# IMPACT OF THE EASTERN SPECIAL DEVELOPMENT ZONE ENVIRONMENT ON CHINESE FOREIGN DIRECT INVESTORS IN THAILAND

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## Abstract
The purpose of the study was to examine the influence of Thailand's Eastern Special Development Zone (ESDZ) Environment factors on Chinese Foreign Direct Investors' (FDIs) business performance. A well-structured questionnaire was developed to collect data from 200 respondents using the random sampling technique. Statistical Packages for the Social Sciences were used for data analysis to produce relevant parameters. We then applied the Analysis of Moment Structures to test the causal relationships as well as to examine the acquired data. The results revealed that there was a significant direct and positive influence of the ESDZ Environment-Business Cost, Competitive Hostility, Labour Availability, and ESDZ Environmental Dynamism on Chinese FDIs' business performance in Thailand's ESDZ. Furthermore, we included Intercultural Competence and Business Strategy as two important latent variables alongside ESDZ Environment to be empirically tested in this research study. The practical implications of the current results contribute greatly to FDIs' strategic planning in the region, especially the Chinese FDIs since the ESDZ Environment helps to improve the Chinese FDIs' business performance. The novelty rests in its notion that analyzing and anticipating the ESDZ Environment is a necessary complement to improving these Chinese FDIs' corporate performance.
**Keywords:** ESDZ Environment, Eastern Special Development Zone, Business Performance, Business Strategy, Intercultural Competence

## Introduction

Thailand's Eastern Special Development Zone (ESDZ) also well-known as the Eastern Economic Corridor (EEC) is a prime gateway to Asia that join forces of all sectors connecting Thailand worldwide. As the world transforms, Thailand has to adapt to the fast-moving progress of disruptive technology and the fluctuations in the global economy have brought about fundamental economic and societal changes. The milestone of this magnificent project started in the year 2017 facilitated by Order No.2/2017 of the National Council for Peace and Order (NCPO) and the Eastern Special Development Zone Act 2018. It is also a part of the 20-year National Strategic Plan, which will work to develop Thailand internally and move the nation toward Thailand 4.0. Thailand is currently struggling with low levels of investment, a lack of ability to keep up with technological advancements, and is caught in the middle-income trap. During the past 10 years (from 2005-2014), Thailand experienced a low level of investment growth at 2%, which resulted in a small growth in GDP at 2-3% and the level of competitiveness is unable to drive the country's economy towards the next phase (Niyomsilp, Worapongpat & Bunchapattanasakda, 2020).

As a result, Thailand faces the difficulty of keeping up with technological advancements and must increase investment levels and avoid falling into the middle-income trap. The Thai economy expanded by 1.9 percent (%YoY) in the fourth quarter of 2021 after contracting by 0.2 percent in the third quarter (Chen, Chaiboonsri & Wannapan, 2021). Thailand's GDP rebounded from a 6.2% decline in 2020 by expanding by 1.6% in 2021 (National Economic and Social Development Council, 2022). The Thai economy has to grow by about 4% to 5% a year to reach developed nation status by 2032. To achieve the goal, the targeted industries must be determined and meet criteria such as demand-driven, fundamental-driven, and technology-driven. The mechanism involves upgrading five (5) first S-curves and advancing seven (7) new S-curve-targeted industries that will drive the Thai economy with future technology. The ESDZ development team has set its vision and mission clearly to be a case example of an organization driving economic, social, and environmental development successfully and sustainably. To increase revenue and improve quality of life, emphasize the necessity to gather and use collective new technology.

On the other hand, from the perspective of FDIs, the ESDZ's growth and investment in fundamental infrastructure, including all integrations to increase the ease of doing business, as well as all other environmental elements, are key aspects for determining the best investment location (United Nations Conference on Trade and Development, 2019). The main focus of FDIs in this research was placed on Chinese FDIs because since the Chinese government's "One Belt, One Road" economic development program was introduced in 2013, many Chinese businesses have been inspired to grow and expand their operations to other regions of the world as a result of this spectacular event. Due to this manifestation, the ESDZ has drawn a significant amount of FDIs from China. Approximately 70% of all FDIs in 2021 were Chinese, bringing huge capital sums and significantly impacting Thailand's economy (Niyomsilp et al., 2020).

The ultimate goal of the researchers is to look into the causal relationships between the ESDZ Environment (ED) and the Chinese FDIs Business Performance (BP) within the framework of the aforementioned scenario during this stage of the ESDZ's development. Given their high technology know-how and sophisticated business strategies (BS), what are the ED effects-ED and BS casual relationships? How does the Intercultural Competence (IC) of these Chinese FDIs' top management affect the ED-IC and ED casual relationships? How does the ED affect the BP of these Chinese FDIs in the ESDZ-ED and BP causal relationships? These were the research study's main concerns and questions. Through previous research, we have found that more business entrepreneurs have started to focus on environmental factors which may greatly affect their business operations profits, and sustainability, especially for multinational corporates around the world. Hence, ignoring the environmental factors may lead to an

incapability to acknowledge crucial risk factors that may cause a great impact on their business. (Abdelkafi, Makhotin & Posselt, 2013; Ahammad, Basu, Munjal, Clegg & Shoham, 2021; Bocken, Rana & Short, 2015). In this article, we have also included IC and BS as two critical latent variables. In earlier studies in related industries, these two crucial elements have been verified and confirmed to have a major impact on business performance (Haleem, 2019; Laroche, 2011; Ward & Duray, 2000). Furthermore, there is a paucity of research establishing the causal relationships between Environmental factors affecting Chinese FDIs' BP in Thailand's ESDZ.

After a proper review of past literature, the researchers have prepared a conceptual framework that includes the four latent variables-1) ED, 2) IC, 3) BS, and 4) BP (Figure 1) for further empirical testing. According to previous research reviews (Anwar & Hasnu, 2016; Chaib Lababidi, Lababidi, Colak & Dayan, 2020; Ward & Duray, 2000), we have chosen the following four indicators as observable variables for measurement of the ED-Business Cost (BC), Competitive Hostility (CH), Labor Availability (LA), and ESDZ Environmental Dynamism (DY) and BP-Liquidity (LIQ), Efficiency (EFF), Profitability (PRO) and Growth Ratios (GRO).

Hp1: ED has a direct and positive causal relationship with BP.
Hp2: ED has a direct and positive causal relationship with IC.
Hp3: ED has a direct and positive causal relationship with BS.
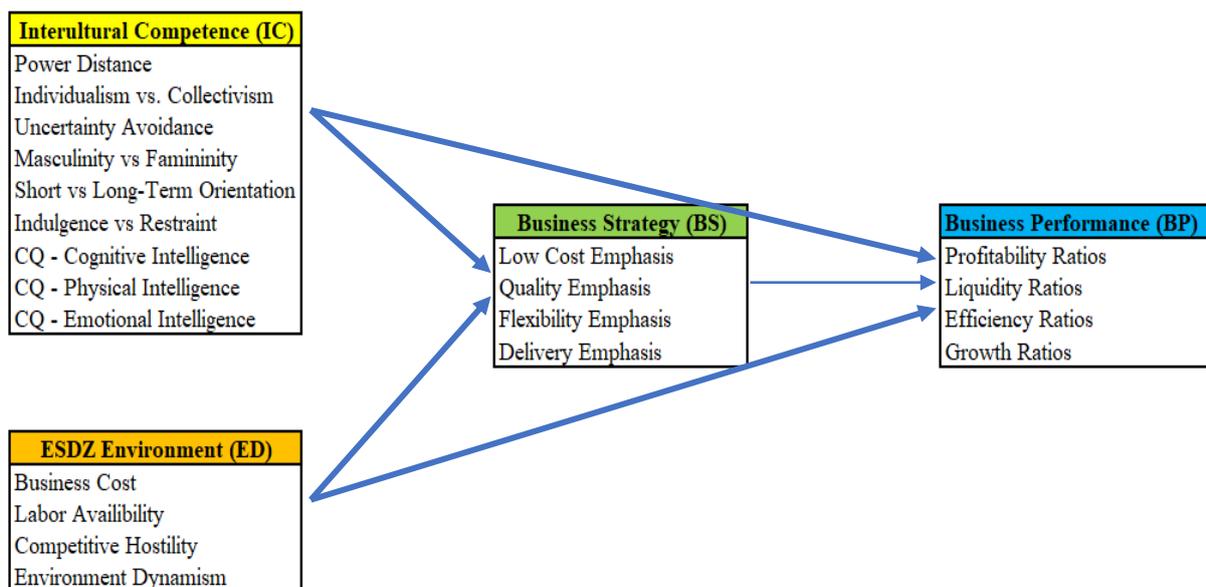Hp4: ED is the most important variable affecting BP.



**Figure 1** Conceptual Framework

## Literature Review
### Chinese FDIs' Business Performance
The Chinese FDIs' BP in this study is described as "the operational capacity to fulfill the goals of the FDIs' key shareholder. It can be used to quantify or measure an organization's financial position" (Nguyen, Tsai, Nguyen, Vu & Dao, 2020; Smith & Reece, 1999). Financial proportions or ratios are considered by utilizing arithmetical principles from financial reports to acquire definitive evidence about a firm. Information is derived from balance sheets, cash flow statements, and income statements. Financial ratio analysis often evaluates a company's profitability, efficiency, liquidity, and other characteristics. The researchers used financial methods and formulas from the latest revised edition of Financial Intelligence: "A Manager's Guide to Knowing What the Numbers Really Mean", authored by Karen Berman, Joe Knight,

and John Case, for analysing the financial status of the Chinese FDIs companies. Consequently, the following four financial ratios were used to measure the Chinese FDIs' BP: 1) Liquidity Ratios (LIQ)-in typical business scenarios, assess a firm's capability to meet its financial obligations, 2) Profitability Ratios (PRO)-assess how capably a firm's assets were used to generate revenue from its operations, 3) Efficiency Ratios (EFF)-assess turnover durations assets and resources, 4) Growth Rates (GRO)-assess the revenue and profit progress of the firm. For optimum accuracy and validity of the self-completed questionnaire surveys, the researchers confirmed the answers to these questionnaire surveys by cross-referencing them with financial data filed with Thailand's Ministry of Commence.

**Intercultural Competence**

Given how interconnected we are now on a global scale, inequalities in people's ability to interact well with people from various cultural origins have gotten much attention in recent years (Bernardo & Presbitero, 2017; Li, Mobley & Kelly, 2016). Despite this, academics from various disciplines of study continue to dispute the most important aspects of IC (Deardorff, 2006; Everaert et al., 2019). IC is employed in various fields, including neuroscience (Gkintoni & Dimakos, 2022) and global business (Laroche, 2011; Yari, Lankut, Alon & Richter, 2020). Many academics have already constructed several models to describe IC better, but each has its own set of components. As a result, there are no widely recognized representations (Menezes, 2014; Hofstede et al., 2010).

Accordingly, we proposed Geert Hofstede's Six Dimensions of Culture Theory, together with three cultural intelligence-related factors for our IC variable as follows: 1) Uncertainty Avoidance Index (UAI)-Concerned about a society's acceptance of uncertainty and ambiguity; 2) Collectivism vs. Individualism (IDV)-freedom of an individual regarding the group he/she belongs to; 3) Power Distance Index (PDI)-The degree to which less powerful individuals and groups accept and anticipate that power is distributed unequally; 4) Masculinity vs. Femininity (MAS)-Equally distributed rights between genders, 5) Indulgence vs. Restraint (IND)-Desires satisfaction and conditioning of desire fruition, 6) Long-term Orientation vs. Short-term (LTO)-Control and persistence in long-term cultures and traditional and recognition in short-term cultures, 7) Physical CQ (PCI)-Physical cultural intelligence, 8) Emotional CQ (ECI)-Emotional cultural intelligence, and 9) Cognitive CQ (CCI)-Cognitive cultural intelligence (Hofstede, 2011).

**Business Strategy**

The firm's business success and BS are two variables that exhibit signs of a positive association, but there is also evidence that these two variables are unrelated (Finger et al., 2022; Osborne & Strokosch, 2021). The progress of this significant research domain has been hampered by this dichotomy. A bi-variate methodology in empirical studies studying a direct relationship between BS and BP has been criticized. While this relationship is critical for businesses that use BS, the critics argue that other factors impact the strategic planning-performance relationship. Theoretically, successful local and international businesses employ strategic business planning to foresee and address environmental volatility (Rogers, Miller & Judge, 1999). It also predicts they will display adaptability in preparation or "former" condition in strategically arranging decision options to adjust as the environment changes. Flexible firms are also prepared to cope with uncertainty in the environment, which increases the impact of strategic planning on achievement.

In this research study, we proposed the following observable measures for BS: 1) Cost Emphasis (CE)-sell products at lower prices by controlling cost and inventory reductions, increased equipment use, and capacity utilization to gain market share rapidly (Blocher, Stout, Juras, Smith & Cokins, 2019), 2) Quality Emphasis (QE)-focus on quality management of overall activities to ensure products and services offered are up to standard requirements (Bashan & Kordova, 2021; Ittner & Larcker, 1997), 3) Flexibility Emphasis (FE)-enhance

capability as the firm reacts effectively to environmental changes and eases problem-solving (Christofi, Pereira, Vrontis, Tarba & Thrassou, 2021; Finger et al., 2022; Jahandoost, Taleghani & Alipour, 2021) and 4) Delivery Emphasis (DE)-emphasizes delivery services provided, such as delivery reliability and efficiency.

**ESDZ Environment**

The ESDZ business environment is primarily described as external forces and influential variables beyond a firm's control that can impact its business processes and performance. External influences are customers, rivals, suppliers, legal issues, local government and society, political, and technological issues, and other investors (Ahammad et al., 2021; Akinboye & Morrish, 2022; Contractor, Dangol, Nuruzzaman & Raghunath, 2020).

**Business Cost (BC):** The bundle of investment incentives for projects in the ESDZ (2020-2021) includes a standard tax package for corporate income tax (CIT) that allows tax holidays as follows: 1) 10 years (no cap) for the advancement of technology and innovation, including the development of specified key technologies including biotechnology, nanotechnology, advanced materials science, and digitalization, 2) 8 years (no cap) for knowledge-based projects focused on R&D and improvement of the competitiveness of the country, 3) 8 years for infrastructure projects for the development of the nation, projects utilizing cutting-edge technology to provide added values, and projects with little or no current investments in Thailand, and 4) 5 years for high-tech projects crucial to the nation's development, with very few existing in Thailand.

**Labour Availability (LA):** In Thailand, 57 million individuals of working age (67% of the population) were employed in 2020. The total labor force of approximately 38 million is ranked sixth largest in East Asia and the Pacific (ASEAN) and fourth largest among ASEAN countries. Numerous issues are affecting Thailand's labor market, such as low labor force participation, a sluggish exodus of jobs from the agricultural sector, and high levels of informality. The labor force shrank by more than 1.4 million persons between 2012 and 2021. In 2019, there was still an unofficial employment rate of 54%. The aging population, which is increasing rapidly in Thailand, makes these issues more complex. According to projections, the proportion of people aged 65 and older will increase from 13% to 31% in 2060 (Park & Shin, 2011).

**Competitive Hostility (CH):** Competitive hostility in the ESDZ is defined as an environmental aspect that involved a high level of periodical changes that causes uncertainty, unpredictability, and fast-changing growth conditions. This level of uncertainty is recognized as the level of environmental turbulence or instability (Chung & Low, 2017). Hostile environments are described as stressful, and risky, provide fewer opportunities for business growth, and reflect the hostility of that unfavorable business environment (Kreiser, Anderson, Kuratko & Marino, 2019; Martins & Criado, 2013). Accordance to Singh & Agrawal (2017), such hostile conditions are uncontrollable and thus create pressure on the business to make decisions to either enhance competitiveness.

**Environment Dynamism (DY):** Environmental dynamism (Forliano, Ferraris, Bivona & Couturier, 2022) in the ESDZ is defined as the result of multiple influences acting simultaneously. These include an expansion in an industry's size and the number of entities as well as the rapidity of technical progress (Chandrasekaran, Tellis & James, 2020) and its spread within it. The environmental factors that affect businesses range significantly between industries. DY, which is the rapidity and instability of environmental change, is the most important of these traits (Taskin & Zaim, 2001). As a result, for a business to thrive and survive, there must be a fit or match between the demands of its competitive environment and its internal management procedures. (Venkatraman & Prescott, 1990). Hence, the adoption of proper response mechanisms adequate to deal with pertinent environmental conditions (Lun, Lai,

Wong & Cheng, 2015) will therefore be a determining factor in any firm's success within an industry.

Accordingly, we conclude from the preceding analysis that the ED impacts BP, particularly for the Chinese FDIs participants in this research study. We carefully selected the ED guidelines from previously published works and assigned the ED variable to the following four observable factors: 1) Business Cost (BC)-includes the entire business's operational costs applied to their investments in the ESDZ (Eastern Economic Corridor, 2021), 2) Labour Availability (LA)-skilled and technical employees or workforce in the ESDZ (Rungreangkulkij et al., 2022), 3) Competitiveness Hostility (CH)-periodical changes that cause uncertainty, and unpredictability (Rezaei, Delangizan & Khodaei, 2021), and 4) Environment Dynamism (DY)-the rate of environmental change (Kumar & Bhatia, 2021).

## Research Methodology

### Data Collection and Sample Selection

To accomplish the research goals, and objectives, test the hypothesis, and answer the proposed research questions, the researchers prepared and gathered a sample of 200 Chinese firms from a total estimated population of 5000 Chinese FDIs in the ESDZ for data collection (Israel, 1992). We used a 95% of confidence level and an assumption of a precision level of ± 0.7% as recommended by Israel (1992). All of these Chinese FDI firms have foreign ownership of more than fifty percent and are categorized under the new S-Curve industries according to Thailand's 4.0 policy scheme. Figure 2 shows the descriptive information of these Chinese FDI firms and Table 1 shows the biological information of the Chinese expatriate samples in these Chinese FDI firms. The surveys were sent to the top executives, who make critical choices about corporate business operations. The researchers employed a 5-point Likert scale questionnaire survey as the only data collection tool for this research study. There were ninety-four (94) questions in the questionnaire survey, divided into two sections. The first component included six (6) questions about the participants' basic information. There were 88 questions in the second section divided into four categories as follows: 1) ED, 2) IC, 3) BS, and 4) BP. To guarantee that the selected samples had an equal chance of being selected and that the entire population was accurately represented, a simple random selection method was used (Olken & Rotem, 1986).

According to the descriptive analysis data collected, the mean values ranged from 2.989 to 3.986. Table 3 exhibited the standard deviation (SD) values recorded at .532 and .960. Conferring to the mean and SD ranges, the samples had tentatively greater affirmative responses to most questions, with a minor variance under 1.000. Kurtosis was -.378 to 2.805, while Skewness was -1.670 to -.139. These numbers may appear to be deficient for normal distributions. However, when using SEM, tolerable or acceptable kurtosis values range from -10 to +10, and skewness values range from -3 to +3. (Brown, 2006). Our primary objective in this research study is to explore the causal relationships and effects among the ED, IC, BS, and BP in Thailand's ESDZ. We used Structural Equation Modelling (SEM) which is a multivariate statistical analytic approach for analyzing the required structural correlations and causal relationships. The researchers believed that the SEM is most appropriate to examine the structural relationships between measured variables and latent components.

**Table 1** Sampling Participants' Information

| Demographic Factors | Descriptive Statistics | Common Characteristics |
|---|---|---|
| Age | Mean: 38.605 <br><br> Standard deviation: 5.741 | Chinese executives from leading Chinese FDIs in ESDZ of Thailand |
| Gender | Male: 338 (84.5%) <br><br> Female: 62 (15.5%) | Chinese shareholders equal to or greater than 49% |
| Job position | Senior-level managers: 400 (100%) | Industries categorized under the New S-Curves of Thailand 4.0 Scheme |

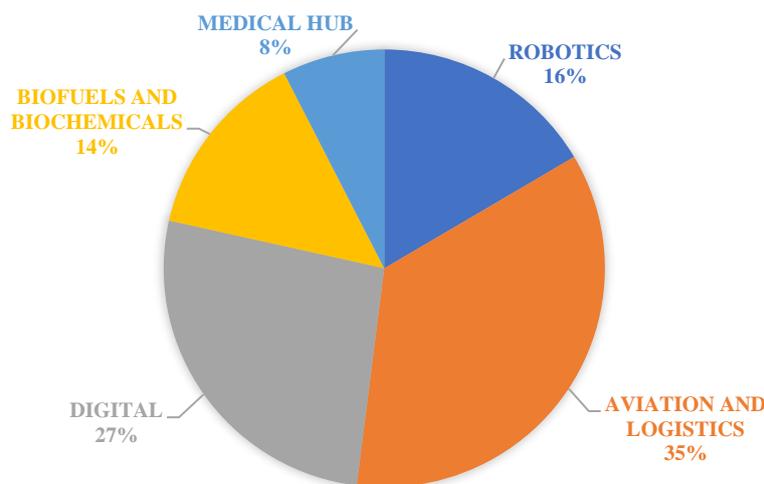CHINESE FDI INDUSTRY CATEGORIZATION IN ESDZ THAILAND



**Figure 2** Chinese FDI Industry Categorization in ESDZ Thailand

Using the Content Validity Index (CDI), the researchers evaluated the content validity of the questionnaire (Galbraith & Schendel, 1983). The content validity score for each question is greater than .75. The survey questions were then distributed using the online application platform-SurveyMonkey. Using Cronbach's alpha, the dependability of the research data was calculated (Taber, 2018). The reliability coefficient was excellent at .975. Kolmogorov-Smirnov analyses were used to test the normality assumption (Arbuckle, 2014; George & Mallery, 2003). The values of the correlation coefficients, mean, kurtosis, and skewness for the observed variables observed in the SEM are all displayed in Table 3 below, and they all indicate a valid and normal data distribution.

## Research Results

The researchers used IBM® SPSS® Statistics Premium 28 (Windows)-Single Machine License-Agreement Number: SPSS-KVC (Order Number: 100726467231) and IBM® SPSS® Amos 28 (Windows)-Single Machine License-Agreement Number: SPSS-KVC (Order Number: 100730911689) to assess the observed variables' correlation coefficient values in the SEM model, Mean values, Kurtosis, and Skewness values (IBM SPSS Statistics, 2019) and conduct the analyses (Arbuckle, 2014). SEM was used to test and assess multivariate causal relationships (Brace, 2004; Malhotra, 2006) between the ED, IC, BS, and BP. The model fit indices of the empirical data were accepted by those of Kenny & McCoach (2003) and Tabachnick & Fidell (2007) as shown in Table 2. Accordingly, we infer that the suggested

model is appropriate for the collected empirical data based on the coefficients generated by the goodness of fit indices in this SEM model. Particularly, all of the indicators showed that the model is fit. The CMIN/$df$ = 1.430 (Relative Chi-square) (CMIN = 32.884, $df$ = 23, $p$-value = .083), RMSEA was .046, the CFI, GFI, and the NFI were .997, .985, and .992, respectively (Schumacker & Lomax, 2016).

The researchers correspondingly came to the following important conclusions from this research investigation (Figure 3): 1) Using SEM, causal relationships among the four key variables were discovered, and explained 71.1 percent (Square Multiple Correlation = .711) of the entire SEM model; 2) The findings revealed causal relationships between the ED, IC, BS, and BP; 3) The ED is positively and significantly related to BP, IC, and BS. According to the result findings, ED had a total effect value of .581, BS = .503, and IC = .549 (Figure 3 and Table 4).

Accordingly, we summarized our findings and satisfied our hypothesis as follows-1) Hp1 -ED has a direct and positive causal relationship with BP; 2) Hp2-ED does not affect IC, while IC has a direct, positive total effect of .391 on ED; 3) ED has a direct and positive causal relationship with BS; 4) Hp4-ED is the most important variable affecting BP. According to the results shown in Table 4, there are significant causal relationships among ED, IC, BS, and BP. The SEM model is fit, and every path coefficient in each of the four dimensions was determined to be significant with a $p$-value less than .05. The AMOS analysis model and model fit findings are displayed in Figure 4.

**Table 2** Recommended and Observed Values-Model Fit Indices

| Fit Indices | CMIN | $p$-Value | $df$ | CMIN /df | CFI | GFI | NFI | RMSEA |
|---|---|---|---|---|---|---|---|---|
| Threshold Values | N/A | > .050 | ≥ 1 | ≤ 2 | ≥ .950 | ≥ .950 | ≥ .950 | ≤ .050 |
| Observed Values | 32.884 | 0.083 | 23 | 1.430 | 0.997 | 0.985 | 0.992 | 0.046 |

**Table 3** Correlation Coefficients

| Measures | BC | LA | CH | DY | CE | QE | FE | DE | PDI | IDV | UAI | MAS | LTO | IND | CCI | PCI | ECI | LIQ | EFF | PRO | GRO |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ESDZ Environment (ED)** | | | | | | | | | | | | | | | | | | | | | |
| Business Cost | 1.000 | | | | | | | | | | | | | | | | | | | | |
| Labor Availability | .727** | 1.000 | | | | | | | | | | | | | | | | | | | |
| Compatitive Hostility | .732** | .760** | 1.000 | | | | | | | | | | | | | | | | | | |
| Environment Dynamism | .619** | .586** | .622** | 1.000 | | | | | | | | | | | | | | | | | |
| **Business Strategy (BS)** | | | | | | | | | | | | | | | | | | | | | |
| Cost Emphasis | .668** | .632** | .552** | .532** | 1.000 | | | | | | | | | | | | | | | | |
| Quality Emphasis | .475** | .554** | .404** | .360** | .651** | 1.000 | | | | | | | | | | | | | | | |
| Flexibility Emphasis | .517** | .436** | .510** | .436** | .647** | .824** | 1.000 | | | | | | | | | | | | | | |
| Delivery Emphasis | .442** | .385** | .397** | .468** | .619** | .789** | .756** | 1.000 | | | | | | | | | | | | | |
| **Intercultural Competence (IC)** | | | | | | | | | | | | | | | | | | | | | |
| Power Distance | .511** | .312** | .329** | .278** | .406** | .221** | .186** | .163* | 1.000 | | | | | | | | | | | | |
| Individualism vs Collectivism | .433** | .338** | .354** | .255** | .336** | 0.0902 | 0.1326 | 0.1244 | .445** | 1.000 | | | | | | | | | | | |
| Uncertainty Avoidance | .422** | .556** | .367** | .259** | .506** | .331** | .190** | .174* | .566** | .543** | 1.000 | | | | | | | | | | |
| Masculinity vs Femininity | .365** | .326** | .315** | .215** | .452** | .280** | .325** | .224** | .523** | .578** | .607** | 1.000 | | | | | | | | | |
| Short-Term vs Long-Term Orientation | .453** | .362** | .407** | .342** | .428** | .161* | .255** | 0.1287 | .596** | .645** | .637** | .618** | 1.000 | | | | | | | | |
| Indulgence vs Restraint | .469** | .376** | .398** | .256** | .453** | .265** | .256** | .216** | .553** | .591** | .583** | .611** | .643** | 1.000 | | | | | | | |
| Cognitive Culture Intelligence | .523** | .410** | .315** | .313** | .530** | .327** | .307** | .264** | .822** | .486** | .676** | .667** | .670** | .595** | 1.000 | | | | | | |
| Physical Culture Intelligence | .393** | .288** | .291** | .202** | .489** | .387** | .403** | .416** | .501** | .777** | .585** | .731** | .665** | .643** | .597** | 1.000 | | | | | |
| Emotional Culture Intelligence | .369** | .410** | .329** | .219** | .502** | .518** | .417** | .421** | .623** | .479** | .806** | .582** | .612** | .564** | .635** | .730** | 1.000 | | | | |
| **Business Performance (BP)** | | | | | | | | | | | | | | | | | | | | | |
| Liquidity Ratio | .553** | .497** | .489** | .382** | .620** | .659** | .644** | .559** | .413** | .357** | .356** | .526** | .390** | .476** | .494** | .515** | .496** | 1.000 | | | |
| Efficiency Ratio | .481** | .406** | .533** | .398** | .498** | .575** | .696** | .531** | .412** | .295** | .327** | .546** | .461** | .444** | .461** | .535** | .520** | .606** | 1.000 | | |
| Profitability Ratio | .640** | .602** | .589** | .500** | .667** | .543** | .532** | .455** | .347** | .361** | .413** | .280** | .422** | .427** | .366** | .349** | .372** | .582** | .459** | 1.000 | |
| Growth Ratio | .547** | .534** | .501** | .453** | .639** | .451** | .422** | .405** | .441** | .417** | .508** | .436** | .484** | .529** | .466** | .464** | .515** | .585** | .530** | .696** | 1.000 |
| **Mean** | 3.093 | 3.105 | 3.129 | 2.993 | 3.986 | 3.514 | 3.490 | 3.410 | 3.059 | 2.989 | 3.019 | 3.148 | 3.180 | 3.038 | 3.066 | 3.116 | 3.166 | 3.450 | 3.377 | 3.870 | 3.825 |
| **SD** | .532 | .558 | .549 | .544 | .812 | .809 | .772 | .814 | .608 | .626 | .677 | .781 | .831 | .645 | .730 | .796 | .820 | .920 | .859 | .765 | .960 |
| **Kurtosis** | 2.184 | 1.596 | 1.605 | .999 | 2.616 | .205 | .135 | -.049 | -.256 | -.001 | -.378 | -.047 | -.197 | .357 | -.131 | .078 | -.172 | 1.010 | .213 | 2.805 | 1.935 |
| **Skewness** | -1.393 | -1.167 | -1.131 | -.449 | -1.731 | -.371 | -.311 | -.186 | -.496 | -.284 | -.661 | -.316 | -.354 | -.139 | -.420 | -.201 | -.221 | -.863 | -.402 | -1.670 | -1.415 |

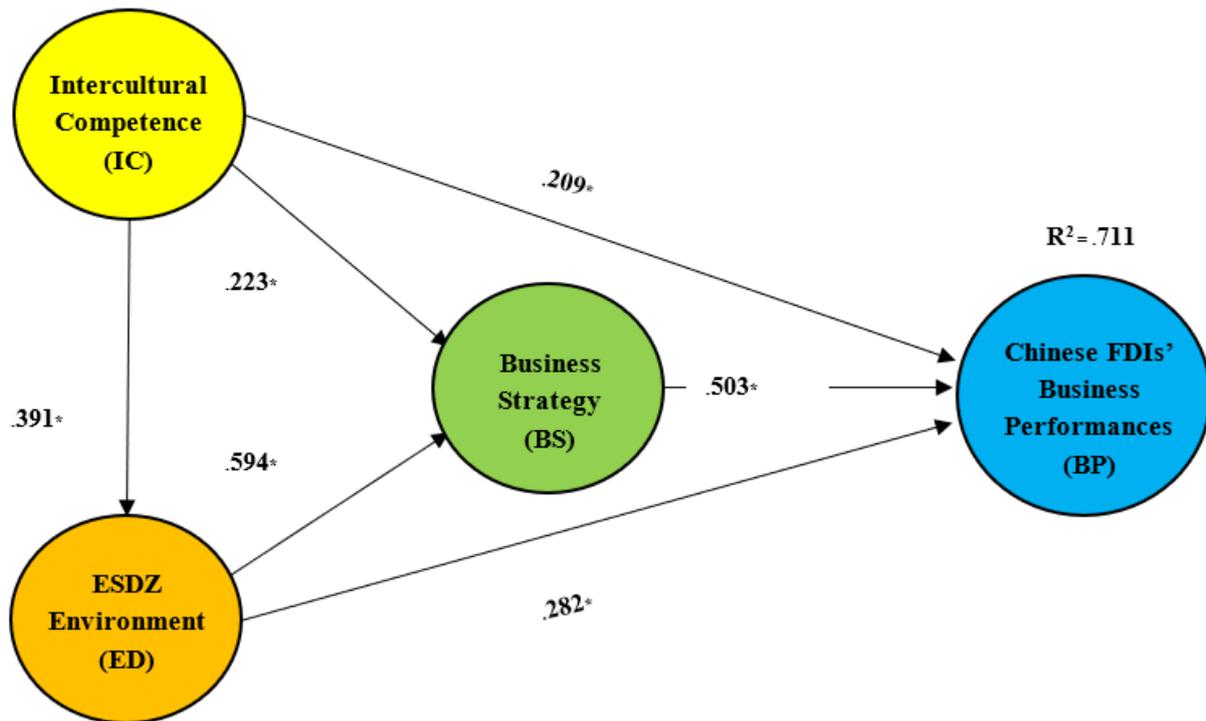**. Correlation is significant at the 0.01 level (2-tailed).

**Figure 3** SEM model of ESDZ Environment, Intercultural Competence, Business Strategy, and Chinese FDIs' Business Performance

**Table 4** Effects of Independent and Dependent Variables

| Dependent Variables | ESDZ Environment | | | Business Strategy | | | Chinese FDIs' Business Performance | | |
|---|---|---|---|---|---|---|---|---|---|
| Independent Variables | TE | DE | IE | TE | DE | IE | TE | DE | IE |
| Intercultural Competence | .391 | .391 | | .456 | .223 | .233 | .549 | .209 | .340 |
| ESDZ Environment | | | | .594 | .594 | | .581 | .282 | .299 |
| Business Strategy | | | | | | | .503 | .503 | |
| $R^2$ | | .153 | | | .507 | | | .711 | |

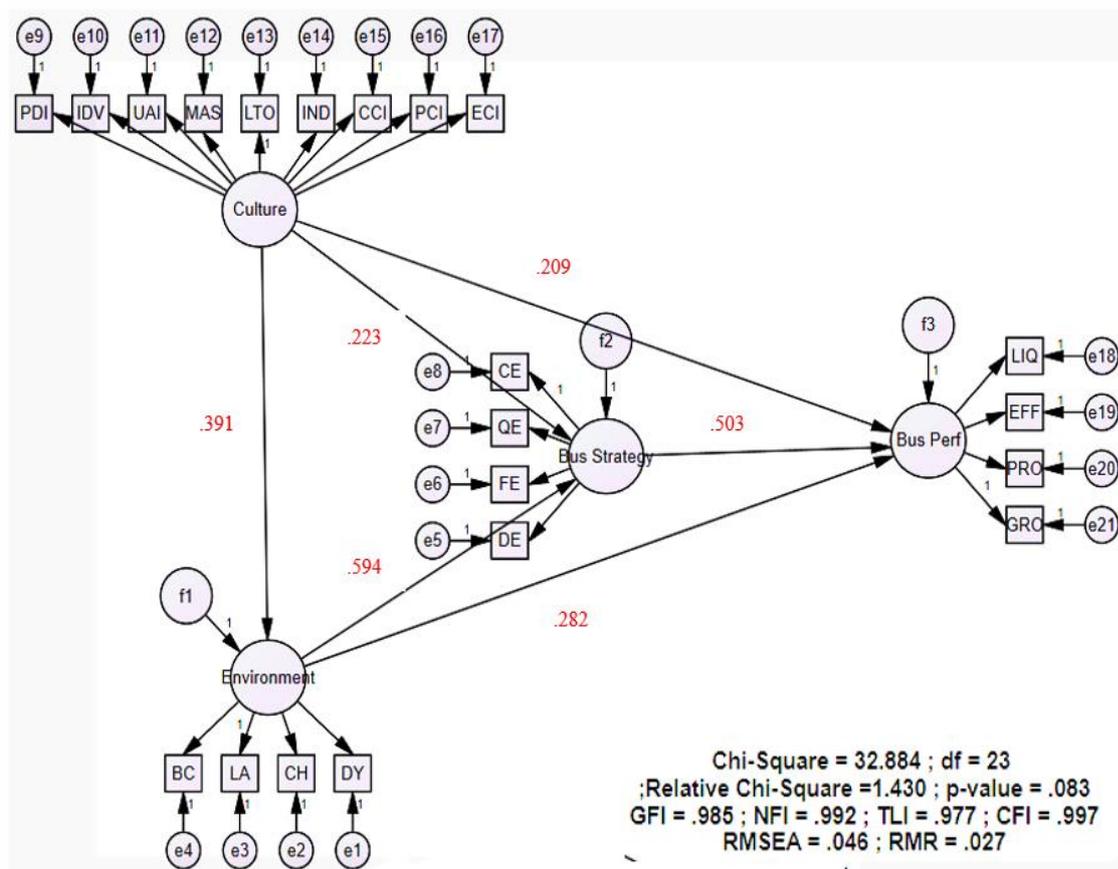Note: Direct Effect = DE; Indirect Effect = IE; Total Effect = TE

**Figure 4** AMOS Analysis Model and Model Fit Results

Practically speaking, these key conclusions and findings can benefit senior management of foreign companies and investors, not limited to only the Chinese FDIs, to critically evaluate their pre-investment strategy plans. On the other hand, while preparing potential candidates for international assignments, companies may benefit from giving appropriate training to enhance intercultural competency. In earlier academic research investigations, a significant applicability gap for the resource construct was found. For instance, in a specific research study, there was no evidence of a direct correlation between ED, IC, and BS on BP (Abdul-Rashid, Sambasivan & Johari, 2003; Ahammad et al., 2021; Arif & Hasan, 2021; Brouthers, Brouthers & Werner, 2000; Finger et al., 2022; Yang, Shinkle & Goudsmit, 2022). Particularly, there were no early findings that provide a complete view of the causal relationships between the ED and BP, only fragmentary views were provided in particular businesses and different industries in other countries (Abdul-Rashid et al., 2003; Al-Shaikh, 2001; Anwar & Hasnu, 2016; Contractor et al., 2020). The findings of this study have nonetheless provided a thorough understanding and a precise justification of the direct, indirect, and total effects of the three major determinants on the business performance of Chinese FDIs in Thailand's ESDZ.

## Discussion

This study emphasizes the factors that directly influence the Chinese FDIs' business performance in Thailand ESDZ. In particular, the study reveals that environmental factors (business cost, competitive hostility, labor availability, and environment dynamism); intercultural competence factors (Hofstede's Six Dimensions of Culture Theory, cognitive intelligence, physical intelligence, and emotional intelligence); business strategies factors (low cost, quality, flexibility, and delivery) directly and significantly influence the Chinese FDIs' business performance (liquidity ratios, profitability ratios, efficiency ratios, and growth ratios).

The results from the present study imply that FDIs' business performance is generally guided by their principal set of rules and values (i.e. intercultural competence factors) while maintaining the collaborative environment opportunities and business strategies that they operate (i.e. environmental and business strategy factors). This indicates that the intercultural competence of top management of these Chinese FDIs and collaborative environmental opportunities and business strategies these Chinese top management utilize lead to improve business growth for FDIs in Thailand ESDZ. The findings from the present study further support the notion that intercultural competence factors have a significant direct effect on environmental factors. The first shows that advantageous personal characteristics of FDIs (intercultural competency) are likely to have an impact on how various FDIs recognize both new and existing growth prospects in a new environment (Thailand's ESDZ). These findings are in line with earlier studies carried out in the same setting (Menezes, 2014; Gogokhia & Berulava, 2021; Kowo, Olalekan & Popoola, 2018; Vuckovic, Bobek, Maček, Skoko & Horvat, 2020).

The second finding shows that environmental factor has the most significant effects on the business performance of the Chinese FDIs. These results suggest that a variety of environmental aspects, including business costs, labor availability, competitive hostility, and environmental dynamism, are important for FDIs to consider while looking for new possibilities and opportunities in Thailand's ESDZ. In a developing country like Thailand, the standard set of regulations and possibilities made available to communities are frequently what FDIs look for and use to run their operations.

The study also demonstrates that characteristics related to business strategy have a significant impact on how well Chinese FDIs function competitively. These results are consistent with the conclusion that earlier studies had indicated. According to the research, the success of FDIs is significantly influenced by the business strategies employed by the Chinese top management. It suggests that FDIs who are sufficiently competent to distinguish between diverse yet suitable business strategies would have a greater level of business performance. When FDIs can see opportunities in their operating environment, it may further enhance their business performance (Juniarti, 2015; Oyewobi, Windapo & Rotimi, 2013; Evans et al., 2017). Our latest findings validated the stated objectives and hypotheses and revealed that environmental, intercultural competence and business strategy factors accounted for direct and positive effects on the Chinese FDIs' business performance. Furthermore, when contrasting the observed environmental factors and the nature of these Chinese FDIs, we found that environmental factors have the most significant impact on the Chinese FDIs' business performance, followed by intercultural competence and business strategy. Consequently, we concluded that ED should be considered a crucial factor for all FDIs located in the ESDZ of Thailand. The present study makes it abundantly clear that environmental aspects affect the Chinese FDIs' business performance as in previous studies (Gogokhia & Berulava, 2021; Kowo et al., 2018; Vuckovic et al., 2020).

**Theoretical Implications**

By extending previous research that looked at the effects of environmental factors, intercultural factors, and business strategy on an FDI's performance from the perspective of a developing country (Thailand in this case), this research broadens the body of existing knowledge.. The findings confirmed the idea that an FDI's capacity for opportunity recognition makes him or her more able to manage external circumstances that eventually result in higher performance. It illustrates that the various operational contexts have distinctive effects, suggesting that FDIs should proceed with prudence while implementing "best practices" from various environmental prospects. Similarly, this study contributes to the body of literature by adding intercultural competence and business strategy in its analysis of the relationships between environmental aspects and the business performance of Chinese FDIs. To the best of the researcher's

understanding, this could be a novel contribution to the field of study, especially from the perspective of a developing country like Thailand.

**Managerial Implications**

The current study's findings proved that environmental and intercultural competence factors, together with business strategy can produce significant positive effects on Chinese FDIs' business performance in Thailand's ESDZ. These results show how each of these characteristics, when taken as a whole, significantly influences the business operations of Chinese FDIs. Hence careful handling of environmental factors (i.e. business cost, labor availability, competitive hostility, and environment dynamism), critical enhancement of intercultural competence factors (i.e. Hofstede's Six Dimensions of Culture, cognitive intelligence, physical intelligence, and emotional intelligence), and applying the appropriate business strategies (i.e. low cost, quality, flexibility, and delivery) may harvest improved business performance. In addition, developing sound processes to help Foreign Direct Investment (FDIs) identify and invest in potential opportunities in Thailand can help FDIs gain a strong foothold in the region. FDIs can accomplish this by expanding and growing their relational capital (i.e., cooperation and partnership) with regional authorities, stakeholders, and other local players.

# Conclusion

This study offers insightful information on the business success of Chinese FDIs in Thailand's ESDZ and the mediating effects of environmental, intercultural, and business strategy factors. Researchers might more easily construct and test a useful model of Chinese FDIs' business performance if the environmental, intercultural competence, and business strategy variables were put into practice and tested. These theoretical underpinnings constructs are all tested concurrently, providing insight into the business success of these Chinese FDIs and the top management's responses in a particular developing nation setting. It is noticeably apparent in the present study that environmental, intercultural competence, and business strategy factors influence Chinese FDIs' business performance. The result findings also indicate that environmental factor is the most powerful element affecting the Chinese FDIs' business performance in the ESDZ of Thailand. Thus, existing and potential FDIs, not particularly referred only to the Chinese, should be cautious about how to identify new business opportunities with the perceived environmental factors that might be helpful to improve business growth.

**Limitations and Future Research**

Finally, future research may include longitudinal studies because cultural intelligence characteristics by themselves are dynamic skills with changing effects over time (Rose, Ramalu, Uli & Kumar, 2010). In addition, researchers may also include qualitative research methodologies like interviews, observations, or focus group discussions to obtain a better understanding of how these outcomes and results contrast with the aid of qualitative research methodologies.

The study reveals several common restrictions that could clarify the field of study for academics conducting future studies. In this study, a small number of samples were taken from one specific site only, in Thailand's ESDZ. The current study does not establish if other FDIs' perspectives differ from those of the ESDZ, despite the robust data analysis techniques used to support the empirical findings and the associated consequences. To strengthen the generalizability of this study's findings, additional research that takes into account the FDIs from Thailand's other regions and industrial zones, as well as those of other developing nations, is encouraged. Another recommendation is to broaden the study's focus to include more emerging countries in other regions in future research, such as Malaysia, Vietnam, Japan, Korea, America, and Europe. Future research on the perceptions of FDIs' business performance

and the differences (or similarities) between developing nations' FDI perceptions of business performance will be aided by including these suggestions.

This study analyzes environmental, intercultural competence, and business strategy indicators to explain the business performance of the Chinese FDIs. However, research on environmental and intercultural competence issues, as well as business strategy, is often lacking in FDIs literature. Future research is therefore essential to irradiate such inquiries because the field of study is underrepresented in the literature on FDIs, particularly in Thailand. This will thus make it possible to create and test a more comprehensive model for future studies to better understand how FDIs perform in particular circumstances in developing countries. To fully understand how both intercultural, business strategy, and environmental factors affect FDIs' business performance, future studies may also look at additional indicators, such as the skills and orientations of expatriates, political and economic events, government legislation together with environmental elements in a different area.

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**Data Availability Statement:** The raw data supporting the conclusions of this article will be made available by the authors, without undue reservation.

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