CROSS-BORDER LINKAGES OF THAI FINANCE ENTERPRISES:THE FORMATION STAGE

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Abstract

This research is aimed at exploring and understanding important issues concerning the formation process of international strategic alliances of Thai financial enterprises (TFEs). International alliance strategies have been deployed as an important device to stabilise and internationalise a number of TFES. The main context of the research involves the formation stage of international alliances of Thai financial enterprises, comprising motives, criteria, and the timing of alliance development. The motives and underlying reasons stimulating international alliances, major considerations in foreign partner selection, and the strategic timing of alliance arrangements lie at the heart of the research. Moreover, co-operative the performance of the alliances also supplements the above issues. In this study, questionnaire surveys and interview were arranged with a number of TFEs' executives throughout the industry who were involved in the formation process of the international alliances. The rich information from the interviews enriches the database of the statistical analysis from the surveys and offers a comprehensive picture of international alliances of Thai financial enterprises.

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INTRODUCTION

The development of cross-border relationships between Thai financial enterprises (TFEs) and foreign partners have been established since several decades ago. However, the cross-border relationships remained new to TFEs and the Thai economy as the degree of the co-operation was limited at the beginning stage. Further, Thailand, particularly the financial industry, has only recently been significantly exposed to foreign competition. This is due to the forces from the World Trade Organisation (WTO), General Agreement of Tariffs and Trades (GATT) and other international trade agreements. The protective regulations to local markets and industries have been relaxed and lifted. Foreigners have started to play a more important part in the Thai economy. Cross-border alliances between Thai and foreign firms have been widely employed in order to make a trade off between the risks and returns from investment as well as achieving mutual benefits for both local and foreign firms. This phenomenon has been clearly seen in the financial industry as the industry has become much more internationalised than other business sectors.

This study then aims to explore the critical issues of international strategic alliances of Thai financial enterprises. This is because international strategic alliances are currently considered one of the most popular, attractive, and effective global strategies in order to deal efficiently with the complex and intense global environment. In addition, the researcher needs to investigate an industry which is dynamically growing and rapidly changing. Such an industry is also in the period of transformation from a total domestic focus to a complete global perspective, represented by the Thai financial industry. Thus, the main issue of the study which is centred on the formation process of international strategic alliances (ISAs) of Thai financial enterprises (TFEs) is intriguing enough to be investigated in-depth.

The formation process of international alliances of TFEs

The major content of this research focuses on the formation process of the international strategic alliances of Thai Financial Enterprises (TFEs). Thai financial enterprises in this study involves finance companies, consisting of finance, securities, and finance&securities companies in Thailand. This is because the group of companies was in the higher stage of internationalisation and more exposed to the foreign environment, compared with other sorts of financial firms. In addition, the arrangement of international alliances had been increasingly important and seemed like "*a must*" for TFEs.

This study investigated the international alliances of TFEs, which had been arranged up to the end of 1996. The period was considered to be the introductory and growth period of the Thai financial industry, in respect of which most TFEs still enjoyed the prosperity of high economic returns on investment. The results of this study represented the formulation and implementation of international alliance strategy in a dynamically changing industry, which was in the transformation period from total domestic to international operations.

TFEs' international alliances focused on securities business co-operations. The major areas of co-operation included primary market collaboration, secondary market collaboration, and research technique collaboration. The primary market collaboration involved joint management and operations in corporate finance deals and investment banking activities. The secondary market collaboration encompassed joint brokerage operations, securities trading order transfers, as well as securities marketing operations. The research collaboration involved co-operation in research techniques, skills, information, and training and development of research staff. Major nationalities of TFEs' foreign partners were European, American, Chinese in Hong Kong, Japanese, and Singaporean respectively.

TFEs' International Alliance Motives

Regarding the formation stage of TFEs' cross-border alliances, TFEs seemed to pay significant attention to all major aspects of motives, including defensive and offensive approaches as well as market and resource-oriented, in alliance development. Both defensive and offensive approaches were of major concern to TFEs as their alliances were aimed at defending themselves from external threats and uncertainties as well as further developing themselves to become more competent. Various factors influencing the strategic motives of TFEs were identified as external and internal factors as follows (See figure 1).

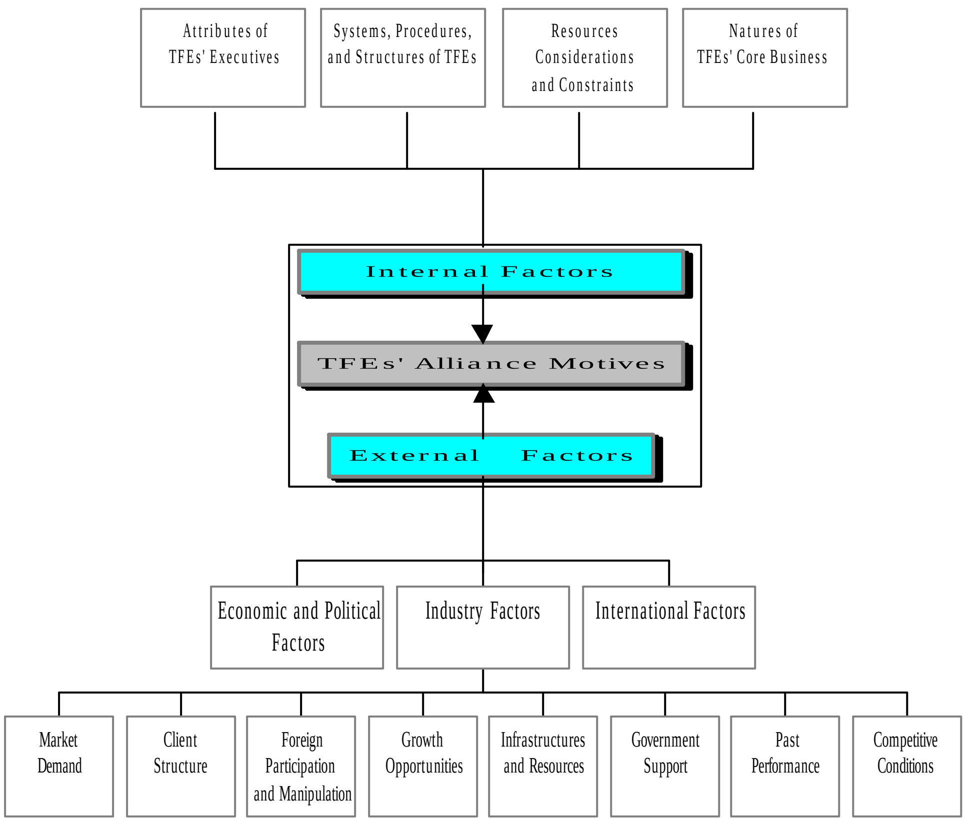
With regard to ***external factors***, the overall condition of emerging countries, which was combined between major uncertainties and business opportunities, influenced TFEs' thinking process concerning their alliance motives. ***Economic conditions*** in emerging countries, including Thailand, were considered to be highly unstable. In particular, in the Thai financial industry, there were uncertainties in ***market demand and client structure.*** The demand was volatile and unpredictable. The client structure and patterns of customer behaviour were rapidly changing as they were affected by variables within the industry and outside the country. The industry factor primarily involved customers who were increasingly educated and demanding. Another factor was the development process of the Thai financial industry itself which was aimed at being more efficient, competitive, and responsive to customers. ***The participation and manipulation from foreign partners*** also brought in new technology, skills, capital, and the highly potential groups of customers. All these factors led to changes and uncertainties in the industry.

Meanwhile, the dramatic changes in economic conditions also fostered great business opportunities for TFEs. This was due to ***the high potential for business growth*** in the industry, at the growth period, resulting from ***its abundant resources and infrastructures***, ***supportive regulations and actions of the government,*** and various inflows of foreign resources and capital. All of these encouraged TFEs to think in optimistic and opportunistic ways. Moreover, ***the prosperous performance*** of the whole industry during the past several years, prior to their alliance establishment, made them more aggressive in strategic formulation. This was due to the Thai financial industry that had long been in the growth period and enjoyed easy-to-earn money before arranging their alliances. Hence, TFEs' cross-border alliances were deployed as a means to capture business opportunities, to support their development, and to promote their market competitive positions.

TFEs' motives for cross-border alliances were also driven by ***competitive conditions of the industry***. The competition was highly intensified, as there were a number of participants in the industry. Although there had long been a high growth rate in the industry, TFEs, particularly small and less powerful ones, struggled for survival in the high competition. In addition, the number of potential foreign rivals, which were relatively more powerful than TFEs, also threatened and multiplied the degree of competitive uncertainties in the Thai financial industry. The regulations from the public authorities requiring TFEs to maintain minimum market share in the stock market also significantly intensified the competition. Recently, there had been alternative investments, apart from the formal and conventional stock market (SET), such as debt market, over-the-counter market, and the under-construction derivative market. TFEs then needed to defend their market position in the highly competitive industry via cross-border partnerships.

Direct forces from ***international and globalisation factors*** influenced the motives of TFEs alliances. The widespread imperialism from the western countries urged TFEs to be aware of their future positions in the industry. As the Thai financial industry was being forced to be more liberalised, the domination of foreign firms over TFEs was increasing. Many TFEs turned potential rivals to friendly partners in order to defend themselves from being acquired. In other words, they also turned threats to become a "*short-cut*" to modernise themselves via their alliance relationships (See figure 1).

Figure 1 Strategic Motives of Alliances



Apart from threats, the globalisation effects also provided TFEs with huge opportunities to gain benefits. It helped bring in foreign capital, technology, skills, and information, which the Thai financial industry seriously lacked. Like other emerging economies, the local resources were not adequate to sustain and further the high growth conditions of the industry. Foreign capital was regarded as required resources for continuing the prosperity of the economies, particularly in the financial industry. In this respect, TFEs' international alliances were aimed at achieving the necessary resources to continue and advance their operations.

Major internal factors affecting the motives of TFEs' alliances include ***the attributes of TFEs' executives*** (See figure 1). The executives were likely to be aggressive and opportunistic. This was primarily due to their backgrounds. In this respect, the executives were highly educated and considered to be a privileged class in society. In addition, they had managed their financial companies successfully, which had resulted from both a supportive economic environment and their capabilities. They then had high self-confidence and were likely to pursue aggressive and innovative strategies, including cross-border alliances, to achieve great benefits.

Quite often, many TFEs paid greater attention to immediate benefits rather than long-term and sustainable advantages. To quickly improve their performance, they tended to concentrate on brokerage transfer, which provided short-term immediate cash inflows, rather than technology and skill transfer. This also encouraged TFEs to focus on short-term alliance motives for achieving immediate resources and benefits.

Systems, procedures, and structures of TFEs' operations, which had not reached international standards, urged the firms to seek significant help from competent partners. As the majority of TFEs had been prosperous and developed for only about one decade, all their operational grounds were not yet solid and well-prepared. Also, they needed to restructure their operations in order to focus more on foreign and institutional clients. They then had to be quickly improved and a significant amount of contributions from partners would be helpful in this respect.

Various resource constraints of TFEs, in terms of capital, expertise, international market networks, and research information and directions, were another major factor driving them to establish alliances. In particular, TFEs seriously lacked the resources necessary for developing themselves to survive and succeed at the international level. In this respect, TFEs' local allies, mostly Thai commercial banks, could not provide them with such internationally required resources as the banks had been only slightly exposed to international competition. Additionally, the business of the commercial banks focused entirely on credit and foreign exchange businesses which were different from those of TFEs. Thus, the required resources could only be fulfilled via alliances with foreign firms in the complementary field of business.

Likewise, ***the nature of TFEs' core business,*** which was exposed to the international financial community and more internationalized, was also a major driver. As the securities business, including brokerage, investment banking, research, and asset management seemed to be most important for TFEs, the firms were more likely to depend on foreign brokerage houses. This was because the securities business became relatively boundless, compared with the credit business of commercial banks where the scope of business was at the domestic level. Moreover, the credit business was highly protected and supported by the government. The Bank of Thailand also committed itself to be the last resort provider for the banking and credit industry. Thus, they did not need to rely much on foreign partners in the credit business.

TFEs' Foreign Partner Selection Criteria

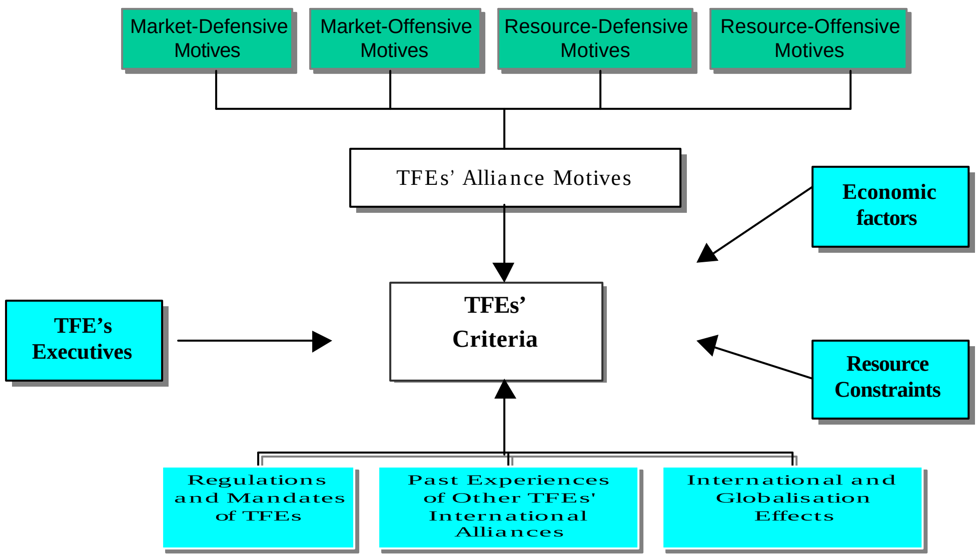
Regarding the foreign partner seeking process, TFEs usually sought their prospective partners via the connections and recommendations of their shareholders and executives. In many cases, TFEs developed cross-border alliances with their previous foreign customers.

TFEs emphasised the importance of the partner selection process and regarded the process as a critical success factor in alliances. The criteria were directly influenced by ***the motives and objectives of alliances*** (See figure 2). In general, TFEs stressed the importance of criteria associated with *synergy & complementary competencies, strategic fit and balance*, and *operational cultural compatibility.* This could be derived from TFE's motives with respect to the *resource-defensive and –offensive approach*. In this respect, TFEs needed foreign partners possessing resources, assets, and business complementary to those of themselves so as to create the synergy effects for mutual prosperity. First, TFEs needed the resources for defending themselves as well as handling risks and various operational problems in order to smoothly continue their operations in the industry. Second, the required resources were expected to be utilised and exchanged to create synergy for enhancing mutual development and accomplishing their higher-level motives.

Likewise, TFEs' motives associated with the *market-defensive and -offensive approaches* apparently affected their selection criteria. The motives focused on preparing TFEs to handle various uncertainties in order to defend their market positions as well as continuously improving themselves to expand their market scope and activities. In this respect, TFEs emphasised longevity, stability, and mutual understanding and benefits of the alliances. The longer the alliances, the greater the continuous improvement would be. TFEs' criteria then focused on compatibility between partners, both at the strategic and operational level. This was expected to reduce conflicts of interest and long-term problems in the management and operations of the alliances. Also, long-term co-operation resulted in better utilisation of foreign partners' resources which brought huge advantages to TFEs.

The uncertainties and dynamic changes in economic conditions, particularly in the international financial market, put pressure on TFEs. They then must seek foreign partners who possessed resources and competencies seriously required by TFEs in order to quickly utilise them. In such a changing environment, TFEs could not afford to build up of the competencies by themselves due to time and resource limitations. Thus, the complementary competencies became an important criterion. However, inter-firm collaboration amid the uncertain situations, especially cross-border ones, was vulnerable as there were many uncontrollable variables negatively affecting the performance of the whole

Figure 2 Strategic Criteria of Alliances



co-operation. In this case, cohesion and harmony between partners were of vital importance. Hence, the strategic balance and operational compatibility become of major concern for selecting foreign partners.

Again, ***the characters and perspectives of TFEs' executives***, which were rather aggressive and opportunistic, resulted in more attention to synergy and complementary competencies. This was because the executives were eager to achieve immediate benefits from the utilisation of partners' resources. Such complementary competencies seemed to be more important to the TFEs that focused heavily on short-term and immediate advantages from their alliances.

Regulations of TFEs themselves also affected selection criteria. Many times, there was a mandate from major shareholders in directing TFEs to alliances with the agreed foreign partners. The alliances were likely to be developed from personal and business connections of TFEs' shareholders. In some cases, the foreign partners were referred to by the companies of the same ownership or holding group with which TFEs' shareholders had ever had relationships. In this respect, the criteria associated with complementary resources and assets seemed to be relaxed as TFEs focused more on previous relationships and compatibility.

TFEs' past experiences of cross-border alliances in the financial industry were another important factor. Usually, TFEs considered the alliance performance of other TFEs prior to arranging their own alliances. In general, TFEs realised that incompatibility in the management and operational cultures caused conflicts between partners due to incoherent visions and goals between partners. In addition, the sincerity and long-term commitment to the Thai financial market was another controversial issue between TFEs and their foreign counterparts. This frequently led to termination of the collaboration. The imbalance of negotiating and control power over the alliances also significantly resulted in dissatisfaction and unfair benefit allotment.

In many cases, the determination of criteria was restricted by ***the resources constraints*** of TFEs. TFEs remained relatively small and weak, compared with foreign brokers. There still were a number of TFEs that were seeking qualified foreign partners. Thus, sometimes, TFEs could not set high and demanding requirements for evaluating their prospective foreign partners. As a matter of fact, the requirement and response from the foreign firms had to be taken into account. TFEs were also obliged to provide their partners advantages in exchange for their partners' resources. TFEs then were likely to consider their own capabilities before allying themselves with highly qualified foreign firms. If TFEs became a burden to their partners, the collaboration was unlikely to be long-lasting and the TFEs might be dominated or occupied later. In this respect, the criteria were not highly demanding and strict.

On the other hand, the differences in pure cultural issues and individual attributes of foreign partners insignificantly concerned TFEs in partner selection. As the ***globalisation factor*** had a strong impact on the Thai financial industry, such differences apparently existed and were considered inevitable. In particular, cross-border alliances, which involved co-operation between firms of different countries, were supposed to have differences. TFEs must confront and manage them in constructive ways. In addition, TFEs figured that the differences in pure cultural issues, such as nationality, language, beliefs, and the like, would not seriously affect the performance of their co-operation as long as they made their alliances coherent in strategic and operational aspects as well as based on mutual benefits.

TFEs' International Alliance Timing Determination

The determination of TFEs' alliance timing seemed to be strongly influenced by their motives as the firms needed to arrange co-operation when they had the greater chance to accomplish their goals (See figure 3). Regarding ***the resource-offensive and -defensive approach,*** TFEs were likely to arrange their alliance when they were in a favourable position and had strong negotiating power. As a result, TFEs were able to bargain for satisfactory terms of their co-operative contracts. They expected to utilise the transferred resource in order to correct and further develop their operational capabilities. In addition, as the TFEs were obliged to provide their partners with reciprocal benefits from their alliances, it was important that the economic environment in the industry should be bright and attractive. Also, the overall competitive conditions of TFEs ought to be relatively strong so as to be able to co-operate with the partners and offer them their needed local advantages.

TFEs also chose the timing when the overall prospects of the industry were attractive on account of ***market -defensive and -offensive motives*****.** The firms preferred the timing when the industry looked prosperous, particularly in terms of market demand, so as to attract foreign partners and allow TFEs to achieve greater advantages from such an environment. Although the industry remained volatile, uncertain, and competitive, this was common for emerging markets. The bright prospect of the financial market, in terms of demand growth, high liquidity, strong supports from government and from related industries, was attractive to foreign counterparts. Importantly, TFEs could receive huge benefits from increased investment opportunities for both foreign and local investors. Furthermore, they expected to obtain a large number of foreign investors transferred from their foreign partners during the properous period.

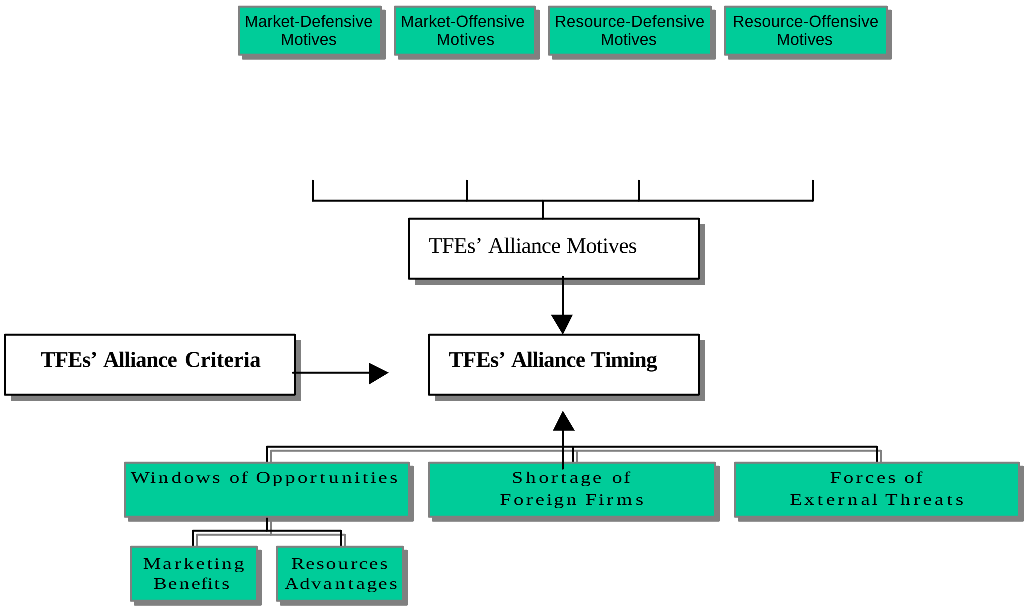
In other words, the TFEs' strong competitive position was important, particularly in market competitiveness, operational efficiency, and staff quality. As TFEs needed foreign partners' contributions to facilitate their market expansion abroad, in return, foreign partners also expected TFEs to help them to establish footholds in Thailand. Thus, the TFEs were required to have strong local networks and connections to respond to foreign partners' needs. In other words, foreign partners were usually far more advanced, in terms of skills and expertise, than TFEs. If TFEs needed to efficiently improve themselves from partners' competence transfer, they were not supposed to be weak and inefficient in this respect. Moreover, a local partner, who had serious operational and financial problems, would not attract foreign partners as they would be regarded as a burden. Even though some foreign firms would accept inferior TFEs, the TFEs must lose a huge amount of advantages from the alliances.

Similarly, ***TFEs' selection criteria*** also affected the timing of TFEs' alliances. In this respect, the firms needed foreign partners possessing abundant complementary resources and having strategic and operational cultural compatibility. TFEs were likely to arrange their co-operations when the relevant conditions, both external and internal, could attract foreign partners. TFEs' alliance at that time must have advantages to offer their partners. Meanwhile, they should be ready to receive and make use of the partners' resource transfers. The external environment in the industry must be supportive and highly potential in growth. Also, TFEs themselves were obliged to fulfil foreign partners' desires, including local market networks and connections, and local knowledge. In general, TFEs' financial support and business commitment from their shareholders, commercial banks, were important attractions of TFEs. These favorable conditions enabled TFEs to set and apply the predetermined criteria to the partner selection process.

Together with the above influencing factors, there were direct reasons explaining TFEs' alliance timing selection. The first was the encouragement from ***windows of opportunities***, consisting of *market and resource benefits* (See figure 3).

A substantial amount of marketing benefits to be received from alliance establishment was significantly related to their alliance timing. As mentioned earlier, TFEs expected to make alliances for achieving as much advantage as possible from their improved marketing activities, in both domestic and international markets. Thus, the firms endeavoured to choose

Figure 3 Strategic timing of Alliances



the timing when the investment climate and overall conditions of the Thai financial industry were prosperous. The growth rate of the market must be relatively high. Under the circumstances, when TFEs started to co-operate with their foreign counterparts, they would have greater opportunities to compete for market shares in the growing Thai financial industry. In addition, they would have better chances to obtain market benefits from the tremendous inflow of foreign investment at that time. Meanwhile, TFEs were required to have enough competitiveness so as to co-operate efficiently with their partners and obtain timely market benefits. Otherwise, the TFEs would have to focus on reviving themselves first and lose opportunities to achieve further expected benefits.

With regard to ***achieving resource benefits from foreign partners***, TFEs focused on their bargaining power when discussing their alliance contracts. In this context, the firms wished to acquire and quickly utilise their foreign partners' resources in order to sustain and promote their operations in the rapidly changing environment. The timing was favourable when the Thai financial industry was an impressive environment for investment and TFEs themselves were relatively competitive. This means that the alliances with TFEs at that time could offer huge advantages to foreign partners. Moreover, TFEs and their partners were able to combine their local and regional strengths and create synergy for attaining mutual goals. In this respect, TFEs acquired benefits via foreign partners' skills, expertise, information, and international networks. In return, TFEs must be capable of offering contributions in terms of local skills and knowledge, market sentiment, domestic infrastructures, and local connections.

The second reason was ***the shortage of foreign partners*.** This was due to the number of TFEs participating in the Thai financial industry. TFEs needed to engage in international alliances in order to defend and improve themselves. Meanwhile, there were a limited number of foreign financial firms. Therefore, this forced TFEs to rush their alliance timing. However, the foreign partner in this meaning was defined as highly needed partners. As a matter of fact, there were numerous foreign financial firms expressing an intention to make alliances with TFEs (in the period up to the end of 1996 prior to the emergence of the financial crisis). Hence, there was no serious problem associated with the shortage of foreign firms, in terms of quantity. The problem would arise when the quality of foreign firms was taken into consideration. Yet, in many cases, the shortage was not considered an important force of timing determination, particularly for TFEs supported by commercial banks. The TFEs could seek foreign partners through the rapport of their shareholders. Moreover, during the growth period, TFEs were not in a difficult situation. If they could not ally with their required partners or there was an unfavorable timing which made them lose significant expected benefits, they were willing to postpone their alliance establishment and wait for the better signal.

The last reason was ***forces from external threats.*** This was not as crucial as the first reason, windows of opportunities. This was because TFEs were more concerned with *windows of opportunity* in determining alliance timing. During the introductory and growth period, the firms concentrated on taking advantage rather than risk averting. Further, as the economic condition in that period had been prosperous, all TFEs, even inferior ones, remained profitable. Thus, not many TFEs had to hurriedly make alliances with unfavourable contracts forced by the external threats. In this respect, there were only some weak TFEs, driven by serious threats and survival reasons, which must arrange their alliance in an unfavourable timing.

The significant impacts of the current financial crisis

The recent financial turmoil has resulted in direct negative effects on the overall economic conditions of the country, particularly the financial industry. The financial position of Thailand has become extremely weak and unstable. Also, the entire financial industry has become increasingly vulnerable to global financial markets. Foreign and public confidence in the industry has deteriorated and the overall competitiveness of the Thai financial industry has considerably decreased. The immediate solution to ease and tackle the problems is a request for help from foreigners.

Specifically, **the financial and competitive statuses of TFEs themselves** have been jeopardised by the crisis. More than half of TFEs have been merged with each other to become commercial banks in order to strengthen their competitive positions and survive the crisis. In such cases, the international alliances of these TFEs have been automatically terminated. The remaining TFEs, although they have been proved healthy by the SEC (Securities and Exchange Commission) and the Bank of Thailand, are also badly affected and highly vulnerable. This is due to the fatal effects of one of the worst economic crises in Thailand's history. Survival and continual stability of the companies are of prime concern in this respect.

As already mentioned, most TFEs are in deep trouble. There is no chance to ask for help from domestic finance companies, even from commercial banks which have been TFEs' major shareholders and resource providers. The remaining TFEs then must turn to their foreign strategic partners and request a huge amount of immediate capital and resources. This is because TFEs have been required to immediately increase their registered and paid-up capital. This is aimed at easing their liquidity problems and writing off non-performing loans (NPL). By this solution, the companies are expected to continue their business and gradually pull themselves out of the trouble. In addition, alliances with recognisable foreign financial institutions can help gain credibility and public confidence, which is one of the most critical factors to keep the business running.

However, the solution requires a huge amount of capital and commitment from foreign partners who also do not want to take risks themselves. Therefore, there must be sufficient incentives for foreign firms. The regular non-equity or minority alliance relationships may not be enough in this respect. Foreign firms wish to ensure that there is considerable long-term compensation worth their risky investment in the TFEs. Most of the TFEs then start to offer foreign firms greater advantages, in terms of managerial and ownership control. TFEs, which have already formalised their relationships with foreign partners, tend to strengthen their collaborations and are highly likely to allow the foreign firms to take a majority stake in their companies. In this case, the foreign firms could upgrade themselves from strategic partners to be major shareholders. The alliance relationship would become the "take over" in this respect. In cases when TFEs have never tied up with any foreign firms, the relationships are likely to start with acquisition or taking over rather than alliance co-operation as in the past. This is to attract foreign firms and ensure that they will have enough power to monitor and control their investment. This also can guarantee the long-term return of foreign firms when the Thai financial industry recovers in the future. In return, the TFE are able to survive and continue their operations. Although their previous shareholders will lose their power of control, their businesses remain in the industry and will not be liquidated.

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With respect to the regulations concerning the relationships between TFEs and foreign firms, it is evident that the regulations have been dramatically affected by the financial crisis. Before the crisis, the regulators, SEC (Securities and Exchange Commission) and the Bank of Thailand, usually exercise regulatory power and launch strict rules to closely monitor the relationships. This is to prevent TFEs from foreign partners' domination and wish the TFEs to achieve the most possible benefits. However, after the financial crisis happened, the positive business atmosphere turn out to be worse than ever anticipated. Survival becomes the first priority for TFEs. The relevant regulations must be relaxed in order to facilitate negotiation between TFEs and foreign firms. In this case, the regulators can not focus heavily on the benefits for TFEs. The interests of foreign firms must also be significantly taken into consideration. The major rules associated with protection of majority ownership of Thai partners have to be lifted. The regulations on technology transfer and TFEs' long-term benefits from cross-border partnerships are also relaxed. More flexible rules are applied and various conditions of cross-border relationships are considered case-by-case. This reflects the increased bargaining power of foreigners.

Further, the regulators must change their roles to become more supportive in order to promote the establishment of permanent cross-border linkages. They are more likely to play "facilitating roles" in order to encourage TFEs to ally or merge themselves with foreign financial firms. However, as the present situation is considered to be the difficult time for the industry and the whole country, foreign firms seem to hesitate to start intensive relationships with TFEs. The regulators sometimes have to be a negotiator or a match-maker for TFEs so as to give more confidence to foreign firms and to increase more opportunities to complete alliance deals.

Regarding foreign firms, it is clear that the recent financial crisis of Thailand has turned out to provide huge business opportunities for foreigners, particularly those from western countries. The devastating impacts of the crisis automatically force TFEs to depend heavily upon foreign partners. The firms need immediate help and considerable contributions from foreigners in order to handle the financial hardship. This widens the windows of opportunities for foreign firms and results in their stronger negotiating power. As both public and private sectors realise that permanent and intensive relationships with wealthy foreign partners are the key solution for Thailand's financial economic recovery, the financial industry has been more liberalized by the Thai government. Foreign firms then have more power of control over the industry than ever before.

In general, the major aim of foreign firms is to have a long-term foothold and a business base in Thailand. From the impacts of the crisis, foreign firms are able to accomplish their purpose more easily and with less amount of effort. In this respect, they do not need establish their own branches or subsidiaries. They also can acquire domestic business networks and local expertise immediately. Operational risks and an amount of initial investment are substantially reduced. However, the crisis also negatively affects the overall prospects of the financial industry. The industry and the country as a whole remain in trouble and have to pass difficult stages of rejuvenation and correction. Foreign firms then have to turn their attention to focus on medium and long-term benefits instead. Nonetheless, the Thai economy has started to show positive signs of recovery and is anticipated to recover in a couple of years. Foreign firms can expect to obtain a huge amount of benefits in the future when the business cycle is in the rising stage again.

Further, as foreign firms are in a favourable bargaining position, compared with TFEs, they are able to select types of international co-operation that can offer them the most long-term benefits. Foreign firms are highly likely to acquire the majority of control and take over TFEs, rather than engage in alliances or partnerships. This situation is indeed favourable to foreign firms as the market prices of TFE's stock are relatively low. Furthermore, they still have considerable benefits from the depreciation of the Thai currency. Therefore, the acquisition in this case is highly cost justified.

However, there are some foreign financial firms that have been badly affected by the devastating impacts, particularly those whose main operations are in Asian region. In this case, the firms have no available resources to acquire or help Thai partners. Their first priority is their own survival. Therefore, the termination of cross-border alliances between TFEs and these foreign firms are likely to take place.

Concluding Remarks

This study is centred on the formation framework of international strategic alliances of Thai financial enterprises (TFEs). The three major points, including motives, criteria, and timing, of the issue have been investigated. This study looks at the international alliance phenomenon of the Thai financial industry during the introductory and growth period. In this respect, TFEs' cross-border alliances are mainly formed as minority-equity alliances. The major areas of the co-operation involve customer services and securities trading co-operation, investment banking and corporate finance co-operation, and research technique co-operation. The nationalities of TFEs' foreign partners include European, American, Hong Kong, Japanese, and Singaporean companies.

TFEs pay significant attention to both approaches to alliances motives, consisting of defensive and offensive approaches together with market and resource perspective motives. The partner selection criteria most focused on by TFEs include synergy and complementary competencies. They also concentrate on the longevity of their co-operation by regarding the fit and balance of strategic intent as well as operational cultural compatibility as important criteria. Moreover, TFEs prefer to choose the alliance timing when their industry is attractive to foreign partners and when their overall competitive positions are relatively strong. The major reasons influencing timing involve substantial marketing benefits and a significant amount of resources to be transferred from their prospective foreign partners. In addition, the shortage of eligible foreign partners and forces from external threats also affect the timing selection. So far, the performance of TFEs' alliances is satisfactory. However, their alliances remain in significant need of improvement, in terms of technology transfer, fair alliance contracts, communication efficiency, and sincerity and trust among partners.

The frameworks obtained from the research can well represent the international strategic alliances of emerging countries, whose various economic conditions are similar and are being developed towards the globalisation era, particularly in the introductory and growth periods of the industry. Additionally, the results could be used as a database for future business implications and research for business firms with high uncertainty, especially in the Asian nations.

In the next stage of development, TFEs' international strategic alliances would be changed. The alliances would be mainly formed as equity links, including minority-equity and joint venture. Foreign counterparts could have greater access to the Thai financial industry on account of relaxed regulation barriers. In particular, after the financial crisis, most TFEs hardly stay independent as they will be in great need of capital to reverse their financially ailing positions. The TFEs would be mainly taken over by their foreign partners. The tighter relationships, in the form of merger and acquisition, may increasingly appear in the industry. Various strategic thoughts related to alliances should be developed and would be intriguing to study.

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