



HUMAN RESOURCE MANAGEMENT IN THAI BANKING INDUSTRY :
A CASE STUDY OF THE THAI FARMER'S BANK

by

Ms. Siriporn Thammapanon

A Final Report of the Three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
Assumption University

March 2002

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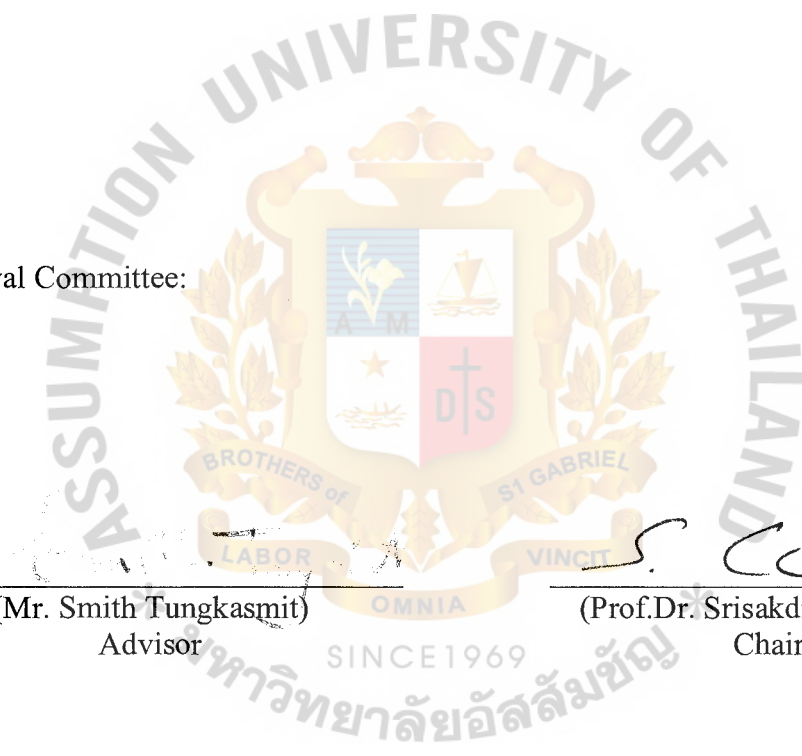
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The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

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ABSTRACT

The basic purpose of this study is to examine the development of personnel management system of the TFB bank and to explain the human resource development policies with emphasis on recruitment and selection, training and promotion, and termination of employment. In this study, we employ a descriptive approach and use the method of interview with a few middle level management personnel in the bank.

When we analyzed the human resources management practices, we found that the banks have attempted to adopt the internal labor market system. It can be concluded that TFB tends to have a higher degree of internal labor market employment rather than traditional management like BBL and SCIB, Since TFB has a policy of not filling in the vacant management positions by outsiders. It also practices extensive specific training programs, high wage rate structures, and thus has a lower labor turnover rate.

ACKNOWLEDGEMENTS

I wish to express my deep gratitude and appreciation to the following persons who helped me. Without them, the completion of this project is not possible. First of all, I wish to express my sincere thanks to Mr. Smith Tungkasmit, my project advisor, for his invaluable guidance, comments and encouragement throughout every stage of my project.

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I wish to express my deep appreciation and gratitude to my family especially my parents who gave me understanding, care and love. Lastly, to Mr. Suriya Rattagara, whom I am indebted for his invaluable assistance and encouragement, my most sincere gratitude.

Any errors in this project are solely my own responsibility.

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I. INTRODUCTION

1.1 Significance of Problems

The major function of a commercial bank is to intermediate between those who have an excess and those who demand for funds. In performing their intermediation role commercial banks have to attract savers by offering more attractive financial claims in terms of returns and security than the savers themselves can obtain. Similarly, commercial banks have to attract borrowers by offering more attractive terms than borrowers can arrange themselves. The increase in the returns to savers and the decline in borrowing costs of investors may, in turn, lead to increase in both savings and investments, thereby raising the overall rate of economic growth. Commercial banks are therefore, the main mechanism for economic development.

Aside from this, commercial banks have a role in creating jobs for the economy. This sector has created strong demand for educated workers. Therefore, human resources issues play a substantially and increasingly important role in the management of an organization in modern business. In the meantime, commercial banks remain so competitive in the service sector to meet their goal of maximum profits. Effective utilization of manpower is a major responsibility of business management. Management enjoys the benefits of increased production, reduced labor turnover, and freedom from labor conflicts. Commercial banks must especially concentrate on the efficient use of manpower to ensure that the manpower supply will match the position requirements.

This study is, therefore, aimed at examining the questions of efficiency in labor or management in the commercial bank sector and the nature of the employment policy of commercial bank systems in Thailand. Specifically, the study will emphasize on their

recruitment and selection policies, promotion policy, training utilization development of their employees, maintenance and laying off of employees at the retirement age.

1.2 Objectives

The main purpose is to understand the nature of labor management systems in the commercial bank sector. The specific objectives of the study are as follows:

- (1) To describe the organizational structure of the commercial bank.
- (2) To examine and compare the past and existing personnel management policies of the commercial bank.
- (3) To identify and compare the human resources development policies of the bank. Specifically speaking, the study will analyze the following behavior: recruitment and selection, training and promotion and termination of employment.

1.3 Scope and Plan

The study plans to select the TFB as the sample and compare with BBL, SCIB. The reasons why such banks are interesting are:

- (1) BBL is the biggest bank in Thailand.
- (2) Asian Money voted TFB as the best managed company over last 10 years and best investor relations 2001 in Thailand.
- (3) Siam City Bank is the family system.

1.4 Methodology & Tool

This study will use the descriptive approach to analyze and examine the human resources management in commercial banks. The analysis postulates that there are at least three human resource management systems. The systems are as follows: the internal labor market system, the family system and the patron-client system.

The first method of study is as follows: the study will begin with a description of the organizational structure of the sample bank. There must be clear lines of authority beginning at the top and descending to the lowest level.

Secondly, the study will analyze the following behavior: recruitment and selection method, training and promotion, wage structure, compensations and termination policies.

Recruitment in the case of the internal labor market is done either internally through transfer or upgrading from a single entry job classification directly from the external labor market. Most semiskilled and highly skilled production for managerial and technical work poses restrictions on the external labor market, especially when managerial and technical work are filled internally. For the family system (nepotism), the key position is occupied by a family member. Then actual recruitment from the external labor market occurs for lower positions. In the patron-client system, there is leadership in groups. These groups have influence in recruitment and selection process.

The promotion and training of the internal labor market is done within the firm and includes specific training. In addition, the rules, which determine the priority or ranking by which the workers move within the group of jobs, depend largely upon seniority and ability. While only seniority predominates in determining layoff within the production and maintenance units, most promotions layoff within the production and maintenance units, most promotions and lateral transfers are determined by ability factors as well as by seniority; the emphasis upon ability varies from complete reliance upon merit and ability to automatic promotion of the highest senior employee. The latter is, however, subject only to his ability to perform the job after some trial period. Training takes place along the promotional ladder. This means that work in the low

skilled jobs along this ladder develops the prerequisites required to master the more highly skilled jobs.

For the family system, it was found that family-members are promoted to higher positions towards the top of hierarchy, whereas other workers will occupy lower positions.

In the patron – client system, the patron can construct and consider the staff for promotion or specific training. Consequently, the patron persons can play a central role in directing and decision making for their client.

As for rewards and attractive wage rates, the internal labor market firms provide higher average wages for the workers than non-internal labor market firms. The obvious reason can be explained through investment in the human capital theory. When such an investment is made the employers incur a cost. Moreover, the threat of quitting provides the employer with the bargaining power to demand for higher wages. As such, higher wages are normally given in the internal labor market than in the non-internal labor market to reduce much conflict. Such average wages are normally high enough to attract specific skilled workers. It is also a consequence of specific on – the – job training, which the worker has acquired over his life.

Another form of worker motivation within the context of the internal labor market might best be called promotion lottery. Suppose a group of entering management trainees were hired with the expectation that one of them would become a high ranking corporate officer of make an extraordinary sum of money each. If hypothesizing that promotion lotteries exist helps explain the phenomena that are widely observed in the labor market. First, it serves as an incentive for younger employees to work hard so they can win the next lottery. Second, there arisen mandatory retirement rules or other inducements for employees to retire before the retirement age.

1.5 Data Collection

Primary data is obtained using the method of interview with low-level management personnel: Mr. Pairat Khiatpongpinij and Ms.Pudsadee Arayasirikul, Personnel Officers from TFB, Ms. Sukalya Noomkan, Lending Officer from BBL and Mr. Monchai Chinpradithsook, Personnel Officer from SCIB.

Secondary data is collected from textbooks, magazines, research documents, annual report internet and others publication relevant to the commercial banking system in Thailand.



II. LITERATURE REVIEW

This project has collected concepts, which are involved with the subject to be the guidelines for study and to analyze data as follows:

2.1 Theories

By using the theoretical construct, We postulate that are at least their human resources management system,

The internal labor market refers to those jobs in the firm where competition to fill a vacancy is limited to workers already employed in the firm. The beginning of the internal labor market is the port of entry, which connects the internal job ladder to the external labor market outside the firm. If someone at the top of the job ladder retires, workers at each step of the ladder move up one level, creating a vacancy at the bottom. To fill this vacancy, the firm goes to the external market, where it competes with other firms for workers at the entry level. The decision of whom to hire to fill the entry level positions is quite important for both the firm and the job applicants in the external market. It is important for the firm because the person chosen is likely to be with the firm a considerable time, and the firm will invest much money in that person for additional specific training. For these reasons, firms often conduct an elaborate screening process in selecting workers for entry-level positions in the internal labor market. On the other hand, the employers are interested in minimizing recruitment, hiring, and training cost. The wage rates for the port of entry jobs at the bottom of the job ladder are largely market determined, but within the internal labor market the specific nature of job skills creates indeterminacy in wage rates. Firms often use job evaluation techniques to set precise wage rates in the internal labor market

Aside from this, explicit and implicit contracts are also of concern in the internal labor market. An explicit contract, such as contingency, arises about recruitment policy, wage rate for each level education of worker, welfare, and law of termination. Thus, such contracts may spell out how the firm responds if lay off is necessary or what is to be done when a job vacancy occurs. On the other hand, an implicit contract is a set of shares, informal understanding about how firms and workers will respond to contingencies.

All of these account for much of the long term stability in the way and allocate structures of internal labor markets and are an important influence in the maintenance of the internal labor markets overtime.

Another theory is the patron – client system that is studied by Kemp. It has been accepted as a major component of the predominant paradigm of Thai society.

In the beginning, he mentioned about the implication of patron and client that is presented as the direct successor to the formally constituted relation of a government official with the freemen (phrai) under master (nai) within the early Thailand period of 1782-1873. This formal patron-client relation built the class structure at that time. This tradition has been too easily absorbed by bureaucracy and has modernized organization systems in terms of friendship relation. Individuals behave as members of their groups. Moreover, it reflects the protection for one's own group, career mobility, promotion, and supports the leader positions for their groups.

In a study Pruckthisarn Chumpol, The patron- client relationship can be extended by a superior to subordinates outside the family network. He mentioned that the patron-client relationship is based on instrumental friendship. This friendship will not only be extending an interpersonal relationship but will also extend to the social network. As a result of these characteristics, there was a lack of object performance measurement, and

consequently, the control of people's behavior was dependent on the personal relations they had with each other. He also described the patronage network. There are patrons at the top of the authority hierarchy, which provides a lengthy chain of links from the patron to the subordinates. The performance of this form results from the creation of debt through the giving of favors.

Then, the activities are more likely to have a relatively high degree of informality and flexibility. This is the unique tradition of the patron – client relationships in Thailand.

The principle conclusion in Kemp's work is about the patron-client development of merit and power in the Thai social order and its high degree of social mobility in terms of entourage, clique, and building blocks of social activities in wide scope.

This issue has significant importance to my study about the relationships between individuals in the way patron-client relationship. Because the manner in formal institutional arrangements is often based on universalistic and bureaucratic criteria, which are manipulated through networks of personal acquaintance and obligation. But in practice, it appears to personal acquaintance and obligation. But in practice, it appears to designate a distinct social relation in the form of patron-client, especially in a management organization, so my study must recognize this behavior also.

For the family system (nepotism), a family member occupies the key position and then there is recruitment from the external labor market for the lower positions. For promotion, the firm will promote within the family group and develop the cliques or same clan at higher intervals towards the top-level hierarchy in their firm.

In the case of the patron – client system, there is leadership in each group. The patron has influence in their employment process. They can construct a position

and consider the staff for promotion Moreover; they create specific training for their client. So the patron persons can play a central role in directing and the decision making process. The details of these characteristics are as follows:

For the definition and measurement of the human resource development system there are at least five important practices:

- (a) Recruitment and Selection
- (b) Training and Development
- (c) Wage structure and Salaries
- (d) Compensations and Reward systems
- (e) Termination of employment and Laying off staff method

(a) Recruitment and Selection

Recruitment is the first part of the process to fill a vacancy; it includes the required examination to be taken by potential candidates or consideration of sources of suitable candidates to choose qualified candidates.

For managerial and technical work in banks, internal training and promotion policies are undertaken whenever possible, although the clerical workers may be hired from the internal market rather than from the external labor market. It depends on the qualification of the candidates. A bank's records can be quickly screened to determine whether any employees possess the necessary qualifications for a new opening, in some cases, the commercial banks, which have operating problems, may hire professional personnel from the external market to solve the problems. Sources for potential job applicants outside the company include colleges, professional journals, public employment agencies, private employment agencies, etc. In

order to find candidates to fill top management positions, a firm may use specialized executive recruiting agencies.

Selection and screening are the next stages performed by various methods and by making a choice after an offer of employment.

(b) Training and Promotion

A reduction in hiring standards is often accompanied by training procedures designed to reduce its long-run impact upon enterprise productivity. Training can come in the form of on-the-job training, and formal training. For relatively simple operating job, new workers are typically given a brief job demonstration by formal training. On-the-job training is characterized by its informality. For example, consider the following sequences of on-the-job training:

Thus, the work-line in each bank may be different. However, for the workers, the more training or knowledge that they gain in their work-line, the more specialized they will be. Finally, the enterprise will receive labor productivity from this process.

In many ways, OJT appears to occur almost automatically by osmosis as the new worker observes the experienced workers or repeatedly performs his job, and this appears to be an economical process. In apprenticeship training programs, the new worker serves for a relatively long time period as an assistant to a trained worker. Most employers favors training as a long-run remedy to labor scarcities, and it is also a prominent means of adjustment to technological change.

Promotion is a move of an employee to a job within the company, which has greater advancement opportunities, more responsibility, and

usually a higher pay. The purpose is to improve both utilization and motivation of employees. Some worker transfers made by the firm are horizontal movements in the organization at about the same wage and the same level. They may involve shifting workers into new, more interesting job or into departments where the worker's skills are required.

In addition, OJT training takes place along the promotion ladder especially in the internal labor market. This means that work on the lower skilled jobs along the ladder develops the prerequisites required to master more highly skilled jobs.

In contrast with this promotion, every organization must have a set of rules, which the workers must follow or else be penalized. For example, in case of commercial banks, which deal mostly with financial matters, loyal and disciplined workers are needed. But workers may extort money and demand personal favors. Thus, Firms must bring the rule and order into the workplace.

Finally, most managers resent this restriction on their right to select the best-qualified person for promotion after a trial period.

(c) Wage structure and Salaries

A wage is the payment made to manual workers. Generally, the internal labor market firms offer higher average wages to Workers than do non-internal labor market firms. The reason for this can be explained through investment in the human capital theory. When such an investment is made, the employer incurs a cost. Such average wages are normally high enough to attract specific skilled workers. It is also a consequence of specific on-the-job training, which the worker has acquired over his work

life. The wage rate will generally include categories of characteristics related to the job itself skill, working conditions, responsibility to Supervise other workers, for instance and categories of characteristics pertaining to the individual holding the job (education, experiences and so on).

In addition to the basic wage rate, the employees often receive other payments, the most common examples of which are the following:

- (1) Overtime pay, which is usually paid at premium rates, i.e. time and a quarter time or a half double time etc.
- (2) Cost of living allowance, which is given quite commonly in response to a rise in the general price level or to employees who work in high cost areas.
- (3) Payments by result bonus, which is an extra payment based on the output of the worker or of the profit that the enterprise gains.

All these payments should attract well-qualified workers, keep them satisfied in their jobs, and inspire them to produce.

In private organizations like commercial banks, about seventy percent of a manual worker's total earnings are on the average accounted for by his basis wage and about thirty percent by additional payments mentioned above.

(d) Compensations and Reward Systems

Incentives are considered to increase the desire of employees to meet organizational for attendance, such as low rates of turnover, absenteeism, tardiness, and for performance, such as high level of output. The employers may use compensatory reward systems, which refer to many types of employee benefits apart from wage rate and salaries.

Typical of such fringe benefits are, for example, paid vacations, medical, insurance, life insurance, maternity leaves, pensions, unemployment insurance schemes, and others. (As shown in Table 2.1)



Table 2.1. Fringe Benefits Available for Worker.

Fringe Benefit	% of all fringe benefit
1. Paid Vacation	11.31
2. Medical, Surgical, or Hospital Insurance	10.93
3. Maternity leave with re-employment right	10.43
4. Retirement Program	9.43
5. Life Insurance	8.97
6. Sick Leave	8.79
7. Training, Education to Improve skill	6.85
8. Thrift or Saving Plan	5.58
9. Free or Discounted Merchandise	4.81
10. Dental Benefits	4.11
11. Maternity Leave with pay	4.11
12. Eye Care Benefit	3.05
13. Profit Sharing	2.77
14. Stock Options	2.46
15. Work-Clothing Allowance	2.35
16. Free or Discounted meals	2.28
17. Legal aid or Services	1.44
18. Day-care facilities	0.33
Total	100

Source: Quality of Employment Survey by Robert P. Quin and Graham L. Stains.
(1990 by University of Michigan)

(e) Termination of Employment and Laying off Staff Method

Termination is usually based on removal from employment. The purpose of such termination is to reduce the financial burden on the enterprise, in the event that human resources cannot be utilized effectively. Termination includes resignations, retirements, and layoffs. Resignations result when employees find more attractive job, better paying positions, or when they move to other cities. Many large firms like commercial banks have had compulsory retirement programs that required employees to retire at age 45 up.

2.2 Review of Related Studies

There are very few studies concerning the internal labor market and they are case studies not directly relevant to the analysis in the case of commercial banks. However, some works, will be presented here, can provide useful information.

(a) Thesis by Ampa I Harakunarak

Ampai studied the analysis of evidence on the internal labor market within the Thai Cement industry. She tried to demonstrate causes and consequences of the process determining the employment behavior in the cement industry. She used the method of field survey to bring about the requisite information. Her specific hypothesis is used to examine the existence of an internal labor market within the cement industry.

From her research she found that:

- (1) The criteria of selection are used carefully to determine whether he or she is suitable for jobs and possibly qualified or not. Occasionally, experienced applicants are selected due to special recruitment.

- (2) The managerial training and the functional training are given most emphasis. The degree of training provided is higher in Siam Cement Company than in other cement industry groups. Finally, in this industry, the newcomers who are trained and promoted from the internal market tend to work for the firm for a longer period of time.
- (3) Wage rates are not directly related to the marginal product of workers, but rather determined by job evaluations and company surveys. The starting basic salary of a non-technical bachelor degree worker is about 6,000 bahts and 7,500 bahts for technical employees. (In 1990)
- (4) Welfare and fringe benefit. Here, industries are ranked according to the benefits with which employees are provided: for instance, if a worker meets with an accident which incapacitates him, the company will help by paying an amount equal to 6 months wages but no less than 18,000 bahts. (In 1990)
- (5) Termination of employment. These companies may terminate employees if the employees so decided are laid off, dead, retired, or incapacitated.

The principal conclusion of her study was that the internal labor market structure has been incentive practiced by the Siam Cement Company to which most evidence is confirmed, namely the low rates of workers' turnover, the intensive managerial training program, the long term employment relation, and the wide scope of mobility within the company. Such evidence provides and allocates efficiency to the Siam Cement Company.

Nevertheless, this study emphasized on the process of employment through the related enterprise rather than looking at the economic side, such as how to use this process to analyze planning for human resource management. Yet human resource planning equips the management of an organization to assess the likely future conditions that will affect its human resource practices and to act, anticipate, and prepare for them.

(b) The Empirical Study of Maneerat Pinyopusarerk, Paitoon

Sudcharitjun, and Siriporn Kiatseveekul

They studied labor relations at the manufacturing level of enterprise (A case study of the Bangkok weaving mill). This study identified 3 classes, namely, classes A, B, and C depending on the worker's level of skill. Lowest skill levels are classified as C, while workers with more skills are classified as B, and top-skilled workers are classified as A. Only those in class A with specific qualifications can be promoted to the group supervisory class.

The personnel policies are responsible for recruitment, training, promotion, and the termination of employment.

- (1) Recruitment- the company requires different qualifications for different positions such as a group supervisor is required to have higher level of knowledge and skills, etc.
- (2) Training- the enterprise sets up training policies in many ways, for example on-the-job training or outside training. This is done to increase the worker's potential.
- (3) Wages and welfare- workers are paid either on a monthly salary basis or on a daily wage basis at legal minimum wage in addition, welfare provided for workers is written in labor law and company policy.

- (4) Termination of employment is done when the worker breaks the enterprise's rules and regulations.

All these studies help us to understand the working conditions and management's human relations between employees and employers. Aside from this, they also indicate ways to solve conflicts between the two groups.



III. HISTORY: DEVELOPMENT OF JOB EMPLOYMENT IN TFB

3.1 Company Profile

Thai Farmers Bank Public Company Limited was established in 1945 with a registered capital of Bht 5 Million and has been listed on the Stock Exchange of Thailand (SET) since 1976. As of December 31, 2001, the Bank is the third largest commercial bank in Thailand as measured by total assets, loans, and deposits. The Bank, with a registered capital of Bht 26.9 billion and paid up capital of Bht 23.5 billion, had total assets of Bht 774.4 billion (US\$17.4 billion), total deposits of Bht 664.8 billion (US\$15.0 billion) and total loans and accrued interest receivables outstanding of Bht 439.5 billion (US\$9.9 billion). The Bank provides a broad range of consumer, commercial, and corporate banking services, including lending, deposit-taking, credit card services, international trade financing, custodian services, asset management, and investment banking services. As of December 31, 2001, the Bank operated 529 branches, 15 foreign exchange offices and 15 international trade centers throughout Thailand. The Bank branch network extends throughout Thailand's 76 provinces, as well as internationally with six branches overseas in Hong Kong, Los Angeles, Vientiane, Phnom Penh, Cayman Islands and Shenzhen and five representative offices in London, New York, Beijing, Shanghai and Kunming.

As a result of a recent re-engineering process, the Bank has the country's most advanced computerized retailing services at all branches. With a highly innovative background, the Bank is credited with the introduction of a long line of new banking services in the Kingdom. The bank started the first financial company in Thailand and was the first to issue a national brand credit card. The bank's ATM machine network numbers 1,001 nationwide.

In the SET, Thai Farmers Bank shares are considered one of the top blue-chip stocks. The Bank has one of the largest market capitalization's of any company listed on the SET. The Bank enjoys strong shareholder and investor support in Thailand and abroad. At the height of the financial crisis, the Bank successfully raised new capital worth Bht 33 billion (US\$857 million) in April 1998 from international investors and Bht 40 billion from domestic investors in January 1999. Recently, the Bank had succeeded in raising new capital of Bht 23.5 billion from the general public with a preferential allocation to eligible shareholders in October 1999. This development has made the Bank one of the strongest financial institutions in Thailand.

In 1997, the bank was named:

- (1) The Best Venture Capital Services, Thailand Commercial Bank of the Year and One of the Best Managed Companies in Thailand by Asiamoney Magazine
- (2) The Best Local Commercial Bank in Thailand by Euromoney Magazine

In 1998, the Bank was voted:

- (1) The Best Bank in Thailand receiving the Euromoney Award for Excellence
- (2) Thailand Commercial Bank of the Year by Asiamoney Magazine
- (3) Top Bank of Thailand by Global Finance

In 1999, the Bank was voted:

- (1) The Best Bank in Thailand by Euromoney Magazine
- (2) The Best Domestic Commercial Bank in Thailand by Finance Asia Magazine
- (3) The Best Domestic Bank in Thailand by Global Finance Magazine
- (4) Top Bank of Thailand by Far Eastern Economic Review's REVIEW 200 Survey

In 2000, the Bank was voted:

- (1) The Best Domestic Bank in Thailand by Global Finance Magazine (for the fourth year running)
- (2) The Best Emerging Market Bank by Global Finance Magazine
- (3) The Best Domestic Commercial Bank in Thailand by Finance Asia Magazine
- (4) The Best Domestic Bank in Thailand by Euromoney Magazine (for the fourth year running)
- (5) The Best Domestic Bond House in Thailand by Euromoney Magazine
- (6) The Bank of the Year by The Banker Magazine
- (7) The Second Company Leader in Thailand by Far Eastern Economic Review.
- (8) Together with HSBC, the Annual Achievement Awards for underwriting the Export-Import Bank of Thailand's bonds, totaling THB 500 Billion, by Finance Asia Magazine.
- (9) Among the top five "Best Managed Companies" (for the third year running), the second "Best Annual Reporting" and "Best Investor Relations" in Thailand by Asiamoney Magazine.
- (10) And Business Week Magazine selected Bantoon Lamsam president of The Bank as the "Star of Asia 2000".

In 2001, the Bank was voted:

- (1) The Best Debt House in Thailand by Euromoney Magazine
- (2) The Best Thai Baht bond House by FinanceAsia Magazine
- (3) The Best Managed Company over last 10 years and Best Investor Relations 2001 in Thailand by Asiamoney

The stockholders, based on ability, vision, and leadership capabilities, select the

Board of Directors. The successful candidate must also have a wealth of experience and be capable of leading the company in the most beneficial direction.

Chairman	Mr. Banyong Lamsam
Vice Chairman	Pol. Gen. Pow Sarasin
President	Mr. Banthoon Lamsam
Director	Mr. Sukri Kaocharern
	Mr. Yongswadi Kridakon
	Mr. Somchai Bulsook
	Ms. Sujitpan Lamsam
	Dr. Abhijai Chandrasen
	Mr. Charles L. Coltman, III
	Mr. William Mark Evans
	Mrs. Elizabeth Sam
	Mr. Chaisak Saeng-Xuto
	Dr. Schwin Dhammanungune
Independent Director	Mr. Sarisdiguna Kitiyakara
	Professor Dr. Suchada Kiranandana
	Professor Dr. Yongyuth Yuthavong

See Thai Farmers bank Public Company Limited Organization Chart in Appendix A.

The Organizational Structure of Thai Farmers Bank Public Company Ltd. has been set up in a series of smaller, specialized groups, in order to better serve the needs of each type of customers. At TFB, we take pride in our commitment to good business practices, including transparent operations and honest treatment of stockholders, and also in our ability to make a positive contribution to society and the country as a whole.

At Thai Farmers Bank we value all our employees, regardless of position, and dedicate a great deal of energy to ensure that our employees work as effectively and efficiently as possible. This year we have achieved a lower worker/Branch Office ratio, which is evidence of an increase in the quality of our employees. In addition, we have increased the number of ATM machines throughout the country in order to offer our customers the utmost in convenience.

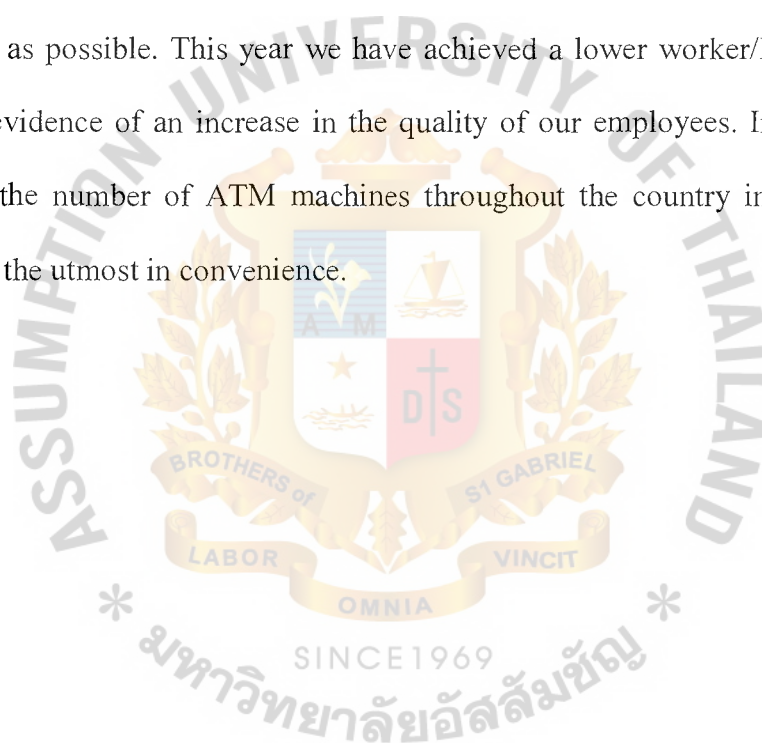


Table 3.1. Worker/Branch Office Ratio.

Date	Employee	Branch	ATM
Jun - 2001	11,412	530	974
Dec - 2000	11,499	532	964
Jun - 2000	11,610	532	778
Dec - 1999	13,401	532	721
Jun - 1999	13,442	533	705
Dec - 1998	14,927	533	695
Jun - 1998	15,145	529	694
Dec - 1997	15,370	527	697
Jun - 1997	15,485	516	674
Dec - 1996	15,740	505	643
Dec - 1995	16,094	497	517

The Bank has announced a net profit of Bht 1,264.6 million. The major expense was the special early retirement program of Bht 1,095.2 million, in which 1,702 employees participated. In addition, as at December 31, 2000, the Bank has a surplus from land and buildings revaluation amounting to Bht 9,472.1 million, which was shown in shareholder's equity. Also, the Bank had losses from the revaluation of land and buildings amounting to Bht 794.9 million. The loss was shown as an expense in the Statement of income. The Bank also recognized a loss of Bht 1,370.3 million, incurred by the two asset management companies of Bht 1,254.9 million due to additional allowance for doubtful accounts.

Table 3.2. Asset Size of TFB Only.

Time	Assets	Loans	Deposits	Equity	Net	NPL
					Income	Ratio
Q4/00	768.2	480.9	647.3	25.6	10.0	13.8 %
Q3/00	763.1	472.6	638.1	25.1	-1,270.0	14.9 %
Q2/00	743.8	478.0	626.8	24.6	2,200.0	15.0 %
Q1/00	740.4	481.6	618.9	25.9	320.0	17.0 %

Table 3.3. Asset Size Consolidated (TFB, Thonburi AMC, and Chantaburi AMC).

Time	Assets	Loans	Deposits	Equity	Net	NPL
					Income	Ratio
2000	767.7	518.7	647.0	25.8	1,300.0	25.9 %
1999	733.1	530.8	608.5	31.6	-47,000	32.0 %

3.2 Management Styles

3.2.1 Organization Structure

Beforehand, the operations of TFB could probably be managed by only a small group of people or only a family. Presently, bank operation in Thailand has grown up so rapidly that a large number of changes have occurred and a committee instead of one man has managed many major divisions. Thus, as for the banking organizational structure form, the need for modern banking management has been tremendously increased.

In formal practice, we found that TFB organizational structure is functionally designed. The stockholders elect the board of directors. The board of directors is composed of the chairman and executives. He and his executive directors control the entire bank operations, which not only include policy decisions but also the interpretation of each policy how is to be implemented and the review of all policies' actions.

Specifically, TFB divides the management into two functions. They are the line functions and the support functions. Line functions are held fully accountable for the results achieved and everything else that happens in the bank. Supporting functions are expert services of advice to help operating lines perform their jobs.

Each department is divided into sections. Moreover each department is composed of a number of sections, which depend on the quantity and the quality of works. There are some details in organizational structure such as:

Firstly the major shareholders of TFB are composed of one family, which is the largest shareholder, Lamsam and companies group. However TFB give some of the shares to the employees whom the bank can trust as the executive staff in the board of directors.

This would obviously show that the owner of the bank and board of directors are the same type of group. The board of director's role is the overall guidance of the bank's direction, such as policy setting and control of management of the organizational structure.

For TFB, 50% of the members of the executive board of directors and the rest come from the senior employees who have ability, potential and seniority. Looking at the relationship among the executive persons, almost all of the bank's executive persons are professional bankers and the rest are family members.

3.2.2 Line of Authority

This section focuses on how the key persons in the bank delegate power in each tier of the organizational hierarchy.

In the beginning, the bank's ownership and the management controlled all the firm's functions because, in the past, the banks had only a small number of employees and a little deposit, loan, and credit. Managerial functions were few and tended to be performed simply. Then, the owner managed everything in the organization, such as analyzing credit and services to their customer.

Later on, the bank developed much more complex functions and began employing more and more employees. Therefore, the bank has essentially set a hierarchical line organizational structured system in order to intermediate between the chief executive and the workers.

A central task of the leadership of the bank is to spend a major amount of their time to select the executive manager. The effort and contentiousness, which often go into this process, suggests that it has important consequences for the bank.

The board of executives will set the policy. The line of authority passes through the board of executives to the head of each department, and then each section will take it into practice.

We can analyze that the bank beforehand was under family management. But new management has become tremendously important. The most important change in TFB is the hiring of professionals outside the Lamsam family and creation of key persons by investing in such talented persons. Later they are appointed to the executive level in the future. This is one policy for creating and developing key personnel in the bank. Moreover, the bank tries to control movement up the job ladder on a seniority basis. Most of the executive persons have worked with the bank starting at the bottom and then being promoted along the job ladder continuously until being placed on board of executives. Except the only exception is the president who did not start work at the port of entry.

3.3 Specific Characteristics of Human Resources Management

In this section, we will investigate the human resources management.

3.3.1 Recruitment and Selection

Two issues are given particular attention.

From the survey, we found that applicants must have GPA higher than 3.0

TFB has a central recruitment and test in the head office within the personnel department. It is functionally responsible for recruiting employees with Bachelors degrees, and higher than bachelors. Some provincial area branches can be responsible for their recruitment and selection especially for the operating staff, because it is the advantage for the banks for recruiting the employees who are used to people or customers at the area, which the bank is located. In the provinces, manager and zone manager are responsible for recruiting and selecting.

For the process of selecting, these banks used interviews, written examinations, ability tests and aptitude tests. Masters degree graduates are interviewed and selected. In some professional fields, such as that of a, lawyer, researcher and international finance worker, the applicants must be tested for the knowledge of law, economics and English where essays are required. These tests serve two main purposes. Firstly they can predict which candidates are likely to be productive employees, and eliminate those who are not suited for this particular job. The steps of the recruitment such as grade in each institution, the next step is to have the applicants complete applications to be considered. Any tests relevant to the job such as computer, law, research tests validated by the bank are then administered to the applicants. The next step is usually to interview applicants within the personnel department. This involves the sharing of decision making between many individuals from other departments. Thus both the personnel department and the other departments are involved in the process of choosing qualified individuals to fill positions in the bank. Frequently, the applicant's interview is with a department manger that has valuable insights about work methods and department goals and can evaluate the applicant's qualifications. The background of desirable applicants is checked next, especially their references and employment history. At this point, a job offer can be made to the applicants or begin the recruitment process again if there are no other qualified applicants available. When the applicant accepts the offer, the process of placing the applicants in the bank starts.

In general, service work typically required lower skills and less education, for instance, cleaner worker, guard work and the like. Bank will hire from the external labor market by contracting service companies. Such needed workers will get a daily wage rate instead of a salary. This practice helps to cut down the cost of the bank.

Whenever there are vacant positions in the bank, they have a culture for recruiting new graduate workers into the lowest job classification in the progression lines. For managerial work, the internal promotion policy is followed whenever there is the chance for personnel promotion. That is the bank's policy of considering bank's own employees first for job openings. Since the personnel department maintains a file describing the special skills and other qualifications of all employees, its records can be quickly screened to determine whether any employees are qualified for a job opening. However, there is only one case in the bank where there is no suitable qualified current employee is readily available for filling in a position and that is the position of director of the computer department. This is because this particular position requires hiring a programmer from outside the bank.

The reason for this practice is that the bank thinks that it will have a positive effect on employee moral. In other words each promotion positively affects several employees. Moreover, the use of current employees to fill job vacancies is a relatively inexpensive method of recruitment that also contributes to employee productivity.

Table 3.4. The Total Number of Employee.

	Diploma	Bachelor Degree	Master Degree	Doctorate Degree	Total
BBL	4,290	13,607	1,265	14	19,177
TFB	2,811	7,480	1,117	6	11,414
SCIB	996	3,546	231	-	4,773

Source: Thailand Finance & Banking 2001

3.3.2 Training and Development

This section focuses on how bank trains and develops their employees. After a new worker enters into the bank, he or she will be given an orientation to get acquainted with the bank. It is necessary for all new recruitment to learn the practical and specific matters concerning the bank and its operation. Contents of the orientation are divided into the following: (1) history and background of the bank and the managers, as well as the line of authority; (2) knowledge about the bank service; (3) problems and obstacles that may arise in the course of employment such as the discipline of the hour of work, dress, pension plan, vacation, etc.

New employees must be trained during a probationary period of 3 months. After that he or she will become a permanent employee. During the period of employment employees are given training from time to time. For instance, TFB's training center is located on the twelfth floor at its head office. Bank has programmed courses to send potential executives to study abroad or various internal universities within Thailand for a Master's degree in Business Administration. The chosen candidates, however, have to agree that they will return to work for the bank for a stipulated period of years. This method has proved to be the most effective since the successful applicants have no difficulty in being admitted into universities in the United States. Some of these scholars have already graduated and have returned to work with the bank, and are expected to be the major source of management talent.

In the bank the employees are trained in socialization management skills, human resources management skills, and technical skills. The degree of intensity in each field of training, however, depends upon the level of employees, which are classified as the operative staff. The bank provides socialization and human resources management

program for upper-level executive management. For instance, TFB has its People Management Program (PMP), Problem Solving and Decision Marketing (PsDM), etc.

For the managerial skills and technical skills of middle, and operations management, TFB has arranged courses for practical English with Sukothaithammathirat University all year long operating staff, basic knowledge for the marketing staff, and so on.

For education and training, as part of TFB's personnel department program, the bank regularly provides grants to qualified staff for education and training programs, either in the country or overseas. In the country, an executive decision making and problem-solving seminar for the senior management staff from department heads upward to the first senior vice president level was provided. The regional representative of a reputable international management consultant firm, Kepner and Tregoe Inc of USA, conducted the seminar.

Middle managers prepared themselves by taking the Executive Development Program for executive responsibilities. The course concentrated on the various aspects of banking management and administration.

For branch personnel, a program was conducted in a fully equipped model of a branch office with simulated office activities. This program is the Simulation Office Training program that provided participants with practical training on operational regulation, procedures, and methods of rendering services to customers. The objectives were to achieve the same high standard of operation and to heighten service efficiency throughout the branch system.

We can conclude that the bank has also been actively making efforts in the area of human resources development. Regular training programs both in house and off house were given to the bank's employees at all levels to increase their knowledge, capacities,

and skills in the field of general training and specific specializations especially for operating employees. Such skills as technical skills include knowledge of equipment, work methods, and work technologies were taught. These skills are much important for first-level managers than for middle and top-level managers.

However, for the middle and top-level managers, the bank tries to arrange specific training such as human resources managerial skills and socialization managerial skills. These are the abilities to view the organizations as a whole and to coordinate and integrate a wide array of organizational functions, activities, goals, and purposes. It includes the ability to build a cooperative and satisfying relationship among work-group members, which are inside or outside the bank.

3.3.3 Promotion and Transfer Method

This section will investigate the promotion and transfer practices of bank.

Depending on the duration of the working period an outstanding worker would be promoted to a higher rank of authority. This would increase responsibility, and of course, the degree of skill contents. In turn, employees generally receive increased pay and benefits as well as authority.

In formal practice, the same practice is in all banks being with internal promotion firstly. For the operating workers, the head of department is extremely concerned about personnel moves and retains the right of approval overall executive promotions and transfers. In routine cases, to fill existing positions, the division chief suggests one or more candidates from the division heads or may simply make a selection among candidates.

In real practice, promotion from outside can be purposeful for the objectives of the bank. First, outside promotions enable organizations to use their professional employee abilities to the greatest extent possible. Secondly, outside promotions can

encourage excellent performance of professional banker management. In summary, an effective system of outside promotion for high positions can result in greater organizational efficiency and high levels of competitiveness among commercial banks. Thus, the bank sometimes promotes management teams, which are composed of professional with experience in local and international business and finance. Each executive manage is firmly committed to making the bank successful. As an example, BBL hired a professional researcher from outside the bank to become chief of economic research department.

For TFB, it is the bank's policy to promote from inside rather than recruiting new employee from outside if any vacancy exists. It has long been the bank's policy not to hire individuals from outside the bank, even to begin new units. Instead, the bank personnel are trained to fill new job vacancies, even though outside labor needs exceed supply. At present, many middle and upper-level managers were hired from outside labor market. The reason why this group of middle and upper-level managers left from TFB is because these persons receive higher salary and fringe benefits from the outside labor market. The second reason is that these persons want to change jobs in order to find new opportunities to develop their ability, potential, experience and the like in other institutions. Thirdly, these persons see that the career ladder to a top executive position is quite less open for those who are outside the family element or do not receive scholarships.

For transfer in TFB, the head of each department experience a higher rate of transfer among departments in the form of horizontal movement. There is a policy for switching capable employees to learn the skills many departments before promoting them to higher positions in the future. Moreover, TFB have a transfer personnel office that may request that employees be move or may seek out other units, which may lack

qualified personnel. The executive board of TFB is responsible for switching these top managers. Such mechanism provides the means by which the bank can develop their employees’ productivity. It is a means for employee to understand what they must do to sharpen skills that are being used in the present but can also be drawn on in the future.

3.3.4 Internal Salary Setting Process and Fringe Benefits

This sector deals with the practice internal salary and fringe benefit in the bank.

Table 3.5. Salary Rate. (Unit: Bht)

Names	Bachelor Degree Level	Master Degree Level	Cost Of Living Allowance
BBL	12,000	13,500	-
TFB	9,000	13,000	2,100
SCIB	8,500	12,000	1,800

Source: Survey from each commercial bank (1 October 2001)

This section deals with the practice of internal salary and fringe benefits in the bank.

TFB gives yearly bonus which amount to at least two months pay each year. Workers would receive a raise in salary each year based on their rank.

In addition, the salary structure of top managers is paid differently. In general, how executive persons will be paid comes in three forms. The first is a salary base, the second is an annual bonus, and the third is the benefits.

Base salaries, at the center of executive pay, are generally determined through job evaluation and serve as the basis for the other types of benefits which the committee board will approve for each executive person's salary rate.

Annual bonuses for executives include both cash and stock payments. A bonus is usually tied to the performance of the bank as a whole for the previous year or to division managers for their particular area.

Benefits are designed to allow the executive to accumulate wealth including the purchase of an automobile, entertainment allowances, and a position in some companies in which the bank is a dominant shareholder.

These are all implicit in the salary rate because of the need to attract, retain, and motivate competent professional executive managers. With the increasing shortage of top-talent manpower, the holding ability of a plan, which resists executive riding, becomes especially, important. The committee board in each bank will approve these salaries and benefits for their executive persons.

In general, the bank also provides employees a social provident fund of 3-10% depending on seniority. This program is designed in accordance with the government's laws. Aside from this benefit, TFB also pays some fringe benefits for their workers as follows:

(1) Medical Care

TFB has contracted with Bangkok Hospital and Smithivate. Hence the medical care at these hospitals is provided to any employee 60-70% provided free of charge.

TFB allows employees to ask to compensate medical care expenditure at different rates per person. It depends on the position or status of each

employee. Thus, an executive can ask for a greater amount than an operating worker can.

Moreover, TFB provides annual medical checkups for employees. The leading authorities on PFPS (Physical Fitness Programs) believe that all personnel department should initiate such program to develop employees mentally and physically.

(2) Annual Vacation

TFB permits annual leaves in addition to weekends and national holidays with full pay. For example, if an employee work for the bank for more than 1 year, the bank allows the employee a vacation leave of 6 days per year.

The bank also allows employees a leave for Thai Muslims to Mecca to serve as a novitiate in the Buddhist priesthood at 120 days once.

These vocational practices are applied to all workers regardless of position.

(3) Special Rewards

TFB provide soft loans for its employees such as a housing loan, automobile loan, and education loan all of which are quite low in interest. The amount of the soft loan granted depends on the salary base of each person. Thus, a higher position employee would be able to ask for a greater soft loan than operating worker.

This policy is employed by bankers to help their employees especially those at the operating staff level.

TFB offers employees total tuition reimbursement. And employees often use this higher sought benefit to prepare themselves for promotion

opportunities. The bank may also require that employees take career related courses to receive tuition reimbursement.

TFB gives specific rewards. If a worker works with the bank for more than 25 years, the bank will give a special reward (honorary gold ring) to the senior worker. This program aims at increasing the moral of the employees.

(4) Entertainment

TFB provides its own recreation center at Bangkapi and is composed of football, tennis, table-tennis court, etc.

(5) Social Welfare

In addition, TFB practices a Thai like patron-client culture. For example if a worker meets with an accident which incapacitates him, the bank will help by paying a compensation fee which will cover hospital fees, education expenses of any of the employee's children at a dependent age or the bank may even recruit his child to work with the bank. Thus, a lifetime employment in the bank will provide the employees with the job security and also provide their families with securities.

3.3.5 Termination of Employment

This section focuses on the retirement practices in the bank.

As an early retirement program, TFB has written such a policy for minus ten years nearing the traditional retirement age for each sex. This program is voluntary for each employee. When the workers are terminated, the bank will pay the employee an equal to the last month's salary multiplied by the length of the employees' working time.

In the case of demotion, TFB's manager and personnel administrators agree that demotion is not an effective way to handle disciplinary problems. Demotion will not improve the behavior of an employee who has a long record of poor performance. Thus,

the bank's policy is not to lower pay or transfer an employee among departments. Rather, the bank's policy is to transfer these persons to its Supporting Temporary Staff Vacancy Service, which typically involves less authority or responsibility but similar work and the same salary rate. Persons undergoing this can be those from the operating level until the branch manager level.



IV. ANALYSIS OF BANK BEHAVIORS

We will provide an economic explanation of the historical development and the management system of the commercial bank in Thailand. There are some reasons that the period of analysis is divided into periods. 1st, the early period started from 1941-1973 and 2nd, the modern period began after 1973. The first reason is that in the first period political patronage played the most important role in the banking business. The second reason, pertaining to the period after 1973, is that bank adopted modern management because internal labor market can reduce costs by using economics of scale in management.

4.1 Analysis of the Management System in the Initial Period (1941-1973)

In the early period (1941 – 1973) the banks' business was heavily affected by political patronage. Moreover, the dispersion of bank positions to individuals who are family members or non-family members and overseas activities also contributed to the banks success. We can illustrate the evidence to substantiate the above statement as follows:

In 1941, the Phibun government had adopted an economic nationalistic policy. One of the policy measures was to eliminate foreign merchants. Hence, Chinese-owned firms could hardly run their business without political patronage. The banking business was no exception. As a result, between 1941 and 1945, BBL and TFB, which were owned by the Chinese immigrants, had to seek political patronage. These banks invited politicians to become board members in order to obtain business security and privileges. For example, BBL was under the patronage of Brigadier-General Siri Siriyothin (Chairman in BBL between 1953-1956). Siri at that time was a core member of the most influential military (Soi Rachakhru group) led by Field Marshal Phin

Chunhawan (Army Commander-in-Chief) and Police Director-General Phao Sriyanon. After obtaining full government support in 1953-1956, BBL took a great opportunity to expand its banking business. It was entrusted with handling all the banking services relating to the government. In 1953, Brigadier-General Siri Siriyothin who was the deputy of the Ministry of Commerce used his power in the cabinet to allocate 30 million bahts of government funds to invest in BBL. The consequence was that the government had implicitly been the largest shareholder of BBL. The bank's registered capital immediately increased from 20 million bahts to 50 million bahts. In coping with the new political change, BBL immediately invited Field Marshal Praphat Charusathian to become its new Chairman place of Siri in December 1957. Such a practice had played important parts in boosting the BBL's rapid growth. In return, BBL had to pay its patron. During 1956-1960 the benefits were in terms of a salary, traveling allowance, the reception allowance, monthly meeting fee, and allowance for the board of directors.

TFB did the same thing as BBL. The bank invited Thanom Kitikajorn to be one of the committee board members between 1950- 1964. At that time, Thanom was neutral in the military power between Phin-Phao clique and Field Marshal Sarit Thanarat.

Between 1941-1965, SCIB had been under bureaucratic patronage instead of political patronage. The patrons were Lung Thamrongnavasawate, Kund Vimonsorakit, Pra Thumnunithipon, Prawarawongther Praonchao Pranupahanyukhon, etc. After 1965, the share of Kund Nirundonchai group declined because the Crown Property Bureau became the major shareholder. And Mr. Chalerm Cheo-sakul has been its chairman of the board of committee until now.

Such practices of BBL and TFB have produced the general belief that the banks' rapid growth have been achieved by mainly depending on the strong political patronage

of military leaders. The collapse of military rule in the 1973 revolution drastically changed this situation and affected the corporate structure of domestic capitalist groups. Those who depended on close connections with military leaders for their business expansion faced serious problems after they lost their previous political patronage.

Chin recruited persons outside of BBL's owner in 1952, when he took over the BBL management. Since 1951 the bank had been suffering from liquidity problems, a situation which worsened in early 1952. During this year, Chin hired two important professional persons from outside in order to overcome the financial difficulties that BBL was facing. They were Prasit Kanchanawat, a lawyer, and Bunchu Rochanasathian, an auditor. Prasit was educated in both Chinan University, Shanghai, in Chinese and Thammasat University. In this sense, he was one of the few lawyers who understood Chinese commercial practices. Moreover, he was a well-known person among military clique especially in Soi Rachachu group. He was made a BBL director in 1952 in order to supervise administrative and auditing work. He was finally promoted as chairman of the board after Chin retired.

TFB did the same thing as BBL. In 1964, Bancha changed the bank management from family control to a control by professional bankers. The important person is Narong Srisa-an.

The final important element contributing to the banks' growth is the wide network of their overseas activities. In BBL, as stated earlier, Chin engaged in international trade, insurance service, and foreign exchange between the late 1940s and the early 1950s. Through this business experience, Chin had a personal network between leading overseas Chinese at the major Asian ports. Later in 1975, TFB opened its first overseas branch in London.

Consequently in the early period (1941-1973), three Major elements of political connections, the dispersion of bank positions that are family members or non-family members, and overseas network were essential for the growth of banks.

4.2 Analysis of the Management System in the Present Time

In the present time, it can be concluded from the preceding topic that these banks have attempted to adopt the internal labor market to manage their business. Although the banks still practice the family and patron-client system.

In this period, increasing a number of departments, namely a research department, a banking services administration department, a business development department, and a credit, has reorganized TFB and securities control department, asset management department.

Modern Management Practices

As has already been mentioned, the banks have attempted to adopt the modern management systems since 1974. The following are their practices.

(a) Organization Structure

In the old days, only a few family members could probably manage the operations of these banks. Since the economics and social situations changed, the new management system has taken place. Hence, we found that these banks began to decentralize their business by using the hierarchy organization in the form of a board of directors and an executive board. The board of directors is composed of the major shareholders, whereas the executive board is composed of some persons from the board of directors and professional bankers. Below the executive board are a number of departments. Each department is divided into divisions. Each division will focus on the delegation of authority and managerial functions. In order to

manage their business smoothly, such as the credit policy, the maximum credit is granted to branch managers, regional managers, and credit committee step by step. Whenever there are final policies decisions i.e., a big project, for instance, C.P. telephone 3,000,000 numbers, the board of directors will be meeting to find the solution.

(b) The Banks Practice in Their Human Resources Management

In order to minimize the costs of human resources management, we found that the Banks have attempted to adopt the internal labor management system. Recruitment is done at the first-level entry job such as the lower position staff especially first regular staff up to chief of division. All these banks have the same process of recruiting and selecting. They use interviews, written examinations and others. After recruitment, employees will receive intensive specific training. The main orientation of training is socialization exposure, human resources management skills, and technical skills. The degree of intensity of training in each field, however, depends upon the level of employees. This is the banks investment in human capital because of the banks intensive specific training, the value of marginal physical productivity of the workers increase after the training the banks try to capture future benefits of specific training. One method to capture the return is to use plans which include promotion, salary and fringe benefits, and pension plans.

After the candidate found out with an evaluation form and required supervision to review each employee, the promotion will occur. We can see the career path development from Tables 3.5 and 3.6. These tables are provided for the purpose of illustrating the sequences of vertical movement

of workers, which are defined in terms of channels of authorities within BBL, TFB, and SCIB respectively. This requires the employer to monitor performance and to create and implement a fair reward system.



Table 3.6. Career Path Development Comparisons among BBL, TFB, SCIB in Head-offices.

Headquarters	
Board of Executive	
Chairman ▲	BBL, TFB it depends on many factors such as seniority, potential, and nepotism.
Vice Chairman ▲	The committee board will chose the suitable persons for these position.
Executive Board ▲	SCIB, the bank of Thailand suggests some executive management team to cope with the bank's problem.
Department	
Manager of Department ▲	BBL, TFB, it depends on many factors such as education level, seniority, nepotism, and so forth. SCIB, almost all those hired are professional bankers.
Senior Vice Manager of Department ▲	BBL, TFB average 4-5 years depends on education and seniority and SCIB average 3-4 years. The chairman and board of executive will choose this position.
Assistant Vice Manager of Department ▲	Same criteria as senior vice manager
Division	
Chief of Division ▲	BBL, TFB average 4-5 years depending on education and seniority and SCIB average 3-4 years. The president of a department will choose and then board of executive will approve this position.
Vice Section Chief ▲	Same criteria as chief of section.
Middle Operation Staff ▲	BBL, TFB and SCIB average 2-3 years, it depends on the education level on each person. This position is choose by the chief of the section and the manager of the department.
First Operation Staff ▲	BBL, SCIB, the same for recruiting new workers and the experienced worker who can get special salaries for an experienced level but for TFB criteria for every new worker is that each will get the same salary rate.

Table 3.7. Career Path Development Comparisons among BBL, TFB, SCIB in Branches.

Branches	
Zone Manager ↑	BBL, TFB it depends on potential for this position so it is not necessary for examination.
Manager in Each Branches ↑	BBL, TFB average 4-5 years The candidate for this position must be interviewed and examined. SCIB average 3-4 years. The candidate for this position must be interviewed and some persons are exempted from examination. All these bank positions choose by the board of executives.
Assistant Management ↑	Same criteria as that for a manager in each branch.
Cashier ↑	All these banks average 2-3 years. Use of interviews and examinations. For this position, the manager in each branch makes the decision, zone manager and the president of each branch department will approve.
Assistant Cashier ↑	Same criteria as that for a Cashier.
Teller of Accounting or Credit Analysis ↑	BBL, TFB and SCIB average 2-3 years, choose by branch manager, zone manager and approve by the president of the branch department.
Operator worker ↑	BBL, SCIB, the same for recruitment of new employees and experienced worker who can get the special salaries for experience. TFB are difference because new workers and experienced persons start the job at the same salary rate.

Therefore, workers who are careless are appropriately punished. Punishments include demotion, dismissal and so on.

Aside from promotion, the banks also use the salary and fringe benefit to keep the workers who receive specific training. The benefits help to reduce the costs of workers turnover. The banks can also structure their fringe benefit plans in order to attract a

particular supervisory person. For instance, TFB provided some fringe benefit for the supervisory positions (As shown in Table 3.7).

Table 3.8. Some Fringe Benefit Available for Employees.

Order Fringe Benefit	Position	Range of Benefit (Unit : Bht)
1. Auto Mobile and Driver	Branches Manager Zone Manager Manager of Department Executive Board Senior Executive Board	Toyota Corona 1800 CC Toyota Corona 1800 CC Toyota Altis 1800CC Toyota Camry 2000 CC Toyota Camry 2000 CC
2. Stock	All	200-1000 shares
4. Housing loan	All	< 700,000 I=4% >700,000 I=6%
5. Bonus	All	2 months

BBL, which hired some professional bankers to sit in high positions in the banks, must pay very high salaries and fringe benefits to attract these persons. Consequently, BBL has a more flexible wage structure and more flexibility than TFB practice.

Finally, the third element is the banks' pension plan. The employment contract is an incomplete one such as employees can quit before they receive their share investment in training. For this reason, the banks must have the pension plan, which is structured for workers who quit or voluntarily choose to retire. The total value of pension benefits is equal to the employee's last month's salary rate multiplied by the length of working time. Thus the banks pension plans have been in the forms of income protection and disability insurance for the terminated workers.

All Three elements decrease the turnover rate of employees. It was found that the average turnover rate of BBL, TFB is 2-3%, for which SCIB has a higher turnover rate of 4-5%. The reasons for such a higher rate are promotion ladder conflicts, on-the-job training, and problems of salary are all huge.

Consequently, when we analyze the banks human resources management practices, we can say that TFB tends to have a higher degree of internal labor market rather than traditional management than BBL and SCIB. TFB policy is not to fill in the vacant positions by outsiders. It also practices extensive specific training programs, high wage rates structures, and thus has a lower labor turnover rate.

There is an economic explanation for such behavior. The internal labor market can reduce cost by using economies of scale in management. Economies of scale may be due to; Specialization is sometimes called increased division of tasks or operations, which resulted in division of labor.

As for dimensional factors, large-scale firms often require proportionately less input per unit of output simply because certain inputs do not have to be physically doubled in order to double output. In regard to improved productive equipment, the larger the scale of the enterprise, the more it is able to take advantage of large volume types of machinery. Consequently, economics of scale encourages the gathering of banks' activities in the form of a hierarchical organization and internal labor market structure. Moreover the owners of large firms especially commercial banks cannot directly monitor the employees' performance. Hence, the owner will delegate the power to supervise the firm.

Family and Patron-client Practices

Although banks have adopted modern management practices, they still rely upon family management and patron-client system in their management:

(a) Personal Relation

We found some evidences that the banks adopted personal relation in their management practices. There are no fixed standards on how to promote employees. There fore, the patron-client system still exists because according to human nature, people still want protection, prestige and privilege between each other. In case of middle managers, there are some persons who receive special support and are promoted at a faster rate. There are two examples in BBL that can substantiate the point.

The first case involves Thon Buri Branch manager whose elder brother is the secretary of the boss.

In the second case, the manager of personal department was greatly supported since his wife has connections with the owner of the bank.

Aside from their capabilities, the patron is also an important factor in their movement up the organization in the job ladder. TFB has also experienced this phenomenon. The middle managers of TFB are able to progress in their careers. These persons have potential and good personal relations with the owner of the bank. These particular employees and their patrons also engage in socialization, and the like. These relations push these persons up to higher positions.

If such organization were patron-client networks, it would be possible for the owners to control the entire business by patrons, which would be the key persons in the group. Usually, there is a supporting group within each

department or division. A group's influence may span across different levels of the organizational hierarchy. However, such a working environment would lead to inter-group conflicts and efficiency and effectiveness of the organization would be extremely low. To make things worse there is the phenomenon of collective staff turnover resulting from the inter-organizational migration of a patron-client group. This phenomenon is usually initiated by the resignation of a frustrated group leader who then joins another organization taking all his disciples with him, more or less, at the same time. For instance, in TFB, in one of the branches a manager resigned from the bank in order to work in another firm. Those employees with whom he had a patron –client relationship resigned from the bank to work with the patron in the other firm.

Many businesses have patron-client relations with prominent persons outside the banking business. This is advantageous for a bank since such relations provide social acceptance and security. In commercial banks, business communication emphasizes on personal contacts. For instance these banks invite professional bankers who have good connections with other persons to sit in important positions in their bank.

Aside from this, we can illustrate the characteristics of recruitment and selecting staff of these banks as follows:

For lower positions including those ranging from regular staff member up to a chief of division, all these banks have the same practice. For the upper first line supervisors, the banks still employ the traditional management system, which pertains to the patron-client system. In other words, we found that the banks create supervision by two methods.

The first is for a bank owner to generate by himself, the second is inviting a professional banker from the external labor market.

We found that BBL tries to develop its own top management team by two methods Firstly, BBL recruits capable persons and promoted them into top managers through training. By the invitation method, the bank will invite professional bankers, who have personal relationships with the owner of the bank from many enterprises, and well-known persons to sit in the positions ranging from a first line supervisor to a member of the board of committee.

In contrast TFB, uses only the first method, in other words personal supervision. The bank tries to create executive employees by granting scholarships, to any new graduated person who has ability, potential, and intelligent. These scholarship recipients would return after finishing their studies to serve the bank in key positions. Hence, we found that these persons will receive promotions in only a few years of work in the bank. In clearer terms within a minimum of 5-8 years, such a person will be promoted to assistant vice president position.

In SCIB, the bank carries out the recruitment and selection of top executives by the second method, in other words, inviting the professional bankers from external sources in order to solve the banks long-term problems.

It can also be seen that the recruitment of high position staff in BBL is different from TFB. BBL has been successful in inviting professional workers i.e Bunchu Rojanasatein, Prasit Kanchanawat. These persons help in making the bank grow successfully. In TFB, Bancha has a good

educational background. He encourages his employees who have the ability to study abroad by giving them the bank's scholarship. After graduating, these persons are promoted to high positions.

(b) Employment Relationship

These banks practices resemble the Thai patron-client system. For example, if a worker experienced an accident, which incapacitates him, the banks will help by paying a compensation amount for the employees' hospital fees. Moreover the banks help the disabled employees' children by paying for the child's education or recruiting them to work with the banks.

In addition, there was union representative who commented about employees' compensation and asked the boss to increase the compensation. The boss disregarded this comment, however after the man changed his negotiation tactics from a bargaining method to the method of begging for the boss' help, the boss decided to yield to the demand. This process showed some aspects of the patron and client system prevail in the employment relationships in real practice of these banks nowadays.

V. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

From the study it seems that certain changes are necessary. This does not mean that traditional practices are inefficient. However, the structure of the banks should adapt to the changing environment. Consequently, in the first period (1941-1973), the bank operated the business in the giving positions to family members and others outside the family and receiving patronage from politicians. At present the bank has adopted the internal labor market system to manage their business in order to achieve economies of scale. Besides the internal labor market system the patron-client system of jobs to family and non-family members system are still employed to a certain extent.

The principal conclusion of this study is that the internal labor market structure has been intensively practiced by TFB. This is supported by the following, the lower number of job openings for the external labor market, extensive specific training program, high wage rate and fringe benefits, and low rates of worker turnover.

Implications

The study of these banks results in three points of view representing explanations for the same phenomenon as follows:

- (1) We can understand the reasons why banks have long been dominated by a family network and patron-client system. This is necessary because of the status consciousness of the Thai society. Moreover, the relationships in all hierarchies tend to be connected to the bank's growth rate.

- (2) The micro level creates a better understanding on how bank has developed its management style. Hence, it should help provide a clean background for present practices to the employees. This would include career planning for employees, development policies, intensive marginal training programs, salary and fringe benefits and the termination of a worker in the bank. This practice of offering various benefits to employees is aimed at persuading employees to remain with the bank throughout their entire lifetime.
- (3) The achievements of the bank at macro past to present level have enabled them to develop a more or less permanent dominance in the banking sector. The micro level achievements pertain to recruitment, screening, training, motivation, and the like; have also contributed to the banks' success. This causes the occurrence of the monopolistic capitalist structure of the bank management in the present time.

5.2 Recommendations

Human Resource Planning for the Future

Human resource management (HRM) encompasses a variety of techniques, programs, and information sources used to attract, maintain, develop, and allocate people to organizational roles. Formerly referred to as personnel management, HRM has been so designated to convey the increasing emphasis on people and their skills as resources critical to the effectiveness of the organization. Strategic human resource management links the functions of HRM to strategic planning and by doing so shapes the organizations of the future.

The strategic role of HRM derives from its impact on three basic problems faced by all organizations to some degree: efficiency (input/output ratios), maintenance of stable operations and workflows, and adaptation (to changing environments and in

response to opportunities). Future changes will affect all three-problem areas. In all problem areas there exist some traditional issues as well as new, emergent ones: the traditional personnel focus on staff selection, training, and staff development, and emerging demands for a restructuring of employer/employee relations, and enhancement of innovative activities in organizations.

How will the work force accommodate to changing technology and demands for new skills? The answer depends largely on the adequacy of training programs. New technologies and resultant training needs seem to operate in cycles. When new technology is introduced, extensive training is provided; current employees are upgraded because neither the internal nor the external labor market has the necessary expertise. Once the technology is widely adopted, to the point that equipment is standardized, employers lose employees to other firms. Company-specific skills become general ones. Training shifts out of the workplace and into the schools. Finally, when the industry, and perhaps the technology itself, declines, demand for skills contracts and training focuses on replacement needs for the organization and on the retraining of displaced workers. Currently, office automation, LAN, WAN, Internet technologies are available in organization.

Increased technological complexity, coupled with labor saving technologies, suggests that future employees will do work that is scope than that at present. Computer-aided design specialists can work on many more projects than did their pre computerization. Counterparts. Specific technical advances will mean that skilled employees will be called to use more discretion, judgment, and problem solving- especially in firms whose innovator is their market advantage.

In the future we anticipate rapid introduction of new technologies, in particular office automation, have allowed organizations to adjust their labor costs to a fluctuating workload, to reduce some overhead costs, and to eliminate secondary labor costs such as benefits packages. Home-based workers are the example of using advances in telecommunications and computers. Computer design firms often use home-based work as a means of encouraging innovations. Conscious of the importance of settings conducive to thinking and reflection and of the need to protect creative time, designers, programmers and other staff often have the option of working at home two days a week (or more) and coming to the office for the remainder. Computers and telecommunication systems make this possible; a management accustomed to giving employees autonomy can make it successful.





Thai Farmers Bank Public Company Limited Organization Chart

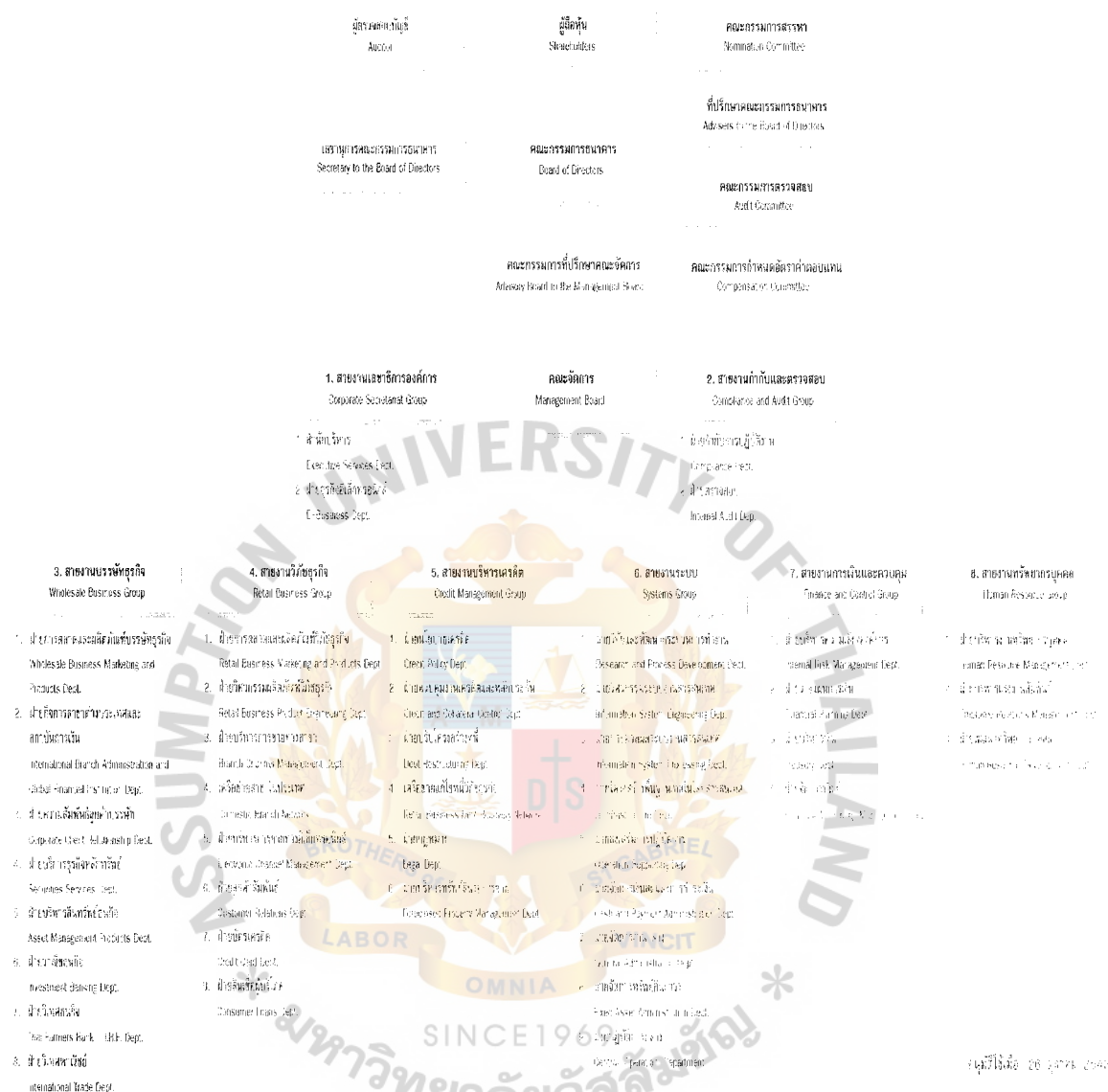
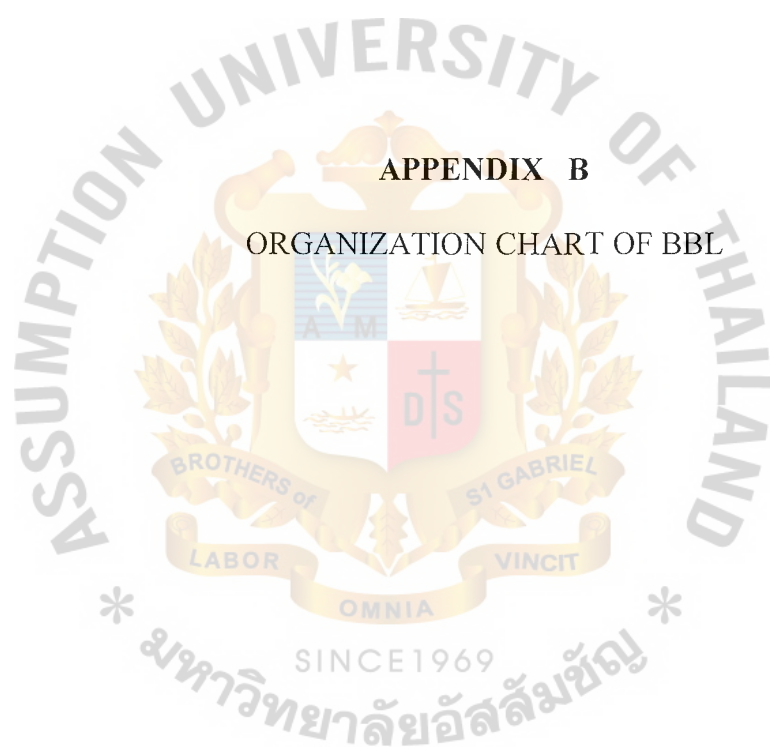


Figure A.1. Organization Chart of TFB.



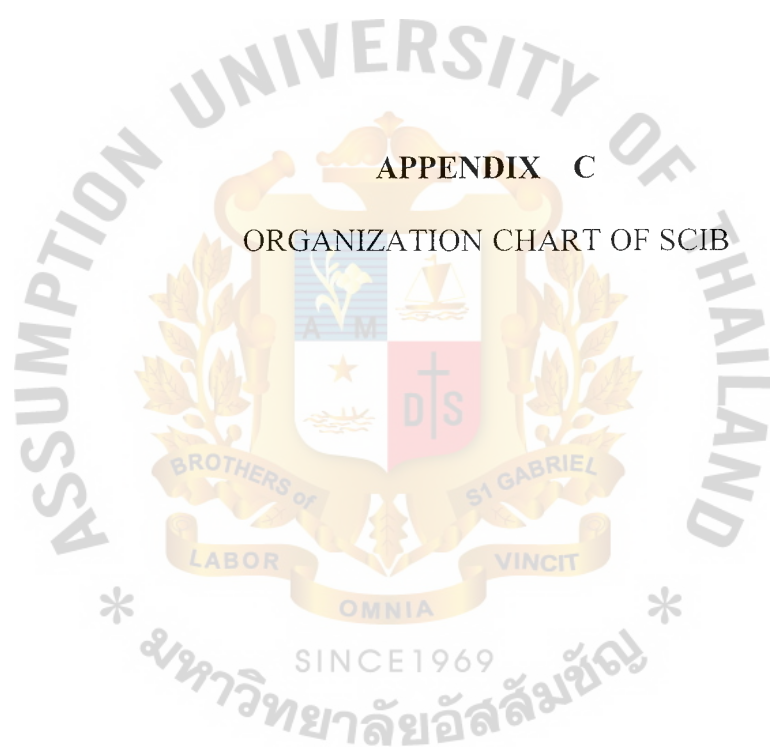
APPENDIX B

ORGANIZATION CHART OF BBL

Bangkok Bank Public Company Limited Organization Chart



Figure B.1. Organization Chart of BBL.



APPENDIX C

ORGANIZATION CHART OF SCIB

Siam City Bank Public Company Limited Organization Chart

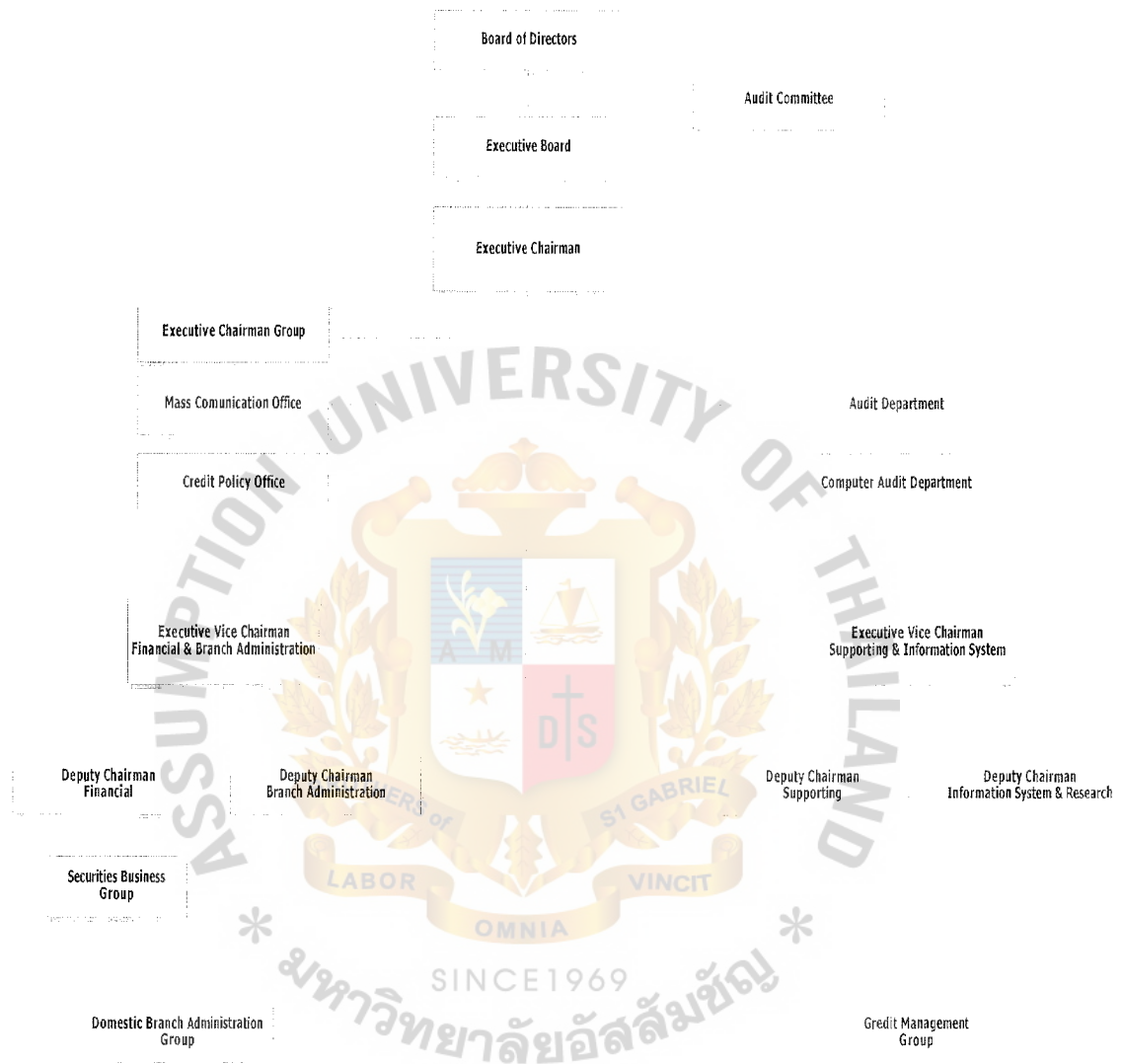


Figure C.1. Organization Chart of SCIB.

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