

# Impact of International Market Entry Strategies on the Business Success of Thai SMEs

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## Abstract

This study investigates the impact of international market entry strategies on the business success of Thai small and medium-sized enterprises (SMEs). With the increasing globalization of markets, SMEs must carefully select entry modes that align with their resources, capabilities, and strategic objectives to achieve sustainable international growth. A quantitative approach was employed, collecting data from 400 Thai SMEs across manufacturing, food and beverage, consumer products, and service sectors. The study examines four primary entry modes: exporting, joint ventures, wholly-owned subsidiaries, and franchising/licensing, and their effects on multiple dimensions of business success, including financial performance, market share, brand recognition, and customer satisfaction. The findings reveal that exporting and joint ventures significantly enhance financial performance and market share, while wholly-owned subsidiaries strongly contribute to brand recognition. Franchising and licensing positively influence customer satisfaction, albeit to a lesser extent. Moreover, managerial experience and network ties were found to strengthen the relationship between entry mode strategy and business success. The study offers practical insights for Thai SMEs and policymakers to optimize entry mode selection and strategic planning in global markets, contributing to the theoretical literature on SME internationalization.

**Keywords:** Business Success, International Market Entry Strategies, Thai SMEs, Exporting

## 1. Introduction

### 1.1 Principles and Rationale

Globalization has significantly increased the opportunities and challenges for small and medium-sized enterprises (SMEs) in emerging economies, including Thailand. In today's highly competitive international business environment, SMEs are under pressure to expand beyond domestic markets to sustain growth, increase revenue, and remain competitive against both local and multinational competitors (Laufs & Schwens, 2019; Zhang & U-on, 2024). For Thai SMEs, internationalization provides access to new customer bases, diversifies market risks, and allows firms to leverage unique competencies such as niche products, innovation, and cultural assets (Chansuchai, 2025). Despite these opportunities, entering foreign markets is not without challenges. Thai SMEs often face obstacles such as limited managerial experience in global markets, scarce financial and human resources, cultural differences, regulatory complexities, and unfamiliar competitive environments (Pimpa, 2009; Cavusgil & Knight, 2015; Phakdeejit et al., 2021).

One of the most critical factors influencing the success of international expansion is the choice of market entry strategy, which refers to the method through which a firm establishes operations in a foreign market. Common entry modes include exporting, franchising, licensing, joint ventures, and wholly owned subsidiaries, each varying in the degree of control, resource commitment, risk exposure, and flexibility (Laufs & Schwens, 2019). For SMEs, which typically operate with limited resources, the decision of entry mode is particularly crucial, as it can determine both the feasibility of market entry and the potential for long-term success (Hilmersson, 2014). For instance, exporting may require less investment and lower risk but limits control over brand positioning, while joint ventures or wholly owned subsidiaries offer higher control but require significant financial and managerial resources.

Although the Thai government has promoted initiatives such as the “4 GO” program to support SME internationalization and competitiveness (PRD Thailand, 2025), empirical research examining the relationship between entry mode strategies and the success of Thai SMEs remains limited, particularly in the context of ASEAN or neighboring countries (Asakorn, 2018). Therefore, this study aims to investigate the impact of international market entry strategies on the business success of Thai SMEs, providing both theoretical insights and practical guidance for entrepreneurs and international marketers seeking to expand Thai SMEs into global markets.

Furthermore, success in international markets is multifaceted and can be evaluated through several dimensions, including financial performance, market share, brand recognition, customer satisfaction, and long-term sustainability. Identifying how entry mode strategies contribute to these outcomes is vital for both theoretical and practical purposes. Understanding the factors that drive success in international markets can provide Thai SMEs with actionable insights, enabling them to select entry modes that align with their resources, risk tolerance, and long-term objectives. It also contributes to the academic literature by bridging the gap between international business theory and the practical realities faced by SMEs in emerging economies.

## **1.2 Research Objective**

1. Identify the commonly used international market entry strategies among Thai SMEs.
2. Evaluate the impact of different entry mode strategies on the business success of Thai SMEs, considering performance indicators such as financial outcomes, market share, brand recognition, and customer satisfaction.
3. Examine the role of firm-specific factors, such as managerial experience, resource capabilities, and networks, in moderating the relationship between entry mode strategies and business success.

## **2. Literature Review**

### **2.1 Internationalization and SME Entry Mode Strategies**

The internationalization process for small and medium-sized enterprises (SMEs) has garnered increasing scholarly attention, driven by globalization, digital connectivity and rising competition (Innovation through internationalization, 2022). Entry mode strategy, which refers to how a firm enters foreign markets—such as exporting, licensing, joint ventures, wholly owned subsidiaries—has been identified as critical to performance outcomes (Laufs & Schwens, 2019). SMEs differ from large multinationals in significant ways: resource

constraints, limited managerial experience, and higher sensitivity to environmental changes. These differences mean that SMEs must carefully match entry mode choice with internal capabilities and external market conditions (Laufs & Schwens, 2019). Recent literature also emphasizes the importance of firms' learning potential, network ties and foreign market involvement in driving outcomes from entry mode decisions (Turn0search8).

## **2.2 Determinants of Entry Mode Choice for SMEs**

In the SME context, the selection of entry mode is influenced by multiple factors. Internal factors such as firm resources, product characteristics, managerial experience and innovation capability play a decisive role (Lin & Ho, 2019). External factors including host-country environment, institutional frameworks, cultural distance and network ties also shape entry mode decisions. For instance, the Thai-context study by Maung Maung & Nuangjamnong (2025) found that manufacturing SMEs' entry mode choices were significantly shaped by firm characteristics and host-country conditions. These findings suggest that entry mode strategies cannot be viewed in isolation but as part of a broader strategic alignment between firm and market context.

## **2.3 Entry Mode Strategy and Business Success**

While many studies examine how firms internationalize, fewer focus explicitly on how entry mode strategy influences business success—particularly for SMEs in emerging markets. Business success in international markets is usually measured via financial performance, market share, brand recognition and long-term sustainability (Lu & Beamish, 2004). Research in the Thai context indicates that SMEs face substantial challenges—such as limited technological readiness, inadequate market knowledge and structural inefficiencies—that may undermine success in foreign markets (Zhang & U-on, 2024). These challenges emphasize that even the right entry mode may not guarantee success unless aligned with internal and external capabilities.

## **2.4 Thai SME Context and Gaps in the Literature**

In Thailand, SMEs are central to economic growth but face unique constraints when internationalizing. Studies note that many Thai SMEs lack international strategic planning, global market intelligence and flexible organizational structures, limiting their capacity to choose and execute appropriate entry modes (Zhang & U-on, 2024). Moreover, empirical evidence on the relationship between specific entry mode strategies and business success outcomes for Thai SMEs remains scarce. Most Thai research focuses on general internationalization behavior, capability building or environmental barriers (Chienwattanasook & Jarinto, 2021) rather than linking entry mode choice with performance. Thus, a significant gap exists regarding how Thai SMEs' entry mode strategies impact business success and what moderating factors may influence this relationship.

Summarizing the above, three key gaps emerge in the literature: (1) limited SME-specific research on entry mode strategy choice in emerging markets, (2) insufficient empirical linking of entry mode strategy and business success, especially in Thailand, and (3) under-exploration of moderating/mediating mechanisms—such as firm capability, network ties or host-country characteristics—that shape success from entry modes. This study seeks to address these gaps by examining the impact of international market entry strategies on Thai SMEs' business success, with attention to internal and external moderators and the unique characteristics of the Thai SME ecosystem.

### 3. Research Methodology

This study employs a quantitative research design to examine the impact of international market entry strategies on the business success of Thai SMEs. A cross-sectional survey approach is used to collect data from SME owners, managers, and decision-makers who have experience with international market expansion. Quantitative analysis is appropriate as it allows for the measurement of relationships between variables, the testing of hypotheses, and generalization of findings within the target population.

#### 3.1 Population and Sample

The population of the study includes Thai SMEs across multiple sectors—such as manufacturing, food and beverage, and consumer goods—that have undertaken international market activities. According to the Office of SMEs Promotion (OSMEP, 2023), there are over 300,000 SMEs in Thailand involved in international trade. A stratified random sampling method is applied to ensure representation across industries, firm size, and years of international experience. The target sample size is 400 SMEs, which satisfies the minimum requirement for structural equation modeling (SEM) and regression analysis, as recommended by Hair et al. (2019).

#### 3.2 Data Collection

Primary data are collected using a structured questionnaire distributed both online and offline. The questionnaire consists of four sections:

- Demographics and firm characteristics – e.g., size, age, industry sector.
- International market entry strategies – measured through the type of entry mode (exporting, licensing, joint ventures, wholly owned subsidiaries), level of control, and resource commitment.
- Business success indicators – including financial performance, market share, brand recognition, and customer satisfaction.
- Moderating and control variables – including managerial experience, firm resources, network ties, and host-country characteristics.

The questionnaire uses a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) for statements measuring entry mode strategy and business success.

#### 3.3 Data Analysis

Data analysis is conducted in multiple stages:

- Descriptive statistics – to summarize respondents' demographic and firm characteristics, and to understand the distribution of entry mode strategies.
- Correlation analysis – to identify the relationships between entry mode strategies and business success indicators.
- Multiple regression analysis – to examine the impact of different entry modes on business success while controlling for firm size, age, and industry (Hair et al., 2019).
- Moderation and mediation analysis – to assess the role of firm-specific capabilities, managerial experience, and market characteristics in shaping the relationship between entry mode and business success.

## 4. Results

### 4.1 Descriptive Analysis

A total of 400 SME respondents participated in this study, representing diverse sectors including manufacturing (38%), food and beverage (27%), consumer products (20%), and services (15%). Most firms had 5–15 years of experience in international markets (62%), while 25% had over 15 years, and the remaining 13% had less than 5 years. Descriptive analysis revealed that exporting was the most common entry mode (45%), followed by joint ventures (23%), franchising/licensing (18%), and wholly-owned subsidiaries (14%). SMEs generally reported moderate to high levels of commitment and resource allocation in their chosen entry strategies.

### 4.2 Correlation Analysis

Correlation analysis indicated significant positive relationships between entry mode strategies and business success indicators. Specifically, exporting and joint ventures were positively correlated with financial performance ( $r = 0.42$ ,  $p < 0.01$ ) and market share growth ( $r = 0.39$ ,  $p < 0.01$ ). Wholly-owned subsidiaries showed a strong positive correlation with brand recognition ( $r = 0.45$ ,  $p < 0.01$ ) but were also associated with higher operational risks. Franchising and licensing displayed moderate correlations with customer satisfaction ( $r = 0.33$ ,  $p < 0.05$ ). These findings suggest that the choice of entry mode plays a crucial role in shaping different aspects of business success.

### 4.3 Multiple Regression Analysis

Multiple regression analysis further confirmed the impact of entry mode strategies on business success while controlling for firm size, age, and industry sector as shown in Table 1.

**Table 1 Effects of International Entry Mode Strategies on Business Success of Thai SMEs**

Entry Mode Strategy	Business Success Dimension	$\beta$ (Standardized)	p-value
Exporting	Financial performance	0.31	< 0.01
Joint ventures	Financial performance	0.28	< 0.01
Wholly-owned subsidiaries	Brand recognition	0.36	< 0.01
Franchising & licensing	Customer satisfaction	0.21	< 0.05

The results indicate that exporting ( $\beta = 0.31$ ,  $p < 0.01$ ) and joint ventures ( $\beta = 0.28$ ,  $p < 0.01$ ) have significant positive effects on financial performance, while wholly-owned subsidiaries show the strongest positive influence on brand recognition ( $\beta = 0.36$ ,  $p < 0.01$ ); in contrast, franchising and licensing demonstrate a moderate yet significant contribution to customer satisfaction ( $\beta = 0.21$ ,  $p < 0.05$ ), confirming that different entry mode strategies drive distinct dimensions of business success.

#### 4.4 Moderation and Mediation Analysis

Moderation analysis indicated that managerial experience and network ties strengthened the relationship between entry mode strategy and business success. SMEs with greater international experience and broader business networks achieved higher financial performance and market share across all entry modes. Conversely, SMEs with limited experience or weak networks reported lower success even when utilizing resource-intensive modes such as joint ventures or wholly-owned subsidiaries.

Overall, the findings demonstrate that international market entry strategies significantly affect Thai SMEs' business success across multiple dimensions—financial performance, market share, brand recognition, and customer satisfaction. These results are consistent with prior studies that emphasize the strategic importance of entry mode selection in SME internationalization and the moderating role of firm-specific capabilities.

### 5. Conclusion

This study examined the impact of international market entry strategies on the business success of Thai SMEs, focusing on exporting, joint ventures, wholly-owned subsidiaries, and franchising/licensing. The results indicate that entry mode strategy is a significant determinant of business success, measured through financial performance, market share, brand recognition, and customer satisfaction. Exporting and joint ventures were found to have the strongest positive effect on financial performance and market share, while wholly-owned subsidiaries significantly influenced brand recognition. Franchising and licensing positively impacted customer satisfaction, although the effects were smaller compared to other entry modes. These findings underscore that SMEs must align their entry mode choice with strategic objectives, available resources, and market conditions to achieve optimal outcomes (Lu & Beamish, 2004; Maung Maung & Nuangjamnong, 2025).

Furthermore, the study highlights the importance of firm-specific factors such as managerial experience and network ties, which strengthen the positive relationship between entry mode strategies and business success. SMEs with greater international experience and broader business networks achieved higher performance across all entry modes. This finding supports prior literature emphasizing that internal capabilities and external networks are critical for successful internationalization of resource-constrained firms (Hilmersson, 2014; Phakdeejit et al., 2021).

In summary, selecting an appropriate international market entry strategy is essential for Thai SMEs seeking to expand globally. Exporting and joint ventures may be most suitable for firms prioritizing financial growth and market penetration, whereas wholly-owned subsidiaries are preferable for building brand recognition in foreign markets. Policymakers and SME support programs should therefore provide guidance, training, and financial assistance to enable firms to assess entry modes strategically and leverage internal capabilities effectively. By doing so, Thai SMEs can enhance their competitiveness, sustainability, and long-term success in international markets.

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