, and it provided the foundations for the analysis and helped us reach our conclusion.

4.1 Selection of problem:

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 which particular strategy was used by this company, taking all these factors of globalization into account.

4.2 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.
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.

4.3 Qualitative research:

This is a formal method which is commonly used to investigate research questions. It includes gathering information, conducting interviews, and it investigates the why’s and how’s of decision making. This method of research then leads to the collection of primary data and secondary data.

For the purpose of Primary data we have contacted the different regional offices of Thales; we received a response from only 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 findings and analysis.

For the purpose of secondary data we have done an extensive research over the internet regarding information on partnership arrangements. All the links have been provided; on the other hand we have also researched books and articles for information. In the process we have linked the activities of Thales with the model definitions in order to establish a pattern of its international establishments, and we have also linked these models with the historical industry data and the market realities.

The research design of focusing on all French companies 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 strategy that Thales has adopted and why, by analyzing the implications of the other strategies as opposed to the one it has used. The validity of our study is provided by the chapter on findings 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 our findings are reliable since we got them approved by our contact, as shown in Appendix III.

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23 Jane Ritchie, Jane Lewis (2003), *Qualitative Research Practice: A Guide for Social Science Students and Researchers*, pp 5
4.4 Explorative and Descriptive:

The nature of our study is purely explorative and descriptive.

- **Explorative**: Consists of collecting information to observe and to form a hypothesis.
- **Descriptive**: Consists of describing what we analyze. In other words how does a trend make itself visible? 24

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 timeframe we managed to find information on nine countries. This is not the total number of countries where Thales is present in the South East Asian region. Still what we found was very helpful to us with regards to our findings. 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 textbook 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 findings 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.

4.5 Methodology critique

The fact that we have related certain aspects of our research to just one interview can be subject to criticism. How ever, we want to state that numerous offices of Thales both in the region and beyond were contacted. However, 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. The only shortcoming to this we feel is the fact that we only managed to get one interview, however we did not let that deter us from our goal. We have done an extensive research on our own regarding the partnership arrangements in each country. This is sufficient information in order to backup our conclusion regardless of interviews shortcomings.

Chapter 5

Findings

This chapter is the “back bone” of our Thesis. In this chapter we have discussed and given our opinions based on our analysis of Thales’s business activities. 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 findings on selected countries for which we can find information on.

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 countries. 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.

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.

“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.”

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.
India
Thales is India's third largest arms trading partner\(^{25}\). 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 don’t have a very strong presence in Pakistan like it have in most of the other South east Asian countries. We think this is so because India and Pakistan are rival states and in order to be successful in one country they have to take such sensitive issues into account. 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.

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(2:1).

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 oppose to the civil orientated activities.

South Korea
Having done our research on South Korea from 1997-2007we 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.

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 and also to show that it can take into consideration regional politics such is the case with Pakistan and India. 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.

5.1 Authors Opinion

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.

These advantages can include the following:26

- 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.

26 Refer to appendix III for verification.
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 customers 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.

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 findings 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 6

Analysis

In this chapter we have linked our findings 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 reader that our entire analysis has been backed up by our finding that we have done in chapter 5.”

Model 1

6.1 Corporate Level International Strategies

Prahalad and Doz provide the most widely used framework for corporate-level international strategies\(^\text{27}\). Adapting a sound strategy plays a vital role to achieve desired results which leads towards success. Different firms and organizations have to adapt to different strategies best suited to them and their environment when working internationally. 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. The four strategies that firms can choose from are:

1) Globalization Strategy  
2) Multi domestic Strategy  
3) Transnational Strategy  
4) International Strategy

The choice of which strategy to employ depends on environmental factors as well as company 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.

6.1.1 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. Thales provides a broad range of custom-made products as there is high local responsiveness in Asian market.

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.

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. 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 our findings in Appendix I 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 cater the local market with products which are in accordance with their requirements. After doing an extensive research now we can clearly say that Globalization strategy is 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.

### 6.1.2 Multi-domestic Strategy

Multi-domestic strategy focuses on increasing the profits earned by customizing the product offerings to the tastes and preferences of the target markets. 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.

A multi-domestic strategy follows a decentralized pathway as the subsidiaries are individually responsible for catering to the local market needs. By 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 there for be understood that this strategy is only useful if there are clear differences amongst the various national markets.

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 technology\textsuperscript{28}.

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 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.

### 6.1.3 Transnational Strategy

A transnational strategy is one that faces a situation that is present in both the global strategy and the multi-domestic strategy. In other words the pressures for cost and local responsiveness are both high. 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 vise 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.

From our study of 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 India\textsuperscript{29}. 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

\textsuperscript{28} http://www.ebfonline.com/Article.aspx?ArticleID=322

\textsuperscript{29} http://www.ebfonline.com/Article.aspx?ArticleID=322
at a minimum, and for that reason this strategy is out of the question since according to the model it depicts a higher cost.

### 6.1.4 International Strategy

This strategy revolves around the situation where a firm is faced with low pressures for cost reduction and local response. In other words, firms simply take the products that they produced for their home market and introduce them to the foreign markets with minimum customization. This is because the products basically serve universal needs. The firms in this situation are not faced with fierce competitors at all.

This strategy does not seem feasible for Thales. According to this strategy, the local response must be low. After studying Thales, we have concluded 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 considerations that factor when providing their products and services to the different markets.

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. Thus, it has to follow 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.

### Model 2

#### 6.2 Traditional Internationalization Model & Born Global

Thales’s roots 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 4. 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. 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. This is what Thales did, it established itself in 1893 and then later on after

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being successful in the local market it started establishing itself in the South East Asian region. By 1953 it turned its focus on India\(^{31}\) 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 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 chose 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\(^{32}\). 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\(^{33}\). Sune Carlson, One of the pioneers within the

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\(^{31}\) http://www.thalesgroup.com/india/about-us.html

\(^{32}\) Mark Easterby-Smith, Marjorie A (2003), “Organizational Learning and Knowledge Management” pp 240

\(^{33}\) Mats Forsgren, “THE CONCEPT OF LEARNING IN THE UPPSALA INTERNATIONALIZATION PROCESS MODEL: A CRITICAL REVIEW”, Department of Business Studies Uppsala University 2001
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” 34

Experience generates business opportunities and is supposed to work as a driving force in the internationalization process 35. 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 posses 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.

We believe that our research can be used as a guide for other French companies 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 other French companies that want to gain advantage in foreign markets. We claim that traditional process theory of internationalization is more appropriate than the born global theory as we can see in the case of Thales; it progressed step by step instead of entering different regions at once and we can also say that that’s their secret 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 French companies.

6.3 Authors Assessment

After completing our analysis, it is possible at this point to answer the questions that we introduced in the introduction chapter.

1. Which strategy Thales adopted which enable it to be successful in the Asian market; despite of different economical, social, political and cultural factors?

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?

34 By Uppsala universitet, (Digitized in 2007), Acta Universitatis Upsaliensis

35 Johanson and Vahlne, 1990, p.11
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.

According to our findings, 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 multidomestic 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 with our findings 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 fulfil the requirements of its clients and in the process it is keepings 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 say that we view Thales as a collection of different subsidiaries operating in 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”.

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 viewpoint 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 physical 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 3.

Born global on the other hand enters the market with new products that are different from existing market products, an employs a workforce 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.
Chapter 7

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 is 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 trust.

The partnership arrangements of Thales have been thoroughly researched by the authors. This chapter on findings (chap 5) is crucial to our study of Thales since it provides the backbone for our 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 the basis of our findings 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 multidomestic strategy fit together like a lock and key and thus we claim that Thales really has used a multidomestic 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 it’s roots. According to our findings and analysis of our research, 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 think this is a good tactic for other French companies to follow, by establishing themselves in the home market first in order to gain experience, in the process learn about other markets and then start expanding into 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 costly matter, and from our findings 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.
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PARTNERSHIP ARRANGEMENTS (references for Appendix I)

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SOUTH KOREA


gb&Title=Alcatel+Alenia+Space+to+provide+the+radar+system+for+the+Korean+earth+observation+satellite+KOMPSAT5&dis=1


VIETNAM

http://www.thales-esecurity.com/Sales/Asiapacv.shtml

http://www.thales-esecurity.com/Sales/Asiapacv.shtml


http://www.proavia.com/contenus/a_z_companies/thales.htm
Research done by the “Authors” regarding the partnership arrangements have been presented here. The findings for this thesis are based on this research.

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<td>Supply Several critical avionics components</td>
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<tr>
<td>14</td>
<td>Thales</td>
<td>2006</td>
<td>E-Security Partner.</td>
<td>Civil</td>
<td>_</td>
</tr>
<tr>
<td>15</td>
<td>Thales</td>
<td>_</td>
<td>E-Security Partner.</td>
<td>Civil</td>
<td>_</td>
</tr>
<tr>
<td>No</td>
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<td>Type of Partnership</td>
<td>Partnership Arrangement</td>
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</tr>
<tr>
<td>16</td>
<td>Thales</td>
<td>Malaysian Navy</td>
<td>2006</td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>17</td>
<td>France's Thales Communications</td>
<td>DefTech Sdn Bhd</td>
<td>2006</td>
<td>Strategic collaboration</td>
<td>Defence</td>
</tr>
<tr>
<td>18</td>
<td>Thales</td>
<td>Airod Sdn Bhd</td>
<td>2006</td>
<td>Collaboration</td>
<td>Defence</td>
</tr>
<tr>
<td>19</td>
<td>Thales</td>
<td>Air force</td>
<td>_</td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>No.</td>
<td>Partner</td>
<td>Type of Partnership</td>
<td>Partnership Arrangement</td>
<td>Area/ Purpose of partnership</td>
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<td>-------------------------</td>
<td>-----------------------------</td>
<td></td>
</tr>
<tr>
<td>1:</td>
<td>Thales Planetcomm</td>
<td>E-Security Partner</td>
<td>Civil</td>
<td>Provide solutions for wireless and multimedia applications.</td>
<td></td>
</tr>
<tr>
<td>2:</td>
<td>Thales e-Transaction Siemens and Mitsui, Japan</td>
<td>B2B commercial contract</td>
<td>Civil</td>
<td>To supply an electronic fare collection system for the new 18-station Chaloem Ratchamongkhon metro line</td>
<td></td>
</tr>
<tr>
<td>3:</td>
<td>Thales (Aerothai)</td>
<td>B2B commercial contract</td>
<td>Civil</td>
<td>Supply ATM including radars at Bangkok’s Suvarnabhumi Airport.</td>
<td></td>
</tr>
<tr>
<td>5:</td>
<td>Thales Nederland Royal Thai Navy</td>
<td>B2B commercial contract</td>
<td>Defence</td>
<td>Provide three electro-optical weapon control systems to be installed on the RTN's future Coastal Patrol Craft.</td>
<td></td>
</tr>
<tr>
<td>6:</td>
<td>Thales ATM Sensis</td>
<td>Collaboraton</td>
<td>Civil</td>
<td>Provide (Multistatic Dependent Surveillance) MDS to Suvarnabhumi.</td>
<td></td>
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<tr>
<td>No.</td>
<td>India Partner</td>
<td>Contract / partnership Establishment Year</td>
<td>Type of Partnership</td>
<td>Partnership Arrangement</td>
<td>Area/ purpose of partnership</td>
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<tr>
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<td>-----------------------------</td>
</tr>
<tr>
<td>1:</td>
<td>Alcatel CGA Transport Delhi Metro Rail Corp.</td>
<td>2001</td>
<td>B2B commercial contract</td>
<td>Civil</td>
<td>To equip the city's future metro</td>
</tr>
<tr>
<td>2:</td>
<td>Thales International India</td>
<td>2003</td>
<td>Owned</td>
<td>Civil/Def</td>
<td>Offers a range of IT and support services for local civil and military programmes.</td>
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<tr>
<td>4:</td>
<td>Thales Air India (state owned)</td>
<td>2005</td>
<td>B2B commercial contract</td>
<td>Civil</td>
<td>Installation of “TopSeries” system on 6 Boeing 747 aircraft</td>
</tr>
<tr>
<td>6:</td>
<td>Thales Indigo</td>
<td>2005</td>
<td>_</td>
<td>Civil</td>
<td>Chosen Thales’ TopFlight avionics products to equip the hundred A320 aircraft, including</td>
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<tr>
<td></td>
<td>Company</td>
<td>Industry</td>
<td>Year</td>
<td>Contract Type</td>
<td>Sector</td>
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<tr>
<td>----</td>
<td>--------------------------</td>
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<td>7:</td>
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<td>Civil</td>
<td>2006</td>
<td>B2B commercial contract</td>
<td>Civil</td>
</tr>
<tr>
<td>8:</td>
<td>Thales</td>
<td>Civil</td>
<td></td>
<td>E-security partner</td>
<td>Civil</td>
</tr>
<tr>
<td>9:</td>
<td>Thales Land and joint system division</td>
<td>Civil /Defence</td>
<td>2006</td>
<td>Joint venture (51% Rolta)</td>
<td>Civil /Defence</td>
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<tr>
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<td>Thales</td>
<td>Civil defence</td>
<td>2007</td>
<td>Collaboration</td>
<td>Civil defence</td>
</tr>
<tr>
<td>12:</td>
<td>Thales</td>
<td>Defence</td>
<td>2008</td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>No.</td>
<td>Company</td>
<td>Client</td>
<td>Category</td>
<td>Contract Type</td>
<td>Sector</td>
</tr>
<tr>
<td>-----</td>
<td>----------</td>
<td>---------------------</td>
<td>----------</td>
<td>------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>13</td>
<td>Thales</td>
<td>CAE macmet</td>
<td></td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>14</td>
<td>Thales</td>
<td>Indian Army</td>
<td></td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>15</td>
<td>Thales</td>
<td>Indian army</td>
<td></td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>16</td>
<td>Thales</td>
<td>Indian Army</td>
<td></td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>17</td>
<td>Thales</td>
<td>Air force</td>
<td></td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>No:</td>
<td>Pakistan</td>
<td>Partner</td>
<td>Contract / partnership Establishmen t Year</td>
<td>Type of Partnership</td>
<td>Partnership Arrangement</td>
</tr>
<tr>
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<td>--------------------------------------------</td>
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</tr>
<tr>
<td>1:</td>
<td>Thales</td>
<td>InfoTel Pakistan</td>
<td>_</td>
<td>E-security Partner</td>
<td>Civil</td>
</tr>
<tr>
<td>2:</td>
<td>UDS Int.</td>
<td>Pakistan navy</td>
<td>1994</td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>4:</td>
<td>Honeywell/Thales</td>
<td>PIA (State owned)</td>
<td>2004</td>
<td>_</td>
<td>Civil</td>
</tr>
<tr>
<td>5:</td>
<td>Thales</td>
<td>Air force</td>
<td>_</td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>No.</td>
<td>Japan</td>
<td>Partner</td>
<td>Contract / partnership Establishmen t Year</td>
<td>Type of Partnership</td>
<td>Partnership Arrangement</td>
</tr>
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<td>-------</td>
<td>---------</td>
<td>--------------------------------------------</td>
<td>---------------------</td>
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</tr>
<tr>
<td>1:</td>
<td>Thales</td>
<td>Mitsubishi Electric Corp. (Melco)</td>
<td>2005</td>
<td>B2B commercial contract</td>
<td>Defence</td>
</tr>
<tr>
<td>2:</td>
<td>Thales</td>
<td>Navy</td>
<td>_</td>
<td>_</td>
<td>Defence</td>
</tr>
<tr>
<td>3:</td>
<td>Thales</td>
<td>Hucom</td>
<td>2006</td>
<td>_</td>
<td>Civil/Def*</td>
</tr>
<tr>
<td>4:</td>
<td>Thales</td>
<td>Datacard Japan Ltd.</td>
<td>_</td>
<td>E-security partner</td>
<td>Civil</td>
</tr>
<tr>
<td>No.</td>
<td>Japan Partner</td>
<td>Contract/Establishment Year</td>
<td>Type of Partnership</td>
<td>Partnership Arrangement</td>
<td>Area/ purpose of partnership</td>
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<td>-----------------------------</td>
</tr>
<tr>
<td>5:</td>
<td>Thales Japan Airlines</td>
<td>2007</td>
<td>B2B commercial contract</td>
<td>Civil</td>
<td>Top Series inflight entertainment system for new Boeing 787 aircraft</td>
</tr>
<tr>
<td>6:</td>
<td>Thales Air force</td>
<td>_</td>
<td>B2B commercial contract</td>
<td>Defence</td>
<td>One B747 simulator in use</td>
</tr>
<tr>
<td>7:</td>
<td>Thales Army</td>
<td>_</td>
<td>B2B commercial contract</td>
<td>Defence</td>
<td>7 small arms training/simulators in use</td>
</tr>
</tbody>
</table>
## Partnership Arrangement of THALES in South East Asian Countries

<table>
<thead>
<tr>
<th>No.</th>
<th>Singapore</th>
<th>Partner</th>
<th>Contract / Partnership Establish Year</th>
<th>Type of Partnership</th>
<th>Partnership Arrangement</th>
<th>Area/ purpose of partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1:</td>
<td>Thales</td>
<td>Land transport authority</td>
<td>2004</td>
<td>B2B commercial contract</td>
<td>Civil</td>
<td>Equip New Metro Line in Singapore with Secure e-Ticketing Solution</td>
</tr>
<tr>
<td>2:</td>
<td>Thales</td>
<td>Ascendas</td>
<td>2005</td>
<td>*Build-to-suit (BTS) project between Thales and Ascendas</td>
<td>Civil/Def</td>
<td>Thales appoints Singapore company to build new facility (aerospace hub)</td>
</tr>
<tr>
<td>3:</td>
<td>Thales</td>
<td>Exceltech Electronics (S) Pte Ltd</td>
<td>2007</td>
<td>E-Security partner</td>
<td>Civil</td>
<td>–</td>
</tr>
<tr>
<td>No.</td>
<td>Singapore</td>
<td>Partner</td>
<td>Contract / partnership Establishment Year</td>
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<td>Area/ purpose of partnership</td>
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<td>-------------------------------------------</td>
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<td>--------------------------------</td>
</tr>
<tr>
<td>5:</td>
<td>Thales</td>
<td>_</td>
<td>_</td>
<td>Owned</td>
<td>_</td>
<td>Defence Electronics of Singapore PTE LTD Singapore</td>
</tr>
<tr>
<td>6:</td>
<td>Thales</td>
<td>_</td>
<td>_</td>
<td>Owned</td>
<td>_</td>
<td>THALES International Asia holding PTE LTD</td>
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<td>7:</td>
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<td>_</td>
<td>_</td>
<td>Owned</td>
<td>_</td>
<td>THALES International Asia PTE LTD</td>
</tr>
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<td>8:</td>
<td>Thales</td>
<td>_</td>
<td>_</td>
<td>Owned</td>
<td>_</td>
<td>THALES international Singapore PTE LTD</td>
</tr>
<tr>
<td>9:</td>
<td>Thales</td>
<td>_</td>
<td>_</td>
<td>Owned</td>
<td>_</td>
<td>Thales Security Asia PTE LTD Singapore</td>
</tr>
<tr>
<td>10:</td>
<td>Thales</td>
<td>_</td>
<td>2003</td>
<td>Owned</td>
<td>_</td>
<td>Thales Technology center Singapore PTE LTD (One of the four Thales R&amp;D center in the world)</td>
</tr>
<tr>
<td>11:</td>
<td>Thales</td>
<td>_</td>
<td>_</td>
<td>Owned</td>
<td>_</td>
<td>ACP Metal finishing Pte Ltd – Singapore</td>
</tr>
<tr>
<td></td>
<td>Thales</td>
<td></td>
<td>Owned 100%</td>
<td></td>
<td>AVIMO group limited Singapore PTE LTD (electro optics and engineering)</td>
<td></td>
</tr>
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<td>---------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>12:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Regional headquarter building in Singapore (aerospace hub)</td>
<td></td>
</tr>
<tr>
<td>13:</td>
<td></td>
<td>2006</td>
<td>Owned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14:</td>
<td></td>
<td>2008</td>
<td>B2B commercial contract</td>
<td>Civil</td>
<td>Provide Singapore with a new air traffic control system ♦</td>
<td></td>
</tr>
<tr>
<td>15:</td>
<td>Thales</td>
<td>Air force</td>
<td>B2B commercial contract</td>
<td>Defence</td>
<td>Simulators in use: S 211, Super Puma and C-130</td>
<td></td>
</tr>
</tbody>
</table>
## Partnership Arrangement of THALES in South East Asian Countries

### Indonesia

<table>
<thead>
<tr>
<th>No.</th>
<th>Partner</th>
<th>Contract Establishment Year</th>
<th>Type of Partnership</th>
<th>Partnership Arrangement</th>
<th>Area/ Purpose of partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>2:</td>
<td>Thales Raytheon systems</td>
<td>2004</td>
<td>Contract</td>
<td>Defence</td>
<td>Supply a turnkey system</td>
</tr>
<tr>
<td>3:</td>
<td>Thales</td>
<td>Indonesian Navy.</td>
<td>2004</td>
<td>Contract</td>
<td>Defence</td>
</tr>
<tr>
<td></td>
<td>ThalesRaytheonSystems</td>
<td>2005</td>
<td>Contract</td>
<td>Defence</td>
<td>New Air defence radar system</td>
</tr>
<tr>
<td>6:</td>
<td>Thales Alenia Space</td>
<td>2007</td>
<td>Contract</td>
<td>Civil</td>
<td>Thales Alenia Space to build and launch its broadband Internet satellite</td>
</tr>
<tr>
<td>7:</td>
<td>Thales</td>
<td>Air force</td>
<td>B2B commercial contract</td>
<td>Defence</td>
<td>4 simulators: including Hawk and F-16</td>
</tr>
</tbody>
</table>
## South Korea

<table>
<thead>
<tr>
<th>No.</th>
<th>South Korea</th>
<th>Partner</th>
<th>Contract / partnership Establishment Year</th>
<th>Type of Partnership</th>
<th>Partnership Arrangement</th>
<th>Area/purpose of partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1:</td>
<td>Thomson-CSF</td>
<td>Samsung Electronics</td>
<td>1999</td>
<td>Joint venture 50-50%</td>
<td>Defence</td>
<td>The jointly owned company will develop products for the defense sector.</td>
</tr>
<tr>
<td>2:</td>
<td>Alcatel Alenia Space</td>
<td>Republic of South Korea Space Agency</td>
<td>2006</td>
<td>B2B commercial contract</td>
<td>Civil/Def</td>
<td>Provide a SAR (Synthetic Aperture Radar) payload system for KOMPSAT-5. *</td>
</tr>
<tr>
<td>4:</td>
<td>Thales</td>
<td>Air force</td>
<td></td>
<td>B2B commercial contract</td>
<td>Defence</td>
<td>1 Hawk simulator</td>
</tr>
</tbody>
</table>

* SAR: Synthetic Aperture Radar

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## Vietnam

<table>
<thead>
<tr>
<th>No:</th>
<th>Vietnam</th>
<th>Partner</th>
<th>Contract establishment Year</th>
<th>Type of Partnership</th>
<th>Partnership Arrangement</th>
<th>Area/ purpose of partnership</th>
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</thead>
<tbody>
<tr>
<td>1:</td>
<td>Thales</td>
<td>EIS Inc</td>
<td>_</td>
<td>E-security partner</td>
<td>Civil</td>
<td></td>
</tr>
<tr>
<td>2:</td>
<td>Thales</td>
<td>FPT Information System</td>
<td>_</td>
<td>E-security partner</td>
<td>Civil</td>
<td>Providing IT Solutions</td>
</tr>
<tr>
<td>3:</td>
<td>Thales</td>
<td>Ho Chi Minh airport</td>
<td>Operational since 2003</td>
<td>B2B commercial contract</td>
<td>Civil</td>
<td>Thales delivered a complete Eurocat air traffic management system to Vietnam ATM at Ho Chi Minh airport</td>
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</table>
## 4.2.2 Summary of Business/Partnership Activities

<table>
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<tr>
<th></th>
<th>Malaysia</th>
<th>Thailand</th>
<th>India</th>
<th>Pakistan</th>
<th>Japan</th>
<th>Singapore</th>
<th>Indonesia</th>
<th>South Korea</th>
<th>Vietnam</th>
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</thead>
<tbody>
<tr>
<td><strong>Total Number of Activities</strong></td>
<td>19</td>
<td>7</td>
<td>17</td>
<td>5</td>
<td>7</td>
<td>15</td>
<td>7</td>
<td>4</td>
<td>3</td>
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<tr>
<td><strong>Defence oriented activities</strong></td>
<td>9</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Civil oriented activities</strong></td>
<td>9</td>
<td>5</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td><strong>Defence/Civil oriented activities?</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fully/partly owned local company</strong></td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>1</td>
<td></td>
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</tr>
</tbody>
</table>
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.
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.
Partnership Arrangement of THALES in South East Asian 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.
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.
Partnership Arrangement of THALES in South East Asian Countries

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 findings.

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