

## **Economic Developments, Business Culture and Its Links to Business Practice: Is There a Thai Style of Management?**

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### **ABSTRACT**

It is widely thought that East Asian culture has contributed to the rapid growth of the area. Paradoxically, the financial crisis and slowdown in the late 1990s may be attributed to some of the same cultural factors. This paper summarizes the results of a survey study of business culture and practice in Thailand. From the perspective of economics, we hypothesize that business practices are related to, but can be distinguished from, broad cultural considerations. Many respondents believe that Thai firms practice a Thai style of management based on Asian cultural values. This involves top-down centralized management, compromise, personal relationships, and less focus on formal performance measures than in Western-managed firms. This appears to be a culture-specific matter although it may also be related to the prevalence of family-owned or controlled firms in the region. The business practices observed may have been helpful in the socio-legal setting that prevailed during the East Asian boom, but they may have contributed to the financial crisis and they may be a barrier to adjustment in the future.

*JEL: Z1*

*Keywords: Business culture; Values; Personal objectives; Business practice*

## I. INTRODUCTION

Following the 1997 East Asian crisis, students of East Asian management face a curious paradox. On one hand, many of them had been accustomed for many years to explain the rapid growth of the East Asian economies, the East Asian “miracle”, as a phenomenon related to Asian cultural values. More recently, on the other hand, cultural factors have been held responsible for the breakdown of the growth process and the crisis in East Asia. Paradoxically, some of the very qualities that had been praised so highly, now appear to have caused the collapse.

From the perspective of economics, the critical issue is not so much the role of broad societal or personal values that have been a primary focus of culture scholarship, as the nature of East Asian business practices. There is little doubt that societies differ in their cultural values, both those professed for the society as a whole and those representing personal objectives. The success or failure of business, before and after the crisis, depends on the how cultural values are implemented in business practice. This suggests an area of study that calls for additional research, the characteristics of business practice and the relationships between values and business practices in East Asia. Such research potentially throws additional light on economic developments in the region.

We study values and management practices in Thailand, widely seen as one of the more entrepreneurial East Asian economies. We draw on a detailed questionnaire survey carried out in August 2000, after the East Asian crisis. This work is an extension of a series of questionnaire studies carried out over a number of years focused on cultural factors and business sentiment. Our earlier work, Adams and Vernon (2000), had suggested that there is perceived to be a Thai style of management but did not attempt to relate management style or aspects of business practice to broadly defined cultural attributes.

The basic hypothesis of the present study is that cultural considerations, in themselves, are not likely to translate directly into business effectiveness. It is necessary to consider their impact on the way in which businesses are operated. This contrasts sharply with Hofstede (1998) who sees organizational culture affecting performance but finds little linkage between cultural factors and business practice, except possibly for communications-related variables.

Our survey seeks to investigate the respondents’ views about cultural factors and their employers’ business practices.<sup>1</sup> The objective of our work was to determine whether, as most survey responses suggest, there is a distinct Thai style of doing business. Does it correspond to popular perceptions of an “Asian” style of management? Does it reflect cultural values and traditions or business structure? Does it occur in large public corporations as well as in family-owned firms? Does it occur in foreign owned/managed enterprises as well as in Thai-managed firms? Importantly, does it affect business practices? Can one make some judgments on whether Thai management style had a relationship to the East Asian boom and crisis and whether its persistence will pose a barrier during the period of recovery?

## II. ASIAN BUSINESS CULTURE AND ECONOMIC DEVELOPMENT

The extensive literature on culture and on the role of cultural factors in economic development (Trompenaars and Hampden-Turner, 1998 and Hofstede, 1984 and 1997) focuses primarily on societal cultural attributes, seeing them as distinguishing marks of different societies. Even though Hofstede's work was done in a business setting, it had little to say about the implications of culture for business practices.<sup>2</sup> In his 1998 study, Hofstede includes questions on business practices but sees "perception of practices to be entirely different from values and usually different from attitudes." Others, however, (Cox, 1993) have considered the interactions between organizational culture, individual attitudes and business practice as a complex phenomenon.

Another principal strand of work on business culture relates economic development to culture in broad terms. This approach, which might be termed a *macro* or *historical* view, goes all the way back to Weber (1904-5). Recently, it has been revived in connection with East Asian growth, for example, Harrison and Huntington (2000). We will term this view the "Asian values: Asian success" (AVAS) paradigm. With few exceptions, this approach also lacks explicit linkages to the specific practices of East Asian entrepreneurs. The perception that cultural considerations promoted growth in East Asia is largely a matter of hindsight, though it has a great deal of academic support. Harrison and Huntington, eds. (2000) include a series of articles supporting the AVAS thesis, for example, Landes, "Culture Makes Almost All the Difference"<sup>3</sup>.

Some writers, like Fukuyama (1995), have provided a structural or behavioral underpinning for such thinking and have raised questions about the circumstances under which it applies. Fukuyama is concerned with the increasing difficulty of "trust" or relationship-based management as the scope of business operations expands. Haider (1999) argues that, in the initial development stage, a family-based governance system (FBS) in Asian firms led to "economically efficient use of limited entrepreneurial abilities", "internal" financing, and effective monitoring. At a more advanced stage, particularly when there is need for external financing, the FBS is less effective, not being able to monitor as effectively and economically. For this reason, FBS may have contributed to the 1997 financial crisis. A similar perspective is that of "crony capitalism" leading to an excess of short term corporate debt (Krugman, 1998, Corsetti et al. 1998 a and b).<sup>4</sup> Claessens et al (1998 and 2000) focus on closely related aspects of corporate governance, concentrated ownership and group affiliation, as a basis for "triggering and aggravating the crisis".

It is not clear that the cultural characteristics identified by scholars as prevailing in Thailand are of the sort that would facilitate business success.<sup>5</sup> Hofstede's (1980) classic work saw Thailand and other East Asian societies with a collectivist outlook in which the group takes precedence over the individual and in which harmony, respect, and top down relationships prevailed. Focusing explicitly on Thailand, Holmes and Tangtongtavy (1985) emphasize the bond between people in which favors and reciprocity are based on sincerity and kindness. The strong and superior person should be benevolent to those below and subordinates should respond with hard work. In other

words, a society in which personal links and family connections, from senior members to more junior ones, are of utmost importance.

Of course, some of these cultural factors are subject to change. Holmes and Tangtongtavy (op. cit.) suggest that, among younger college graduates in Thailand, salary and promotion factors have become more important than in the past, though loyalty remains a strong force. The idea that people from different parts of the world hold different values and that these influence business is being superceded by a "convergence" view. According to Porter (2000, p. 27), we are witnessing "...the emergence of the core of an international economic culture that cuts across traditional cultural divides and will increasingly be shared." Inkeles (1998) also emphasizes the convergence thesis, entitling his book *One World Emerging*. Significantly for our thinking, he says, "Attitudes may change but behavior may not, and the reverse pattern is also observed." (p. 345).

The question is how cultural values influence business. A central paradigm of much, but not all, of this research is the notion that culture translates into "work values". These are perceived to be beliefs or attitudes about concepts like *power distance* (Hofstede, 1980); *Machiavellianism* (Ralston et al, 1993), "*time is money*" (Ralston et al, 1999).

Managers dealing with diverse labor forces must, of course, recognize the diversity of values and their effect on work effort and/or interpersonal relationships in the workplace (Cox, op. cit.). But the extent to which national cultural attributes translate into personal objectives and, perhaps most importantly, into management practice and performance is not clear. This is a crucial question if discussions of culture are to have relevance to business practice and, ultimately to economic developments. Porter (op. cit.) suggests that some cultural attributes may be "productivity enhancing" and others may be "productivity eroding". Pye (2000) would go further, suggesting that some values produce different consequences depending on different circumstances. "The key values of reliance on social networks (*guanxi*), of taking the long-run view, of seeking market share rather than profits, of delaying gratification, and of aggressively saving for the future<sup>6</sup> all have different consequences according to the state of the economy and its level of development." These relationships and the resulting networks facilitate the movement of capital without formal contractual basis (Fukuyama op. cit.), make possible a long term view and avoid the need for short term financial reporting. In a different economic/political setting, the advantages of such an approach are reduced and its disadvantages become apparent. In East Asia, excess capacity, following investment and real estate booms, has been a result. Large accumulations of short-term debt without adequate collateral, what has frequently been termed "crony capitalism", are a related downside. This is the basis for Perkins' (2000) conclusion that "Asian values served economic development well for nearly half a century. They are not likely to serve the region as well in the future."

### III. THE SURVEY

This study, part of an ongoing series of studies carried on at the Sasin Graduate Institute of Business Administration in Bangkok, is based on a survey of Thai managers. This

work has been concerned with the prospects for the Thai economy during and after the recent crisis as well as cultural aspects of business management. In line with Hofstede's (1998), study that comprises questions of what he calls "values", "attitudes", and "practices", our questionnaire includes Hofstede's cultural attribute questions (Hofstede, 1984) and a broad range of questions about specific business practices.

The respondents are business managers participating in full or part-time master's level and executive education programs at the Sasin Graduate Institute of Business Administration. All of them have had business management experience.

The summer, 2000, Sasin survey produced 147 usable replies. Since the survey was administered in a workshop setting, a large proportion of the participants in the program returned questionnaires. That reduces selection bias, but we recognize that the population on which we are drawing is a selected group of Thai managers. Many are young, English speaking, and are seeking advancement through higher education (Table 1). Many have studied or traveled abroad. They are likely to be somewhat younger and more international in outlook than the typical Thai manager, but this may be advantageous, since it is likely to broaden their perspective on the questions posed in the questionnaire.<sup>7</sup>

**Table 1**  
Composition of the survey sample

Sex	Male 55.8%	Female 44.2%			
Age	<35 61.2%	>35 38.2%			
Employer	Business 82.3%	State Enterprise 8.8%	Other 8.9%		
Size(Employment)	0-10 5.5%	11-100 14.5%	101-1000 41.4%	>1000 36.6%	
Business	Manufactures 20.0%	Sales 11.0%	Oil + Gas 14.5%	Service 32.4%	Other 22.1%
Type of Organization	Self- employed 7%	Family 12%	Corporation 41.5%	JV/Subsidiary <sup>8</sup> 24%	Other 15.5%

The respondents are from most parts of the Thai economy and represent most forms of organizational structure. Most are from the business sector. We note, however, that the share of respondents who indicated that they worked for family firms is likely to be an underestimate because major local corporations are frequently dominated by an owner family. Haider (1999) and Claessens et al. (1998) provide data to show that a

large share of Thai corporations are controlled by families and argue that many Asian corporations may be considered to have a “family-based corporate governance system” (FBS). Multinational corporations, except those like the CP Group that are locally based, fall into the joint venture/subsidiary category and account for less than a quarter of the respondents.

#### IV. THAI STYLE OF MANAGEMENT?

A central question in this discussion is whether there is an identifiable “Thai style of management” (TMS). A majority of the respondents responded that many firms in Thailand practice a characteristically Thai style of management, one felt by most respondents to be distinctly different from management in Europe or the United States (Table 2). Almost 50 percent of the respondents reported that their firms practice TMS.

**Table 2**  
Is there a Thai style of management?

Question	Yes	No	Don't Know
Many firms in Thailand practice a characteristically Thai style of management.	69.4%	9.5%	21.7%
The Thai style of management is different from management in Europe and the US.	81.8%	1.4%	16.8%
My firm practices “Thai Management Style”.	48.8%	37.0%	16.4%

We need, then, to ask what the respondents meant by “Thai management style”. Does it correspond to the high power approach to management that proponents of the AVAS thesis would suggest? To test this issue we asked the respondents: “What words would you use to describe the Thai management style?”

The descriptors of Thai management turn out to be somewhat different than has been hypothesized in the AVAS literature. In response to a question about the characteristics of Thai management, words describing the Thai style of management were, for example (in order of frequency of mention):

	(number of mentions)
1. Compromise	18
2. Slow	16
3. Centralized	15
4. Seniority-based	14
5. Relationship-based	11
6. Conservative	10
7. Family-based	9

On one hand, these words may describe some of the realities of the situation. These attributes correspond, on one hand, to aspects of the Confucian ethic (Yang, 2002), widespread in East Asia and among Thai managers of whom many are of Chinese descent. They are also consistent with depictions of Thai culture, as we have noted above. On the other hand they may also reflect what one might anticipate with regard to family firms or corporations with dominant family holdings. These may, indeed, involve centralized control based on seniority and family relationships. Their management may call for compromises that may slow decision-making. They conflict in several respects with attributes usually ascribed to foreign multinationals (Vernon, 1977 and Cox, 1993).<sup>9</sup> As additional research about the perceived difference between Thai, US, and European management suggests, the responses may also reflect a judgment, justified or not, about “weak” Thai management as compared to supposedly “strong” foreign management (Adams and Vernon, 2001).

We turn next to the question of what determines whether a company practices Thai management style. A cross tabulation, chi-square, analysis was carried out to investigate the relationships between underlying factors and whether a firm practices Thai management. (Table 3)

**Table 3**  
Firm characteristics and Thai management style  
(% yes: “My firm practices ‘Thai management style’” responses.)

Q. Characteristic No.						Significance
14 Thai/Foreign Ownership	Thai	Pt. Foreign	Foreign	Other		
	66.0%	37.2%	23.3%	54.4%		000***
15 Nationality of Senior Management.	Thai	Japan	US	EU		
	61.7%	50.0%	0	20.0%		000***
9 Field of Activity	Sales	Service	Manufacture	Oil + Gas	Other	
	58.3%	54.3%	41.4%	33.3%	37.5%	067**
13 Type	Self-employed	Family	Corporation	JV/Subsidiary	State-owned	
	50.0%	58.8%	47.5%	33.3%	64.3%	.339
10 Size(employment)	>1000	101-1000	11-100	1-10		
	47.2%	46.7%	55.0%	12.5%		.355

Statistical significance: \*=.1, \*\*=.05, \*\*\*=.01

We hypothesize that Thai style management is more likely to occur in companies that are owned and managed by Thai nationals. In Table 3, the very strong statistically significant role of nationality of ownership or management in determining whether the firm uses Thai style of management is apparent. Approximately two thirds of Thai companies were seen to carry on TMS while only one third of fully or partially foreign-owned or managed companies did so. Interestingly, the type of firm, its field of activity, and its size play much less important roles. We note that joint ventures or subsidiaries of foreign multinationals are much less likely to follow a Thai management style, while family businesses and state-owned enterprises are somewhat more likely to do so. Many Thai corporations may be dominated by families so that the figure for corporations may also reflect the family business influence on management style.<sup>10</sup> While it is clear that multinationals or companies with significant foreign ownership or management are less likely than Thai firms to carry on TMS, the survey sample contains a substantial number of respondents whose employers were Thai companies and were not perceived to operate on the basis of TMS. This is an important consideration from the perspective of the validity of our survey.

## V. DIMENSIONS OF BUSINESS PRACTICE

A more objective approach than the verbal descriptions of Thai management style, above, is to relate responses about actual business practices to the respondents' perceptions that their firm practices TMS. In other words, do business practices differ between firms that are perceived to practice Thai management style and firms that do not? We turn to such an analysis in this section. It largely supports the views expressed in verbal form in our survey.

First, we consider the dimensions of business practice—what are we trying to measure and what do our questions represent? The possibilities for studying business practice range widely. Rather than attempting to categorize practices according to functional business areas, we looked for dimensions that distinguish business practices in Thai management style firms from those that are practiced in international or “Western” firms. That suggests:<sup>11</sup>

- governance – this involves centralization and control: whether management is “top down” or decentralized.
- procedural practices—primarily whether firms follow hierarchical procedures, calling for formal reports, or carry out management in less formal ways.
- relationship practices—the nature of relationships with clients or suppliers and among staff members at various levels.
- culture or value-related practices—a variety of practices, other than those above, that may follow from customary behavior or beliefs.

Within each of these categories there are various possible practice issues, for example, how management is structured, how personnel questions are handled, or the nature of relationships with suppliers. The inevitable overlaps between these categories are apparent but inescapable. For example, centralized governance may imply formal procedures and impersonal relationships, particularly in larger firms. Some business

procedures may be universal or may be related to the characteristics of the business but we recognize the some practices are local customs that, in turn, are likely to reflect cultural considerations. The questions posed in our questionnaire attempt to pick up some important aspects of each of the categories above.

## **VI. RELATIONSHIPS BETWEEN BUSINESS PRACTICES AND THAI MANAGEMENT STYLE**

To what extent do the practices of businesses relate to the perception that the firm practices Thai management style? These relationships are explored in Table 4.

Table 4 reports the share of respondents in each management style category who gave a "yes" response to the question posed. For example, at the top of the table with respect to top down decision making, 79.2 percent of the respondents whose firm practices Thai management style indicated that in their firm important decisions are largely made from the top down. In contrast, only 51.9 percent of respondents in firms that did not practice Thai management style said decisions are made from the top down. This relationship is statistically significant at the .01 significance level.

Centralized control is thus clearly part of Thai management practice. This is also shown by the responses to the question about delegation of authority (Q.52). The results with respect "not consulting" (Q.50) or fear to express disagreement by subordinates (Q. 57) are not statistically significant, though, in both cases, the figure for Thai management style firms is higher than for others.

Our work on procedural matters begins with the questions about formal performance measures. Thai management style firms are significantly less likely to carry on regular formal reviews of employee performance (Q.43), though regular financial reports (Q.54) and formal organization charts (Q.53) appear to be standard in all kinds of enterprise. Formal solicitation for bids (Q.60) and selection among these bids on the basis of price (Q.61) appear to be more typical for Thai management style firms than for others. That is a somewhat surprising result. It may reflect the fact that firms that have "Western" organizational structure, particularly firms with foreign links, are more likely to be affiliates (or to have affiliates) obtaining supplies from related companies without soliciting bids.

Relationship-based practices are shown by the survey clearly to be part of Thai management practice. Family or other personal relationships between business associates have been seen in the literature as a fundamental attribute of Asian business culture, though there remains disagreement about whether "relationship culture" makes a positive or negative contribution.<sup>12</sup> Thai management style firms place significantly heavier reliance on personal connections in hiring (Q.45) and there is some evidence that they are less likely to determine salary increases primarily on formal performance criteria (Q.44). With respect to job security, Thai managed firms are significantly more likely to provide long-term employment (Q.48) and rarely terminate employees (Q.59). It is interesting to note that informality (Q.56 and 58) is approximately the same in all firms. Perhaps this reflects the tropical climate that allows workers to dress informally and the fact that first names rather than family names represent the standard form of address in Thailand.

**Table 4**  
Interactions between business practices and Thai management style  
(percentage of “yes” responses to business practice questions)

	My firm practices “Thai Management Style”			Chi-square
	Yes	No	Don’t Know	
<b>Business Practice Questions</b>	Percent of firms with Thai mgt style	Percent of firms w/o Thai mgt style	Percent of firms with “don’t know”	
<b>“In my firm .....” (in cases marked ® the statement has been turned in this presentation from positive to negative to facilitate comparison with other questions.)</b>				
<b>Governance</b>				
Centralized Decision-Making				
55....important decisions are made largely from the top down with little employee participation	79.2%	51.9%	58.3%	.007***
50....managers do not consult with their key employees before making the most serious decision ®	75.9%	75.0%	54.2%	.273
52....the top managers do not delegate a great deal of authority to lower levels of the organization ®	75.9%	54.4%	58.3%	.018**
57....subordinates are afraid to express disagreement with superiors	44.1%	29.6%	33.3%	.166
<b>Procedural Considerations</b>				
Formal Performance Measures				
43....carries on regular formal reviews of the performance of key employees.	67.6%	90.6%	62.5%	.012**
54....makes annual financial reports of revenues, costs, and operating profits	90.3%	100.0%	75.0%	.144
Formal Organizational Structure				
53....has a formal organization chart to describe the structure of management	86.8%	85.2%	75.0%	.210
Bidding				
60....often solicits bids from a number of suppliers	67.6%	61.6%	33.3%	.002***
61....cost is the primary consideration for selecting among various suppliers	50.0%	42.6%	37.5%	.036**
Relationship-based Practices				
Personnel Practices				
45....hires new managers largely on the basis of family relationships or personal connections.	23.5%	5.8%	13.0%	.057*
44....bases salary increases primarily on formal performance criteria	48.5%	57.4%	41.7%	.241

Statistical significance: \*=.1, \*\*=.05, \*\*\*=.01

**Table 4 (continued)**

	My firm practices "Thai Management Style"			Chi-square
	Yes	No	Don't Know	
<b>Business Practice Questions</b>	Percent of firms with Thai mgt style	Percent of firms w/o Thai mgt style	Percent of firms with "don't know"	
"In my firm ....." <sup>®</sup> (in cases marked ® the statement has been turned in this presentation from positive to negative to facilitate comparison with other questions.)				
<b>Openness and Informality</b>				
56....dress for work by wearing a jacket, shirt, and tie, or women's equivalent	25.8%	21.2%	22.7%	.183
58....long term managers and workers are usually on a first name basis	55.9%	48.1%	54.2%	.364
<b>Job Security</b>				
47....tries to promote existing staff before seeking new managers from the outside	61.8%	72.2%	70.8%	.610
48....management employees can count on continuing employment in the long term with little risk of termination	67.6%	50.0%	54.2%	.041**
59....rarely terminates employees even if their work is unsatisfactory	57.4%	35.2%	41.7%	.037**
49....has a formal retirement benefit plan for its employees	66.2%	70.4%	70.8%	.594
<b>Culture-Related Practices</b>				
46....places heavier emphasis on the educational background than on experience of prospective new employees	30.9%	17.0%	25.0%	.002***
51....offers significant possibilities for promotion to women as well as to men	70.6%	85.2%	86.7%	.162

Statistical significance: \*.1, \*\*=.05, \*\*\*=.01

Finally, some practices are directly culture or value related, for example, the Thai emphasis on educational qualifications (Q.46), and, perhaps also, the lesser likelihood of promoting women (Q.51).

We conclude that the responses to the business practice questions largely support the verbal description of Thai management style as being more top down and relationship-based than the business practices of firms that do not have Thai management style.

**Table 5**  
Relationships between business practices and firm characteristics statistical significance probability

Characteristics: 9 (sector of organization) 10 (size of firm # of employees) 11 (size of firm sales) 12 (prod./sells in th or abroad) 13 (nature of organization) 14 (ownership nationality) 15 (nationality of senior mgt) (blanks are non significant)

Characteristics (question #)	9	10	11	12	13	14	15	Explanation
<b>Governance</b>								
Centralized Decision Making								
55...important decisions are made largely from the top down with little employee participation			.077		.084			More in big firms, more in family owned
50...managers consult with their key employees before making the most serious decision	.034							Less in sales and export/import
52...the top managers delegate a great deal of authority to lower levels of the organization						.041		More if partially foreign owned
57...subordinates are afraid to express disagreement with superiors		.092					.024	More in large, more in Thai owned
<b>Procedural Considerations</b>								
Formal Performance Measures								
43...carries on regular formal reviews of the performance of key employees.		.016	.002				.044	Big firms review, Americans and EU more Japanese less than Thai
54...makes regular financial reports of revenues, costs, and operating profits	.017	.015			.069			Less in sales, in small, in family, in state-owned
Formal Organizational Structure								
53...has a formal organization chart to describe the structure of management		.003	.022					More in bigger firms
Bidding								
60...often solicits bids from a number of suppliers		.067	.065					Less the smaller, US solicits bids more than J and EU
61...cost is the primary consideration for selecting among various suppliers	.098				.006			More important in manuf and in se and JV, less in family
<b>Relationship-based Practices</b>								
Personnel Practices								
45...hires new managers largely on the basis of family relationships or personal connections.		.074	.002		.002	.000	.054	Less in bigger firms, Somewhat more in family and self empl. More in Thai than in

foreign mgt.

**Table 5 (continued)**

Characteristics	9	10	11	12	13	14	15	Explanation
<b>Personnel Practices</b>								
44...bases salary increases primarily on formal performance criteria	.045				.069		.000	Manuf and gas + oil more formal Thai less formal than foreign mgt., family and se less formal
<b>Openness and Informality</b>								
56...dress for work by wearing a jacket, shirt, and tie, or women's equivalent	.000		.077	.042	.000	.096		Dress up in service, domestic firm-shirt and tie, Foreign firms, jacket: Self-emp. and family firms less dressed up, partially foreign owned more dressed up
58...managers and workers are usually on a first name basis		.059	.027		.064			Yes in bigger firms except the biggest
<b>Job Security</b>								
47. tries to promote existing staff before seeking new managers from the outside		.097		.014				More in bigger, more if sells abroad, more in Japanese
48...management employees can count on continuing employment ... with little risk of termination						.008	.001	More in Thai, least in US and EU, most in Japanese
49...has a formal retirement benefit plan for its employees		.002	.000		.032			More in corporations, subsidiaries. and state enterprises More in big firms, less in family companies
59...rarely terminates employees even if their work is unsatisfactory					.004			The less in corporate, J/V, more in state ent..
<b>Culture-related Practices</b>								
46...places heavier emphasis on education than on experience of prospective new employees					.044			More in corporations, J/V and government.
51...offers significant possibilities for promotion to women as well as to men				.002				Less if sell abroad

## VII. LINKS BETWEEN BUSINESS PRACTICES AND ORGANIZATIONAL CHARACTERISTICS

An important question is whether business practices associated with Thai management style can be linked directly to underlying business characteristics, i.e. are the business practices related to the nature of the firm. In many ways Thai management style corresponds to what one would anticipate in family businesses.

In Table 5, we show the statistical significance of relationships between business practices and the characteristics of the firms. The blank cells represent cases where relationships were not statistically significant. Comments on the right side of the table explain the direction of effects.

The results largely support the linkages shown by the Thai management question above. Governance is more centralized in big firms, Thai firms, and in family firms. Larger firms, and American firms, have more formal management procedures and management structure. Relationship-based hiring practices are characteristic of smaller and family firms and significantly less prevalent in foreign-owned or managed firms. Continuing employment with little risk of layoff is typical for big companies and for Thai and Japanese companies, in contrast to US and European enterprises. As we have noted earlier, the greater interest in education as an occupational qualification in Thailand and fewer opportunities for women in companies that sell abroad may be culture-related.

## VIII. CULTURAL VIEWS AND BUSINESS PRACTICES

A related question is whether there are relationships between the respondents' answers to questions about culture and about business practices. Cultural views, such as trust in government or opinions about social inequality or uncertainty, largely reflect common perceptions about the nature and aims of the society. The respondents' personal objectives, like desire for high rates of pay or preference for free time, may reflect cultural norms as well as individual differences. (We have tried to capture these differences by classifying cultural questions into "personal objectives" and "social values" though such a classification remains somewhat arbitrary, see the questionnaire listing, Appendix Table 1.)

We have examined the relationships between personal and social views and the operation of the firms in detail.<sup>13</sup> The statistical relationships between the respondents' perceptions of underlying cultural variables and whether a firm has Thai management style are very limited. Only in three cases are there statistically significant interactions: with regard to personal objective variables, Question 18 (desire for high earnings) and Question 21 (desire to work for large prestigious company), and with regard to a societal value variable, Question 34 (in a well ordered society, all have a rightful place). The desire for high earnings opportunities and interest in working for a large prestigious company correlate negatively with Thai management style. In other words, respondents with these objectives are more likely to choose to work for non-Thai management style companies. A similar result reflecting respondents' choice of employer seems to lie behind the broader question about society. Those who favor a

society that has a rightful place for all (question 34), a traditional Thai value, tend to work for Thai-managed firms.

These results do not conflict with the thesis that Thai management style has its roots in the cultural beliefs and traditions of Thai society. It suggests only that firms may or may not have Thai management style independently of the social values of the employees.

Next, we turn to the question whether cultural values affect specific business practices (rather than the broader issue of the determinants of Thai management style.) With regard to the impact of personal objectives on specific business practice variables, not surprisingly, the picture is quite mixed. Many personal objective variables do not relate to business practices. Some personal objectives, however, correlate significantly with business practices though, as we suggest above, the direction of causation is likely to be reversed. We note for example:

- Question 24 (desire for good relationship with the boss) is significantly positively related with business practice Questions 47-53 that cover continuity of employment, promotion possibilities, and consultation and delegation of authority. Question 25 (desire for freedom to adopt own approach) relates to similar variables (Questions 46, 47, 50, and 53) but the relationship of this variable with Question 46 (education is important background) and Question 50 (managers consult) is negative!
- Question 22 (desire for sufficient time) relates positively to Questions 43 and 47 that relate to a formalized review and promotion system
- Question 17 (desire for tasks that give sense of accomplishment) relates positively to Questions 50 (consultation) and 53 (formal organization), but a positive relationship with Question 59 (firm rarely terminates employees) is difficult to justify.
- Question 19 (desire for opportunities for promotion) correlates positively with Questions 53 and 54 that relate to formal organization and financial reports.

To summarize, the survey data do not provide consistent evidence on whether there are relationships between personal objectives and business practice. Where significant relationships are observed, personal objectives may reflect the respondent's choice of employment rather than the other way around.

There are similar challenges for interpretation with regard to broader social values. But, here, the links between traditional Thai values, family management, and business practices stand out quite clearly. We note the following interactions:

- Question 32 (business managers can be trusted) relates positively to business practices: Question 45 (family and relationship hiring), 47 (promotion of existing staff), 50 (consultation), 55 (top down decision making), and negatively with Question 57 (afraid to express disagreement).
- Question 37 (government officials know what's best and their orders should be followed) relates negatively to various business practices: Question 43 (formal review of performance), 44 (formal salary reviews), 46 (emphasis on education), 47 (promote existing staff), 49 (formal retirement), 51 (possibilities for women), 57 (afraid to express disagreement.)

- Question 40 (people act differently toward each other depending on their place in the organizational hierarchy) relates negatively to business practices: Question 44 (formal promotion), 47 (promotion of existing staff), 48 (continuing employment), 49 (formal retirement), 55 (top down management), and 57 (afraid to express disagreement).
- Question 39 (cooperate in family) relates negatively to Question 43 (formal reviews), and positively to Question 45 (family and relationship hiring).
- Question 34 (in well ordered society, all have a rightful place) relates negatively to Question 43 (formal reviews), 44 (promotion), 50 (consultation), and positively to 57 (afraid to express disagreement).
- Question 33 (many employees dislike work) relates to business practices: positively 45 (family and relationship hiring) and 55 (top down management).
- Question 30 (importance of harmony) correlates negatively with 53 (formal organization) and 54 (regular financial reports), and positively with 56 (dress for work informally).

As we have noted, there is a need for interpretation. There are linkages between the characteristics of Thai culture, discussed above, and the responses about business practices. With some exceptions, business practices in Thailand reflect traditional Thai perspectives, such as the emphasis on trust, on family relationships, respect for government officials, notions of harmony, and of giving everyone a rightful place. Thai business practices also tend to be top down, less based on formal measures of performance, and more based on long term relationships. Importantly, these effects are more important in firms that follow a Thai management style than in those that do not.

Such patterns of behavior are also typical of family firms in many environments. It is not certain whether some of features of Thai business practice are the result strictly of cultural considerations or whether they reflect family governance in many Thai businesses, in corporations as well as in traditional family-owned firms.

## **IX. BUSINESS PERFORMANCE AND MANAGEMENT STYLE**

It would be interesting to establish whether business performance is related to management style. One might be tempted to hypothesize that firms practicing a Thai style of management would be less successful than those using more international business practices. On the other hand, one may also argue that TMS represents an adaptation to local conditions and facilitates operations in the local market.

Unfortunately such research would call for a more elaborate database than can be obtained on the basis of surveys of individuals, since it would require financial data and other information on the underlying firms, preferably over a period of time. Only in this way, could one hold constant for all of the considerations, other than culture or management style, that influence business performance.

The available data offer only very limited insight into this topic. Our survey was taken in 2000 when the Thai economy was expanding but had not yet fully recovered from the 1997 financial crisis. We included questions on whether business for the respondent's organization had improved during the past year and whether it was

expected to improve in the year to come. The data do not show a relationship between growth performance during this period and whether the firm was perceived to have a Thai style of management.

The nature of Thai management style probably contributed to the East Asian economic crisis since it favored relationship-based business practices over more objective procedures. This may have accounted for some of the expansion of bank loans, many without adequate security or assurance of profit, to Thai investors. After the crisis, many of these loans proved to be “non performing”. And it probably accounts as well for the inability of private and public institutions to resolve the outstanding liabilities. Thai cultural values are likely to persist even if personal objectives change. Thus, cultural values may continue be an obstacle to Thai recovery, particularly as the economy opens more widely to participate in the global economy.

There is much room for additional research relating culture, business style, and economic performance.

## X. CONCLUSIONS

The survey study supports the hypothesis that there is a Thai style of management, one that is more likely in firms that are Thai-owned or managed than in firms that are foreign-owned or managed. The view that Thai business style implies less formal but slower decision making, and centralized management on the basis of seniority and personal relationships has considerable support in the survey responses. The notions of compromise, less formal evaluation of performance, and greater permanence of employment are consistent with Thai cultural attributes. We must note, however, that beyond culture these patterns are also a matter of family dominance in Thai business, regardless of their formal organizational form.

Personal attitudes are not closely linked to business practice and, in some cases, may reflect the respondents’ choice of employer rather than demonstrating a direct, micro-level, effect of the respondents’ objectives on business practice. On the other hand, culturally based social objectives show considerable consistency with business practices.

One way of viewing Thai management practices is to see them as a useful adaptation to the social and legal environment that prevailed in East Asia. They may well have facilitated growth and international expansion in the region during the “miracle” phase of Thai development. They have also been a serious factor in bringing on or worsening the 1997 financial crisis and stand in the way of resolving many of the financial problems resulting from the crisis.

As economic and social conditions change it may be necessary to modify some, but not all, the features of Thai style of management, as is already occurring in Thailand and in other East Asian countries. However, to the extent that local business practices are culture-based, or reflect family ownership. Such changes will be difficult to achieve. Consequently, some of the business practices corresponding to Thai style management that were highlighted in our survey pose risks as firms become more global, as relationships to suppliers and lenders become less personal, and as growing competition calls for increased flexibility. Thus, Thai management style may represent

a barrier to rapid economic recovery and growth in an increasingly globalized world economy.

#### NOTES

1. It is not possible, as a reviewer suggests, to use a survey of individuals to relate cultural considerations directly to criteria of firm performance, like profitability. That would have called for a different set of data, one that would have included financial information on firms. Moreover, it would have been difficult in a one time survey to allow for the many factors other than culture or work practices that might affect business performance. On the other hand, with regard to the organizations' business practices, we are concerned about facts, not simply perceptions, and respondents should provide reasonably accurate information on their employers' practices.
2. His seminal work was based on a survey of workers in the worldwide branches of IBM. Later work covers workers for many industries in Denmark.
3. However, some of the contributors, Sachs, Porter, and Perkins, for example, take a somewhat skeptical view.
4. Wiwattanakantankang and Charumilind (2001) provide an excellent discussion and statistical analysis of crony capitalism versus inadequacy of financial institutions as an explanation for excess short term borrowing.
5. There is disagreement about whether Weber felt, that, in contrast to Calvinistic Protestantism, Confucian culture was not well suited to business success. According to Pye (2000), Weber thought that the qualities of patience and politeness he attributed to the Chinese might enable them to emulate capitalism. In any case, Confucian cultural views, which are often said to lead to hard work and planning, should not be confused with Buddhism which is less supportive of material advancement. (Van Esterick, 2000 and Yoshihara, 2000). Both traditions are important in Thailand.
6. An important basis for Morishima's (1982) *Why Has Japan 'Succeeded'?* But it is probably also important in explaining that country's current problems.
7. Certain questions, for example, about group cohesion, would strike some Thai respondents as obvious and might not evoke meaningful responses.
8. Multinational corporations, except those of Thai base nationality, fall into this category.
9. Note, however, that multinationals are not all alike (Fukuyama, 1995). Our survey shows differences between Japanese and European and American firms.
10. The low share of very small businesses (1-10 employees) using Thai management style is surprising. The responses indicate much uncertainty about whether small businesses practice a Thai management style.
11. Our classification is more practice-oriented than Hofstede's (1998) though there are substantial correspondences. For example, our concept of governance (centralization of control) matches Hofstede's "loose vs. tight control".
12. Fukuyama (op.cit) argues that the relationship-based character of Asian enterprises limits their potential scope. Much of the blame for the 1997 financial crisis has

been put on “relationship banking” (Corsetti et al, 1998). On the other hand, relationships have undoubtedly been important in facilitating the expansion of East Asian business, for example, between Taiwan and China, *New York Times* (5/27/01 p.1)

13. A summary table is available from the authors on request.

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**Appendix Table 1**  
Cultural questions of the questionnaire

***My Personal Objective is to:*** (5 point Likert scale: 1= of utmost importance).

- Q. 17 Have tasks at work that give a sense of accomplishment
- Q. 18 Have opportunities for high earnings.
- Q. 19 Have opportunities for promotion.
- Q. 20 Have employment security
- Q. 21 Work in a prestigious company
- Q. 22 Have sufficient time for personal or family life
- Q. 23 Have little tension and stress on the job
- Q. 24 Has a good working relationship with one's direct superior.
- Q. 25 Have considerable freedom to adopt one's own approach to your job
- Q. 26 Work with people who cooperate well with one another
- Q. 27 Work in a well-defined job situation where expectations are clear.

***Societal Values*** (5 point Likert scale; 1= strongly agree)

- Q. 28 A company's rules should not be broken—even when the employee thinks it's in the firm's best interests.
- Q. 29 It is proper to have large differences in pay between low and high ranking members of an organization.
- Q. 30 It is very important to maintain harmony within social and business groups.
- Q. 31 Firms should cooperate with other firms rather than compete.
- Q. 32 Most business managers can be trusted.
- Q. 33 Quite a few employees have an inherent dislike of work and will avoid it if they can.
- Q. 34 In a well ordered society all have a rightful place, some high, some low.
- Q. 35 The uncertainty inherent in life is a continuous threat that must be fought.
- Q. 36 A society will be judged by how well it cares for its poor and its elderly.
- Q. 37 Government officials usually know what is best for the society and their orders should be followed.
- Q. 38 A strong government usually works best for a developing economy even if it is not a democratic government.
- Q. 39 members of a family must always cooperate to advance the family business.
- Q. 40 People act differently toward others depending on whether they are above or below in the organization hierarchy.
- Q. 41 Employees should have a lot of say in important work-related decisions.
- Q. 42 It is important to maintain polite relationships with people even if we strongly disagree with them

***Business Practices*** (yes, no, don't know questions, 1 = yes)

- Q. 43 My firm carries on regular formal reviews of the performance of key employees.
- Q. 44 My firm bases salary increases and/or promotions primarily on:
  - Formal performance criteria
  - Immediate supervisor's evaluation
  - Decisions by firm director

## Seniority

Other or combination

- Q. 45 My firm hires new managers largely on the basis of family relationships or personal connections.
- Q. 46 My firm places heavier emphasis on the educational background than on experience of prospective new managerial employees.
- Q. 47 My firm tries to promote existing staff before seeking new managers from the outside.
- Q. 48 Management employees in my firm can count on continuing employment in the long term with little risk of termination
- Q. 49 My firm has a formal retirement benefit plan for its employees.
- Q. 50 Managers in my firm consult with their key employees before making most serious decisions.
- Q. 51 My firm offers significant possibilities for promotion to women as well as to men.
- Q. 52 The top officers of my firm delegate a great deal of authority to managers at lower levels of the organization
- Q. 53 My firm has a formal organization chart to describe the structure of its management
- Q. 54 My firm makes regular financial reports of revenues, costs and operating profits.
- Q. 55 In my firm important decisions are made largely from the top down with little employee participation.
- Q. 56 In my firm managerial employees dress for work by wearing
  - Shirt, tie and Jacket or women's equivalent
  - Shirt and tie or women's equivalent
  - Casual clothing (frequently)
- Q. 57 In my workplace subordinates are afraid to express disagreement with superiors.
- Q. 58 Long term managers and workers are usually on a first name basis.
- Q. 59 My firm rarely terminates employees even if their work is unsatisfactory.
- Q. 60 My firm often solicits bids for supplies from a number of vendors.
- Q. 61 Cost is the primary consideration for selecting among various suppliers.
- Q. 62 Many firms in Thailand practice a characteristically Thai style of management.
- Q. 63 The Thai style of management is different from management in Europe and the US.
- Q. 64 My firm practices "Thai Management Style"