



Towards the Detroit of Asia: Empirical research insights of Thailand's OEM strategy



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ABSTRACT

The automotive industry is one of the strategic clusters of Thailand. This study explores Thailand's national innovation system (NIS) strategy and cluster policies in driving the automotive industry towards the Detroit of Asia. The analysis of automotive cluster is based on Porter's Diamond Model and NIS framework. Unlike other Asian countries that competed and moved forward with the own brand manufacture (OBM) strategies, Thailand took a different NIS approach in competition to become the automotive manufacturing hub of Southeast Asia. The results provide lessons and insightful strategic implications for other newly industrialized countries (NICs) attempting to move up the technological ladders.

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1. Introduction

“Thailand is a global green automotive production base with strong domestic supply chains which create high value added for the country.”

[Vision of the Thai automotive industry in the year 2021
Thailand Automotive Institute, Ministry of Industry]

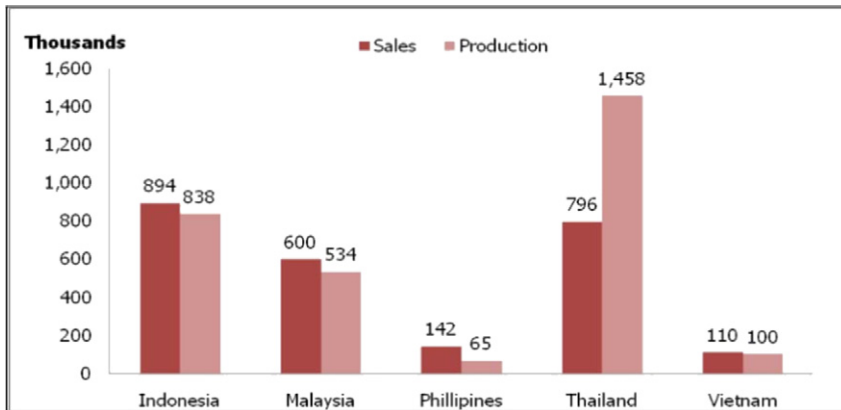
Thailand was ranked in the 30th position according to the International Institute for Management Development (IMD) World competitiveness Yearbook 2015 and 31st according to 2015 World Economic Forum (WEF) global competitiveness index. It is one of Asia's Newly Industrialized Countries (NICs) that is classified as an efficiency-driven economy and has a prospect in moving towards an efficiency-driven economy in the near future. Thailand is a leading global automotive manufacturer. Its automotive industry is one of the strategic clusters of Thailand accounting for 10% of the gross domestic product (GDP).¹ Fig. 1 compares vehicle production and sales volume of Thailand among ASEAN countries in 2012. The automobile production volume, sales to the domestic, and export markets from the years 1996–2012 can be seen in Fig. 2. These figures have shown that Thailand has the strongest growth of auto production base in the Southeast Asian region, driving the country to become the Detroit of Asia.

This study is concerned with Thailand's strategy towards the Detroit of Asia. Following the introductory section, Section 2 reviews the theoretical framework on Porter's Diamond Model, cluster policies, and the national innovation system (NIS). Section 3 explains the methodological framework. Section 4 presents the analyses of findings with a particular focus on exploring the

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¹ Thailand Board of Investment.



Source: ASEAN Automotive Federation (AAF)

Fig. 1. Vehicle production and sales volume of Thailand among ASEAN countries.

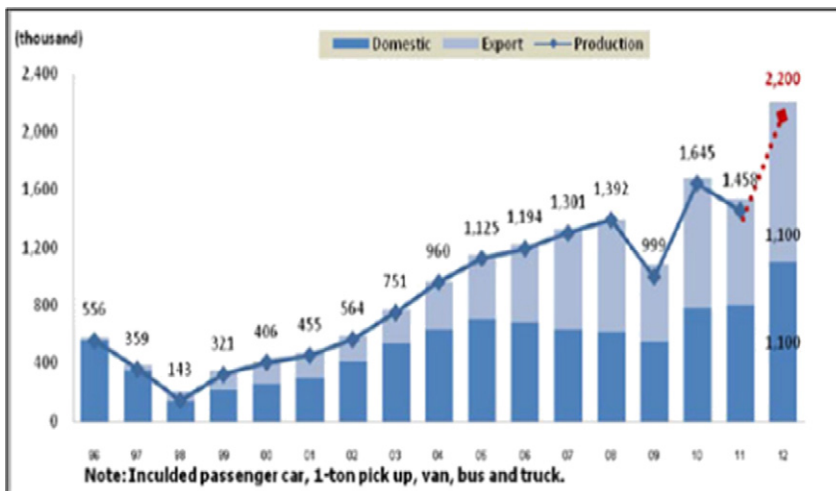
strategic path of Thailand in becoming the automotive manufacturing hub of Southeast Asia and the Detroit of Asia. Policy implications behind Thailand's NIS strategy and automotive cluster competitiveness as well as conclusions are drawn in Section 5.

2. Theoretical framework

2.1. Porter's diamond model—cluster policies to strengthen the national innovative capacity

The rise of high technology clusters started with Michael Porter's 'Competitive Advantage' in 1985 (Porter, 1985). Porter, the most influential management analyst of Harvard Business School, who is frequently cited in a conceptual thinking of 'competitive advantage', argues that the cluster of collaborating businesses helps in the rapid dissemination of innovations. The cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities (Porter, 1990, 2001). The concept of 'clusters' promotes collaboration among institutions to facilitate the exchange of information and technology.

Porter's Diamond model emphasizes the role of government in creating an environment conducive to national competitive advantage. Porter argued that the interactions between the various agents of the nation help achieve considerable synergy. The underlying benefits of clusters also include collective learning and knowledge spillovers among participating institutions. Porter's Diamond model (Fig. 3) provides a framework for understanding collaboration/networking between the government and industry sectors in the form of clusters (Porter, 1990, 2001). The four attributes (1—factor conditions, 2—demand conditions, 3—context for



Source: Thailand Automotive Institute, Ministry of Industry

Fig. 2. Automobile production volume, sales to the domestic and export markets.

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