

HUMAN RESOURCE STRATEGIES IN THE THAI BANKING INDUSTRY

A Dissertation

Presented to the Faculty of the Graduate School

of Cornell University

in Partial Fulfillment of the Requirements for the Degree of

Doctor of Philosophy

by

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January 2017

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Cornell University 2017

This dissertation examined three main research questions: (1) To what extent are there skill problems in the Thai banking industry and what explains these problems?; (2) How do banks solve these skill problems?; (3) Why is there variation in firm-level human resources (HR) strategies among banks in Thailand? The paper applied a qualitative research design consisting of two sequential phases. Phase I involved 77 interviews with key informants to explore the changing nature of the Thai banking industry and examine skill problems that may inhibit the development of this industry. Phase II examined four case studies of banks to analyze their HR strategies and practices (an internal versus external labor market strategy) in a variety of dimensions including job definition, recruitment and selection, training, mobility patterns, pay, and job security among three main occupational groups: relationship managers, branch managers, and product managers. This aided in establishing a foundation to understand the key independent variables that might play a role in the variation in HR strategies and practices among these banks. This phase consisted of 47 interviews with these three groups of managers.

This dissertation has three main findings. First, the transformation in the Thai banking industry brought about by the Asian financial crisis has led to important and contradictory changes in the skill requirements of managerial and professional jobs. On the one hand, a change in business strategy – shift of focus from loans and deposits to fee income – has led to a deskilling of entry level jobs in relationship and branch management. Jobs previously designed to develop client relationships are increasingly focused on high-pressure sales and located in call centers with intensive monitoring and performance management systems. On the other hand, changes in regulations following the crisis and advances in information

technology have led to an upskilling of product management job requirements, with greater demand for technical and specialty skills. This deskilling and upskilling of jobs has exacerbated the problem of skill shortages among the three groups of managers. Second, given the two types of skill problems, banks should in theory rely on an internal labor market strategy to solve these problems. In reality, however, there is variation among banks in their firm-level HR strategies. Some banks have retained their internal labor market systems, whereas other banks have adopted an external labor market strategy or a mixed 'hybrid' approach. Third, institutional legacies and ownership structures of banks play a role in explaining this variation.

Findings contribute to an institutional perspective on strategic human resource management (HRM) by demonstrating how the national skill formation system and firm-level antecedents, particularly institutional legacies, shape firm-level HR strategies and practices. In particular, this research focuses on demonstrating why firms, located in the same industry and country contexts, do not converge towards similar models of employment practices.

BIOGRAPHICAL SKETCH

Chaturong Napathorn grew up in Bangkok, Thailand. He received his Bachelor's Degree of Business Administration (Finance and Banking) with first-class honors from Chulalongkorn University in Thailand. He received his Master of Industrial and Labor Relations from the ILR School at Cornell University with a full scholarship from the Bank of Thailand. He worked at several departments at the Bank of Thailand before joining the Thammasat Business School at Thammasat University as a lecturer. He has been an MS/PhD student at the ILR School at Cornell University since fall 2011 with a scholarship from Thammasat University. He received his Master of Science in Human Resource Management and Industrial Relations from the ILR School at Cornell University in 2014.

ACKNOWLEDGEMENTS

There are many people who contributed to the research and writing of this dissertation as is common in the case of qualitative research, I would like to thank all of the interviewees in Phase I and Phase II of my research. I would also like to give many thanks to the Chief Executive Officers (CEOs) and presidents of banks and organizations who gave me permission to conduct interviews with their employees. I would like to extend my respectful thanks to the professors in Thai universities whom I discussed with and gained insights from regarding the feasibility of this research project. I wish to give my special thanks to my PhD friends and colleagues at the ILR School at Cornell University for extending their friendship that always made me feel right at home.

Grateful thanks to the Einaudi Center at Cornell, the Benjamin Miller Scholarship Fund, and the Southeast Asia Program at Cornell University for their financial support for this research. I would like to express sincere appreciation to Thammasat University for providing the scholarship throughout my PhD study. Sincere thanks to Thammasat Business School at Thammasat University that supported my opportunity of studying PhD at Cornell. I am very grateful to my professors at Cornell who taught me a great deal in classes and through conversations. I would like to express my deepest gratitude to my PhD committee members: Rosemary Batt, Sarosh Kuruvilla, and M. Diane Burton who provided me with significant comments, critiques, and suggestions. I owe a special thank you to Sarosh Kuruvilla for his invaluable comments and feedback on this research paper and several other papers for the past several years. Of course, my advisor, Rosemary Batt, deserves special heartfelt thanks and sincere respectfulness. She has supported me in ways too numerous to list here, even during a period of serious illness. She gave me her detailed feedback on my writing and ideas and this helped me to restructure this dissertation.

Finally, I really wish to express my respect towards my father, my mother, my elder sisters, my elder brothers, my nephews, and my nieces for their unlimited love, fun, advice, and other supports. I am sure they will be very proud of my PhD degree from Cornell. There is too much to say about the contribution my wife, Suchada, has made to this dissertation and my PhD student life at Cornell. She is truly a partner in my study and my life.

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CHAPTER 1

INTRODUCTION

Employees are one of the most important resources for firms, particularly those located in emerging market economies, where problems of occupational-level skill shortages are exceptionally severe (Kuruvilla and Ranganathan, 2008). Here, “skill shortages” refer to the difficulty firms face in recruiting individuals with job-related skills from an external labor market under current market conditions due to low number of applicants (Cappelli, 2015; Schwalje, 2011).

Although, prior literature has shown that firms have shifted away from the internal training and development of their own employees to an external labor market strategy, some firms still rely on the former strategy. Deficiencies in a country’s national skill formation system in cases of skill shortages in labor markets can explain why firms operating in that country may need to use internal training and development even when they would prefer not to, or why they do not do so when they operate in their own or other countries with more adequate skill formation systems. The “national skill formation system” here refers to the full range of formal and informal vocational, technical, and skills-based education and training for employment. The goal of this dissertation is to conduct research that provides theoretical contributions to an institutional perspective on the strategic human resource management (HRM) literature – how national institutions shape and constrain the strategic choice available to firms.

Here, I thus intend to extend the literature on an institutional perspective on strategic HRM. In particular, I focus on the role of the national skill formation system and the role of firm-level antecedents, particularly institutional legacies, in shaping and constraining how firms within the same knowledge-intensive industry and country manage their employees. Additionally, I consider applying the strategic HRM literature on an internal versus external

labor market strategy to understand how firms source, develop, and manage their employees at the firm-level and occupational-level. Given that the knowledge-intensive industry is a vital engine for national economic development, this research will also have policy implications for national governments, public and private universities, industry associations, and firms in emerging market economies.

I chose to take a “sectoral” approach in this dissertation because it allows me to compare firms operating in the same product market – thus holding external factors constant in order to compare internal human resources (HR) practices. I chose to explore the banking industry because I believe that this industry provides appropriate context. As a knowledge-intensive industry, the importance of having a well-trained workforce with the necessary general and industry-specific skills is central to performing effectively.

Thailand is an appropriate context for studying the question of skill development because it is one of the emerging market economies where problems of occupational-level skill shortages are quite severe. The financial system in Thailand is particularly appropriate as a research site because economic development depends importantly on the banking system. Thailand is still a “bank-dominated” financial system as the majority of leading companies in Thailand in almost every sector rely on bank loans, products, and financial instruments. The long-term relationship between large commercial banks and a variety of interest groups has played a crucial role in supporting national economic development during the past centuries. Businesses and firms in Thailand use bank loans as their major source of capital. Thai people give more weight to banks and financial institutions than to the stock market. In this respect, Thailand’s financial system is regarded as “a bank-based system.”

At the same time, banks in Thailand have been facing serious shortages of qualified and capable employees especially since the Asian financial crisis in 1997. The main reasons for these shortages are (1) stricter regulatory requirements in the banking industry after the

Asian financial crisis to reduce the number of non-performing loans, which have led to a high demand for specialists having knowledge on risk management and compliance, (2) greater focus on fee-based income rather than interest-based income that have led to a higher demand for product development specialists, product managers, and tellers and sales associates who can be promoted to branch managers, and (3) technology changes that have led to a higher demand for information technology specialists, product development specialists, and product managers.

Nevertheless, experts have noted that Thailand's skill formation system does not play an appropriate role in producing highly educated graduates who are ready to work in the banks and in other knowledge-intensive industries, leading the country to the middle-income trap (Suehiro and Yabushita, 2014). [The middle-income trap occurs when an economy that has reached middle-income levels on a per capita basis is unable to transition to high-income levels (Jankowska, Nagengast and Ramón Perea, 2012). The quality and capability of people are considered one of the most important factors that will help Thailand to escape the middle-income trap (Van Tho, 2013).] Thailand's national skill formation system does not produce industry-ready graduates. The curriculum appears to focus on technical skills, but those skills are not aligned with the needs of the banking industry or banks. The curriculum does not reflect the real working environment in the banking industry. Banks in Thailand must hence address these skill problems by adopting different employment practices.

In particular, some banks prefer to develop employees internally to respond to the problems of occupational-level skill shortages, while other banks prefer to hire employees externally. Much has been written about changes in employment relationships -- the norm of an internal labor market or internal development has started to decrease as firms turn to external hiring in order to reduce costs related to internal training and development. In fact, however, internal development strategies are still being implemented in several banks in

Thailand to address the weakness of the national skill formation system of the country, but the extent to which they rely on these strategies may vary, probably depending on several factors.

Drawing on a variety of literature, including an institutional perspective on strategic HRM regarding the role of the national skill formation system and firm-level antecedents in shaping firm-level HR strategies and practices, as well as strategic HRM regarding an internal versus external labor market strategy, I thus intend to answer the following research questions.

- 1) To what extent are there skill problems in the Thai banking industry and what explains these problems?
- 2) How do firms (banks) solve these skill problems?
- 3) Why is there variation in firm-level HR strategies among banks in Thailand?

Specifically, why do some banks focus more on internal development of their managerial and professional employees, while others pay more attention to external hiring of managerial and professional employees or create a mixed ‘hybrid’ approach?

To answer these three research questions, this dissertation applied a qualitative research design consisting of two sequential phases: Phase I and Phase II. First, during the exploratory stage (Phase I), multiple interviews (77 interviews) were conducted to explore the problem of occupational-level skill shortages in the Thai banking industry and how this problem shaped firm-level HR strategies and practices. My main sources of data for this phase were interviews with key informants in a range of positions, including presidents, Chief Executive Officers (CEOs), independent directors, advisors, top managers (e.g., a senior executive vice president (human resources) and an executive vice president (product management)), middle managers (e.g., a senior vice president (human resources)), first-line managers (e.g., an HR strategist), and professional employees (e.g., an investment

consultant). I conducted these interviews with people working in a wide range of institutions in Thailand, including banks, other financial services companies such as securities and insurance companies, Thai Bankers' Association, Association of International Banks, Department of Skill Development under the Thai government, consulting companies, public universities, executive recruitment companies (headhunters). These people have had extensive work experience or consulting experience in the banking industry over years. This qualitative exploratory research helped me formulate my specific research questions and working hypotheses that I used in Phase II of my research.

During Phase II, I developed a more comprehensive understanding of the Thai banking industry and its transformation, as well as identified what criteria I would use to determine a) my selection of case study banks; b) the key independent variables that I would focus on [i.e., institutional legacies and ownership structures]; and c) the key occupational groups I would focus on.

In particular, I conducted fieldwork on four case study banks, based on what I learned in Phase I and chose four banks that differ in their institutional legacies and ownership structures. That said, I chose two banks that are protected from the external market pressure of the Asian financial crisis. These two domestically-owned banks (Kasikorn Bank Public Company Limited and Krung Thai Bank Public Company Limited) have continued their previous ownership structures even after the Asian financial crisis. Kasikorn Bank is a family-owned bank, whereas Krung Thai Bank is a government-owned bank. I chose two other foreign banks (Bank of Ayudhya Public Company Limited and Standard Chartered Bank (Thai) Public Company Limited) that changed their ownership structures after the Asian financial crisis in 1997. Bank of Ayudhya was taken over by General Electric (GE) Capital Group and this takeover, during the period of 2007 – 2013, has become a key force in shaping the bank's firm-level HR strategies. This bank has however recently been taken over

by Bank of Tokyo Mitsubishi UFJ, a Japanese bank. In other words, this bank's HR strategies are as much or more influenced by the US, one of the liberal market economies (LMEs).

Standard Chartered Thai is a UK-owned bank, which also happens to be an LME.

I used a matched-case comparison design of four leading banks in Thailand because this approach allows the researcher to examine the variation in their HR strategies and practices: these firms differ in their institutional legacies and ownership structures. Moreover, these four case study banks are similar in several factors, including their segment, their banking industry, and their size.

Given the complexity of occupations and specialties in the banking industry, I also decided to focus on three core occupational groups – ones that my interviewees indicated suffered skill deficits and are critical to bank performance. Specifically, I chose to explore the occupational groups of relationship managers, branch managers, and product managers across four case study banks.

Therefore, my main sources of data in this phase were several interviewees who were in the same occupational group(s) in each case study bank, and analysis of archival documents related to the national skill formation system, the Thai banking industry, and each bank's HR policies and practices. In particular, Phase II research included a total of 47 semi-structured interviews with a group of relationship managers, branch managers, and product managers in four case study banks, more than 30 visits to headquarters and branches located in Bangkok and nearby provinces, and research in company archives and web-based resources. Non-participant observation of characteristics and behaviors of managers and employees in these four case study banks occurred during the period of pre-interviews, interviews, and post-interviews. I also reviewed archival documents and web-based resources such as interview reports and history and background of each bank, to better understand the growth of all of the four case study banks.

The evidence from Phase I of this dissertation shows that the transformation in the Thai banking industry brought about by the Asian financial crisis has changed the demand for skills and has led to two types of skill problems at the same time: deskilling and upskilling of jobs. Deskilling refers to the reduction of the breadth of skills required from workers who perform their jobs and the reduction of control over the ways jobs are performed (Cappelli, 1993). By contrast, upskilling means that employees must learn new skills that extend the present duties and responsibilities of their jobs. In this case, the group of employees needs higher levels of training (Kearsley, 1989; MacDuffie and Kochan, 1995; Osterman, 1995). This deskilling and upskilling of jobs has exacerbated the problem of skill shortages in this industry, especially among the groups of relationship managers, branch managers, product managers. These skill shortages actually existed during the pre-crisis period but they have been exacerbated after the Asian financial crisis due to three main reasons: regulatory changes, change in banks' focus from interest-based income to fee-based income, and advances in information technology that have led to the emergence of digital banking system.

On the one hand, a change in business strategy – from one based on loans and deposits to one based on fee income – has led to a deskilling of entry level jobs in relationship and branch management. Jobs previously designed to develop client relationships are increasingly focused on high-pressure sales and located in call centers with intensive monitoring and performance management systems. Specifically, graduates from first- or second-tier universities are not attracted to sales and teller jobs because they view the status of these jobs as low as these jobs only require graduates with selling or marketing skills without the need of strong analytical skills. Additionally, banks have implemented several new management practices among sales associates and tellers according to the new business strategy that focuses on fee-based incomes, such as monitoring through closed-circuit television (CCTV), setting very high sales targets and key performance indicators, and

complying with several regulations, rules, and procedures. In this regard, banks have faced the shortage of graduates from first- and second-tier universities and have had to recruit graduates from third-tier universities to perform these jobs instead.

The quality of graduates from third-tier universities, however, is not as high as that of graduates from first- or second-tier universities. Banks have hence had to pay attention to training and development of these graduates over time to prepare them better to work at the branch level. Nevertheless, due to poor working conditions, the turnover rates among third-tier university graduates are very high. When these graduates are able to find new jobs, they typically resign from banks immediately, primarily because they do not like to work under the pressure of very high sales targets and KPIs. The deskilling of jobs among sales associates and tellers especially at the branch level has thus exacerbated the shortage in supply of people who can be promoted to become relationship managers and branch managers.

On the other hand, changes in regulations following the crisis and advances in information technology in the banking industry have led to an upskilling of product management job requirements, with greater demand for technical and specialty skills. Currently, product managers must have advanced knowledge and skills in finance, banking, and accounting and must have strong mathematical and analytical skills. This upskilling of jobs has thus led to a relative shortage in the supply of graduates who can be promoted to become product managers because of two important dimensions. First, there are critical imbalances between the supply of graduates and the needs of labor markets. In particular, there has been an over-supply of graduates in the areas of social sciences and business administration, whereas there has been an under-supply of graduates in the areas of engineering, science, finance, banking, and accounting. Second, there has been a shortage of supply of graduates who have strong analytical skills and have excellent relationship building

and interpersonal skills. Overall, there has been a shortage of supply of university graduates with advanced knowledge and skills in finance, banking, and accounting with strong mathematical and analytical skills as well as relationship building and interpersonal skills who can become product managers in the future.

According to the two types of skill problems in the Thai banking industry, due to deskilling and upskilling of jobs that have led to the problem of skill shortages at the occupational group level, banks located in a country with deficiencies in the national skill formation system, should in theory rely on an internal labor market strategy to solve these problems. In reality, however, banks face competing pressures. On the one hand, they have a need for firm-specific skills, suggesting that they should adopt an internal labor market strategy. On the other hand, they face financial pressures that argue against the cost of investing in training, suggesting that they should adopt an external labor market strategy.

Based on my in-depth field research, some banks in Thailand have responded by primarily retaining their internal labor market systems, whereas other banks have adopted an external labor market strategy or a mixed 'hybrid' approach. I argue in this dissertation that other organizational factors, particularly institutional legacies, shape firm-level HR strategies. Central to this argument is the idea that ownership structures matter. "Institutional legacies" here refer to institutions that persist and affect firms over long periods of time (Greve and Rao, 2014). Here, I argue that the institutional legacies of paternalism in family-owned and government-owned Thai banks continue to drive adherence to the historic use of internal labor market systems. Additionally, in banks that changed ownership or were sold to foreign investors as a result of the Asian crisis, I observe more variation or breakdown in internal labor market practices and adoption of external or hybrid approaches. This varies, however, depending on whether the foreign owners come from liberal market economies (LMEs) or

Coordinated Market Economies (CMEs). Thus, I argue that the influence of home country norms and institutions may affect how Thai banks have pursued alternative HR strategies.

The evidence from the four case study banks I examined in Phase II -- Kasikorn Bank, Krung Thai Bank, Bank of Ayudhya, and Standard Chartered Thai -- support the main argument that institutional legacies and ownership structures play a role in shaping firm-level HR strategies. In particular, Kasikorn Bank, Bank of Ayudhya, and Standard Chartered Thai were Chinese-Thai family-owned banks before the Asian financial crisis, while Krung Thai Bank was a government-owned bank before the financial crisis. The institutional legacies of all of the four case study banks, however, were paternalistic in nature before the crisis. Creating a family-like atmosphere was crucial in retaining high-potential employees over long periods of time. All of the four banks developed internal labor market systems to train and develop their own managerial and professional employees and they expected loyalty and deference from these employees, as evidenced by interviews with the managerial and professional employees at different levels across these case study banks. After the financial crisis, however, two banks (Kasikorn Bank and Krung Thai Bank) have continued their ownership and institutional legacies of paternalism. The other two banks (Bank of Ayudhya and Standard Chartered Thai) changed their ownership after the financial crisis due to financial losses. The family-based ownership and institutional legacies of paternalism were thus discontinued in these two banks.

On the one hand, the evidence from the case studies of Kasikorn Bank and Krung Thai Bank supports the argument that the continuity of ownership and institutional legacies of paternalism in both banks allowed them to continue to follow their traditional paternalistic practices after the Asian financial crisis. In 2016, despite regulatory changes, competitive pressures, and development of digital banking, they continued to maintain strong internal labor market policies in general, and for their key occupational groups in particular.

Kasikorn Bank has been a family-owned Thai bank in the Thai banking industry. The founding owners, the Lamsam family (a Chinese-Thai family), have continuously played a crucial role in managing this bank and its affiliates even after the Asian economic crisis. These founding owners have preferred internally developing their own managerial and professional employees at every level for a long period of time to ensure that these employees have interests that are aligned with the corporate culture, and interests of the founding owners and the Board of Directors of the bank. According to the institutional legacies of Kasikorn Bank, the first five presidents of the bank were members of the Lamsam family while the current set of presidents consists of the bank's scholarship students. Additionally, more than 50% of senior executive vice presidents of Kasikorn Bank are the bank's scholarship students. The bank has never discontinued offering scholarships to high-potential students. In the year of Asian financial crisis when every bank discontinued offering scholarships to high-potential university graduates to further their Master's Degrees in the US or the UK, the bank continued this policy.

Krung Thai Bank is the only government owned commercial bank in the Thai banking industry. The founding owner, Thai government, has consistently played a crucial role in managing this bank as it is the government's primary tool in implementing a variety of financial policies. Through government-owned policies and strategies, such as the principle of life time employment, the Thai government has thus fostered a culture of internally developing its own managerial and professional employees at every level for a long period of time. The bank has recruited entry-level employees and developed them to become its middle and top managers. The bank has also implemented the no layoff policy and the status of its employees as state enterprise personnel, which supported a feeling of high job security among its employees. In this case, the turnover rate among its employees has been lower than that of other banks.

Although the ownership structure of both Kasikorn Bank and Krung Thai Bank is different, they have continued their ownership and institutional legacies of paternalistic practices developed historically. They have also continuously maintained an internal labor market strategy or strengthened it to manage the skills even after the sudden external shock of the Asian financial crisis.

On the other hand, the evidence from the case studies of Bank of Ayudhya and Standard Chartered Thai supports the argument that the discontinuity of institutional legacies and ownership in both banks after the sudden external shock of the Asian financial crisis reduced their commitment to internal labor market systems. These two banks have relied more on an external labor market strategy by implementing a mixed ‘hybrid’ approach for their groups of managerial and professional employees in response to external pressures.

Bank of Ayudhya was a Chinese-Thai, family-owned bank before the Asian financial crisis. After the financial crisis in 1997, the ownership structure of this bank was drastically changed. The majority stake of the bank was acquired by General Electric (GE) Capital Group, USA in 2007 and, thereafter, its majority stake has been acquired by the Bank of Tokyo Mitsubishi UFJ (BTMU), Japan in 2013. Currently, this bank is a privately owned bank with the majority stakes held by BTMU, a bank from one of the CMEs. Because BTMU has served as the major shareholder of this bank for less than 3 years, however, the institutional legacies of foreign ownership of banks from CMEs and the likelihood that this bank primarily adopts an internal labor market strategy for their managerial and professional employees have not become apparent in this bank, especially at the occupational level.

Rather, the bank has implemented a mixed ‘hybrid’ approach at the occupational level. In this regard, the institutional legacies of foreign ownership of banks from LMEs, based on the acquisition of majority stake in the bank and the management by GE Capital Group between 2007 – 2013 (approximately 7 – 8 years), have influenced the bank’s HR

strategies for managerial and professional employees. The case of this bank thus demonstrates that the discontinuity of institutional legacies and ownership of paternalism in a family-owned bank due to the change of ownership is associated with the erosion of an internal labor market strategy. Here, the likelihood that the bank has relied more on an external labor market strategy by implementing a mixed 'hybrid' approach for its managerial and professional employees is associated with the institutional legacies of foreign ownership of banks from LMEs. In the future, however, if BTMU continues to act as the major shareholder of Bank of Ayudhya, the institutional legacies of foreign ownership of banks from CMEs and the likelihood that this bank primarily adopts an internal labor market strategy for their managerial and professional employees is likely to become more apparent at every level.

Standard Chartered Thai was a Chinese-Thai family-owned bank (under the name of Nakhon Thon Bank) before the Asian financial crisis. After the financial crisis in 1997, the ownership structure of this bank was drastically changed. The majority stake of this bank was acquired by Standard Chartered Bank from the UK in 1999. Currently, this bank is a privately owned bank with the majority shareholder (Standard Chartered Bank) from UK, one of the LMEs. Due to the change of ownership after the Asian financial crisis (from a family-owned bank to a bank from LMEs), the use of an internal labor market strategy has eroded whereas the use of an external labor market strategy has increased. In other words, this bank has implemented a mixed 'hybrid' approach after the external shock of the Asian financial crisis. The case of this bank thus demonstrates that the discontinuity of institutional legacies and ownership of paternalism in a family-owned bank due to the change of ownership is associated with the erosion of an internal labor market strategy. Here, the likelihood that the bank has relied more on an external labor market strategy by implementing a mixed 'hybrid'

approach for its managerial and professional employees in response to external pressures, is associated with the institutional legacies of foreign ownership of banks from LMEs.

Based on the analysis of each occupational group across four case study banks -- Kasikorn Bank, Krung Thai Bank, Bank of Ayudhya, and Standard Chartered Thai -- the occupational groups of relationship managers and product managers across four case study banks are different from the occupational group of branch managers in that these two groups of managers typically need to have knowledge and skills that are not firm-specific.

“Relationship managers” here refer to a group of people who must have both technical skills in managing several types of loans, credit, financial products and instruments and soft skills in building, maintaining, and managing relationships with customers. “Product managers” here refer to a group of people who must have technical skills in designing, developing, and improving several types of financial products and services and soft skills in cooperating with both internal and external stakeholders to develop and manage these products. Their knowledge and skills, either on their own or as a combination, might be applied to many other banks in the industry. They do not need to pay attention to customizing these knowledge and skill sets to match the surrounding contexts of each branch, area, zone, or region in each bank. Thus, it is possible that some banks might internally develop these two groups of managers, whereas other banks might externally hire these managers from other banks. Here, institutional legacies and ownership structures of firms matter.

In the case of branch managers, however, the occupational characteristics matter more than institutional legacies and ownership structures of firms. Specifically, branch managers in all of the four case study banks have been developed through internal labor market systems over years. One reason for this might be the fact that branch managers in each bank need to have knowledge and skills in branch operations system, bank’s financial products and instruments, branch accounting system, branch’s surrounding context, and branch’s customer

relationship management. The combination of these knowledge and skills, with respect to each bank's corporate culture and surrounding context, is unlikely to be replicated in many other banks. Thus, banks need to internally develop this group of managers over time.

Overall, institutional legacies and ownership structures do play a major role in shaping differences in firm-level HR strategies among the four case study banks. In reality, however, there might be some differences in HR strategies across different occupational groups in these banks such as in the case of branch managers. Future research should further explore the reason why banks pay more attention to the implementation of an internal labor market strategy among the group of branch managers. Tables 1.1 – 1.3 demonstrate the summary of HR strategies and practices for each of the three occupational groups across four case study banks.

In chapter 2, I will describe how the changing nature of the Thai banking industry has led to two types of skill problems, deskilling and upskilling of jobs. In chapter 3, I will theoretically elaborate on two important research questions: How do firms (banks) solve skill problems and why is there variation in firm-level strategies to solve these problems? In chapter 4, I will describe research contexts and research methods of this dissertation. In chapter 5, I will analyze the case studies of Kasikorn Bank and Krung Thai Bank regarding how institutional legacies and ownership structures of firms affect their HR strategies at the occupational group level. Chapter 6 analyzes the case studies of Bank of Ayudhya and Standard Chartered Thai to identify how institutional legacies and ownership structures of firms affect their HR strategies at the occupational group level. Finally, in chapter 7, I will provide the discussion and conclusions of this dissertation.

The main arguments from this research should thus contribute to an institutional perspective on strategic HRM by demonstrating how the national skill formation system and firm-level antecedents, particularly institutional legacies, shape firm-level HR strategies and

practices. In particular, this research focuses on demonstrating why firms, located in the same industry and country contexts, do not converge towards similar models of employment practices. That said, all of the banks, located in the country of Thailand (one of the emerging market economies), should implement an internal labor market strategy to respond to deficiencies in the national skill formation system. In reality, however, some banks in Thailand have implemented internal labor market systems, while other banks have implemented an external labor market strategy or a mixed 'hybrid' approach of both strategies. One of the organizational-level factors shaping this difference is institutional legacies and ownership structure of each bank.

Table 1.1 HR strategies and practices for relationship managers across four case study banks

Banks / Dimensions	Kasikorn Bank	Krung Thai Bank	Bank of Ayudhya	Standard Chartered Thai
Job Definition	Broad and, to some extent, is not clear	Broad	Very broad and, to some extent, not very clear. Job definition is different from that of other banks.	Broad and, to some extent, not clear
Recruitment and Selection	A highly selective process / Prefer to recruit entry-level employees (with 2 – 3 years of work experience)	A highly selective process / Prefer to recruit entry-level employees with some experience	Prefer to acquire relationship managers who have extensive work experience from other banks. Previous work experience in the field and outstanding work performance in this area from other banks are important.	Primarily based on employee referral. Must pass and have 3 licenses: a life- and non-life insurance products broker license (LIB and NIB) and a single license (IC). Must have work experience and should have their own portfolios of customers
Training	Focus on firm-specific training	Focus on firm-specific training (classroom training, mentoring, and on-the-job training)	Both firm-specific and general training	Both firm-specific and general training
Mobility Patterns	Limited opportunity for horizontal movement / Limited quotas for vertical promotion	Limited opportunity for horizontal movement / Limited quotas for vertical promotion	Rotate relationship managers within the divisions every 3 or 4 years. Career path is not limited within the bank.	Do not have an opportunity to be rotated to other job functions or departments. Career path is not very clear. Can bring customer accounts from and to other banks anytime
Pay	Performance-based pay (Pay is equivalent to the average rate of the labor market)	Performance-based pay (Pay is equivalent to or lower than the average rate of the labor market)	Performance-based pay / Good benefit package	Performance-based pay
Job Security	High with no layoff policy	High with no layoff policy	Moderate-to-high job security, depending on employability	Moderate-to-high job security. Retirement age is only 55 years. No principle of lifetime employment

Table 1.2 HR strategies and practices for branch managers across four case study banks

Banks / Dimensions	Kasikorn Bank	Krung Thai Bank	Bank of Ayudhya	Standard Chartered Thai
Job Definition	Broad but clear	Broad but clear	Broad but clear	Broad but clear
Recruitment and Selection	A highly selective process / Must be internal candidates	A very highly selective process / Must be internal candidates	Prefer to recruit entry-level officers and promote them to branch managers later. Applicants for a branch manager position must be promoted from assistant branch manager and have good or excellent work performance at the branch level for at least 3 consecutive years.	Rely on recruiting entry branch-level employees and developing them in the long run. No acquisition of branch managers or senior branch-level officers from other banks to serve as the bank's branch managers. Must have excellent or good 3-year work performance at the branch level with positive attitudes towards the bank
Training	Firm-specific training (classroom training and on-the-job training)	Firm-specific training (classroom training and on-the-job training)	Firm-specific training	Both firm-specific and general training
Mobility Patterns	Can be rotated to other branches. Limited opportunity for horizontal movement to other departments at the head office	Must be rotated to other branches every 3 – 4 years. Limited opportunity for horizontal movement to other departments at the head office	Vertical promotion only. Cannot be rotated to other job functions or departments or, even, to other branches outside their specific region.	Limited opportunity for internal rotation and vertical promotion because there are only 20 branches and only 3 hub or clusters in Thailand. No clear career path after being promoted to a branch manager position
Pay	Performance-based pay	Performance-based pay with limited differentiation	Performance-based pay. Limited differentiation. Good benefit package.	Performance-based pay. Very good benefit package.
Job Security	High with no layoff policy	High with no layoff policy	Moderate-to- high levels. Still depend, to some extent, on employability skill.	Depend on employability. No principle of lifetime employment.

Table 1.3 HR strategies and practices for product managers across four case study banks

Banks / Dimensions	Kasikorn Bank	Krung Thai Bank	Bank of Ayudhya	Standard Chartered Thai
Job Definition	Very broad and, to some extent, not clear	Very broad	Broad and, to some extent, not very clear	Broad and, to some extent, not very clear
Recruitment and Selection	A highly selective process / Prefer to recruit fresh university graduates or university graduates with 2- 3 years of work experience	A highly selective process / Prefer to recruit entry-level employees and develop them over a long term	One group has been recruited and developed from entry-level employees. They must pass written tests and interviews as well as attitude and aptitude tests. The other group has been acquired from other firms or banks. They typically start their career as a vice president or higher and usually have experience in the financial services industry for more than 10 years.	Prefer to grow and develop entry-level employees or management trainees to become product managers. The ratio of candidates per vacant position is about 10:1. In some cases, the bank acquired some experienced product managers from other banks or firms, depending on the position, nature of jobs, and number of internally developed candidates in the bank.
Training	Classroom and on-the-job training (Both general and firm-specific skills)	Classroom and on-the-job training (Both general and firm-specific skills)	Focus on both in-house classroom training and e-learning	Classroom training and, more important, on-the-job training (including coaching). Management trainees program. Fast track program.
Mobility Patterns	Promotion along career ladders / Limited opportunity for job rotation	Primarily, vertical promotion along career ladders	Limited internal rotation. Clear career path. Seniority-based promotion to some extent.	High opportunity for internal rotation both in Thailand and other subsidiaries. Clear career path. Performance-based promotion. Limited quota of vertical promotion.
Pay	Performance-based pay	Performance-based pay	Performance-based pay. Limited differentiation. Internally developed employees or employees who have been working with the bank for a long time have lower amount of	Performance-based pay. Good benefit package.

			monthly salaries than that of externally acquired employees	
Job Security	High with no layoff policy	Very high with no layoff policy	Moderate-to-high levels. Depend on both principle of lifetime employment and principle of employability.	Moderate-to-high levels. Depend on the principle of employability.

CHAPTER 2

THE THAI BANKING INDUSTRY AND THE DEMAND FOR SKILLS

There is a widely held view that skill problems in the Thai banking industry have limited its ability to develop and perform effectively. The skill problems were present prior to the Asian financial crisis, but they became worse after the crisis in 1997. This happened because of 1) regulatory changes designed to prevent a recurrence of this type of crisis; 2) change in banks' business strategy – from one focused on interest-based income to one based primarily on fee income – a strategy designed to reduce the number of non-performing loans; and 3) advances in information technology that have led to the emergence of digital banking system.

In particular, the transformation in the Thai banking industry brought about by the Asian financial crisis has changed the demand for skills and has led to two types of skill problems at the same time: deskilling and upskilling of jobs in key occupational groups – in core banking operations and strategic support services. The problems in the core banking operations are the most serious, and in this chapter, I focus on how and why these exist. I examine three critical occupational groups -- relationship managers, branch managers, and product managers -- because these three occupational groups are currently in a shortage of supply and are considered to be critical roles played by middle managers and specialists. Banks in Thailand are facing skill shortages mainly in the middle and specialist levels. The performance of employees in these three occupational groups contributes directly to the performance of each bank. The inability to adequately staff these positions is thus an important challenge for banks as substantial amount of time and money are invested in training and developing them.

On the one hand, changes in banks' focus from spread between loans and deposits to fees from selling a variety of financial products have led to a high demand for sales associates

and tellers at the branch level who can be promoted to relationship managers and branch managers later in their careers, and to deskilling of branch-level jobs and declining quality of jobs among these branch-level employees. Specifically, graduates from first- or second-tier universities are not attracted to sales and teller jobs because they view the status of these jobs as low and that these jobs only need graduates with selling or marketing skills without the need of strong analytical skills. Additionally, banks have implemented several new management practices among sales associates and tellers according to the new focus on fee-based incomes, such as monitoring through closed-circuit television (CCTV), setting high sales targets and key performance indicators (KPIs), and complying with several regulations, rules, and procedures. In this regard, banks have faced the shortage of graduates from first- and second-tier universities and have had to recruit graduates from third-tier universities to perform these jobs instead. The quality of graduates from third-tier universities, however, is not as high as that of graduates from first- or second-tier universities so banks have had to pay attention to training and developing these graduates over time until they became ready to work at the branch level. Due to poor working conditions, however, the turnover rate among third-tier university graduates is very high. When these graduates are able to find new jobs, they typically resign from banks immediately, primarily because they do not like to work under the pressure of high sales targets and KPIs.

On the other hand, stricter regulatory requirements to control the number of non-performing loans and advances in information technology in the industry have led to a high demand for product managers, and to upskilling of the product development and management jobs. Currently, product managers must have advanced knowledge and skills in finance, banking, and accounting and must have strong mathematical and analytical skills. This upskilling of jobs has thus led to the shortage of supply of graduates who will be promoted to become product managers because of two important dimensions. First, there are critical

imbalances between the supply of graduates and the needs of labor markets. In particular, there has been an over-supply of graduates in the areas of social sciences and business administration, whereas there has been an under-supply of graduates in the areas of engineering, science, finance, banking, and accounting. Second, there has been a shortage of supply of graduates who have strong analytical skills and have excellent relationship building and interpersonal skills. In this regard, there has been a shortage of supply of university graduates with advanced knowledge and skills in finance, banking, and accounting and with strong mathematical and analytical skills as well as relationship building and interpersonal skills who can become product managers in the future.

Therefore, my objective is to answer the following research question “To what extent is there a skill problem in the Thai banking industry and what explains this problem?” The chapter is divided into 4 main sections: the banking system prior to the Asian financial crisis, the transformation of the banking system after the Asian financial crisis, the post-crisis problem of the deskilling of jobs, and the post-crisis problem of the upskilling of jobs.

The Banking System prior to the Asian Financial Crisis

Prior to the popular uprising of October 14, 1973, the ownership structure of the Thai banking system consisted of privately owned Thai banks, government-owned banks as well as specialized financial institutions (SFIs), and foreign banks. Examples of privately owned Thai banks included the Siam Commercial Bank, the Bangkok Bank, the Kasikorn Bank, the Siam City Bank, and the Bank of Ayudhya. Examples of government-owned banks and SFIs were the Krung Thai Bank and the Government Savings Bank. Examples of foreign banks were the Hong Kong and Shanghai Bank which was the first commercial bank to be established in Thailand, the Deutsche Bank, and the Citibank (50-Year Anniversary of Bank of Thailand, 1992).

There were two main groups of shareholders of privately owned Thai banks during that period -- Chinese-Thai families (Chinese-Thai merchants), such as Sophonpanich, Lamsam, Wanglee, and Techapaiboon families; and politicians, including military politicians in Thailand. These military politicians were invited to serve as members of the Board of Directors of several banks. In this regard, the banks' major shareholders were able to use political power to bring benefit for their own banks (Bualek, 1986).

After the popular uprising of October 14, 1973, however, politicians -- military politicians who served as members of the Board of Directors of the banks -- withdrew themselves from the Boards. Thus, the Boards of Directors of the banks after this incident were completely replaced by members of capitalist families, especially Chinese-Thai capitalist families. During this period, most privately owned Thai banks, except Siam Commercial Bank, were transformed into family businesses. Banks became the center of all finance related businesses such as finance and securities companies, leasing companies, insurance companies, life insurance companies, and non-finance related businesses of those families. This organization of the banking industry existed until the Asian financial crisis hit Thailand in 1997.

During this pre-crisis period, there was a skill shortage to some extent in the Thai banking industry. At that time, banks needed graduates with general skills and some specific skills such as credit analysis skills to respond to the growth of the bubble economy. "General skills" here are defined as skills that are not related to a specific industry or a specific company. Typically, university education should provide these skills for graduates. They include analytical skills, critical thinking skills, English language skills, communication skills, and general knowledge about a field such as accounting, finance, or engineering. Banks, finance and securities companies, finance companies, and credit foncier companies competed with one another to attract highly educated graduates or poach experienced workers

from other organizations. Finance and securities companies and finance companies, however, were able to attract a larger number of highly educated graduates in the areas of banking and finance due to the fact that these companies were able to pay an annual bonus of approximately 20 – 24 times the amount of monthly salary of those graduates. [At that time, banks, including the Bangkok Bank, paid an annual bonus of approximately 6 – 10 times of the amount of monthly salary of those graduates.] Thus, compared to finance and securities companies and finance companies, banks were less attractive to highly educated graduates during the pre-crisis period due to the lower amount of salary and, primarily, the lower amount of annual bonus paid (Manager Daily, August 22, 1997).

The status of banking jobs during the pre-crisis period, however, was higher than that during the post-crisis period. During the pre-crisis period, most banks were still able to recruit graduates from top-tier universities in Thailand -- such as Chulalongkorn University and Thammasat University -- to fill their core functional jobs, as evidenced by the fact that most of the senior managers with organizational careers at several banks in Thailand were graduates from these top-tier universities. These graduates from top universities were trained well in general skills, not firm-specific skills. Then, most banks developed internal labor market systems to train these employees in firm-specific skills, such as branch operations, branch accounting system, and credit analysis skills.

In sum, before the Asian financial crisis in 1997, there was a skill shortage to some extent in the Thai banking industry. There was a high demand for graduates with general analytical skills and some firm-specific skills such as credit analysis. But, most banks were still able to attract university graduates from top schools. They developed internal labor market systems to additionally train people in firm-specific skills.

The Transformation of the Banking System after the Asian Financial Crisis

The Asian financial crisis of 1997 ushered in a new era in banking, which led to a transformation in business strategies, the organization of work, and the demand for skill. This financial crisis occurred after the announcement of the Baht flotation in 1997 (Manarangsang, 1997; Chiengkul, Kamoltrakul, Prasertchareonsuk, and Leelawattanun, 1998; Pittayawiwit, 2008).

The first change that occurred was change in ownership as some banks faced financial disaster. Specifically, because of this financial crisis, the owners of several Thai-owned commercial banks, especially Chinese-Thai capitalist families, who had accumulated their wealth for over 30 years lost managerial power in their own banks or, eventually, lost their own banks to foreigners. They had to sell the majority of shares to foreigners such as the case of Nakorn Thon Bank (currently, known as Standard Chartered Thai) or had to sell the majority of shares to the Ministry of Finance through the Financial Institutions Development Fund such as the case of Bangkok Metropolitan Bank.

Only three Thai-owned commercial banks owned by Chinese-Thai capitalists survived the Asian financial crisis: Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank. For Bangkok Bank and Kasikorn Bank, although the same Chinese-Thai families (the Sophonpanich and Lamsam families) still maintained majority ownership, foreigners were able to gain a larger equity in both banks. The family-owned Bank of Ayudhya, by contrast, held out in the initial stage of the post-Asian financial crisis, but was thereafter sold off by the Rattanak family to the General Electric (GE) Group and, later to Bank of Tokyo-Mitsubishi-UFJ. Thus, the Rattanak family lost ownership and management control of the bank.

In two other Thai-owned commercial banks that survived the Asian financial crisis – the Siam Commercial Bank and the Krung Thai Bank -- the major shareholders were not

Chinese-Thai capitalists. Rather, the Office of the Crown Property owned and continues to own the Siam Commercial Bank and the Thai government continues its ownership of the Krung Thai Bank. In the case of Siam Commercial Bank, although the management of the bank is still with the same group (Office of the Crown Property), foreigners hold a larger amount of equity in this bank than before the financial crisis.

Second, after the Asian financial crisis in 1997, international regulators, including the Bank of International Settlements, introduced several regulations and standards (e.g., BASEL I, II, and III) to ensure the stability of the country-level banking industry. In the case of Thailand, the Bank of Thailand (BOT) has played a significant role in improving the performance of the Thai banking industry. The introduction (adaptation) of the country's laws and standards in accordance with the Basel I, II, and III, for instance, has been one of the key initiatives undertaken by the BOT to improve the overall regulatory environment of the banking industry. These initiatives enabled banks in Thailand to improve their operations, control their risk exposure (especially credit risk), and ensure capital adequacy according to international regulatory mechanisms. These measures also helped prevent problems that could cause a future financial crisis, ensured banks' use of funds in the most effective way, and safeguarded banks' and consumers' interests (Interviews#1-2, June 15, 2015; Interview#3, June 22, 2015; Interview#4, June 23, 2015; Interview#8, June 29, 2015).

Third, due to stricter BOT regulations designed to be in compliance with international BASEL standards and reduce the number of non-performing loans (NPLs), loans or credit were no longer considered to be the main source of income for Thai banks. Rather, these banks have had to turn to other sources of income. They have focused more on fee-based income rather than on interest-based income. This includes a focus on selling a variety of financial products and instruments to customers and introducing new types of financial services, rather than just providing loans or credit to customers. Moreover, wealth

management services became a new and important type of fee-based financial service among banks, especially Thai-owned commercial banks (Manager 360 Degree Magazine, 2010; Manager Weekly Magazine, 2012). In this case, most of the products offered or sold to wealth management customers are typically banks' financial products or their affiliates' financial products such as deposits, mutual funds, stocks, and life insurance.

Fourth, after the financial crisis, advances in information technology played a pivotal role in leading banks to shift from a traditional 'brick-and-mortar' model of providing services to a mobile or digital one. Both consumers and banks have benefited from this change. On the one hand, customers have increasingly preferred to obtain financial services from banks through smart phones. On the other hand, banks have been able to easily access customers and offer several types of financial products to customers through smart phones. To catch up with advances in technology, most commercial banks in Thailand have had to review and update their information technology policies and plans. They have invested a much larger portion of their budgets in information technology systems because these systems have facilitated their ability to offer financial services to customers. Several commercial banks have now started to use the "cloud" technology to support the issuance of new types of financial products and to facilitate their business expansion via digital systems and a variety of financial technologies. In this respect, the emergence of a variety of financial technologies is considered to be an important opportunity for commercial banks in Thailand to upgrade their financial services to be able to catch up with changing financial technologies in order to make them more competitive in the market.

The second, third, and fourth changes in the Thai banking industry have led to two types of skill problems at the same time: deskilling and upskilling of jobs. In particular, deskilling refers to the reduction of the breadth of skills required from workers who perform their jobs and the reduction of control over the ways jobs are performed (Cappelli, 1993). By

contrast, upskilling means that employees must learn new skills that extend the present duties and responsibilities of their jobs. In this case, this group of employees needs higher levels of training (Kearsley, 1989; MacDuffie and Kochan, 1995; Osterman, 1995). This deskilling and upskilling of jobs has exacerbated the problem of skill shortages in the banking industry. “Skill shortages” here refer to the difficulty in recruiting individuals with job-related skills from the external labor market under current market conditions due to a low number of applicants (Cappelli, 2015; Schwalje, 2011).

The problem of skill shortages exists in almost every occupational group in the banking industry, according to industry experts, industry practitioners, and the available literature. The occupational structure in the Thai banking industry can be divided into two core functions: core banking operations and strategic support services. “Core banking operations” here refer to any banking operations and services that directly contribute to the bank’s financial performance -- such as relationship management, branch operations, and product development and management. Core banking operations consists of several job titles, including relationship managers, relationship officers, branch managers, branch tellers, sales associates, product managers, product development officers, and credit analysts or account officers. “Strategic support services” here refer to any banking operations and services that indirectly contribute to the bank’s financial performance -- such as risk management, legal affairs, compliance, information technology, internal audit, and human resources management. Strategic support services consist of several job specialties, including risk management specialists, human resources officers and managers, internal audit officers, legal officers, and IT officers and managers.

Because the banking industry includes several occupational groups, I have focused on the most important or core occupational groups for core banking operations. I do not cover the jobs in strategic support services because they do not directly contribute to the

performance of banks. Specifically, in the function of core banking operations, I only focus on the group of relationship managers, branch managers, and product managers, because these three occupational groups currently have a shortage in supply and are considered both middle management and specialists.

Banks in Thailand are facing skill shortages primarily in the middle and specialist levels, according to industry informants. Skill shortages in the middle level are primarily in the functional areas of relationship management, branch operations, and product development and management. These three occupational groups are also considered a group of specialists because they must be able to understand the contexts of each bank and the banking industry as a whole in order to perform their jobs well, and their jobs need expertise, knowledge, and skills that are very different from a typical manager. The performance of employees in these three occupational groups contributes directly to the performance of each bank. The inability to adequately staff these positions is thus an important challenge for banks as substantial amount of time and money are invested in training and developing them. This may also cause a gap in succession planning for the next level.

“Relationship managers” here refer to a group of people who must have both technical skills in managing several types of loans, credit, financial products and instruments and also soft skills in building, maintaining, and managing relationships with customers. These managers must be responsible for studying and analyzing data and related news to identify target customer groups; analyzing needs of target customer groups to serve customers with loans, credit, products, and services that are customized to those needs or to refer these customers to bank’ affiliates for additional services; proposing and presenting every type of bank and affiliates’ services to existing customers and searching for new customers in order to maintain and expand the market shares of each bank; cultivating and maintaining good relationships with customers by regularly visiting and monitoring the

movement of customers; providing valuable advice to customers regarding wealth management, investment, and bank's products and services; proposing solutions to customers' problems; coordinating with product managers and experts in the areas of financial products and instruments in order to serve customers well, satisfy customers' needs, and maintain a good image of the bank; and negotiating with customers to protect bank's benefits (Interview #40, September 7, 2015; Krung Thai Bank Public Company Limited, 2016).

“Branch managers” here refer to a group of people who must have both technical skill in managing the branch operations system, several types of banks' financial products and services, and branch accounting system, and soft skill in managing customer services of each branch. These managers must be responsible for planning and cooperating with area managers or regional managers to set strategic goals for their branches; managing the operations and customer services of each branch in accordance with goals; managing sales associates in each branch; providing advice and recommendations to customers regarding financial products, investment, wealth management, and credits or loans; maintaining existing customer base and searching for new customers; and expanding businesses of the bank according to its policies and goals (Interview #71, March 20, 2016; CIMB Thai Public Company Limited, 2016; UOB Bank Public Company Limited, 2016).

“Product managers” here refer to a group of people who must have technical skill in designing, developing, and improving several types of financial products and services and soft skill in cooperating with both insiders and outsiders to develop and manage these products. These managers must be responsible for designing, improving, and developing new or existing financial products or improving customer experience of financial products usage under wholesale banking as per assignment from supervisor; initiating new bancassurance products for both life and non-life insurance offering to corporate customers; supporting

product development and sale process; ensuring the implementation in order to generate fee income and reduce risk to the bank; preparing business cases to test the feasibility of new product or test new business opportunities; launching promotion activities to stimulate sales volumes of financial products according to specified goals; and cooperating with other related units to develop new products or projects according to the scheduled timeline (Interview #73, First Round, March 23, 2016; Kasikorn Bank Public Company Limited, 2016; Thai Military Bank Public Company Limited, 2016).

In sum, the three main changes in the Thai banking industry after the Asian financial crisis have led to two types of skill problems at the same time: deskilling and upskilling of jobs. This deskilling and upskilling of jobs has exacerbated the problem of skill shortages in this industry, especially among the groups of relationship managers, branch managers, product managers. These skill shortages actually existed during the pre-crisis period but they have been exacerbated after the financial crisis.

The Post-Crisis Problem of the Deskilling of Jobs

The deskilling of jobs has occurred among two main occupational groups: relationship managers and branch managers. The key demand-side factor driving the deskilling of jobs among both groups are (a) changes in banks' strategic focus -- from making money via the spread between deposit and loan rates to fee-based income from selling a variety of financial products to customers, especially at the branch level, after the Asian financial crisis.

During the past ten to fifteen years, credit and loans became increasingly less important as the main source of income among banks in Thailand. After the Asian financial crisis 1997, most banks in Thailand have been cautious about providing credit or loans to their customers because of the changing regulatory requirements laid out in Basel I, II, and III that strictly require banks to maintain the capital adequacy ratio in order to protect losses

from the emergence of NPLs. There are several types of risks, especially credit risk, incurred when banks provide credit or loans to customers. Thus, in order to lower their level of risk, banks have changed their focus from providing credit and loans to customers to relying on fee-based income, where they do not have to worry about non-performing customers. “Fee-based income” here refers to income from selling a variety of financial products and instruments such as investment units, non-life insurance, life-insurance, long-term equity fund, and retirement mutual fund (Interview#76, April 3, 2016).

Both factors have led to a high demand for sales associates and tellers, especially at the branch level. Sales associates are typically the port of entry for either relationship managers or branch managers. In addition to sales associates, banks also promote tellers to become senior tellers and, finally, branch managers. This career path is necessary because branch managers must be able to manage the branch operations system which is quite different from the head office operations system. Sales associates are typically required to have knowledge on banks’ various financial products and excellent marketing skills, whereas tellers are required to have knowledge on branch operations system and financial transactions, as well as customer service skills. In essence, both sales associates and tellers are required to have technical skills and soft skills.

In particular, because banks in Thailand have changed their main sources of income from spread between deposit and loan rates to fee-based income, banks now have to focus more on selling various financial products and instruments to customers, especially at the branch level. Sales associates at the branch level are thus more crucial because they are able to generate income from selling a variety of financial products to branch customers in Thailand. Usually, tellers are responsible for serving customers, who would like to conduct financial transactions at the branch level such as deposit and withdrawal of money, and domestic and international transfer of money. They have also become more important here

because they typically refer customers to sales associates. These two tracks are quite different but both of them are currently in high demand (Interview#76, April 3, 2016).

The increasing importance of banks' sales associates and tellers has led to deskilling of banking jobs, especially at the branch level, and has led to lower quality of jobs among branch-level employees. Initially, banks were respected institutions in Thailand and branch-level jobs were prestigious. Customers had to approach bankers to ask for their assistance regarding credit or loans. These branch-level employees graduated from first- or second-tier universities in Thailand and had to have knowledge and skills in finance, banking, and accounting, and strong credit analysis skills. Credit or loans were considered to be the primary source of income for banks, especially at the branch level.

Nowadays, branch-level employees seldom conduct credit or financial analysis of their customers because credit or loans have declined in their importance. Rather, branch-level employees, including both sales associates and tellers, must focus on selling a variety of financial products to customers. They do not need any in-depth knowledge or skills in finance, banking, or accounting. They also do not need to have strong analytical skills. They can be university graduates in any areas, but they have to demonstrate their marketing or selling skill. Graduates from first- or second-tier universities, however, are not attracted to sales and tellers' jobs because they view the status of these jobs as low. They have to proactively go out to meet with customers instead of waiting for customers to come to branches to meet with them. Additionally, banks have implemented new management practices -- such as monitoring through CCTV, setting high sales targets and key performance metrics, and complying with several banking regulations, rules, and procedures -- according to the new focus of banks' business strategy that creates poor working conditions among sales associates and tellers. Thus, the high demand for sales associates and tellers drives the deskilling and declining quality of jobs among these two groups in two dimensions: (a)

graduates are not attracted to sales and tellers' jobs because they view the status of these jobs as low; and new management practices create poor working conditions and (b) a short supply of high-quality graduates from first- or second-tier universities in Thailand for branch-level jobs. These two dimensions have finally led to the shortage of supply of sales associates and tellers who can be promoted to be relationship managers or branch managers in their careers.

Two bankers reported one of the reasons why branch-level employees, especially sales associates, in the Thai banking industry are in short supply:

“Branch-level employees were very proud of themselves and their jobs in the past years because customers approached these employees when they would like to request credit or loans from banks. At that time, branch-level jobs were very prestigious and very attractive. [Actually, when I was a university student, I attended the so-called ZIP, an internship program offered by Bangkok Bank in Thailand and I found that branch-level jobs at that time were very prestigious.] Currently, the situation, however, is different from that in the past years. Branch-level employees feel that their jobs are no longer prestigious. Rather, these employees have to approach customers and attempt to sell a variety of financial products and instruments to customers. They typically believe that their jobs are not challenging. They act as a salesman or saleswoman. Thus, it is quite hard to find branch-level employees at this moment (Interviews #42 and 43, September 11, 2015).”

Specifically, in the past, banks were respected institutions in Thailand. Families with children who graduated with a Bachelor's Degree in Accounting or Finance from first-tier universities in Thailand wanted their children to choose to work with banks. The main sources of income among banks in Thailand in the past years could be classified into two main categories: 80% from spread between deposits and credit or loans and 20% from fees from financial products and instruments. Thus, most of the banks' employees in the past years did not need to sell a variety of financial products and instruments to customers. They

were able to reap benefits from the attractiveness of banks. They typically did not need to search for customers because most customers would directly come to the banks when they needed to request credit or loans (Interview#76, April 3, 2016; Interview #66, March 11, 2016).

Currently, university graduates with a Bachelor's Degree in Accounting or Finance from first-tier or second-tier universities typically do not want to become sales associates, especially at the branch level. Some of these university graduates do not have marketing or selling skills. Thus, they would not like to become sales associates. If graduates from first-tier or second-tier universities want to join banks, they prefer to work at the head office because they are not required to have too many key performance indicators based on sales of a variety of financial products and instruments to branch customers or regional customers. Consequently, the number of persons, who are qualified to be promoted to be branch managers, is limited (Interview#76, April 3, 2016).

Rather, most banks now have to recruit graduates with a Bachelor's Degree in any field from third-tier universities in Thailand to work at the branch level because they cannot find graduates from first- or second-tier universities in Thailand to work there. Although banks are able to fill jobs at the branch level, their turnover rates are very high. When these graduates are able to find new jobs, they typically resign from these banks immediately, primarily because they do not like to work under the pressure of high sales targets and KPIs. Sometimes, these graduates are poached by other competitors in the banking industry after banks invest a large number of resources in training these employees (Interview#76, April 3, 2016; Interview #66, March 11, 2016).

The situation is further complicated when considering rules and regulations implemented by various regulatory organizations, especially the Bank of Thailand and the Securities and Exchange Commission (SEC). These regulatory organizations require that

sales associates both at the head office and at the branch level must be able to obtain three types of licenses in order to become investment consultants for customers. First, if sales associates would like to provide recommendations and sell non-life insurance products to customers, they must obtain a non-life insurance agent and broker license (NIB) from the Office of Insurance Commission (OIC) in Thailand. Second, in the case that they would like to provide recommendations and sell life-insurance products to customers, they must pass a life and health insurance licensing exam and obtain a life insurance agent and broker license (LIB) from the Office of Insurance Commission in Thailand. Third, if they would like to provide recommendations and sell investment units to customers, they must pass an investment consultant licensing exam and obtain a single license or investment consultant (IC) license from the Securities and Exchange Commission (Interview#76, April 3, 2016).

The scope of IC's duties and responsibilities is narrower than that of investment planner (IP) because IP is able to plan the long-term investment for customers while IC is only able to recommend and sell financial products and instruments to customers. In order to become an investment planner, a person must first pass and obtain a single license or investment consultant (IC) license. Thereafter, this person must pass and obtain derivatives license and certified financial planner (CFP) from the SEC. Most banks, however, require that sales associate should obtain all of the three licenses mentioned above: NIB, LIB, and IC or single license. Additionally, the regulatory organizations, especially the SEC, require that each branch of a bank must have at least one person who has IC or single license, NIB, and LIB (Interview#76, April 3, 2016).

In particular, graduates with a Bachelor's Degree in any field from third-tier universities in Thailand who are recruited to work at the branch level do not have good accounting or finance or investment backgrounds and strong analytical skills. Key informants considered the quality of education of the applicants to be problematic. That is, they have

been unable to recruit sufficiently from top-tier universities. A recent and embarrassing news report brought this point into public view. Siam Commercial Bank accidentally released an announcement that the bank would only like to recruit applicants for a position of “financial advisor trainee” who graduated from the top 14 first- and second-tier universities in Thailand. This announcement was considered to be improper in that it suggests the bank would discriminate against students from the other universities.

Many other interviewees believed that such an accidentally released news was true and reflected broader attitudes of bankers in the industry (Interview #23, August 13, 2015; Interview #73, March 23, 2016). The quality of universities in Thailand is known to be very uneven. Typically banks prefer to recruit graduates from first- and second-tier universities in Thailand. The 14 first-tier and second-tier universities in Thailand according to the accidentally released statement include Chulalongkorn University, Thammasat University, Kasetsart University, Mahidol University, Srinakharinrajavidyalaya University, King Mongkut’s Institute of Technology Ladkrabang, Assumption University, Bangkok University, Burapha University, Khon Kaen University, Chiang Mai University, Prince of Songkla University, University of Thai Chamber of Commerce, and Mae Fah Luang University.

Although most banks prefer to recruit graduates from these 14 universities, they need to abide by laws ensuring equal opportunity for all applicants. According to the news report, the majority of universities in Thailand were omitted, including Ramkhamhaeng University, Rajabhat Universities, and Sripatum University. Currently, however, most banks have been unable to attract students from these top universities and instead have had to recruit graduates from third-tier universities in Thailand to work as branch-level employees such as sales associates and tellers. For instance, Bangkok Bank has had to recruit a large number of graduates from Rajabhat Universities throughout the country to work as branch-level employees (Interview #23, August 13, 2015).

In sum, changes in banks' focus from interest-based income to fee-based income have led to a high demand for sales associates and tellers at the branch level who can be promoted to relationship managers and branch managers later in their careers, and has led to deskilling of branch-level jobs and declining quality of jobs among branch-level employees. Specifically, graduates from first- or second-tier universities are not attracted to sales and tellers' jobs because they view the status of these jobs as low and these jobs only need graduates with selling or marketing skills without the need of strong analytical skills. Additionally, banks have implemented several new management practices among sales associates and tellers according to the new focus on fee-based incomes, such as monitoring through CCTV, setting high sales targets and key performance indicators, and complying with several regulations, rules, and procedures. In this regard, banks have faced the shortage of graduates from first- and second-tier universities and have had to recruit graduates from third-tier universities to perform these jobs instead. The quality of graduates from third-tier universities, however, is not as high as that of graduates from first- or second-tier universities so banks have had to closely pay attention to training and developing these graduates over time until they became ready to work at the branch level. Nevertheless, due to poor working conditions among sales associates and tellers, the turnover rate among graduates from third-tier universities is still very high. The deskilling of jobs among sales associates and tellers especially at the branch level has thus exacerbated the shortage in supply of employees who can be promoted to become relationship managers and branch managers.

The Post-Crisis Problem of the Upskilling of Jobs

The upskilling of jobs has occurred among the occupational group of product managers. The key demand-side factors driving the upskilling of jobs among this group of managers are (a) regulatory changes, specifically the tightening of overall risk management

measures among banks in Thailand, and (b) advances in technology that have led to the emergence of mobile or digital banking system.

Because of changes in regulations after the Asian financial crisis to control several types of risk, especially credit risk, incurred when banks provide credit or loans to customers, banks in Thailand have focused more on fee-based services as their main source of income. As a result, these banks have had to compete with one another to design, initiate, improve, and sell a variety of financial products to customers. Here, advances in technology have played a crucial role in accessing banks' customers and facilitating the customization of financial products and services to their needs. Banks are now able to easily access and offer several types of financial products to customers through smart phones and digital banking system. Therefore, there has been a high demand for product managers who are able to design, develop, and improve new or existing financial products in the banking industry (Interview#73, March 23, 2016).

The increasing demand for product managers has led to upskilling of banking jobs, especially product development and management jobs. In the past years, banks were not required to develop sophisticated and advanced financial products for their customers because their primary source of income was from the spread between loans and deposits. Thus, banks did not need to have a large group of experienced and well-trained product managers. Each bank could only have a few product managers who were primarily responsible for improving their current financial products according to customers' needs. Currently, the primary source of banks' income is from selling a variety of financial products to customers. Banks thus need to develop more sophisticated and advanced financial products than they did in the past years. Banks have also had to compete with one another to design and initiate new types of financial products or improve features of their current financial products to better respond to the need of their customers and to differentiate their financial

products from other banks' financial products. Additionally, banks must be able to solve customers' complaints about the features, terms, and conditions of their financial products. They thus need a larger group of experienced and well-trained product managers than they did in the past years. Product managers in this respect are a group of managers who must have advanced knowledge and skills in finance, banking, and accounting. They must have strong mathematical and analytical skills. In many cases, product managers should have a degree in actuarial science. [Here, only few universities in Thailand offer a degree in actuarial science, such as at the Chulalongkorn Business School at Chulalongkorn University.]

In reality, the upskilling of product development and management jobs has led to a shortage in supply of a group of product managers in the banking industry because of two important dimensions.

First, there is a mismatch between fields of study that students choose and those most relevant to banking. According to the number of students who registered in universities, there have been critical imbalances between the supply of graduates and the needs of labor markets. In particular, approximately 70 - 80% of university students in Thailand have chosen to study in the areas of social sciences, including business administration (with concentration in areas other than finance, banking, and accounting), political science, law, humanities, arts, education (Pholpiroon, 2014). Most of the students who have chosen to study in the areas of business administration do not like mathematics and do not have mathematical skills, so they do not choose to study in the areas that require mathematical knowledge such as finance, banking, and accounting. By contrast, a small number of students have chosen to study in the areas of engineering, science, finance, banking, and accounting (Interview#8, June 29, 2015; Interview#13, July 9, 2015). Thus, there has been an over-supply of graduates in the areas of social sciences and business administration, whereas there

has been an under-supply of graduates in the areas of engineering, science, finance, banking, and accounting (see Table 2.1).

Table 2.1 Percentage (%) of university students, by fields of study

Fields of Study	% of University Students in Thailand
Education	8%
Social Science, Business Administration (excluding finance, banking, and accounting), and Law	45%
Engineering and Manufacturing	10%
Humanities and Arts	4%
Science	10%
Others (including finance, banking, and accounting)	23%

(Source: Siam Commercial Bank Economic Intelligence Center, 2015; 17)

This problem existed before the Asian financial crisis, but worsened after the crisis because, in recent years, several top-tier vocational colleges in Thailand have changed their status to third-tier universities and offered several programs related to social sciences and humanities. At the same time, most parents do not like their children to study in vocational colleges because a higher number of students in these vocational colleges died after getting into a fight with other students from other vocational colleges, leading to a national-level problem. In this case, these third-tier universities have attempted to recruit students who would pursue their degrees in vocational colleges to their universities (Interview #57, March 7, 2016). The number of students who graduated with degrees in social sciences and humanities has thus increased substantially over years.

The over-supply of graduates in the areas of social sciences and business administration and the under-supply of graduates in the areas of engineering, science, finance, banking, and accounting imply that university graduates who have strong mathematic skills are in high demand in the industry. Banks have to compete with one

another to attract these graduates to their banks to further develop them to become product managers.

The second dimension, however, that limits the pool of qualified product managers in this industry is a low supply of graduates who have strong analytical skills and have excellent relationship building and interpersonal skills. Because product managers' main duties are to cooperate with both insiders and outsiders to be able to develop and sell their products, it is not a very simple process to find university graduates who have both strong analytical and mathematical skills, and excellent relationship building and interpersonal skills at the same time. In many cases, banks have had to internally develop them over time or poach this group of managers from insurance companies because insurance companies offer a variety of insurance products to customers and they also need to develop their product managers over time. Sometimes, banks had to offer a very special compensation package to attract them and, sometimes, according to some interviewees, banks could not afford to pay market salaries to attract product managers from other banks or other insurance companies because their market salaries were very high. (Interview #73, March 23, 2016).

A manager at one of the well-known headhunter service companies in Thailand also said that product managers in the Thai banking industry are currently in short supply:

“One of the groups of managerial and professional employees in the Thai banking and insurance industries that are currently in short supply is the group of product managers. There has been high demand for product managers from banks and insurance companies in Thailand during the past years. Product managers must have commercial-based thinking. They must have strong mathematical and analytical skills. They must also have sales, marketing, and advisory skills. They are not exactly sales associates but they must be able to initiate, innovate, or develop new types of financial products and instruments. They must know the movement of the banking and insurance industries very well. They should be able

to design and issue new types of financial products and instruments that respond to the needs of the market or industry. Additionally, they must be able to initiate sales campaigns or promotions that will help boost the sales volume of each type of financial products and instruments. Their duties and responsibilities are quite crucial to the performance of those banks or insurance companies (Interview#77, April 5, 2016).”

Thailand is also currently facing a shortage in supply of financial engineering experts who can construct several types of sophisticated financial products and instruments. A well-known financial professor noted that this group of experts is crucial to the development of financial services industry, including the banking industry in Thailand. These experts typically have knowledge and skills in constructing several types of sophisticated financial products and instruments (Interview#4, June 23, 2015).

In sum, changes in regulations after the Asian financial crisis to control several types of risk, especially credit risk, incurred when banks provide credit or loans to customers and advances in information technology have led to a high demand for product managers in the banking industry, and have led to upskilling of the product development and management jobs. Currently, product managers must have advanced knowledge and skills in finance, banking, and accounting and must have strong mathematical and analytical skills. This upskilling of jobs has thus led to a low supply of product managers because of two important dimensions. First, there are critical imbalances between the supply of graduates and the needs of labor markets. In particular, there has been an over-supply of graduates in the areas of social sciences and business administration, whereas there has been an under-supply of graduates in the areas of engineering, science, finance, banking, and accounting. Second, there has been a shortage in supply of graduates who have strong analytical skills and also excellent relationship building and interpersonal skills. In this regard, there has been a shortage in supply of university graduates with advanced knowledge and skills in finance,

banking, and accounting and strong mathematical and analytical skills as well as relationship building and interpersonal skills, who can become product managers in the future.

Overall, the transformation in the Thai banking industry brought about by the Asian financial crisis has changed the demand for skills and has led to two types of skill problems at the same time: deskilling and upskilling of jobs. The deskilling of jobs has led to the problem of skill shortages of sales associates who can be promoted to relationship managers or branch managers, and the shortages of tellers who can be promoted to branch managers. The upskilling of jobs has led to the problem of skill shortages of product managers in the industry. In fact, however, it is quite hard to prove whether these skill shortages result from the fact that banks are not willing to pay high enough salaries to attract qualified university graduates and experienced employees. Based on my interviews with several key informants in Phase I, I have noticed that banks are willing to pay high enough salaries to poach top managers from their main competitors in key areas that are in short supply in the industry, such as top managers who are experts in a digital banking system, or managers who are key persons in generating high profits. In the case of professional employees, however, banks seem to be unwilling to pay high salaries to attract them. For instance, even though teller's and sales associates' jobs are important for banks and their jobs are considered to be the front desk of banks, most banks are not willing to pay high salaries for this group of employees. This might be the reason why most tellers and sales associates move from one bank to others when they get an offer with higher salary.

CHAPTER 3

HOW DO FIRMS SOLVE SKILL PROBLEMS?

WHY IS THERE VARIATION IN FIRMS' HR STRATEGIES?

According to the two types of skill problems in the Thai banking industry, deskilling and upskilling of jobs that have led to skill shortages at the occupational group level, banks should in theory rely on an internal labor market strategy to solve these problems. In reality, however, banks face competing pressures. On the one hand, they have a need for firm-specific skills, suggesting that they should adopt an internal labor market strategy. On the other hand, they face financial pressures that argue against the cost of investing in training, suggesting that banks adopt an external labor market strategy. Based on my in-depth field research, I argue in this chapter that some banks in Thailand have responded by primarily retaining their internal labor market systems, whereas the other banks have adopted an external labor market strategy or a mixed 'hybrid' approach.

What explains this variation in approaches? In this chapter, I argue that other organizational factors, particularly institutional legacies, shape firm-level HR strategies. Central to this argument is the idea that ownership structures matter. While the institutional legacies of paternalism in family-owned and government-owned Thai banks continue to drive adherence to the historic use of internal labor market systems, banks that changed ownership or were sold to foreign investors as a result of the Asian financial crisis display more variation or breakdown in internal labor markets and adoption of external or hybrid approaches. This varies, however, depending on whether the foreign owners come from liberal market economies (LMEs) or Coordinated Market Economies (CMEs). Thus, the influence of home country norms and institutions may affect how Thai banks have pursued alternative HR strategies.

In particular, the continuity of ownership matters for the continuity of HR strategies. That said, the continuity of institutional legacies of paternalism in family-owned and government-owned Thai banks after the sudden external shock of the Asian financial crisis in 1997 is associated with the continuity of implementing an internal labor market strategy for their managerial and professional employees in these firms over years.

With the external shock of the Asian financial crisis, some banks failed, leading to a change in ownership with new opportunities for management to introduce innovations or approaches based on norms in their own companies. Variation in retention or erosion of internal labor market strategies, hence, depended on who the new owners were and where they came from. Here, I argue when Thai banks have been acquired by banks from LMEs (companies from the US or UK), they are more likely to adopt an external labor market strategy for their managerial and professional employees. By contrast, those banks acquired by foreign banks from CMEs (Japan) are more likely to favor an internal labor market strategy for their managerial and professional employees.

The main argument here is that the continuity or discontinuity of institutional legacies and ownership of firms after the external shock of the Asian financial crisis in 1997 played a crucial role in the retention or erosion of internal labor market systems that had developed over the years.

This chapter thus theoretically explains two important research questions: How do firms solve skill problems and why is there variation in firm-level HR strategies?

How do Firms Solve Skill Problems? : Internal versus External Labor Market Strategies

Typically, when firms face skill problems, there are two main options for solving them: they may choose to internally develop employees within their own firms or they may choose to acquire employees from the external market by poaching them from other firms in

the industry or from other industries. Here, the former option is consistent with the concept of an internal labor market strategy, while the latter option defines an external labor market strategy.

The theory of internal labor markets as an employment strategy was developed by institutional labor economists during the 1950s and 1960s (Doeringer and Piore, 1971; Osterman, 1984a, 1984b; Kanter, 1984; Osterman, 1987; Osterman and Burton, 2004; Osterman, 2011). They developed the theory to explain the observation that firms often choose to train and promote employees internally as opposed to relying on external labor markets. This is contrary to the argument made by economists that external labor markets are the most efficient approach. An “internal labor market,” according to Doeringer and Piore, is “an administrative unit, such as a manufacturing plant, within which the pricing and allocation of labor is governed by a set of administrative rules and procedures. (1971: 2)” The main argument here is that the pricing of the labor market and its allocation occur within a firm or an establishment (Osterman, 1984a). In this respect, the market consists of a set of rules that limit the hiring of new employees at the entry level alone. Administrative rules and procedures specify who are eligible for promotions. Persons outside the firm are not eligible to be hired directly into higher positions. Wages are also defined by rules to determine a set of relationships among all of the jobs within a job family. There can be several job families within a firm or establishment. There are also other types of rules such as rules covering job rights and job security within internal labor markets.

Osterman (1984b) classified internal labor markets into three subsystems: industrial, craft, and secondary subsystems. First, in industrial subsystems, employees have a limited number of ports of entry. Jobs and company norms are well-defined, training is primarily on-the-job or short termed, and movement across firms is not possible. Technicians, professionals, and some types of “managers” are classified into this type of subsystem.

Second, in craft subsystems, employees can move across firms more easily because employees are more loyal to the profession than to the firm. In this regard, workers have a higher level of market power than those in industrial subsystems. Computer programmers are classified into this type of subsystem. Third, in secondary subsystems, jobs require low skills and are poorly paid. Additionally, there is a lack of advancement opportunities in the secondary subsystems. Clerical jobs are generally classified into this type of subsystem.

Osterman (1987) later proposed a useful set of categories, which, taken together, can well define the concept of an internal labor market: job classification and job definition, deployment, security, and wage rules. The concept of job classification defines the labor content of jobs -- whether they are broad or narrow, or rigid or loose. Deployment (or mobility) defines how employees can move from one job to another within a firm. Security is viewed as rules that promise some level of employment security – from lifetime security to none. Finally, wage rules define whether wages are attached to individuals or jobs. In this paper, Osterman also added a fourth subsystem of internal labor markets: the salaried subsystem (Osterman, 1987). The salaried model exemplifies the model that managerial and professional employees (white-collar workers) have traditionally experienced. This model pays attention to general skills, mobility across jobs, and employment security. That is, employees can expect long-term employment after they pass the probationary period. This model also emphasizes that job descriptions are subject to revisions by two parties (supervisors and employees), that there are flexible career paths and promotion criteria, that administrative procedures are flexible, and that pay considerations are merit-based. However, according to Kanter (1993), clearly defined job ladders and promotion sequences, which are the major traits in the industrial subsystem, are often absent in the salaried subsystem. Ryan (1984) also pointed out that transferable general skills may be more important for managerial

and professional employees (white-collar workers). Thus, there is variation in internal labor markets across occupations.

For the salaried subsystem of internal labor markets, Kanter (1984) also drew on her research on high-tech firms and proposed that “high growth and relative newness mean a greater need for obtaining high-ranked managerial personnel from external labor markets...Stable and predictable growth theoretically allows hiring at the lowest entry level and promoting from within, then replenishing the supply at entry level”. In this respect, internal labor market strategies ensure that firms are likely to have a more stable workforce.

Two main groups of scholars have paid special attention to the concept of an internal labor market since the seminal work of Doeringer and Piore (1971). A group of sociologists, institutional economists, and organizational theorists have closely followed the institutional characteristics of an internal labor market; by contrast, a group of economists have interpreted an internal labor market as a joint investment between two main parties (employers and employees) in firm-specific skills and have focused more on the incentive aspects of an internal labor market (Doeringer and Piore, 1971). The former group of scholars noted that bureaucratic employment relations system in an organization, that relies on an internal labor market, play a critical role in providing the skills that firms need (Ouchi, 1980; Adler and Borys, 1996). This bureaucratic system includes the development and implementation of internal practices for recruitment and selection, training, promotion, pay, and employment security to create an internal labor market within an organization. In this case, an internal labor market is a group of firms’ practices that promote the accumulation of firm-specific human capital (Lee, 2015). These practices typically consist of on-the-job training (Doeringer and Piore, 1971; Pfeffer and Cohen, 1984; Gerhart and Rynes, 2003), job rotation (Campion, Cheraskin, & Stevens, 1994), promotion from within (Althauser and Kalleberg, 1981), seniority-based pay (Doeringer and Piore, 1971; Gerhart and Rynes, 2003;

Dulebohn and Werling, 2007), and long-term employment (Doeringer and Piore, 1971; Gerhart and Rynes, 2003).

In the 1990s, however, research began to document a widespread deterioration in the use of internal labor markets and a shift to greater reliance on external labor markets (Abraham, 1990; Cappelli, 1995; Horan, 2004). Scholars attributed this shift to several factors, including global competition and restructuring; external shocks, such as the global recession of the early 2000s (Osterman, 2008); the rise in part-time work (Abraham and Taylor, 1996; Segal and Sullivan, 1997); considerable decline in job security (Batt, 1996; Gordon, 1996; Smith, 1997; Aaronson and Sullivan, 1998; Schmidt, 1999); increase in the use of restructuring, outsourcing, and downsizing due to higher global competition (Osterman, 2000, 2008; Friedman, 2005); the Asian financial crisis in 1997 (Lee, 2015); and the disintegration of social contract and lifetime employment practices, especially in Asia (Kuwahara, 2010; Park and Legget, 2010).

Williamson, Watcher, and Harris (1975) suggested that a sudden external shock might create a sense of social or psychological contract breaches (Rousseau and Parks, 1992; Robinson, Kraatz, and Rousseau, 1994; Robinson, 1996) among employees. Osterman (2008) also described how external shocks lead to a decline in loyalty among middle managers in the US. Relevant to this study, the Asian financial crisis of 1997 represents this type of external shock.

The shift to an external labor market strategy means that relationships between employers and employees have become more open-ended. In other words, the employment contracts between employers and employees have changed as firms now desire to break social contract between themselves and employees. Specifically, Cappelli (1999) argued that the concept of an internal labor market, or what he termed “the old deal,” was fading away and was likely to disappear; and what he termed “the new deal” was replacing it. The new

deal is defined by the concept of “employability”. There is no guarantee of lifetime or long-term employment. Whether each side gains or loses depends on negotiation between the two parties and the state of labor market. When this happens, companies are not willing to invest in firm-specific training because employees can easily change jobs at any time, depending on the state of the labor market. Employees then need to acquire training on their own. Post-secondary institutions are the most likely place where employees can acquire that training.

Later, in his 2008 book titled “Employment Relationships: New Models of White-collar Work”, Cappelli stated that there are new paradigms for finding employees (Cappelli, 2008). Firms are likely to find experienced employees externally instead of developing them internally. Specifically, he stated that when firms have vacant positions and need managerial and professional employees, they may turn to the outside market for hiring. Cappelli’s term “outside hiring” is consistent with what Doeringer and Piore (1971) and Kanter (1984) previously defined as “an external labor market.”

More recently, however, some firms have continuously implemented an internal labor market strategy. Here, scholars have paid special attention to explaining why some firms have chosen to retain this strategy while others adopted an external labor market strategy (Lee, 2016). In other words, scholars have focused more on the relative costs and benefits of implementing an internal versus external labor market strategy and why firms adopt one strategy or the other. On the one hand, an internal labor market strategy fosters unique organizational capabilities (Bidwell and Keller, 2014) and a cohesive organizational culture (Becker, 1962; Lepak and Snell, 1999), promotes firm-specific skills among workers (Chadwick and Dabu, 2009), and cultivates long-term employment because of its effects on both voluntary and involuntary turnover (Bidwell, 2013). Additionally, recent studies have shown that internally developed and promoted workers are generally better performers than externally hired workers (Bidwell, 2013). Moreover, Bidwell and Keller (2014) noted that

firms are more likely to use an internal labor market strategy when jobs in those firms have high levels of performance variability and there is a significant supply of promotees in those firms. On the other hand, an internal labor market strategy does not allow firms to learn from workers' experiences with prior employers (Rao and Drazin, 2002; Rosenkopf and Almeida, 2003), does not provide opportunities to acquire new knowledge from outsiders (Almeida and Kogut, 1999), but rather requires a large investments in training and development, evaluation systems, and selective hiring systems for entry-level employees (Rynes, Orlitzky, and Bretz, 1997).

Given the costs and benefits of an external labor market strategy, firms are likely to implement this strategy for several possible reasons: when they operate in a rapidly changing environment (Becker, 1962; Lepak and Snell, 1999), when they would like to overcome their institutional disadvantages (Rao and Drazin, 2002), when they would like to acquire new knowledge (Almeida and Kogut, 1999) or learn from workers' experiences with prior employers (Rao and Drazin, 2002; Rosenkopf and Almeida, 2003), when they would like to build relationships with those prior employers (Dokko and Rosenkopf, 2010; Somaya, Williamson, and Lorinkova, 2008), or when they would like to reduce costs and uncertainty associated with an internal labor market strategy (Rynes, Orlitzky, and Bretz, 1997).

Additionally, Bidwell and Keller (2014) noted that firms are more likely to implement an external labor market strategy when performance variability and the supply of promotees are low. Some studies, however, have shown that the performance of internally developed and promoted workers is better than that of externally hired workers (Bidwell, 2013) and that the performance of workers declines when they move between organizations (Groysberg, Lee, and Nanda, 2008). Additionally, Bidwell (2011) has shown that externally hired workers have higher involuntary and voluntary exit rates than internally developed and promoted workers as well as internally promoted and transferred workers.

Here, I focused on the following six dimensions of an internal versus external labor market strategy used by banks in Thailand -- job definition, recruitment and selection, training, mobility patterns, pay, and job security. (1) Job definition defines whether jobs are broad or narrow, or rigid or loose. (2) Recruitment and selection refer to how people in each occupational group are recruited and selected. This is affected by what kind of applicant pool exists, what criteria for selection are used, and how many applicants exist per available position. (3) Training defines whether and to what extent firms offer firm-specific training. (4) Mobility patterns define how employees can move from one job to another within firms (i.e., horizontal movement and vertical promotion). (5) Pay defines whether pay is attached to jobs or individuals. Finally, (6) job security defines whether the rules promise lifetime (or long-term) employment or not.

Given the problems of deskilling and upskilling of jobs that have led to the occupational-level skill shortages in the Thai banking industry, banks in theory should rely on an internal labor market strategy. In reality, however, some banks have done so whereas other banks have primarily relied on an external labor market strategy or a mixed 'hybrid' approach. This choice is likely to be affected by other organizational factors, which I turn to now.

Organizational Factors Shaping Firm-level HR Strategies

Several organizational factors may play a role in shaping firm-level HR strategies. Baron, Burton, and Hannan (1996) noted that founders and others involved in designing and launching companies play an important role in the design and evolution of HR systems and strategies in emerging companies. Specifically, there are three dimensions with which founders and others involved in designing and launching companies can influence the design and evolution of HR systems and strategies: the primary basis of attachment and retention of employees (love, work, and money), the primary means for controlling and coordinating

work (cultural control, professional control, and formal procedures), and the primary basis for selection of employees (skills, long-term potential, and values or cultural fit). They proposed four HR systems and strategies based on the founders' basis for retention, control, and selection of employees: star, engineering, commitment, and factory.

Additionally, Pfeffer and Cohen (1984) noted that organizational variables as well as economic considerations should play a role in explaining the presence of an internal labor market strategy in organizations. An internal labor market strategy is likely to be found in organizations where firm-specific skills, knowledge, or training is required, organizations in the core sector of the economy, organizations with the presence of an HR department, and organizations with multiple branch establishments.

In particular, having multiple branch establishments requires a firm to adopt intensive coordination mechanisms to take advantage of the idiosyncratic business environments and labor markets (Brill, 1982; Sherer, 1995). Employers establish an internal labor market in order to move employees around different sites as business conditions and vacancies arise (Pfeffer & Cohen, 1984) and to ensure uniformity of the operations across sites and maintain firm cultures (Weisbord, 1990). In addition, multiple locations and job availability provides employees with greater opportunity to stay with the firm and grow within. Thus, firms with greater number of branch establishments are more likely to recruit entry-level employees and develop them within. Admittedly, externally hired workers may be a more efficient way to establish branch offices because they could produce more with less training than entry-level workers (Sherer, 1995). Prior studies, however, reported that externally hired workers are not necessarily more productive than internally promoted ones despite their substantially higher compensation level (Bidwell, 2011).

Organizational size may also be one of the factors that drive the adoption of an internal labor market. Large bureaucratic organizations adopt lifetime employment and career

ladders as an efficient organizational arrangement (Weber, 1947) and they supposedly have the resources and skills to establish promotion ladders (Oi, 1983). The size of organization is correlated with the number of vacancies and the number of hierarchical levels, thereby providing greater promotion opportunities (White, 1970). In addition, a large labor pool within the organization allows employers to find qualified employees to fill the vacancies from within (Pfeffer & Cohen, 1984). Pfeffer and Cohen (1984), however, proposed that the size of organizations might be highly correlated with other characteristics related to an internal labor market strategy. In this regard, the effect of size on an internal labor market warrants further investigation.

Baron, Davis-Blake, and Bielby (1986) analyzed the characteristics of jobs and organizations associated with the use of an internal labor market strategy, but they found only weak support for those organizational characteristics. For job-level characteristics, they found that jobs that require large amounts of firm-specific training, managerial and production jobs, jobs with many incumbents, jobs held exclusively by men, jobs with less complex informational skills, jobs in unionized establishments, and jobs in large and bureaucratic organizations are more likely to be located in an internal labor market.

Previous research has also explored other organization-level factors that influence firms' decisions to use an internal or external labor market strategy such as industry dynamics (Haveman and Cohen, 1994), organizational growth (Wholey, 1985), firms' distance from competitors, implementation of new technologies, and HR practices (Bayo-Moriones and Ortin-Angel, 2006; Pfeffer and Cohen, 1984).

Later, Bidwell and Keller (2014) examined job-level factors in terms of job attributes that affect those decisions, including performance variability and supply of internal candidates. Additionally, regional-level factors shaping firm-level HR strategies have been examined in prior research. For instance, dense competition among firms may lead firms to

externally hire workers rather than to internally develop them (Burton, 2013). Greater competition in the region allows employees to move around among firms more easily, which suggests higher probability of employee poaching. Freeman (2008) showed that the clustering among establishments is associated with greater job-hopping among individuals and shorter job duration. Thus, firms in competitive environments must minimize investment in employees and rather take advantage of the sorting and matching mechanisms outside the firm (Jovanovic 1979).

However, there is still relatively limited research that explores the role of organization-level factors, particularly institutional legacies, in shaping and constraining firm-level HR strategies – specifically, the use of an internal versus external labor market systems.

Why is there Variation in Firms' HR strategies? : The Role of Institutional Legacies

According to Baron, Burton, and Hannan (1996)'s findings, founders and others who aid in designing and launching firms play an important role in shaping firm-level HR strategies. The roles of these founders have an enduring effect on the current organization's HR systems and strategies even though this organization changes top management over years. Here, I propose that institutional legacies of firms should play a role in shaping firm-level current HR strategies: whether firms primarily adopt an internal labor market strategy or an external labor market strategy for their managerial and professional employees.

“Institutional legacies” here refer to institutions that persist and affect firms over long periods of time (Greve and Rao, 2014). I classify the institutional legacies of firms into two main types: institutional legacies of domestic firms (Thai-owned firms) and institutional legacies of foreign firms.

Domestic firms (Thai-owned firms) are classified into 2 main types according to their ownership: family-owned firms and government-owned firms. The institutional legacies of

both family-owned and government-owned firms in Thailand are paternalistic in nature even though, in some cases, these firms have gone public. Thus, both types of domestic firms are treated as if they are in the same group.

A paternalistic management style or paternalism refers to the fact that founders or managers of firms pay special attention to workers' off-the-job lives as well as on-the-job lives and attempt to promote workers' personal welfare (Gelfand, Erez, and Aycan, 2007; Pasa, Kabasakal, and Bodur, 2001). Here, founders or managers of firms feel obliged to provide protection to those under their care and, in exchange, expect loyalty and deference (Aycan, Kanungo, and Sinha, 1999; James, Chen, and Cropanzano, 1996). Thus, it is possible that paternalistic managers guide both professional and personal lives of their employees or subordinates in a manner resembling a parent (Gelfand, Erez, and Aycan, 2007). In other words, parent-children relationships can be expected in a paternalistic management style. Like the father in a family, these founders or managers are believed to exercise their power within the constraint of protecting and improving the lives of their employees. This relieves considerable tension for employees. This relief of tension is available not only to the employees but also to those founders or managers, because the reduction of employees' tension implies that these employees are more compliant and predictable (Kerfoot and Knights, 1993).

Research suggests that paternalism is an effective management style in many non-Western countries (Farh, Cheng, Chou, and Chu, 2006; Martinez, 2003; Pellegrini and Scandura, 2006; Uhl-Bien, Tierney, Graen, Wakabayashi, 1990), including Thailand. In these countries, the main focus of this management style is on employees' welfare; a leader's care and protection are genuine; and employees show loyalty out of respect and appreciation for the leader's benevolence (Pellegrini and Scandura, 2008).

In paternalistic firms, the founding members typically believe that creating a strong family-like atmosphere and an intense emotional bond with employees play a crucial role in inspiring superior effort and increasing the chances of retaining high potential employees over a long period of time. They care for their own employees. They attempt to keep a family-like atmosphere even as the size of firms gets bigger. This will potentially prevent the frequent mobility of key managerial and professional employees in those firms.

Founders of these paternalistic firms are typically concerned about the long-term, rather than short-term personnel needs. Thus, they focus heavily on how a prospective employee would connect with others in the organization. Here, the primary basis for selection of managerial and professional employees is the long-term potential of those employees and fit with the company's philosophy or values, whereas the primary basis for retention is creating a sense of personal belonging and identification with others in an organization to maintain the family-like work environment (Baron, Burton, and Hannan, 1996).

Additionally, in paternalistic firms, they are likely to adopt policies and practices designed to bind employees to the organization (socialization, training, communication, employee relations, etc.) and to undertake investments in their managerial and professional employees (such as training and promotion from within) in order to foster long-term attachments to firms. In this case, these firms need to train entry-level employees extensively until they become ready to work in specific departments. It is likely that, in these firms, there are a number of in-house training courses to be offered to entry-level employees and other employees. Moreover, it is likely that these firms have attempted to build up their own employees in the long run through several practices such as offering scholarships to further their degrees abroad and become top managers in the future. Furthermore, all employees in these paternalistic firms are typically encouraged to identify themselves as members of a

single corporate family. These policies and practices are consistent with an internal labor market strategy.

It is likely that the institutional legacies of founders in these paternalistic firms continue to have an enduring effect on their current HR systems and strategies as noted by Baron, Burton, and Hannan (1996) that, “organizational origins matter and that the initial premises that guided the design of employment relations exert an enduring effect on these companies, even as they grow, mature, and in some cases change strategies and top management”. The main evidence of this argument is that family-owned Thai banks such as Kasikorn Bank Public Company Limited and government-owned Thai banks such as Krung Thai Bank Public Company Limited have primarily implemented an internal labor market strategy (see chapter 5). As a result, the institutional legacies of the paternalism in family-owned and government-owned Thai banks continue to have an enduring effect on the retention of their HR strategy for managerial and professional employees as long as the ownership of family-owned and government-owned firms continues.

Foreign firms in this study are classified into 2 main types according to their country of origin: firms from liberal market economies, such as the US and UK, and firms from coordinated market economies, such as Japan. The institutional legacies of firms from LMEs and firms from CMEs are different from each other. Thus, both types of foreign firms are treated differently.

Since the late 1990s, a number of scholars who focused on comparative institutional research created an explanatory framework to help examine how institutions such as labor market, financial market, and product market institutions shape the strategies and behaviors of actors such as firms nested within these institutions. One of the simplest and most well-known comparative institutional frameworks is the “Varieties of Capitalism” (Hall and Soskice, 2001). In the book chapter titled “An Introduction to Varieties of Capitalism”, Hall

and Soskice (2001) agreed that national contexts substantially affect the differences in the roles of institution. The firms' strategies and operations under those institutional contexts also affect their social and economic policy making. In other words, these national contexts and institutional effects are the source of divergence or variation in HR systems and strategies in firms across countries. When firms invest abroad, they carry with them these 'host country' norms.

Hall and Soskice (2001) divided countries in their study into two types of capitalism: Liberal Market Economies and Coordinated Market Economies. These two groups of countries are clearly opposite to each other.

The LMEs (such as the US, the UK, and Canada) tend to focus on market competition to coordinate economic activity; firm performance focuses on maximizing short-term value. Their formal education systems provide a low level of general skills, so managerial and professional employees are adaptable and flexible and may be hired into a wide range of jobs in firms. Labor market typically has few regulations, so these employees can move across firms and employers can fire at will. Given high labor mobility patterns, firms are reluctant to invest in firm-specific skills for managerial and professional employees and prefer to use an external labor market strategy. For professional employees, employers rely on individuals to fund their own education to gain technical or specialized skills and try to minimize firm investments in these skills. They rely on an external labor market strategy where possible.

By contrast, the CMEs (such as Germany, Japan, and some Scandinavian countries) focus on relationships, informal coordination, and long-term performance and sustainability. Specifically, countries in CMEs, such as Germany, make extensive use of industry specific apprenticeship systems funded by the state and employers. Thus, in addition to general educational systems, its skill formation system provides workers with firm- or industry-specific skills under the so-called German Vocational Education and Training (VET) system

(Finegold and Wagner, 2002). Additionally, firms in CMEs such as Germany pay more attention to internal development of managerial and professional employees and invest in firm-specific training instead of general training (Culpepper, 1999; Crouch, 2005; Finegold, 1999). In this regard, the German VET system plays a supporting role in supplying a skilled workforce that responds to the needs of industries and firms, and in alleviating the country's skill problems (Finegold, Wagner, and Mason, 2000).

Consistently, in the case of Japan, the pattern of keiretsu-led coordination facilitates firm-specific training among its managerial and professional employees. In particular, workers are encouraged to acquire firm-specific skills for use within the family of companies in which they have been trained. In order to persuade these managerial and professional employees to invest in these firm-specific skills, large firms typically offer lifetime employment policy to their employees. These firms find it easier to invest in firm-specific skills and secure employee loyalty because they provide several types of social benefits, which should be the responsibility of the state, to their employees (Hall and Soskice, 2001). The investment of firm-specific skills and the promise of lifetime employment to their employees therefore promote the use of an internal labor market strategy in these firms.

Thus, it is likely that the institutional legacies of foreign ownership of banks from LMEs is associated with the likelihood that those banks will adopt an external labor market strategy for their managerial and professional employees, whereas the institutional legacies of foreign ownership of banks from CMEs is associated with the likelihood that those banks will adopt an internal labor market strategy for their managerial and professional employees.

The Challenge of Maintaining Internal Labor Market Systems in the face of External Market Pressures

Like Thai firms, South Korean firms have historically relied on paternalistic management and internal labor market systems. Yet, after the Asian financial crisis in 1997,

many large Korean firms dismantled their internal labor market systems. Lee (2015), for instance, studied 11 large South Korean firms, which quite uniformly used internal labor market systems before the Asian financial crisis, but abandoned them afterwards. But he also found variation in firm strategies, and examined why some firms more or less retained their internal labor market strategies while others did not. He generally found that these firms reduced their commitments to internal labor markets after the crisis, but the extent of reduction in internal labor market systems varied considerably.

In this paper, it is seen that the external shock of the Asian financial crisis in 1997 played a crucial role in the disintegration of internal labor market systems. This crisis led to the reformation of Korean firms that finally decreased the extent to which Korean firms relied on an internal labor market strategy (Kim and Kim, 2003). This paper, however, did not pay attention to the continuity or discontinuity of institutional legacies and ownership in shaping the implementation of an internal labor market strategy in firms.

Thus, the main argument in this dissertation is that the continuity or discontinuity of institutional legacies and ownership of firms is associated with the retention or erosion of an internal labor market strategy in these firms over the years. That said, the continuity of institutional legacies and ownership of firms after the sudden external shock of the Asian financial crisis in 1997 is associated with the continuity of implementing an internal labor market strategy in these firms over years. However, the discontinuity of institutional legacies and ownership of firms after the sudden external shock of the Asian financial crisis in 1997 is associated with the erosion of the extent to which these firms rely on an internal labor market strategy after that crisis. These firms are likely to adopt an external labor market strategy or adopt a mixed 'hybrid' approach for their managerial and professional employees.

In sum, this chapter theoretically elaborates two important research questions: How do firms solve skill problems and why is there variation in firm-level strategies to solve these

problems? Specifically, I review prior literatures on an internal labor market and an external labor market strategy and on organizational factors shaping firm-level HR strategies. Finally, I present my main arguments for this dissertation through this chapter.

CHAPTER 4

RESEARCH METHODS

This chapter describes the research strategy and mixed methods approach used in this dissertation. I explain the overall approach and why the Thai banking industry is an appropriate context for examining my three research questions. I discuss the research design, case selection criteria, data collection strategy, and analytical approach.

In particular, this dissertation applied a qualitative research design consisting of two sequential phases: Phase I and Phase II. In Phase I of this research, I explored the changing nature of the Thai banking industry, identified different types of banks in this industry, and examined the range of skill problems that may inhibit the development of the industry. In Phase II, I conducted in-depth case studies of four banks: Kasikorn Bank Public Company Limited (Kasikorn Bank), Krung Thai Bank Public Company Limited (Krung Thai Bank), Bank of Ayudhya Public Company Limited (Bank of Ayudhya), and Standard Chartered Bank (Thai) Public Company Limited (Standard Chartered Thai). The case studies focused on why and how firms vary in their adoption of HR strategies – the extent to which they rely on internal and external labor market strategies [i.e., job definition, recruitment and selection, training, mobility patterns, pay, and employment security] in the management of three main occupational groups: relationship managers, branch managers, and product managers.

Research Context and Importance of the Thai Banking Industry

I chose to take a “sectoral” approach in this dissertation because it allows me to compare firms operating in the same product market, – thus holding constant external factors in order to compare internal HR practices. It also allows me to compare organizations that operate in a similar market sphere with a similar range of strategic choices in terms of technologies and service offerings (Batt, Holman, and Holtgrewe, 2009). I chose to explore the banking industry because I believe that this industry provides an appropriate context. As a

knowledge-intensive industry, the importance of having a well-trained workforce with the necessary general and industry-specific skills is central to performing effectively.

Thailand provides an appropriate context for studying the question of skill development because it is one of the emerging market economies where problems of occupational-level skill shortages are quite severe. The financial system in Thailand is particularly appropriate as a research site because economic development depends heavily on the banking system. Thailand is still a “bank-dominated” financial system as the majority of leading companies in Thailand in almost every sector rely on bank loans, products, and financial instruments. The long-term relationship between large commercial banks and a variety of interest groups has played a crucial role in supporting national economic development during the past centuries. Businesses and firms in Thailand use bank loans as their major source of capital. Thai people give more weight to banks and financial institutions than to the stock market. In this respect, Thailand’s financial system is regarded as “a bank-based system.”

At the same time, banks in Thailand have been facing serious shortages of qualified and capable employees especially after the Asian financial crisis in 1997. The main reasons for these shortages are (1) stricter regulatory requirements in the banking industry after the Asian financial crisis to control the number of non-performing loans, which have led to a high demand for specialists such as risk management and compliance specialists, (2) more focus on fee-based income rather than interest-based income which has led to a high demand for product development specialists, product managers, and tellers and sales associates who can be promoted to branch managers, and (3) technology changes that have led to a high demand for information technology specialists, product development specialists, and product managers.

Research Methods

This dissertation applied a qualitative research design to answer the questions regarding skill problems in Thai banking industry and how banks solve these skill problems. The research consisted of two sequential phases: Phase I and Phase II.

Phase I

During the exploratory stage (Phase I), I completed a total of 77 interviews to identify and understand the extent to which banks faced problems of occupational-level skill shortages. I drew on key informant interviews with people in a range of positions, including presidents, Chief Executive Officers (CEOs), independent directors, advisors, top managers (e.g., a senior executive vice president (human resources) and an executive vice president (product management)), middle managers (e.g., a senior vice president (human resources)), first-line managers (e.g., an HR strategist), and professional employees (e.g., an investment consultant). I conducted these interviews with people working in a wide range of institutions, including banks, financial services companies such as securities companies and insurance companies in Thailand, Thai Bankers' Association, Association of International Banks, Department of Skill Development under the Thai government, consulting companies, public universities, executive recruitment companies (headhunters). These people have had extensive work experience or consulting experience in the banking industry over the years.

In this Phase, I examined different types of banks in Thailand (i.e., publicly owned banks (with less than 50 percent stakes owned by foreigners), publicly owned banks (with more than 50 percent stakes owned by foreigners), government-owned banks, and foreign banks) regarding the HR strategies and practices such as the attraction, development, and retention of their managerial and professional employees, the changing nature of the Thai banking industry, and firm-level institutional legacies and ownership structures that may shape those HR strategies and practices.

I used the qualitative research methodology because this stage was exploratory (in terms of the “why” and “how” research questions) and I intended to collect comprehensive and holistic data about national institutions, industry contexts, and firm-level institutional legacies as well as firm-level HR strategies and practices. This approach thus permitted a deep exploration of how the institutional and organizational contexts in which banks were embedded informed the way they operated and allowed an exploration of the interactions of several actors at different levels of the analysis.

I used my own and my family’s network in Thailand to gain access to different groups of informants in different types of organizations. I used the snowball sampling strategy in this phase, which means an interviewee introduced me to other prospective interviewees. In particular, I asked several interviewees at each level to introduce other prospective interviewees who could answer my questions about different topics of interest (see Table A.1 in the Appendix for list of interviewees in Phase I and Table A. 2 in the Appendix for list of interview questions in Phase I).

I conducted all of the interviews in Phase I during the period of June 15 – October 15, 2015 and March 1 – April 15, 2016. I also conducted non-participant observation of employees within the banks and a review of archival documents and web resources to examine the background of each bank and executives, work design, and day-to-day activities of its employees and to triangulate with the results of the interviews.

Each of the semi-structured interviews in this phase lasted between 1 and 2 hours. All of the interviews were one-on-one interviews, and all but two of them were conducted in Thai. I used the same interview protocols for all of the interviewees who were managerial and professional employees across several levels and occupational groups in banks and other financial services companies, HR scholars in public universities, and consultants in Thailand. Each interview was digitally voice recorded, and I took field notes during the interviews to

help facilitate the transcription. After transcribing and summarizing the interviews based on the thematic analysis, I produced approximately 180 double-spaced pages of material from Phase I of this research. This material became the basis for conducting Phase II research.

Based on a number of interviews with key informants in Phase I, I was able to formulate specific research questions regarding the changing nature of the Thai banking industry, changes in demand for skills in this industry, primary skill problems in this industry, how banks solve these skill problems, and why banks vary in their HR strategies and practices (the use of internal and external labor market strategies) in several dimensions including job definition, recruitment and selection, training, mobility patterns, pay, and job security. Specifically, I focused on why some banks focused more on internal development of their managerial and professional employees, while others paid more attention to the external hiring of managerial and professional employees or a mixed approach of both strategies. Thereafter, I was able to formulate my working hypotheses for further qualitative research in Phase II.

Phase II

During Phase II (May 1 - June 30, 2016), I developed more fully an understanding of the Thai banking industry and its transformation after the Asian financial crisis; I also identified the criteria I would use to determine a) my selection of case study banks; b) the key independent variables that I would focus on [i.e., institutional legacies and ownership structures]; and c) the key occupational groups I would examine. My main objective of this phase was to understand the sources of differences in HR strategies and practices across the three occupational groups in all of the four case study banks.

I conducted fieldwork on four case study banks, based on what I learned in Phase I. I chose four banks that differ in their institutional legacies and ownership structures. That said, I chose two banks that are protected from external market pressures like the Asian financial

crisis. These two domestic-owned banks (Kasikorn Bank and Krung Thai Bank) have continued their ownership structures even after the Asian financial crisis. I chose the other two banks (Bank of Ayudhya and Standard Chartered Thai) that had changed their ownership structures after the Asian financial crisis in 1997. These two banks are foreign banks.

The details of each case study bank are as follows.

1) Kasikorn Bank

Kasikorn Bank is a family-owned Thai bank in the Thai banking industry. The Lamsam family (a Chinese-Thai family) still plays a crucial role in managing this bank and its affiliates. This bank retains deep institutional legacies and family-ownership continues to foster a paternalistic approach. Thus, the bank is appropriate for exploring the institutional legacies of paternalism in family-owned Thai banks and determining whether these legacies are associated with the likelihood that these banks will adopt an internal labor market strategy for their managerial and professional employees.

2) Krung Thai Bank

Krung Thai Bank is a government-owned bank. [Actually, it is the only government-owned commercial bank in Thailand. Other government-owned banks are not commercial banks but specialized financial institutions or SFIs.] The Ministry of Finance through the Financial Institutions Development Fund serves as the major shareholder of this bank. Thus, this bank is appropriate for exploring the institutional legacies of paternalism in government-owned Thai banks and studying whether these legacies are associated with the likelihood that these banks will adopt an internal labor market strategy for their managerial and professional employees.

3) Bank of Ayudhya

Bank of Ayudhya is a Japanese bank. Initially, this bank was majority-owned by the

Rattanak family, a Chinese-Thai family. After the Asian financial crisis, the Rattanak family sold majority of its shares to General Electric Group from the US. Approximately 2 - 3 years ago, General Electric Group sold majority of its shares to Bank of Tokyo-Mitsubishi UFJ (BTMU). Thus, this bank is appropriate for exploring the institutional legacies of foreign ownership of banks from coordinated market economies (CMEs) and determining whether these institutional legacies are associated with the likelihood that these banks will adopt an internal labor market strategy for their managerial and professional employees.

4) Standard Chartered Thai

Standard Chartered Thai is a UK-owned bank. Initially, this bank was majority-owned by the Wanglee family, a Chinese-Thai family. After the Asian financial crisis, the Wanglee family sold its shares to the Ministry of Finance through the Financial Institutions Development Fund. Later, the Financial Institutions Development Fund sold majority of its shares to Standard Chartered Bank from the UK. Thus, this bank is appropriate for exploring the institutional legacies of foreign ownership of banks from liberal market economies (LMEs) and determining whether these institutional legacies are associated with the likelihood that these banks will adopt an external labor market strategy for their managerial and professional employees.

I used a matched-case comparison design of four leading banks in Thailand because this approach allows the researcher to examine the variation in their HR strategies and practices: these firms differ in their institutional legacies and ownership structures. Moreover, these four case study banks are similar in several factors, including their segment, banking industry, and size. For instance, Batt and Hermans (2012) identified the matched-case comparison approach as an effective strategy to use to explain how, despite similar competitive conditions, the institutional differences lead to different employer or union

behaviors and outcomes across countries (Dore, 1973), as well as within the same country (Locke, 1992).

Given the complexity of occupations and specialties in the banking industry, I also decided to focus on three core occupational groups – ones that are critical to bank performance and that my interviewees indicated suffered skill deficits. Specifically, I chose to explore the occupational groups of relationship managers, branch managers, and product managers across four case study banks (see Table A.3 in the Appendix for list of interviewees in Phase II and Table A. 4 in the Appendix for list of interview questions in Phase II).

“Relationship managers” here refer to a group of people who are responsible for studying and analyzing data and related news to identify target customer groups; studying and analyzing the needs of target customer groups to serve customers with loans, credit, products, and services that are customized to those needs or to refer these customers to bank’ affiliates for additional services; proposing and presenting every type of bank and affiliates’ services to existing customers and search for new customers in order to maintain and expand the market shares of each bank; cultivating and maintaining good relationships with customers by regularly monitoring the movement of and visiting customers; providing valuable advice to customers regarding wealth management, investment, and bank’s products and services; proposing solutions to customers’ problems; coordinating with product managers and experts in the areas of financial products and instruments in order to serve customers well, satisfy customers’ needs, and maintain a good image of each bank; and negotiating with customers to protect bank’s benefits.

“Branch managers” here refer to a group of people who are responsible for planning and cooperating with area managers or regional managers to set strategic goals for their branches; managing the operations and customer services of each branch in accordance with goals; managing sales associates in each branch; providing advice and recommendations to

customers regarding financial products, investment, wealth management, and credit or loans; maintaining existing customer base and searching for new customers; and expanding businesses of the bank according to its policies and goals.

“Product managers” here refer to a group of people who are responsible for designing, improving, and developing new or existing financial products or improving customer experience of financial products usage under wholesale banking customer as per assignment from supervisor; initiating new bancassurance products for both life and non-life insurance offering to corporate customers; supporting product development and sales process; ensuring implementation in order to generate fee income and reduce risks to the bank; preparing business cases to test the feasibility of new product or test new business opportunities; launching promotion or activities to stimulate sales volumes of financial products according to specified goals; and cooperating with other related units to develop new products or projects according to the scheduled timeline.

Therefore, my main sources of data in this phase were several interviewees who were in the same occupational group(s) in each case study bank and from analysis of archival documents related to the national skill formation system, the Thai banking industry, and each bank’s HR policies and practices. In particular, Phase II research included a total of 47 semi-structured interviews with a group of relationship managers, branch managers, and product managers in four case study banks, more than 30 visits to headquarters and branches located in Bangkok and nearby provinces, and research in company archives and web-based resources. Non-participant observation of characteristics and behaviors of managers and employees in these four case study banks occurred during the period of pre-interviews, interviews, and post-interviews. I also reviewed archival documents and web-based resources such as interview reports and history and background of each bank, to better understand the growth of the four case study banks.

To gain access, I prepared and submitted a formal letter on behalf of myself (a PhD candidate from Cornell University) to Chief Executive Officers or Managing Directors (Presidents) of all of the four case study banks via fax and email to ask for permission to conduct interviews with a group of relationship managers, branch managers, and product managers of their respective banks. Topics to be interviewed included background of each bank, challenges they faced in their jobs, their main job duties and responsibilities, recruitment and selection practices, training, mobility patterns, pay, and employment security. Top managers in each case study bank gave me permission to conduct interviews. They also gave me a list of relationship managers, branch managers, and product managers in their banks and asked me to contact each of these managers directly. In this regard, I contacted each of the relationship managers, branch managers, and product managers separately via phone or email to schedule an appointment for interview at headquarters, branches, or other places located in Bangkok and nearby provinces.

Each of the semi-structured interviews in this phase lasted between 1 and 2 hours. All of the interviews were one-on-one interviews, and were conducted in Thai. I used the same interview protocols for all of the three occupational groups in the four case study banks. Each interview was digitally voice recorded, and I took field notes during the interviews to help facilitate the transcription. Moreover, I used non-participant observation to understand the employees' behaviors and attitudes toward all of the four case study banks.

I used thematic analysis (Teddlie & Tashakkori, 2009) to pinpoint, examine, and record the patterns or themes found in the data. After transcribing, coding, and summarizing the interviews based on the thematic analysis, the author produced approximately 180 double-spaced pages of material from the four case study banks. The case study covers the history and background of each case, firm-level HR strategies, and occupational-level HR strategies and practices. For occupational-level HR strategies and practices, there are three

sub-parts: relationship managers, branch managers, and product managers. For saturation, 47 interviewees in Phase II plus 77 interviewees in Phase I were sufficient for a robust research because no new themes were identified, no insights were obtained, and no issues arose regarding a category of data (Strauss and Corbin, 1990).

In this regard, I also triangulated my interviews in Phase II with interviews with top managers and other employees at different levels in each case study bank from Phase I, and with interviews with industry specialists and independent scholars from Phase I of this research. Additionally, my non-participant observation of characteristics and behaviors of managers and employees during the company visits, pre-interviews, interviews, and post-interviews, the analysis of archival documents and web resources, and analysis of my own field notes were used to triangulate with interview transcripts before developing my inductive analysis regarding why banks varied in their HR strategies and practices (the use of internal and external labor market strategies).

A summary of the number of interviews conducted across the four case study banks from both Phase I and Phase II of this research is shown in Table 4.1:

Table 4.1 Number of interviews across four case study banks from both Phase I and Phase II

Bank / Position	Kasikorn Bank	Krung Thai Bank	Bank of Ayudhya	Standard Chartered Thai
Top Managers	3	1	2	1
Relationship Managers	4	4	3	4
Branch Managers	3	8	6	3
Product Managers	2	4	3	3
Others (e.g., ex- employees, industry specialists, independent directors)	2	-	1	2
Total	14	17	15	13

In sum, this chapter describes research context, the importance of Thai banking industry, and research methods in both phases (Phase I and Phase II) of this dissertation.

CHAPTER 5
CONTINUITY AMIDST CHANGE: KASIKORN BANK
AND KRUNG THAI BANK COMPARED

Kasikorn Bank and Krung Thai Bank are two banks that have continuously maintained an internal labor market strategy or strengthened it to manage the skills even after the Asian financial crisis. Kasikorn Bank is a family-owned Thai bank and the Lamsam family (a Chinese-Thai family) still plays a crucial role in managing this bank and its affiliates. Krung Thai Bank is a government-owned bank; the status of the bank is of a government-owned organization, which is very stable, according to the Civil and Commercial Code under the control of State Enterprise Policy Office of Ministry of Finance. Both banks are paternalistic companies in that their main HR policy is to focus on employee development and life-time employment, in return for employee loyalty. Their paternalistic institutional legacies continued even after the external shock of the Asian financial crisis in 1997. They have maintained a policy of internally training and developing their managerial and professional employees since then.

The evidence from case studies of both banks supports the main argument of this chapter: the continuity of institutional legacies and ownership of firms after the sudden external shock of the Asian financial crisis in 1997 is associated with the retention of firm-level HR strategies, specifically an internal labor market strategy

First, I will describe the institutional legacies of the paternalism in the Kasikorn Bank and the Krung Thai Bank. Second, I will describe the firm-level HR strategies of both banks. I will then turn to explaining the HR strategies for the three main occupational groups: relationship managers, branch managers, and product managers.

Institutional Legacies of Firms

Kasikorn Bank

Kasikorn Bank is a family-owned Thai bank. This bank was established on June 8, 1945 with a registered capital of 5 million Baht and only 21 employees. At the end of year 1945 (on December 31, 1945 or approximately 6 months after the bank was established), the total deposits was 12 million Baht and its total assets stood at 15 million Baht.

As of March 31, 2016, Kasikorn Bank had a registered capital of 30,486 million Baht with total assets of 2,643,709 million Baht, deposits of 1,747,634 million Baht, and loans and credit of 1,613,577 million Baht. The bank had 1,120 domestic branches with 314 branches in Bangkok and 806 branches in other provinces. It also had 16 international branches and representative offices: Hong Kong branch, Cayman Islands branch, Shenzhen branch in China, Chengdu branch in China, Longgang sub-branch in China, Los Angeles representative office in the US, Beijing representative office in China, Shanghai representative office, Kunming representative office in China, Tokyo representative office in Japan, Rangoon representative office in Myanmar, a local bank in Vientiane in Laos, Hanoi representative office in Vietnam, Ho Chi Minh representative office in Vietnam, Phnom Penh representative office, and Jakarta representative office.

Kasikorn Bank was the primary source of revenue for the Lamsam family. It expanded its operations very rapidly between 1958 and 1973, during which time its registered capital increased steadily. The bank also had close relationships with several powerful politicians in Thailand, especially military politicians and members of the Office of Crown Property who had close relationships with members of the royal family. In essence, Kasikorn Bank was able to protect and retain its profits within its own group (the Lamsam family) by cultivating a very strong network with several interest groups. Previously, all of the top managers in Kasikorn Bank were family members or people who had close relationships with

the Lamsam family such as members of the Office of the Crown Property. In 1973, however, the family made a major change in the management structure of the bank by appointing Mr. Narong Sri-sa-arn, a professional banker, to the bank's Board of Directors. Although this appointment demonstrated the modernization of the bank, family members or close acquaintances continued to play an important role in management (Bualek, 1986).

The Free Float Act, which came into effect in 1979, is an act with the primary objective of distributing shares to minority shareholders and reducing the number of shares among major shareholders to the percentage identified by the act. The Free Float Act is one of the most important requirements for a public company, to be listed in the Stock Exchange of Thailand. In 1979, the Lamsam family and its affiliates held 28.16% of the shares in the bank. In 1985, the year the Free Float Act was made fully effective, the Lamsam family and its affiliates held only 10.46% of the shares in the bank. Although the Lamsam family and its affiliates reduced the percentage of their shareholding in the bank, the family distributed their shares to people who had some relationships with the Lamsam family or other affiliates. Thus, the management of the bank did not change and the Lamsam family has still controlled the operations of Kasikorn bank.

During the Asian financial crisis of 1997, Kasikorn Bank requested financial assistance from foreign shareholders. These foreign shareholders, however, have played a minor role in the bank. By contrast, the Lamsam family continues to play an important role in the management of this bank and its affiliates. From 2004, non-Lamsam family members who spent their careers in the bank began to serve as presidents and members of top management of this bank. The list included Pridi Daochai, Teeranan Srihong, and Kattiya Intarawichai, three current presidents of the bank. Until now, there have been seven sets of presidents as follows: Chote Lamsam (1945 – 1949), Kasem Lamsam (1949 – 1962), Bancha Lamsam (1962 – 1976), Banyong Lamsam (1976 – 1992), Bantoon Lamsam (1992 – 2004),

Prasarn Triratworakul, PhD. (2004 – 2013), and Pridi Daochai, Teeranan Srihong, and Kattiya Intarawichai (2013 – present).

To develop the skills of its own employees, the bank has had to train entry-level employees for at least 6 months to a year to prepare them to work in the branch or in a specific department. The bank offers more than a thousand training courses to entry-level employees and other employees. The bank is recognized as having one of the largest corporate universities in Thailand. It has further developed its own employees by sending suitable employees to get their Master's Degrees in top universities in the US, UK, Switzerland, Japan, and China. Once these people complete their degree abroad, they become top managers of the bank. For instance, the current presidents of the bank (Kasikorn has three presidents) are all scholarship students of the bank. In the year of Asian financial crisis, when every other bank discontinued offering scholarships for Master's Degrees in the US or UK, Kasikorn continued this policy (Interview #66, First Round, March 11, 2016).

Krung Thai Bank

Krung Thai Bank is a government-owned bank, and as such is very stable. It is regulated by the Civil and Commercial Code, under the control of State Enterprise Policy Office of Ministry of Finance. Its employees are considered "state enterprise personnel". The bank started its business operations on March 14, 1966 (B.E.2509), based on the mergers of the Agriculture Bank (the so-called Kaset Bank in Thai) and the Monthol Bank, which were government-owned banks. The bank's symbol is a kind of birds, which is the same symbol as that of the Ministry of Finance. At the time, it had 81 branches and 1,247 employees. Total assets were 4,582.10 million Baht and its registered capital was 105 million Baht. Currently, its major shareholder is the Ministry of Finance through the Financial Institutions Development Fund (55.05%).

The main objective of merging the Agriculture Bank with the Monthol Bank was to strengthen the bank's financial status, protect depositors, cover a wider range of customers, and facilitate national economic development. In 1987, the bank accepted the transfer of assets and liabilities from the Siam Bank [Its previous name was the Asia Trust Bank] as the Siam Bank faced various problems that could not be solved in the short run. Thus, in order to help solve the problem of Siam Bank, the government ordered the bank to transfer its assets and liabilities to Krung Thai Bank. Krung Thai Bank thus became the only government-owned bank, and it is the second largest bank in the country in terms of total assets. Krung Thai Bank has been able to respond to the monetary and fiscal policies of the country and become one of the leading banks in Thailand. In 1989, Krung Thai Bank changed its status to a public company after its shares were traded in the Stock Exchange of Thailand. It is the first state enterprise to become a public company. Additionally, after the 1997 financial crisis, Krung Thai Bank accepted the transfer of assets and liabilities of two other problematic banks in Thailand -- Bangkok Bank of Commerce and First Bangkok City Bank -- as these two banks had a large number of non-performing loans and could not solve this problem within the time period stipulated by the Bank of Thailand. Currently, Krung Thai bank has approximately 24,000 employees with 1,214 branches and 5,900 ATMs.

Because of the bank's status as a government-owned organization and the status of its employees as "state enterprise personnel", the bank has not had any problem in attracting entry-level employees, especially those living in provinces outside Bangkok. Job security is guaranteed by the Civil and Commercial Code, which does not allow lay-offs of state enterprise personnel. This regulation, in turn, creates a strong incentive for the bank to develop an internal labor market with investments in training and development. The bank has a very low turnover rate among its managerial and professional employees and a high retention rate, with long periods of service among its managerial and professional employees.

Although Krung Thai Bank is a government-owned bank, its competitors are other commercial, privately owned banks such as Kasikorn Bank, Siam Commercial Bank, Bangkok Bank, Bank of Ayudhya, and Standard Chartered Thai Bank. Thus, the bank had to restructure its business operations, modernize work processes, and reduce its bureaucratic processes to respond to the changes in the Thai banking industry such as regulatory change, change in bank's focus from interest-based income to fee-based income, and information technology change. In this regard, in recent years, the bank acquired some managerial and professional employees from other banks or firms to be able to drive the movement of the bank toward the strategic direction of "the so-called convenience bank", change its image from a government-owned bank to a commercial bank, and compete with other commercial banks in this industry.

Although the bank restructured its business operations, modernized work processes, and acquired some managerial and professional employees from other banks or firms, the government-owned system continues to be implemented over the long term due to the continuity of ownership as the government-owned organization.

Firm-level HR Strategies

Kasikorn Bank

In chapter 3, I discussed the elements that define an internal labor market strategy for managerial and professional employees. Typically, firms adopt HR policies and strategies to create a long-term relationship with employees. These policies and strategies include firm-specific training; deployment or mobility opportunities; compensation policies; and employment security.

First, Kasikorn Bank's firm-level HR strategies focus on developing its own managerial and professional employees at every level. For instance, currently, the bank has three presidents and all of them are the bank's scholarship students. Additionally, more than

50% of senior executive vice presidents of the bank are scholarship students. The bank has never discontinued offering scholarships to high-potential students. (Interview #66, First Round, March 11, 2016). Although the bank's policy is to emphasize on the internal development of managerial and professional employees, there have been cases of external hiring of mid-career people from other banks or companies. Kasikorn Bank has also recruited some mid-career bankers from other banks as senior executive vice presidents or executive vice presidents. Generally, however, top managers of the bank believe in the principle of internal development (Interview #66, First Round, March 11, 2016; Interview #14, First Round, July 10, 2015).

A senior executive vice president (human resources) reported that he tends to believe that the best way is to recruit high-potential graduates at entry levels and develop them in the long run so that they are able to adapt themselves to the bank's corporate culture. In this case, this group of people will also maintain the bank's corporate culture in the long run. The bank's corporate culture was translated into 4 core values: customer centricity, organization-wide teamwork, professionalism, and innovation. He believed that the bank has a strong capacity to internally develop all of its managerial and professional employees. He notes that if the bank trains 10 employees and, eventually loses 3 – 4 of them to Siam Commercial Bank, it will still retain 5 – 7 employees. And, he hopes that among those 5 -7 employees, 2 – 3 cream employees will stay with the bank in the long run. The bank's turnover rate is approximately 10% and, including new hires, it is approximately 20%. (Interview #66, First Round, March 11, 2016).

Second, Kasikorn pays attention to firm-specific training, because the national skill formation system in Thailand, specifically the university education, does not directly link with the Thai banking system. In this regard, firm-specific training and on-the-job training

are considered an important tool to equip new recruits with firm-specific knowledge and skills (Interview #73, First Round, March 23, 2016). According to one interview:

“When our bank recruits newly minted university graduates, we typically send them out for training at our own training center in Bang Pa Kong in Samut Prakarn province close to Bangkok. There are several types of training courses in our training center. Additionally, on-the-job training is an important tool here. After on-the-job training, our employees will realize whether they can grow together with the bank or not. For instance, if they do not like selling financial products or do not have selling skills, they will not be able to develop at the bank, especially when they have to work at the branch level. (Interview #66, First Round, March 11, 2016).”

Third, in principle, Kasikorn’s managerial and professional employees are able to move to different functions (cross-function) or move to different tracks according to their own competencies. For instance, if product managers want to transfer their careers to the marketing department, they must attend the bank’s training courses before moving to this new department to ensure that they are eligible to work in that department and that their competencies match with the new department. In reality, however, it is quite hard for managerial and professional employees to move to different functions or tracks if they cannot find perfect substitutes (Interview #73, First Round, March 23, 2016). According to an interview with the senior executive vice president (human resources):

“Our bank is an organization of opportunity. You can move to different functions if you show that you have competencies that match with those new functions and if you can find your own substitute. (Interview #66, First Round, March 11, 2016)”

Fourth, the bank implements a performance-based or merit-based compensation policy for more than 10 years. The performance of its employees is classified into 5 groups from the lowest to the highest. Their ratings are then linked to percentage (%) of annual

salary increase and variable bonus. The group of high performers (a rating 5) are extraordinarily developed and if these high performers receive a rating 5 for two consecutive years, they are considered for promotion. However, in reality, it is still very difficult to differentiate between low and high performers at the bank (Interview #66, First Round, March 11, 2016; Interview #14, First Round, July 10, 2015).

A senior executive vice president of human resources and an executive vice president of human resources noted that actually the bank has been implementing a forced-ranking performance management system for years. In the last few years, however, the main issue was how to differentiate between good and bad performers to encourage good performers to stay with the bank. Many good performers claimed that their percentage of annual salary increase and amount of variable bonus are not different from those of low performers (Interview #66, First Round, March 11, 2016; Interview #14, First Round, July 10, 2015).

Finally, the bank relies on the principle of lifetime employment. Kasikorn is the only bank in Thailand that offers retirement benefits to its employees at every level, excluding the provident fund (Interview #66, First Round, March 11, 2016). Retirement benefits here are derived from multiplying length of services of employees with the amount of last-month salaries of those employees. [Generally, most banks in Thailand offer retirement benefits according to the employment protection law. According to the employment protection law, the maximum amount of benefits for a retired employee will be calculated by multiplying the amount of last-month salaries with approximately 10.] At Kasikorn, if an employee is 55 years of age, this person will be eligible to participate in the early retirement program. [The retirement age at the bank is 60 years.] The bank has also implemented the “no layoff” policy. It does not use the western-style management system. Rather, the bank focuses on the K-Bank way of “taking care of our warhorses until they get retired” (Interview #66, First Round, March 11, 2016; Interview #14, First Round, July 10, 2015).

An interviewee who is a senior executive vice president (human resources) reported that a large number of Kasikorn Bank's retired employees have been working at Kasikorn Bank for 38 – 40 years. The bank still relies on the principle of lifetime employment. Top managers at the bank believe that whoever stays with the bank and helps to build the bank in the long run until retirement must receive retirement benefits so that they can earn their living or start a small business after their retirement. The bank's main philosophy is that its employees should grow up together with the bank. Although new generation of employees such as Gen Y or Gen Z may not be motivated by the principle of lifetime employment, the bank still continues with this philosophy (Interview #66, First Round, March 11, 2016).

Krung Thai Bank

Krung Thai Bank's HR strategies bear many similarities to those practiced at Kasikorn. First, the bank has typically focused on internally developing its own managerial and professional employees at every level. Due to the status of the bank as a government-owned organization, most of the bank's managerial employees have worked at the bank for approximately 25-30 years. The bank has also offered scholarships for its employees to pursue their degrees in universities in foreign countries (at least 10 scholarships per year) or to pursue degrees in universities in Thailand (at least 15 scholarships per year). Currently, the bank has more than 70 bank-sponsored employees who are working in various functions of the bank (Interview #48, First Round, September, 23, 2016; Interview #10, Second Round, Krung Thai Bank, May 30, 2016).

An interviewee who is an executive vice president (human resources) reported that in some cases, Krung Thai hired managerial employees from other banks, especially those who have skills that are in short supply or those who have skills that cannot be found in the bank, such as global marketing or digital banking skills. The bank's main HR policy, however, is to limit the number of these externally hired employees because they may not be able to adapt to

the bank's corporate culture or the company's value system. The bank has focused more on the internal development of its own employees. In his case, he is also a bank-sponsored employee. He has had a clear career path. He worked in the function of risk management before being appointed to become an executive vice president of human resources department (Interview #48, First Round, September, 23, 2016).

Second, Krung Thai pays special attention to firm-specific training and on-the-job training for its managerial and professional employees. According to an interview with an executive vice president (human resources):

“We have 15 business units at the bank. We are trying to develop a training roadmap for each of the 15 business units in order to foster engagement with the bank. We have our own training center located in a beautiful scene of Kao Yai in Nakhon Ratchasima province. We are trying to design training courses to customize our trainees' requirements. (Interview #48, First Round, September, 23, 2016)”

Additionally, the bank has the so-called “high-potential employees development program” and a succession plan for its employees. Currently, approximately 10% of its 20,000 employees are considered “high-potential employees”. Because there are a variety of jobs at the bank, the group of high-potential employees is quite large and diverse. Approximately 60 – 70% of its high-potential employees work at the branch level. There, however, are a small number of top class employees among the group of high-potential employees. In other words, the quality of high-potential employees at the branch level is not equal to that of high-potential employees in the treasury department at headquarters. If the bank does not pay attention to high-potential employees at the branch level, all of the high-potential employees at the bank will be at headquarters, which is quite “unfair.” The group of high-potential employees at headquarters and the branch level typically has strong technical skills. Thus, the bank's training courses for this group of employees generally focuses on soft

skills and leadership skills so that these employees are able to become top managers in the future (Interview #48, First Round, September, 23, 2016; Interview #10, Second Round, Krung Thai Bank, May 30, 2016).

Third, the career path of managerial and professional employees at Krung Thai is typically very clear. There are career ladders in each job family or job function. Starting from an officer, one is promoted to be an assistant section head, section head, director, senior director, executive vice president, and senior executive vice president, respectively. Typically, employees in any department or function are expected to work in that department over time. Horizontal movement across departments or functions is limited. The president or managing director at the bank, however, must be recruited or selected every 4 years by the recruiting committee according to the law. The president can be either an insider or an outsider (Interview #48, First Round, September, 23, 2016).

Fourth, the bank implements a performance-based pay structure. The percentage of annual salary increase, however, is controlled by the cabinet resolution and the level of compensation (or pay) is more likely to be attached to job functions rather than to each employee. Additionally, seniority still plays a role in the percentage of annual salary increase among its managerial and professional employees (Interview #48, First Round, September, 23, 2016; Interview #10, Second Round, Krung Thai Bank, May 30, 2016).

Finally, the bank relies on the principle of lifetime employment. Due to the fact that this bank is a government-owned bank and the status of its employees is state enterprise personnel, there is no layoff policy. If an employee does not violate any laws or commit any acts of misconduct or commit a criminal offense, nobody can lay this employee off from the bank according to the state enterprises law. In this case, its employees are able to enjoy working at the bank until they are 60 years of age. Thus, Krung Thai typically does not have any problem in attracting entry-level employees, especially those whose family members live

in provinces outside Bangkok because this group of employees view the status of a job in state enterprises as high and stable (Interview #48, First Round, September, 23, 2016).

An executive vice president of human resources reported that the bank's image as a state enterprise is both its strength and its weakness at the same time. Krung Thai Bank is stable and its employees are able to enjoy long organizational careers and job security. Thus, in provinces outside Bangkok, the bank has not had any problem in attracting entry-level employees because most people who live in those provinces would like to work for the bank because it offers higher job security than what they can find elsewhere. The bank has hired some experienced bankers from Siam Commercial Bank and Bangkok Bank as they do not offer this kind of job security. These experienced bankers believe that the status of Krung Thai bank is more stable than that of other banks. Krung Thai, however, has had some problem in attracting entry-level employees in Bangkok because most of the graduates from Chulalongkorn University or Thammasat University in Bangkok do not want to work at the bank. They view Krung Thai as a government-owned organization which is too bureaucratic. Thus, they have hesitated to join the bank. Here, top managers at Krung Thai have to implement a proactive recruitment process such as conducting roadshows at first-tier universities, opening booths at university academic fairs, launching management trainee programs, or offering scholarships to those graduates to pursue their degrees in domestic and foreign universities to boost engagement with the bank (Interview #48, First Round, September, 23, 2016).

In sum, firm-level HR strategies of both Kasikorn Bank and Krung Thai Bank demonstrate their on-going commitment to an internal labor market strategy for their managerial and professional employees. Both banks rely on the recruitment of university graduates at entry levels and the development of these employees in the long run by using firm-specific training and offering scholarships for graduates and entry-level employees to

further their study in domestic or foreign universities. The horizontal movement of their employees across departments or functions is quite limited. There are clear career ladders in each job function in both banks. Performance-based pay has been implemented in both banks but the differentiation between high and low performers is quite limited. Seniority still plays some role in the pay system. Finally, employees in both banks have enjoyed the principle of lifetime employment and the no layoff policy.

Relationship Managers

The occupational-level HR strategies and practices in the case of relationship managers at Kasikorn Bank and Krung Thai Bank are quite similar. I use six dimensions of HR strategies and practices to analyze how the banks manage their relationship managers, as shown in Table 5.1. These include job definition, recruitment and selection, training, mobility patterns, pay, and job security.

Table 5.1 HR strategies and practices for relationship managers at Kasikorn Bank and Krung Thai Bank

Banks / Dimensions	Kasikorn Bank	Krung Thai Bank
Job definition	Broad and, to some extent, is not clear	Broad
Recruitment and selection	A highly selective process / Prefer to recruit entry-level employees (with 2 – 3 years of work experience)	A highly selective process / Prefer to recruit entry-level employees with some experience
Training	Focus on firm-specific training	Focus on firm-specific training (classroom training, mentoring, and on-the-job training)
Mobility patterns	Limited opportunity for horizontal movement / Limited quotas for vertical promotion	Limited opportunity for horizontal movement / Limited quotas for vertical promotion
Pay	Performance-based pay (Pay is at the average rate of the labor	Performance-based pay (Pay is at or lower than the average rate

	market)	of the labor market)
Job security	High with no layoff policy	High with no layoff policy

Kasikorn Bank

First, the job definition of relationship managers is quite broad and, to some extent, is not very clear. Many applicants or newly minted graduates do not clearly understand the duties and responsibilities of relationship managers when they are hired. Relationship managers are not only a sales associate but also a relationship builder. The bank typically does not select employees with these ready-made skills because they are not patient and they are egoistic. Many people think that a relationship manager is a sales associate. In that case, they typically engage in hard-selling of financial products to customers and they try to sell a large volume of products. This, however, is not the main duty of relationship managers. Rather, relationship managers have to build and maintain good relationships with customers. They typically do not hard-sell products. They instead recommend products to customers, and these customers make decisions on their own (Interview #5, Second Round, Kasikorn Bank, May 12, 2016).

Second, the recruitment and selection process of relationship managers at the bank is highly selective. The bank typically recruits persons who have at least 2 -3 years of experience in any area to become relationship managers. There are several applicants per vacant position. Applicants must pass written tests first before being interviewed by the committee. Written tests involve general knowledge about investment, the applicants' future jobs, the banking industry, and the bank's financial products. Those written tests also test personality, intelligence quotients (IQ), and emotional quotients (EQ) of applicants. Because relationship managers have to meet with outsiders and customers, their personality and behaviors play a crucial role in the selection process. Relationship managers must also have strong analytical skills, must be knowledgeable in financial products, and must demonstrate

strong commitment to their jobs and the bank (Interview #60, First Round, March 9, 2016; Interview #5, Second Round, Kasikorn Bank, May 12, 2016).

For instance, according to an assistant vice president who supervises a team of relationship managers, the bank typically receives 20 – 50 applicants for every one vacant relationship manager position. In some cases, there are about 100 applicants per position. This is because relationship managers in the area of wealth management at Kasikorn are known to receive excellent training. Additionally, there is a high demand for relationship managers in the market. Many banks prefer to poach relationship managers from Kasikorn because Kasikorn invests heavily in training this group of managers. The bank's relationship managers are typically ready-made in 4-5 years of training (Interview #7, Second Round, Kasikorn Bank, May 16, 2016).

Third, the bank focuses on firm-specific training for relationship managers. When employees start their job as a relationship manager at the bank, they must attend a K-Expert course (1 week) to understand an investment cycle and the bank's products. After training, they must pass an exam which is a simulation exam to see how these newly minted relationship managers start talking to customers, how they recommend the bank's financial products to customers, and how well they negotiate with them. Additionally, they must attend a professional makeup course and a personality development course. Moreover, junior relationship managers must have a single license. A "single license" here refers to an investment consultant license (IC). They must also have a life insurance broker license (LIB) and a non-life insurance broker license (NIB). In this regard, the bank provides an in-house training course for its employees who would like to apply for these three licenses and the bank also pays for the examination fee for employees registered to take the exam (no more than 2 times) (Interview #6, Second Round, Kasikorn Bank, May 12, 2016; Interview #4, Second Round, Kasikorn Bank, May 12, 2016). The bank invests approximately 100,000

Baht in training a relationship manager (Interview #60, First Round, March 9, 2016).

According to an interviewee who is a Director of Muang Thai Life Insurance Public Company Limited and who was a senior executive vice president of human resources at the bank:

“We have a corporate university in our bank. For relationship managers, they must pass all of the ten levels of financial modules before they are eligible to serve as a relationship manager in our bank. After passing these modules, they should have better skills in credit analysis and analytical memo writing. Here, as I mentioned earlier, there are no university curriculums in Thailand that train students to have these skills. We thus have to build these skills on our own.... There is a high demand for our well-trained relationship managers. We invested approximately 100,000 Baht in training a relationship manager. They are ready-made. (Interview #60, First Round, March 9, 2016)”

Fourth, it is quite hard for relationship managers to move to different functions or departments (job rotation) at Kasikorn. Because most customers develop personal relationships with these relationship managers, the bank generally does not allow relationship managers to move to other departments if they cannot find suitable replacements (Interview #5, Second Round, Kasikorn Bank, May 12, 2016).

According to the head of sales (a vice president), in many cases, if relationship managers resign and move to other banks (e.g., Bank A), their customers also discontinue banking activities at Kasikorn and move their accounts to Bank A. These customers have long-term relationships with and feel attached to these relationship managers. Some relationship managers really understand their customers' thoughts and intentions because they have served these customers for more than 10 years or, sometimes, 20 years. Some relationship managers serve customers for 3 generations from a father and a mother to their

children and then to their grandchildren (Interview #5, Second Round, Kasikorn Bank, May 12, 2016).

Several relationship managers at the bank noted that there are limited opportunities for promotion to team managers (assistant vice presidents), head of sales (vice presidents), and a director (senior vice president). [At Kasikorn, from a relationship manager (at the levels of officer to assistant section head and section head), one can be promoted to a senior relationship manager (senior section head), a team manager (assistant vice president), a head of sales (vice president), and a director (senior vice president), a first senior vice president, and an executive vice president, respectively.] Thus, most relationship managers have to wait for some time to be promoted to a higher position. Actually, the bank's top managers recognize this issue and attempt to solve it. In reality, however, it is not a simple process for a bank to increase the number of positions of assistant vice presidents, vice presidents, and senior vice presidents because an increase in numbers in one department means an increase in numbers in other departments throughout the bank to promote fairness (Interview #6, Second Round, Kasikorn Bank, May 12, 2016; Interview #4, Second Round, Kasikorn Bank, May 12, 2016).

Fifth, the bank implements a performance-based pay policy for relationship managers. Pay for relationship managers at Kasikorn is approximately at the average of the labor market. The amount is not very high as is the case in some small-sized banks but it is not so low that it cannot attract qualified workforce. Every relationship manager is eligible to obtain a 2-month or 3-month fixed bonus, depending on the performance of the bank. This person is also eligible to receive a variable bonus, the amount of which depends on the performance of each person. This is different from that of other small-sized banks in that other banks offer only a variable bonus to their employees. Additionally, relationship managers are eligible to obtain retirement benefits and provident funds upon retirement or early retirement.

Relationship managers are also eligible to reimburse health care expenses within the limit specified by the bank. Additionally, the bank provides gasoline, express way, and transportation expense for its relationship managers given that relationship managers drive throughout Bangkok and travel to other provinces to meet with customers personally (Interview #5, Second Round, Kasikorn Bank, May 12, 2016; Interview #6, Second Round, Kasikorn Bank, May 12, 2016; Interview #7, Second Round, Kasikorn Bank, May 16, 2016).

Finally, the job security for relationship managers is very high at Kasikorn. The bank has no layoff policy. Relationship managers can work at the bank until retirement at the age of 60 years. If they want to retire early or to attend the bank's early retirement program, they can retire at the age of 55 years (Interview #6, Second Round, Kasikorn Bank, May 12, 2016).

As a result of these policies, the turnover rate for relationship managers at the bank is very low even though there is a high demand for relationship managers in the Thai banking industry. One interviewee noted that the turnover rate for relationship managers is not high although it should be higher than at this moment due to a high demand. The bank's relationship managers take care of customers who possess the amount of deposits or financial products between 10 and 50 million Baht (the so-called WISDOM banking). On average, approximately 5 relationship managers from a total of approximately 45 relationship manager in her department resign from the bank per year (Interview #7, Second Round, Kasikorn Bank, May 16, 2016).

Krung Thai Bank

The HR strategies and practices for relationship managers at Krung Thai Bank are quite similar to those at Kasikorn Bank.

First, the job definition of relationship managers is quite broad. Relationship managers at the bank must be able to supervise credit analysis conducted by account officers

and to build and maintain positive relationships with customers or potential customers to get information from those potential customers. After getting information, relationship managers must cooperate with a team of product managers to issue new products to be presented to those potential customers before other competitors can do so. In other words, relationship managers must be able to pitch to customers before other banks do so (Interview #10, Second Round, Krung Thai Bank, May 30, 2016).

In particular, a relationship manager who is a director of wholesale business customers at the bank reported that he started his career as a management trainee about 13 years ago. To become a relationship manager, he had to work as an account officer first. In other words, a good relationship manager must have experience in credit analysis as an account officer. A relationship manager must be able to get information from customers. Thus, this person must have a strong relationship building skill. He must be able to chat with customers across a range of topics and be able to make recommendations on these issues, even in issues that are not directly related to their jobs. He should be able to read customers' mind. For instance, some customers love to do yoga or other fitness activities; a good relationship manager must be able to build relationships with those customers by doing yoga or other fitness activities. A good relationship manager should also be versatile and have knowledge and skills in various areas so that he is able to understand every type of customer (Interview #10, Second Round, Krung Thai Bank, May 30, 2016).

Second, to be a relationship manager at the bank, one typically must have work experience as an account officer at Krung Thai or other banks for some time. A relationship manager must pass through a highly selective process. There are several applicants per vacant position. Applicants must pass written tests first before being interviewed by the committee. Written tests involve general knowledge about credit analysis and the applicants' future jobs (Interview #9, Second Round, Krung Thai Bank, May 26, 2016).

A relationship manager who is a senior director of state enterprises relations department noted that recently, he conducted interviews with 40 candidates for a relationship manager position and only one of them passed the interview. Typically, during an interview, 4 – 5 candidates sit in the interview room and present their ideas regarding the case study they are provided. After each candidate presents, this candidate has to comment on other candidates' presentations, whether the candidate agrees or disagrees with those presentations. Thereafter, each candidate has to defend the presentation and answer questions from interviewers. Finally, each candidate had to pass an individual interview with the committee, including him (Interview #9, Second Round, Krung Thai Bank, May 26, 2016).

Additionally, to be promoted to a managerial position such as a director or senior director of the relationship management department at the bank, a candidate, who is a senior employee at the bank, must pass written tests, psychometric tests, and interviews to ensure that applicants are qualified for each position (Interview #12, Second Round, Krung Thai Bank, May 31, 2016).

Third, the bank focuses on both classroom training and on-the-job training for its relationship managers. Krung Thai has its own training institute located in Nakorn Ratchasima province outside Bangkok. Typically, classroom training focuses on the topics of bank's financial products, related laws and regulations, presentation skill, negotiation skill, and other topics upon request. Classroom training, however, only accounts for approximately 20% of what qualified relationship managers needs, the remaining of it is on-the-job training. More importantly, on-the-job training and mentoring (buddy) system help relationship managers at the bank to work in real working contexts (Interview #10, Second Round, Krung Thai Bank, May 30, 2016).

A relationship manager who is a director of wholesale business department noted that he typically assigns a mentor to work closely with a newly recruited relationship manager for

at least 6 months. Nevertheless, some experienced relationship managers are not willing to train a newly recruited relationship manager because they are afraid that a newly recruited relationship manager might surpass them in the future. They are not willing to teach a newly recruited manager how to make close relationships with customers or how to know customers' birthdays and what to do next. Thus, in many cases, he has to work as a mentor or a buddy with a newly recruited relationship manager. He said that no university courses can train a person to become a good relationship manager (Interview #10, Second Round, Krung Thai Bank, May 30, 2016).

The other relationship manager who is a director of government relations department noted that training a newly recruited relationship manager to become a qualified relationship manager needs at least 5 years (Interview #11, Second Round, Krung Thai Bank, May 30, 2016).

Fourth, relationship managers at the bank have little chance to move or rotate to different functions. Because most customers develop personal relationships with relationship managers, Krung Thai may not allow its relationship managers to move to other departments. According to a relationship manager who is a director of government relations department:

“Our customers, who are public agencies in Thailand, really feel attached to our relationship managers. I train my relationship managers to cultivate and maintain close relationships with the chief financial officer of each public agency. In other words, those chief financial officers are very familiar with our relationship managers so it is very hard to rotate these managers to other functions or departments. In my case, I have been working at this department (government relations department) for about 13 years. (Interview #11, Second Round, Krung Thai Bank, May 30, 2016)”

From a relationship manager (an officer or a senior officer), one can be promoted to an assistant section head, a section head, a deputy director, a director, a senior director, and

an executive vice president, respectively. At the managerial level such as the director or senior director of each department, if one would like to be promoted to a higher position such as an executive vice president (group level), this person must wait until there is a vacant position due to retirement or death or resignation and must pass various types of tests and an assessment center before being promoted to that position (Interview #10, Second Round, Krung Thai Bank, May 30, 2016).

Fifth, Krung Thai attempts to implement a performance-based pay policy for its relationship managers. Additionally, the bank attempts to adjust the monthly salary for relationship managers according to the market rate in order to motivate them to stay longer. In this case, a forced-ranking performance rating system is applied across the bank. For instance, an average employee will get an annual salary increase of 7%. Top managers of the bank, however, may have an additional 1% to give to an extra group of employees. (Interview #10, Second Round, Krung Thai Bank, May 30, 2016). Although the monthly salary rate for relationship managers at the bank is lower than that of other banks, an interviewee noted that the bank's salary rate is compensated by job security and a variety of benefits offered to the bank's managerial and professional employees (Interview #11, Second Round, Krung Thai Bank, May 30, 2016).

Finally, the job security for relationship managers at the bank is very high due to the status of the banks as a government-owned organization. The retirement age at the bank is 60 years. If one wants to retire early, the bank also offers an early retirement program every 2 years (Interview #11, Second Round, Krung Thai Bank, May 30, 2016). Of course, there is no layoffs policy in a government-owned organization. In this regard, the turnover rate among relationship managers at the bank is lower than that in other banks. According to a relationship manager who is a senior director of government relations department:

“Our department’s turnover rate is quite low. Frankly speaking, there is a higher inflow of employees than outflow in my department. Many employees move from other departments in the bank. In many cases, I recruit candidates who used to work at other banks. Most of these candidates moved to our bank because of our job security and organizational stability. (Interview #12, Second Round, Krung Thai Bank, May 31, 2016)”

Overall, the evidence supports that Kasikorn Bank and Krung Thai Bank primarily implements an internal labor market strategy for their relationship managers.

Branch Managers

The occupational-level HR strategies and practices in the case of branch managers at Kasikorn Bank and Krung Thai Bank are quite similar. I use six dimensions of HR strategies and practices to analyze how the banks manage their branch managers, as shown in Table 5.2. These include job definition, recruitment and selection, training, mobility patterns, pay, and job security.

Table 5.2 HR strategies and practices for branch managers at Kasikorn Bank and Krung Thai Bank

Banks / Dimensions	Kasikorn Bank	Krung Thai Bank
Job definition	Broad but clear	Broad but clear
Recruitment and selection	A highly selective process / Must be internal candidates	A very highly selective process / Must be internal candidates
Training	Firm-specific training (classroom training and on-the- job training)	Firm-specific training (classroom training and on-the- job training)
Mobility patterns	Can be rotated to other branches. Limited opportunity for horizontal movement to other departments at the head office	Must be rotated to other branches every 3 – 4 years. Limited opportunity for horizontal movement to other departments at the head office
Pay	Performance-based pay	Performance-based pay with

		limited differentiation
Job security	High with no layoff policy	High with no layoff policy

Kasikorn Bank

First, the job definition of branch managers at the bank is very clear but broad.

Branch managers are typically responsible for three main areas of each branch: customer services, sales and credit operations, and accounting. Currently, the second one is considered the most important area for every branch. Specifically, branch managers have to supervise an assistant branch manager (customer services) and tellers who conduct financial transactions for customers. They also have to supervise an assistant branch manager (sales of financial products and loans) and sales associates who primarily sell financial products and services to customers. Additionally, they have to supervise a chief accountant and accountants (in case of large-sized branches) in each branch. Branch size at the bank is divided into small, medium, and large. A small-sized branch (Size D) typically has 5 – 10 employees. A medium-sized (Size C) and large-sized branch (Size B) usually has 12 – 15 employees. Some of the large-sized (Size A) branches might have approximately 40 employees (Interview #2, Second Round, Kasikorn Bank, May 17, 2016).

The main duties and responsibilities of managers of branches located in department stores are to manage queues in their branch and sales of financial products to customers because a large number of customers directly come to obtain services from banks. Branch managers do not have to go out to meet with new customers. By contrast, the main duties and responsibilities of managers of standalone branches are to search for new customers and go out to meet with them. Standalone branch managers typically do not stay in the branch. They have to follow a proactive marketing plan and manage relationships with customers outside the branch so that customers are loyal to their branch's services (Interview #2, Second Round, Kasikorn Bank, May 17, 2016).

Second, branch managers at Kasikorn must be internally selected from a pool of qualified assistant branch managers. Typically there are several applicants per vacant position. In the past, applicants had to pass both written tests and interviews. Written tests included general knowledge about branch operations and financial products. Currently, applicants must pass only interviews with the committee. Applicants who are qualified for an interview with the committee, however, must have at least 8 – 12 years of work experience in the bank and must have at least 2 consecutive years of good or excellent work performance at their branches. In other words, applicants are be qualified for an interview and can be promoted to be a branch manager must be shortlisted from persons who have at least 2 consecutive years of good or excellent work performance at their branches (Interview #2, Second Round, Kasikorn Bank, May 17, 2016).

After passing interviews, applicants are ranked based on their performance and interview ratings. Applicants who obtain the highest score are promoted to be a branch manager first. For instance, if there are 10 vacant positions of branch managers and 20 applicants pass interviews, the first ten applicants are promoted immediately. Thereafter, if there are additional vacant positions, the next qualified applicant is promoted further. This process continues until the next round of interviews is announced. In this regard, applicants who pass the previous round of interviews but are not promoted has to be shortlisted again based on their 2-year work performance ratings and will be interviewed again. That said, to be eligible for a branch manager position, applicants must continuously maintain their 2-year good or excellent work performance ratings until they are promoted (Interview #2, Second Round, Kasikorn Bank, May 17, 2016).

A vice president who is a zone manager supervising several branches noted that the bank typically uses several rounds of group interviews to select a qualified applicant for a vacant branch manager position. The interview committee has to pay attention to applicants'

problem-solving, internal audit, and interpersonal skills. If applicants pass interviews, the committee typically ranks them according to their scores and the bank promotes applicants with the highest score first. This selection process occurs on an annual basis to ensure that the bank is not in short supply of branch managers. In the case of selecting a zone manager who will supervise several branches in each area, the process is quite similar to that of branch managers (Interview #2, Second Round, Kasikorn Bank, May 17, 2016).

Third, Kasikorn pays attention to firm-specific training of branch managers. There are more than 70 curriculums for branch managers. Before serving as a branch manager, one must attend a 14-day training course including strategic planning, personality improvement, and leadership, and must pass several tests in these courses. The bank encourages its branch managers to attend the Mini-MBA courses or Executive-MBA courses to brush up their knowledge and get connections with people in other industries. The bank has its own training center located in Bang Pa Kong, close to Bangkok. The bank continuously invites professors or instructors from foreign countries such as the US or Australia to train their four or five groups of high-potential employees. These high-potential employees then act as the trainer for other groups of employees in the bank. In this regard, these high-potential employees have to pass courses related to training the trainers so that they are able to learn how to transfer knowledge and skills to trainees (Interview #1, Second Round, Kasikorn Bank, May 16, 2016; Interview #3, Second Round, Kasikorn Bank, May 18, 2016).

Kasikorn Bank also provides training courses for branch-level employees who aim to take the single license (IC), life insurance broker license (LIB), and non-life insurance broker license (NIB) tests and the bank pays for examination fee for this group of employees (no more than 2 times).

A vice president who is a zone manager supervising several branches noted that the bank attempts to fill in gaps in each employee. Specifically, this bank pays the most attention

to training of branch-level employees because branch-level employees are considered “the front desk” of the bank. Their duties and responsibilities are also considered the primary source of income for the bank. Thus, the bank trains branch-level employees in terms of financial advisory and marketing skills. These branch-level employees do not just hard-sell bank’s financial products to customers. Rather, they have to provide financial advice and recommend customers regarding the bank’s financial products. They have to take care of customers according to their needs. Thus, Kasikorn’s branch-level employees are heavily trained to become the so-called “K-Expert” (Interview #2, Second Round, Kasikorn Bank, May 17, 2016).

Fourth, in principle, branch managers are eligible to move or rotate to different functions across the bank. In reality, however, it is very hard to do so. They are able to move to different branches but there are very few cases that branch managers are able to move from branch operations department to other departments at the head office, except for health issues (Interview #2, Second Round, Kasikorn Bank, May 17, 2016). One of the reasons here is that the sales and marketing of financial products is currently the most important function at the branch level. Therefore, it is almost impossible to rotate a manager of a Size-A branch in Bangkok who has excellent performance in sales and marketing of financial products to other branches in metropolitan areas, other provinces or to other support functions or departments at the head office because the bank will lose opportunity to increase sales volume of financial products from this excellent branch manager (Interview #3, Second Round, Kasikorn Bank, May 18, 2016).

Actually, the career path of branch managers at the bank is very clear. A branch-level teller or a branch-level sales associate can be promoted to become a senior teller or a senior sales associate, and then become an assistant branch manager. Thereafter, an assistant branch manager can be promoted to be a branch manager. Starting as a small-sized branch manager,

a branch manager can typically be promoted to be a medium- and large-sized branch manager, respectively. This person can thereafter be promoted to be a zone manager, a regional manager, and an executive vice president (supervising branch operations), respectively (Interview #3, Second Round, Kasikorn Bank, May 18, 2016).

Fifth, the bank implements a performance-based pay policy for branch managers. The bank's incentive system is at least as good as that of other large-sized banks. Branch managers and branch-level employees are eligible to obtain a monthly salary and a 1.75-month or 2-month fixed bonus, depending on the performance of the bank. These persons are also eligible to receive a variable bonus, the amount of which depends on the performance of each person. In this regard, the size of each branch affects the performance ratings of branch managers, and their percentage of annual salary increase and the amount of variable bonus. Thus, Size-A branch managers are eligible to obtain a higher percentage of annual salary increase and a higher amount of variable bonus than are Size-C or Size-D branch managers. That said, size matters because size affects the potential to generate income for the bank. Size A branches mean the highest potential in this case. Branch managers also receive cars (with drivers), transportation allowances, and food allowances (Interview #2, Second Round, Kasikorn Bank, May 17, 2016).

Another informant who is a zone manager (vice president) supervising 12 branches in Hua Mak Area in Bangkok noted that:

“The monthly salary and benefits offered are approximately at 70th or 80th percentile of the market. Although this percentile declined from 80th or 90th percentile in the past years due to business challenges and higher amount of operating costs and administrative expenses, the rate is still considered high compared with other main competitors’. The bank also offers retirement benefits to their employees. The amount of these benefits can be calculated from

the amount of last-month salary multiplied by length of services in the bank. (Interview #3, Second Round, Kasikorn Bank, May 18, 2016)”

Finally, the job security for branch managers is high at Kasikorn. The bank implements no layoff policy. A branch manager can work until retirement at the age of 60 years. One of the zone managers at the bank who supervises several branch managers in each area noted that if one resigns from the bank to join other competitors, this person will never be able to return to work at the bank except if that person’s job is very, very specialized and is in high demand in the labor market. That said, resignation from the bank implies that a person has no loyalty. If a person would like to return to work at Kasikorn after resignation, only the Chairman of the Board of Directors (Mr. Baantoon Lamsam) can make decisions on whether or not to hire that person back (Interview #2, Second Round, Kasikorn Bank, May 17, 2016).

The turnover rate for branch-level employees such as tellers and sales associates at Kasikorn, however, is higher than the rate in the past years due to various reasons. First, the mindset of tellers and sales associates has changed. This group of employees has little commitment to the bank. Previously, branch-level employees were assigned to work with their mentors or buddies. Currently, branch-level employees have no mentors or buddies. They have to solve problems by themselves. Additionally, the nature of the banking industry has changed. Business challenges have thus changed to respond to the changing nature of the industry. There are several pressures for branch-level employees, especially financial targets. In this regard, if they cannot work under pressures, they must resign from the bank and move to other banks. Finally, there are a variety of jobs in other industries. There are also several emerging firms in various industries. Thus, branch-level employees have more choices. The turnover rate of this group of employees is thus higher (Interview #1, Second Round, Kasikorn Bank, May 16, 2016; Interview #3, Second Round, Kasikorn Bank, May 18, 2016).

A higher turnover rate among branch-level employees leads to a short supply of people who can be promoted to be branch managers.

Krung Thai Bank

The HR strategies and practices for branch managers at Krung Thai Bank are quite similar to those at Kasikorn Bank.

First, the job definition of branch managers at the bank is quite broad but clear. In the past, the bank focused only on 2 main areas: loans or credit and deposits. Branch managers did not need to go out to meet with customers. Rather, customers came directly to the branch to meet with branch managers. There were not too many competitors at that time. Recently, the Thai banking industry has dramatically changed its nature. Now, the main duty and responsibility of branch managers at the bank is to supervise customer services and sales of products, including financial advisory services. A branch manager should be able to persuade customers to purchase financial products from the bank (Interview #2, Second Round, Krung Thai Bank, May 4, 2016).

The other informant who is a senior branch manager of Ministry of Finance branch noted that a branch manager has to supervise both a high counter and a low counter. A high counter means tellers and customer service operations officers whereas a low counter means sales associates of both financial products and credit or loans. A qualified branch manager must be able to supervise both areas, which is not simple. In particular, a branch manager who is an expert in sales usually does not have experience in customer services operations, while a branch manager who is an expert in customer services operations does not have experience in sales and credit operations. Thus, if one is promoted to be a branch manager at Krung Thai, this person must be able to supervise both areas at the same time (Interview #3, Second Round, Krung Thai Bank, May 4, 2016).

Second, a branch manager at the bank must pass a very selective recruitment and selection process. There are several applicants per vacant branch manager position. Typically, a deputy branch manager or a section head who holds this position for at least 2 years is eligible to apply for a branch manager position. An applicant must pass both written tests (including attitude tests), group interviews with the committee, and assessment centers. Written tests involve branch operations system, credit analysis and operations, and financial products. If an applicant passes all of the tests, this person will have an opportunity to be appointed as a branch manager. However, all of the applicants who pass both tests may not be appointed to be a branch manager immediately if the number of vacant positions does not match with the number of applicants who pass both tests. For instance, if there are 50 vacant positions and 70 applicants pass both tests, applicants with the ranking of 51st to 70th (based on their scores) will have to wait to be appointed. If within 1 or 2 years after taking exams, there are no additional vacant positions, these 20 persons must take both tests again and the same process will be repeated (Interview #3, Second Round, Krung Thai Bank, May 4, 2016; Interview #4, Second Round, Krung Thai Bank, May 10, 2016; Interview #5, Second Round, Krung Thai Bank, May 23, 2016). According to an interviewee who is a senior branch manager of Viphavadee Rangsit 5 branch:

“In my case, there were approximately 2 - 3,000 applicants who were eligible to take branch manager tests. From 2,000 - 3,000 applicants, only approximately 100 applicants passed these tests and were eligible to be appointed to be a branch manager. (Interview #4, Second Round, Krung Thai Bank, May 10, 2016)”

The other two informants who are managers of Soi Aree and Sri Ayudhya Road branches made the following comment:

“There were approximately 1,200 applicants when I took branch manager tests. The number of vacant positions was approximately 200. (Interview #2, Second Round, Krung Thai Bank, My 4, 2016)”

“In my case, there were approximately 2,000 applicants and only 600 – 700 passed written tests and attitude tests. From 600 – 700 applicants, only about 100 applicants passed group interviews. (Interview #1, Second Round, Krung Thai Bank, May 3, 2016)”

At Krung Thai, there have been approximately 30 generations of branch managers. Typically, branch manager tests happen every 1 – 2 years, depending on the needs of the bank (Interview #3, Second Round, Krung Thai Bank, May 4, 2016).

Third, the bank focuses on firm-specific training for branch managers. Each branch manager must attend and pass a 1- month training course at the bank’s training institute before serving the position. Training participants are people who pass the recruitment and selection process in the same generation. There are several training courses including related laws and regulations, credit operations system, customer service operations system, risk management system, personality improvement, professional grooming and make-up, cash management, decision-making skill, time management, and leadership (Interview #3, Second Round, Krung Thai Bank, May 4, 2016).

Additionally, branch managers at the bank must attend several ongoing training courses and workshops to improve their leadership and management skills, such as how to be a good leader, and to improve selling techniques. For instance, a branch manager just attended a training course related to selling techniques, specifically how to sell the bank’s financial products smoothly and naturally (Interview #6, Second Round, Krung Thai Bank, May 24, 2016). Most of these courses are in-house (Interview #4, Second Round, Krung Thai Bank, May 10, 2016). On-the-job training and self-learning, however, are also necessary for branch managers at Krung Thai. Moreover, in many cases, each area or zone also conducts

classroom training and workshops for branch managers in each area or zone (Interview #7, Second Round, Krung Thai Bank, May 24, 2016).

Some interviewees also noted that the bank pays attention to training its branch-level employees and branch managers to take and pass three important tests: life-insurance broker license, non-life insurance license, and single license. These three licenses are very important for each branch because its main income results from selling a variety of financial products to its customers. In this regard, the bank conducts its in-house 7-day training courses for its branch-level employees and branch managers in these topics. In addition, the bank typically pays for an examination fee for these trainees who apply for these tests (for no more than 3 times). Moreover, if employees take and pass these tests when they are university students, they are able to reimburse the examination fee from the bank by showing their receipt of the fee to the bank. For instance, some universities in Thailand, such as Ubolratchathani University, encourages its students in finance and banking department to take these tests before applying for a job (Interview #6, Second Round, Krung Thai Bank, May 24, 2016).

Fourth, at Krung Thai, a branch-level teller or a branch-level sales associate can be promoted to become a senior teller or a senior sales associate and then become a section head. Thereafter, a section head can be promoted to become a deputy branch manager and to a branch manager, respectively. From a branch manager, this person can be promoted to be a senior branch manager, an area or zone manager (supervising several branches in each area), a regional manager (supervising several areas in each region), an executive vice president (supervising several regions in the bank such as a metropolitan region 1 and a metropolitan region 2), and a senior executive vice president (supervising branch-level division), respectively (Interview #1, Second Round, Krung Thai Bank, May 3, 2016).

Branch managers at the bank are eligible to be rotated to other branches every 3 – 4 years, based on the bank's policy, depending on their performance ratings. They, however,

may not be eligible to be moved or rotated to other departments at the head office. For instance, a newly appointed branch manager is typically assigned to work as a manager at a small-sized branch (Size S). If this person is able to achieve the financial target every year, this person will be eligible to be rotated to a medium-sized branch (Size M), a large-sized branch (Size L), and an extra-large-sized branch (Size XL), respectively. By contrast, if a person is not able to achieve the financial target for 2 - 3 consecutive years, this person will be assigned to work as a manager at a smaller sized branch of the bank. Working at a small-sized branch for a long time affects a branch manager's career path in that a branch manager who is eligible to be promoted to be an area or zone manager must have excellent or good work performance in only a medium-, large-, or extra-large-sized branch for at least 2 or 3 years before this person is eligible to apply for area or zone manager tests (Interview #2, Second Round, Krung Thai Bank, May 4, 2016).

Nevertheless, branch managers at the bank typically are not moved or rotated to other departments at the head office due to the fact that the nature of work at the branch level is different from that of headquarters. In addition, most branch managers at the bank prefer to work at the branch level. There are rare cases of branch managers who were rotated across departments or job functions (Interview #3, Second Round, Krung Thai Bank, May 4, 2016).

A senior branch manager of Viphavadee Rangsit 5 branch noted that branch managers typically cannot choose which branch they would like to work at. They must adjust themselves to new environments in every branch. Top managers in the bank make decisions regarding which branch is appropriate for them. In her case, she was rotated to 6 branches within approximately 5 years. Currently, she is a senior branch manager of an extra-large-sized branch and her next career path is to take area (zone) manager tests to be eligible for promotion to area (zone) manager (Interview #4, Second Round, Krung Thai Bank, May 10, 2016).

Fifth, in the past, the performance evaluation system at the bank was similar to that implemented by several other government-owned organizations or public agencies. Specifically, persons who receive grade A+ or A (or ranking 1) were annually rotated among every employee in a branch. In other words, employees did not have to work hard. They just had to wait for their turn to get grade A+ or A. This system, however, was not fair (Interview #7, Second Round, Krung Thai Bank, May 24, 2016).

Recently, Krung Thai has implemented a performance-based pay policy for branch managers. Every branch manager is eligible to obtain the same amount of annual fixed bonus. The percentage of annual salary increase and the amount of annual variable bonus depends on the performance of each branch. Each branch manager is typically ranked as 1, 2, 3, 4, or 5 among branch managers of the same branch size. There are four types of branch size at Krung Thai Bank: Sizes S, M, L, and XL. Grade 1 (the best) usually consists of 5% of all the branches. Grade 2 consists of 10% of all the branches. Grade 3 consists of 70% of all the branches. Grade 4 consists of 10-15% of all the branches whereas Grade 5 consists of 0-5% of all the branches. The grade finally affects the percentage of annual salary increase and amount of variable bonus of branch managers (Interview #6, Second Round, Krung Thai Bank, May 24, 2016). The maximum amount of annual variable bonus at the bank is about 4 – 5 times of the salary rate (Interview #8, Second Round, Krung Thai Bank, May 26, 2016). According to an interviewee who is a senior manager of Srinakarin Km. 14 Road branch:

“For instance, the percentage of annual salary increase in case of ranking 1 is about 9 – 10% while in case of ranking 4 is about 2 – 3%. However, the average percentage of annual salary increase has recently reduced from 7.5 % to about 5 – 6%. (Interview #6, Second Round, Krung Thai Bank, May 24, 2016)”

Although the percentage of annual salary increase at the bank is not as high as that at many other privately owned banks, the bank offers a variety of benefits to its employees. For

instance, the bank offers the reimbursement of healthcare expenses for family members, scholarships to pursue higher degrees, low-interest rate education loans to pursue higher degrees, low-interest rate housing loans, low-interest rate automobile loans, reimbursement of children's tuition fee, and financial supports in terms of a car (without a driver) and fuel and transportation allowances. The bank also provides retirement benefits for its employees (Interview #8, Second Round, Krung Thai Bank, May 26, 2016).

Finally, the job security for branch managers at the bank is very high due to the status of a government-owned organization. An interviewee noted that no matter which banks in Thailand goes bankrupt; Krung Thai will never get bankrupt. In this case, a feeling of high job security is one of the main reasons why many branch managers and branch-level employees are still working at the bank (Interview #6, Second Round, Krung Thai Bank, May 24, 2016). The other informant who is a branch manager of Mahanak branch noted that one of the reasons why she chose to work at this bank for a long time is its high job security (Interview #8, Second Round, Krung Thai Bank, May 26, 2016).

The current turnover rate among branch-level employees at the bank, however, is higher than that in the past years due to the fact that branch-level jobs have high pressure from high financial targets. Nevertheless, the turnover rate among this group of employees at the bank is still lower than that of other privately owned banks. Additionally, recently, the status of newly recruited branch-level employees at the bank has been changed from permanent employees to contract employees (during the first 3 years). In this case, if a newly recruited branch-level employee passes the 3-year probationary period, this person's status is changed to permanent employees to enjoy high job security. This is one of the reasons that the turnover rate among newly recruited branch-level employees at the bank is higher than that in the past years. This issue limits the number of branch-level employees who are eligible

to be promoted to branch managers (Interview #1, Second Round, Krung Thai Bank, May 3, 2016). An interviewee who is a branch manager of Mahanak branch noted the following:

“The turnover rate among branch-level employees at Krung Thai during the period of 2011-2012 was almost 0%. Almost all of the branch-level employees worked with the bank for more than 10 years until retirement. Currently, the turnover rate among this group of employees is about 2 – 3%, which is higher. (Interview #8, Second Round, Krung Thai Bank, May 26, 2016)”

Overall, the evidence supports that Kasikorn Bank and Krung Thai Bank primarily implement an internal labor market strategy for their branch managers.

Product Managers

The occupational-level HR strategies and practices in the case of product managers at Kasikorn Bank and Krung Thai Bank are quite similar. I use six dimensions of HR strategies and practices to analyze how the banks manage their product managers, as shown in Table 5.3. These include job definition, recruitment and selection, training, mobility patterns, pay, and job security.

Table 5.3 HR strategies and practices for product managers at Kasikorn Bank
and Krung Thai Bank

Banks / Dimensions	Kasikorn Bank	Krung Thai Bank
Job definition	Very broad and, to some extent, not clear	Very broad
Recruitment and selection	A highly selective process / Prefer to recruit fresh university graduates or university graduates with 2- 3 years of work experience	A highly selective process / Prefer to recruit entry-level employees and develop them over the long term
Training	Classroom and on-the-job training (Both general and firm-	Classroom and on-the-job training (Both general and firm-

	specific skills)	specific skills)
Mobility patterns	Promotion along career ladders / Limited opportunity for job rotation	Primarily, vertical promotion along career ladders
Pay	Performance-based pay	Performance-based pay
Job security	High with no layoff policy	Very high with no layoff policy

Kasikorn Bank

First, the job definition of product managers at the bank is very broad and, to some extent, is not clear. Product managers at the bank act as an entrepreneur and have to understand the end-to-end processes from developing products to delivering and selling products to the bank's customers. Product managers also have to manage customers' complaints. They have to ensure that customers are going to purchase and like the products. Additionally, product managers have to think from the perspectives of sellers, especially sales associates at the branch level. In particular, they have to make sure that sellers feel comfortable with selling the products to customers. In this regard, product managers have to coordinate with various departments across the bank such as the information technology (IT) department, branch operations department, retail and wholesale banking department, and private banking department to develop and manage products throughout the processes. Thus, their job definition is quite broad and, at times, product managers have to deal with several unexpected circumstances (Interview #8, Second Round, Kasikorn Bank, May 17, 2016).

Product managers also have to coordinate with several external partners. For instance, a credit card product manager has to build and maintain positive relationships with various department stores, restaurants, airlines, and car dealers to ensure that the bank's credit cards can be used at those places. Product managers, at times, have to attend several events organized by these partners such as department stores and restaurants, because this provides an excellent opportunity to promote the bank's financial products. Typically, product

managers' job duties are to brighten colors in the product market (Interview #9, Second Round, Kasikorn Bank, May 23, 2016).

Second, product managers at the bank must pass through a highly selective process. There are several applicants per vacant product manager position. Typically, applicants have to fill out an application form and submit it to the HR department. The HR department then screens the application form. Applicants who pass the screening of this stage have to take written test and attitude tests (Interview #8, Second Round, Kasikorn Bank, May 17, 2016). Applicants who pass written tests and attitude tests are interviewed by the HR department and by the interview committee of the product management department. Written tests involve general knowledge about marketing management, product development, and product management. Those written tests judge personality, intelligence quotients (IQ), and emotional quotients (EQ) of applicants. Because product managers have to meet with outsiders and at times customers, their personality, behaviors, and attitudes play a crucial role in the selection process (Interview #9, Second Round, Kasikorn Bank, May 23, 2016).

Typically, to be a qualified product manager, one must have IT processing skills and experience in project management. It is possible that the bank can hire some mid-career managers from other firms. The bank, however, has typically preferred to recruit fresh university graduates or university graduates with 2- 3 years of work experience to become its product managers because its top managers believe that this group of people has better creativity skills (Interview #8, Second Round, Kasikorn Bank, May 17, 2016).

Third, the bank primarily focuses on training its product managers. In particular, there are training roadmaps, the so-called manager development programs (MDPs), for product managers. Training courses vary among positions according to the roadmap. For instance, courses for a junior product manager are different from those for a senior product manager. Product managers are required to attend both technical skills and soft skills training (through

classroom training) so that they are able to understand the overall picture and structure of the bank. Product managers also need to know how to develop a business model and calculate break-even point for their products. The most important issue here is that a qualified product manager must continuously be initiative and have new ideas. On-the-job training also plays a crucial role in developing product managers at this bank (Interview #9, Second Round, Kasikorn Bank, May 23, 2016). According to an informant who is the head of credit card products (senior vice president):

“For instance, product managers must be trained to have good negotiation, presentation, leadership, decision-making, coaching, and problem-solving skills. Additionally, IT knowledge and skills are also crucial for the development of financial products. In addition to classroom training, our bank also focuses on on-the-job training to develop product managers....It is possible that mid-career managers hired externally are not able to adapt to our organizational cultures. Insiders know our organizational cultures better than outsiders. We just put ideas, innovation, and creativity into their heads. (Interview #9, Second Round, Kasikorn Bank, May 23, 2016)”

Fourth, in reality, it is quite hard for product managers to be rotated to different functions at the bank. In principle, the bank offers an opportunity for job rotation to every group of employees including product managers. In the case of product managers, however, they are eligible to be rotated to another job function only if they have worked in the same position for at least 2 years and if they are able to find their substitutes. Therefore, this is not a simple process because finding substitutes with the same qualifications and experience is fairly difficult. In other words, in the case of a junior or senior product manager, the opportunity to move to different functions is low (Interview #9, Second Round, Kasikorn Bank, May 23, 2016).

A junior product manager at Kasikorn is typically promoted to become a product manager (assistant section head) and a product manager (section head), respectively. Thereafter, this person can be promoted to become a senior product manager (assistant vice president), a senior product manager (vice president), and head of products (senior vice president), respectively. From head of products (senior vice president), this person can be promoted to first senior vice president (product development and management), executive vice president (product development and management), and senior executive vice president (product development and management) further (Interview #8, Second Round, Kasikorn Bank, May 17, 2016).

An informant who is the head of credit card products (senior vice president) noted that she has been working in the credit card products department for more than 8 years, starting from a product manager to the head of credit card products (senior vice president). Actually, the career path for product managers at Kasikorn Bank is quite clear. Product managers can grow together with the bank. In the next five years, she hopes that she will be promoted to first senior vice president (director of product management development supervising both debit and credit card products) of the department (Interview #9, Second Round, Kasikorn Bank, May 23, 2016).

Fifth, the bank implements a performance-based pay policy for product managers. This case is similar to the cases of relationship managers and branch managers. Every product manager is eligible to obtain a fixed bonus, the amount of which depends on the performance of the bank. This person is also eligible to receive a variable bonus, the amount of which depends on the performance of each person. (Interview #8, Second Round, Kasikorn Bank, May 17, 2016). According to the head of credit card products (senior vice president):

“Our job is very challenging every day. We have to meet our financial targets. We have to monitor total monthly volumes of credit card used and number of shops or customers

who accept our credit cards. This demonstrates the customer satisfaction level. Kasikorn Bank won the award from Marketeer for its performance. Our pay and rewards are also tied to these performance ratings. (Interview #9, Second Round, Kasikorn Bank, May 23, 2016)”

Finally, the job security for product managers is quite high. The bank has no layoff policy. A product manager can work at the bank until retirement at the age of 60 years. If a person would like to retire early or to attend the bank’s early retirement program, this person can retire at the age of 55 years (Interview #9, Second Round, Kasikorn Bank, May 23, 2016).

As a result of this no layoffs policy, the turnover rate among product managers at the bank is not high. Most of the product managers who resign from the bank start their own businesses. Only a small number of product managers resign from the bank to join other banks in the same position or in a higher position. In this case, their pay rate is higher but they are needed to start their jobs from scratch. The bank, however, also recruits mid-career managers from other firms or banks, but the number of this group of employees is small (Interview #9, Second Round, Kasikorn Bank, May 23, 2016).

Krung Thai Bank

The HR strategies and practices for product managers at Krung Thai Bank are quite similar to those at Kasikorn Bank.

First, the job definition of product managers at the bank is very broad. Product managers are considered the heart of this bank (Interview #14, Second Round, Krung Thai Bank, May 25, 2016). Product managers must, to some extent, understand work processes and systems across the bank. They must also be responsible for developing products that directly respond to the needs of the bank’s customers (Interview #14, Second Round, Krung Thai Bank, May 25, 2016).

In particular, product managers must be able to develop products that balance risks, returns, markets, and the industry. They must understand compliance processes and related rules and regulations such as those issued by the Bank of Thailand, the State Enterprises Act, and the Money Laundering Act. They must also understand the concept of reputation risk. That said, Krung Thai Bank is a government-owned bank; thus, it cannot issue lottery products because this impacts the image of the bank and customers could bring charges against the bank through the Office of the Consumer Protection Board. Additionally, product managers must understand the concept of various types of risk such as operational risk. Product managers must understand the end-to-end work processes of the product development and management. Furthermore, product managers must design business requirements for the information technology department of the bank so that they are able to write computer programs for product managers. Likewise, product managers must communicate with thousands of people across the bank so that other departments or job functions are able to understand the bank's products clearly. In other words, product managers act as the middleman among every department across the bank. (Interview #16, Second Round, Krung Thai Bank, May 31, 2016). For instance, product managers have to cooperate with relationship managers to understand customers' feedback and modify products according to customers' feedback because, typically, relationship managers sell the bank's products directly to customers (Interview #14, Second Round, Krung Thai Bank, May 25, 2016).

In sum, the scope of product managers' duties and responsibilities is broad. Product managers are required to know almost everything in the bank (Interview #14, Second Round, Krung Thai Bank, May 25, 2016).

Second, the bank prefers to recruit entry-level employees and develop them over a long term to become product managers later in their career paths. In other words, this bank

prefers to recruit applicants for a position of a junior officer, a senior officer, or, at most, an assistant vice president (an assistant section head or section head), and develop them to become top-level product managers in the future. The bank typically does not recruit mid-career managers to become product managers directly because they do not stay with the bank long-term. Generally, to be a junior officer in the product management department, one must pass written tests, interviews, and assessment centers. The ratio of applicants per vacant product manager position is approximately 10-20:1 (Interview #15, Second Round, Krung Thai Bank, May 27, 2016).

A product manager who is a senior director of cash management products department noted that most of the product managers in his department have grown with the bank for a long time. He has not recruited mid-career managers to directly become a product manager (a deputy director, a director, or even a senior director position) because these mid-career managers typically move to other firms or banks later. In general, he has to pay attention to applicants' attitudes and dedication during interviews and assessment centers. Some applicants had very strong attitudes so he did not accept them because qualified product managers have to cooperate with various departments across the bank and other outsiders (Interview #15, Second Round, Krung Thai Bank, May 27, 2016).

In some cases, however, the bank recruits mid-career managers to become its product managers. For instance, the bank recruited a product manager from Kasikorn Bank to become the director of factoring product department. The rationale behind this acquisition was that Krung Thai was in the process of developing a new department responsible for factoring products. Thus, the bank needed mid-career managers who had experience in this product from other banks (Interview #14, Second Round, Krung Thai Bank, May 25, 2016).

Third, both classroom training and on-the-job training are necessary for developing a group of product managers at the bank. On-the-job training accounts for approximately 70%

of training needs whereas classroom training or workshops account for approximately 30% of training needs for product managers (Interview #14, Second Round, Krung Thai Bank, May 25, 2016). For instance, an interviewee noted that there are no university curriculums in Thailand that focus on cash management products (e.g., receipt, payment, supply chain, factoring, and fund transfer). Thus, the bank provides training to its employees by itself. The bank has its own curriculums for both product managers and product officers (Interview #15, Second Round, Krung Thai Bank, May 27, 2016).

The other informant who is a director of supply chain products department also noted that the bank focuses on training its employees to become qualified product managers according to a training roadmap such as training courses related to OMEGA examination, taxation courses, powerpoint skill, and excel skill (Interview #13, Second Round, Krung Thai Bank, May 23, 2016).

Fourth, the mobility pattern of product managers at the bank typically facilitates vertical promotion along the career ladders. Most of the product managers at the bank are grown internally from entry-level employees to a director or a senior director supervising each product management department. They have been working at Krung Thai Bank for approximately 15 - 20 years. In some cases, they have been working at the bank for more than 30 years. From a product development officer, one can be promoted to become a senior product development officer, section head, deputy director, director, senior director, an executive vice president, and a senior executive vice president (group level), respectively (Interview #16, Second Round, Krung Thai Bank, May 31, 2016). The bank, however, still has quota for vertical promotion. In other words, the number of employees at the managerial level is limited according to the group's policy (Interview #13, Second Round, Krung Thai Bank, May 23, 2016). An interviewee also noted that mid-year promotion of its employees is

not permitted at the bank due to its status as a government-owned bank (Interview #13, Second Round, Krung Thai Bank, May 23, 2016).

Fifth, Krung Thai implements a performance-based pay policy for product managers. The bank has used a forced-ranking performance management system for some time. Employees are categorized into five groups based on their performance: excellent, good, fair, poor, and very poor. The rankings are directly related to their annual salary increase and amount of bonus (Interview #15, Second Round, Krung Thai Bank, May 27, 2016).

According to an informant who is a senior director of cash management products department:

“Our bank cannot lay off employees. We therefore have to encourage our employees to improve their work performance. (Interview #15, Second Round, Krung Thai Bank, May 27, 2016)”

Due to the fact that the bank is a government-owned bank, the bank cannot, on a case-by-case basis, increase salary offered to retain high-potential product officers or managers who are eager to resign from the bank. The annual salary increase must be done across the bank, not just for a department or a specific person (Interview #13, Second Round, Krung Thai Bank, May 23, 2016).

Finally, the job security for product managers is very high. The bank implements the principle of lifetime employment. In other words, it supports a no layoff policy because it is a government-owned bank. Even though its job security among employees is very high, the turnover rate among these product managers has been higher in recent years. The rate at the bank, however, is still lower than that in other banks in the industry because of its status of a government-owned organization. One informant noted that in case of a product manager who resigned from the bank but came back to work would like to resign again, the bank will never take this person back again because this person displays no loyalty to the bank (Interview #15, Second Round, Krung Thai Bank, May 27, 2016).

Overall, the evidence supports that Kasikorn Bank and Krung Thai Bank primarily implement an internal labor market HR strategy for their product managers.

Summary

The evidence from the case studies of Kasikorn Bank and Krung Thai Bank supports the main argument of this chapter that the continuity of institutional legacies and ownership of both banks allowed them to continue to follow their traditional paternalistic practices after the Asian financial crisis. Even in 2016, despite regulatory changes, competitive pressures, and the development of digital banking, they have continued to maintain strong internal labor market policies in general, and for their key occupational groups in particular.

Kasikorn Bank has been a family-owned Thai bank in the Thai banking industry. The founding owners, the Lamsam family (a Chinese-Thai family), have continuously played a crucial role in managing this bank and its affiliates even after the Asian economic crisis. These founding owners have preferred to internally develop their own managerial and professional employees at every level for a long period of time to ensure that these employees have interests aligned with the corporate culture and the interests of the founding owners and the Board of Directors of the bank. According to the institutional legacies of Kasikorn Bank, the first five presidents of the bank were members of the Lamsam family while the current set of presidents consists of the bank's scholarship students. Additionally, more than 50% of senior executive vice presidents of Kaskorn Bank are the bank's scholarship students. The bank continues to offer scholarships to high-potential students. In the year of Asian financial crisis when every bank discontinued offering scholarships to high-potential university graduates to further their Master's Degrees in the US, UK, or other countries across the globe, the bank continued this policy.

Krung Thai Bank is the only government owned commercial bank in the Thai banking industry. The founding owner, the Thai government, has continuously played a crucial role in

managing this bank because this bank is the government's primary tool in implementing a variety of financial policies. The Thai government through the government-owned policies and strategies, such as the principle of life time employment, has thus fostered the bank to internally develop its own managerial and professional employees at every level for a long period of time. The bank has preferred to recruit entry-level employees and develop them into its middle and top managers. The bank has implemented the no layoff policy and the status of its employees as state enterprise personnel has supported a feeling of high job security among its employees. In this case, the turnover rate among its employees is still lower than that of other banks.

Although the ownership structure of both Kasikorn Bank and Krung Thai Bank is different, they have continued their ownership and institutional legacies of paternalistic practices developed historically. They have also continuously maintained an internal labor market strategy or strengthened it to manage the skills even after the sudden external shock of the Asian financial crisis.

CHAPTER 6

DISCONTINUITY IN THE FACE OF CHANGE: BANK OF AYUDHYA AND STANDARD CHARTERED THAI COMPARED

Bank of Ayudhya and Standard Chartered Thai are two banks that have changed their ownership as a result of the Asian financial crisis in 1997. I observed more variation or breakdown of internal labor market systems in these two banks. Both banks have primarily adopted an external labor market strategy or a mixed 'hybrid' approach to respond to the change of ownership after the financial crisis.

In particular, Bank of Ayudhya was a Chinese-Thai family-owned bank before the Asian financial crisis. After the financial crisis in 1997, the ownership structure of this bank was drastically changed. The majority stake of the bank was acquired by General Electric (GE) Capital Group from the US in 2007 and, thereafter, its majority stake was acquired by the Bank of Tokyo Mitsubishi UFJ (BTMU) from Japan in 2013. Currently, this bank is a privately owned bank with the majority shareholder (BTMU) from Japan, one of the CMEs. Because BTMU has served as the major shareholder of this bank for less than 3 years, the institutional legacies of foreign ownership of banks from CMEs and the likelihood that this bank will primarily adopt an internal labor market strategy for their managerial and professional employees is not apparent, especially at the occupational level.

Rather, this bank still implements a mixed 'hybrid' approach of both strategies at the occupational level. In this regard, the institutional legacies of foreign ownership of banks from LMEs, based on the acquisition of majority stake in the bank and the management by GE Capital Group from the US in 2007 - 2013, still influences the bank's HR strategies for managerial and professional employees. The case of this bank thus demonstrates that the discontinuity of institutional legacies and ownership of paternalism in a family-owned bank after the Asian financial crisis is associated with the erosion of an internal labor market

strategy. Here, the likelihood that the bank relies more on an external labor market strategy by implementing a mixed 'hybrid' approach for its managerial and professional employees is associated with the institutional legacies of foreign ownership of banks from LMEs. In the future, however, if BTMU from Japan acts as the major shareholder of Bank of Ayudhya for a long time, the institutional legacies of foreign ownership of banks from CMEs and the likelihood that the bank will primarily adopt an internal labor market strategy for their managerial and professional employees may become more apparent at every level.

Standard Chartered Thai was a Chinese-Thai family-owned bank (under the name of Nakhon Thon Bank) before the Asian financial crisis. After the financial crisis in 1997, the ownership structure of this bank was drastically changed. The majority stake of this bank was acquired by Standard Chartered Bank from UK in 1999. Currently, this bank is a privately owned bank with the majority shareholder (Standard Chartered Bank) from the UK, one of the LMEs. Due to the change of ownership after the Asian financial crisis (from a family-owned bank to a bank from LMEs), however, the use of an internal labor market strategy has eroded whereas the use of an external labor market strategy has increased. In other words, this bank has implemented a mixed 'hybrid' approach after the external shock of the Asian financial crisis. The case of this bank thus demonstrates that the discontinuity of institutional legacies and ownership of paternalism in a family-owned bank due to the change of ownership is associated with the erosion of an internal labor market strategy. Here, the likelihood that the bank relies more on an external labor market strategy by implementing a mixed 'hybrid' approach for its managerial and professional employees in response to external pressures, is associated with the institutional legacies of foreign ownership of banks from LMEs.

This chapter describes the case studies of Bank of Ayudhya and Standard Chartered Thai. First, I will describe the institutional legacies of both banks. Second, I will describe

firm-level HR strategies of both banks. I will then turn to explaining HR strategies for three main occupational groups: relationship managers, branch managers, and product managers.

Institutional Legacies of Firms

Bank of Ayudhya

Bank of Ayudhya was established in 1945. Its majority shareholder was the Rattanak family, a Chinese-Thai family. Mr. Krit Rattanak, the key person of the Rattanak family, started working at the bank in 1972 and became the Chairman of the Board of Directors in 1982. He worked at the bank for more than 35 years until his resignation from the bank in 2007, after the entrance of GE Capital. In addition to this bank, the Rattanak family played a major role in several types of businesses across various industries including Siam City Cement Public Company Limited, Sri Ayudhya General Insurance Public Company Limited, Eastern Star Real Estate Public Company Limited, Media of Medias Public Company Limited, Matching Studio Public Company Limited, and Bangkok Broadcasting Television Channel 7.

The bank started its business operations with a registered capital of 1 million Baht. It was registered in the Stock Exchange of Thailand in 1993 and its status was changed from a limited company to a public limited company. In 2013, its registered capital was 75,741 million Baht.

After the Asian financial crisis hit the Thai economy in 1997, Bank of Ayudhya faced several financial problems, including more severe competition in the industry and difficulty in increasing the capital to cover a large number of non-performing loans according to the Bank of Thailand's regulations to strengthen the financial status of the bank. In this case, the Rattanak family had to inject more than 10,000 million Baht to the bank in order to maintain its status as the majority shareholder. The Rattanak family ultimately could not maintain its status of the majority shareholder and sold the majority of shares to GE Capital

on January 3, 2007. At that time, GE Capital held the majority of shares of 33% in the bank and the Rattanak family held only 25% of the shares in the bank.

In 2012, GE Capital announced the sale of 7.60% of its shares in the Stock Exchange of Thailand. This sale was a private placement. Later, GE Capital held 25.33% of the shares in the Bank of Ayudhya. In 2013, however, Bank of Tokyo Mitsubishi UFJ (BTMU), one of the affiliates of Mitsubishi UFJ Financial Group, the largest financial group in Japan and one of the largest financial groups with various financial products and services in the world, acquired the remaining shares from GE Capital.

Later, BTMU acquired the shares from the Rattanak family and became the majority shareholder in the bank. In 2015, Bank of Ayudhya was successfully merged with BTMU (Bangkok), which was the subsidiary of BTMU in Bangkok. Currently, BTMU holds 76.88% of shares in Bank of Ayudhya. In 2015, Bank of Ayudhya's total assets was 1,705,517 million Baht with 22,834 employees, 676 branches, and 5,635 ATMs.

Before the Asian financial crisis, the bank developed internal labor market systems with investments in training and development. Evidence to support this issue can be seen from the fact that most of the managerial and professional employees, including branch managers and branch-level employees, who were working at the bank before the crisis and continue to do so, are internally developed through firm-specific training, seniority-based pay, and lifetime employment policies. After the financial crisis, however, external hiring of managerial and professional employees has become more popular (Interviews # 1 – 12, Second Round, Bank of Ayudhya, May – June, 2016).

Standard Chartered Thai

Standard Chartered Bank (Thai) Public Company Limited (Standard Chartered Thai) is now a part of Standard Chartered Banking Group from UK. Before Standard Chartered Banking Group acquired the majority of shares and changed its name, the bank was known as

the Nakorn Thon Bank Public Company Limited. The majority shareholder of Nakorn Thon Bank Public Company Limited (Nakorn Thon Bank) was the Wanglee family (a Chinese-Thai family). One of the main characteristics of the Wanglee family's business operations was that the investment of this group came only from people within the family and their relatives. They lived in several countries, including Thailand, China, Hong Kong, and Singapore.

Nakorn Thon Bank was established in 1933 (B.E.2476). The bank was the most important financial business of the Wanglee family. In other words, it was the only financial business that facilitated trading for the Wanglee family from 1932 till around 1973. Thereafter, the Wanglee family started operating other financial businesses around 1972 – 1973 to enhance the growth of the Wanglee family's businesses. At that time, there were 22 companies (excluding financial businesses) owned by the Wanglee family.

The Nakorn Thon Bank was the smallest bank during that period. It had no branches. Its total assets were only 18 million Baht in 1972 or only 0.1% of total assets among all of the commercial banks. This bank only played a role in facilitating trading for the Wanglee family. Deposits came from and loans were given to people in the Wanglee family and their relatives. The bank did not restructure its operations to respond to the government policy that intended to promote commercial banks as the main source of capital for private companies in Thailand. Thus, Nakorn Thon Bank was the oldest Chinese-Thai family owned bank that maintained its traditional style of operations. Its registered capital was only 250,000 Baht since 1937.

Due to the fact that the Wanglee family did not restructure its business to respond to the Asian financial crisis and the changing nature of the Thai banking industry, but rather focused only on agricultural plants and products and continued to operate as a family-owned business, the role of the Wanglee family as a leader in the banking industry gradually

disappeared. Although the Wanglee family had the Nakorn Thon Bank, it did not expand the scope of operations of the bank according to the government policy. Rather, the bank only facilitated business operations for people in the Wanglee family such as warehouse, insurance, and finance businesses.

After the Asian financial crisis, Nakorn Thon Bank faced serious financial problems and could not increase its capital according to the Bank of Thailand's order. According to the statistics, the number of non-performing loans (NPLs) at Nakorn Thon Bank was 23,047 million Baht as of December 31, 1998. The number of NPLs then increased from approximately 10.6% in 1998 to approximately 53% of total assets in April 1999, which was very high. In this regard, the Bank of Thailand through the Financial Institutions Development Fund took over the bank from the Wanglee family and attempted to find new major shareholders for the bank.

In September 1999, Standard Chartered Banking Group, one of the groups of investors who demonstrated an interest in acquiring the majority of shares, decided to purchase the majority of shares (74.99%) from the Bank of Thailand. Its name was thus changed to "Standard Chartered Nakorn Thon Bank Public Company Limited (SCNB)". At that time, Standard Chartered Bank maintained the status of "Standard Chartered Bangkok" as one of its subsidiaries.

In early 2005, Standard Chartered Banking Group decided to purchase the remaining shares of 24.97% from the shareholders of Standard Chartered Nakorn Thon Bank Public Company Limited. Later, in 2005, Standard Chartered Banking Group decided to merge Standard Chartered Nakorn Thon Bank Public Company Limited with Standard Chartered Bangkok and changed the name of the bank to "Standard Chartered Bank (Thai) Public Company Limited (SCBT)".

In essence, Standard Chartered Thai was previously a Chinese-Thai family owned bank before the Asian financial crisis. After the Asian financial crisis, the status of the bank was changed and the bank is now a UK-owned bank. At the end of 2015, total assets of Standard Chartered Thai were 208,388 million Baht with approximately 2,000 employees, 20 branches, and 8 ATMs. Its registered capital was 14,842,627,020 Baht.

Evidence from my interviews with several managerial and professional employees of this bank supports the main issue that before the financial crisis, this bank (under the name Nakorn Thon Bank) developed internal labor market systems. The interviewees, who were working with the bank for some time before the crisis and are still working until now, noted that firm-specific training, seniority-based pay, and lifetime employment policies were applied during that period. After the crisis, however, an external labor market strategy became more popular (Interviews #1 – 9, Second Round, Standard Chartered Thai, June 2016).

Firm-level HR Strategies

Bank of Ayudhya

To be consistent with chapter 5, I will discuss the elements of HR strategies for managerial and professional employees at Bank of Ayudhya according to the dimensions of an internal labor market strategy. These elements include firm-specific training; deployment or mobility opportunities; compensation policies; and employment security.

First, as one of the banks from coordinated market economies, the bank's main HR policy is to focus on internally developing its own managerial and professional employees at every level. Specifically, its main HR policy is to develop its entry-level employees to climb along the career ladders until they become a country head (Interview #59, First Round, March 9, 2016). According to a senior vice president of human resources:

“When GE Capital was the major shareholder of this bank, it focused on “build” but, primarily, “buy” approaches. Currently, BTMU focuses more on a “build” approach. For instance, the current CEO of the bank climbed up the career ladders from a teller of BTMU in Japan. He used to work in a corporate planning unit in BTMU in the US before being appointed as the CEO of the bank. (Interview #17, First Round, July 17, 2015)”

Second, when GE Capital was the major shareholder of the bank, it paid special attention to leadership and management training. BTMU, by contrast, emphasizes functional training (firm-specific training) among its employees (Interview #59, First Round, March 9, 2016). In essence, the corporate culture of the bank has changed from an active (GE Capital) to a passive (BTMU) one (Interview #17, First Round, July 17, 2015).

Third, BTMU as the majority shareholder of the bank focuses more on control and integrity rather than creativity. In this respect, it is considered to be a process-oriented corporate culture rather than a result-oriented corporate culture. Additionally, BTMU does not classify its employees into several tracks. It focuses on employees as a whole and does not clearly recognize an individual employee, even if this person’s work performance is ranked as excellent (Limited differentiation among employees). By contrast, when GE Capital acted as the major shareholder of the bank, it focused more on classifying its employees into a variety of tracks such as HR specialist track and financial specialist track. It also identified specific high-potential employees. Moreover, one of the most important HR policies of the bank as BTMU serves as the major shareholder of the bank is that the mobility pattern is to promote employees vertically (like a Christmas tree) (Interview #17, First Round, July 17, 2015).

Fourth, benefits are very important in a Japanese-style organization as in the case of Bank of Ayudhya. In other words, the bank is one of the best banks based on benefits offered to its employees. The bank does not focus on monthly salary because it may not be able to

compete with other large-sized banks. Rather, it focuses on benefits. For instance, a vice president or higher rank is able to reimburse 100% of his healthcare expenses from the bank. Other banks typically limit the amount of reimbursement of healthcare expenses (Interview #17, First Round, July 17, 2015).

Additionally, BTMU's another main HR policy is to take good care of its expatriates (Interview #59, First Round, March 9, 2016). For instance, all of its expatriates have their own drivers. BTMU does not allow its expatriates to drive in Thailand. Typically, expatriates have their own Japanese-model company cars such as Lexus or Toyota with free-of-charge life insurance from Japanese insurance companies (Interview #17, First Round, July 17, 2015).

Finally, the bank attempts to implement the principle of life time employment. The retirement age for employees at the bank is 60 years. It also pays more attention to lifelong learning and development (Interview #17, First Round, July 17, 2015).

In many cases, however, Bank of Ayudhya recruits managerial and professional employees externally. For instance, it hired a team of housing loan specialists from Thanachart Bank to support the growth of its housing loan products (Interview #59, First Round, March 9, 2016). It also poached several top-level managers such as executive vice presidents, senior vice presidents, and vice presidents from other banks or firms (Interview #12, Second Round, Bank of Ayudhya, June 16, 2016).

Standard Chartered Thai

Standard Chartered Thai focuses on both an internal versus external labor market strategy for its managerial and professional employees. The former strategy is implemented through a variety of HR practices such as training and development, employee retention practices, and compensation and benefit practices.

First, for training and development, the bank implements a management trainee program to recruit Thai graduates from both Thai and foreign universities, who are trained in classes and in real working contexts across departments to understand the bank's business operations. If these graduates pass the selection process and are able to participate in the program, they are eligible to become an entry-level professional employee at the bank after the program ends. They are also eligible to be selected to work in other subsidiaries in other countries after getting promoted to middle managers at this bank. Currently, there are more than 15 classes (generations) of management trainees working at the bank (Interview #20, First Round, July 24, 2016). According to an interview with a product manager (a senior vice president):

“I was one of the international graduate management trainees (class of 2006). Currently, I am a senior vice president at the bank. After finishing the management trainee program in 2006, I got a job offer at Standard Chartered Bank in other countries. However, I chose to start my career in Thailand due to my family issue. There are approximately 3 management trainees per class. (Interview #8, Second Round, Standard Chartered Thai, June 16, 2016)”

Second, the bank implements the so-called “high-performance and high-potential employee management program” to ensure that high-performance and high-potential employees are well developed to grow within the ranks of the bank in the long run. Typically, the bank classifies its employees into 4 main groups: 1) core contributors, 2) critical resources, 3) high-performance and high-potential, and 4) underperformers. “Core contributors” refer to employees who have moderate work performance and potential. “Critical resources” refer to employees who have high performance and moderate potential. The bank cannot lose this group of employees to other banks. “High-performance and high-potential” refers to employees who have both high work performance and high work

potential. The bank must do its best to retain this group of employees over time. Lastly, “underperformers” refer to employees who have low work performance and low potential. Standard Chartered Thai pays these groups of employees according to their work performance and potential. Core contributors typically receive the salary rate at the median of the market. Critical resources receive the salary rate at the median to 75th percentile of the market, whereas high- performance and high-potential employees usually receive the salary rate at the level between 75th and 90th percentile of the market. In some cases, they may receive the salary rate at more than 90th percentile of the market. Currently, the bank has approximately 80 high-performance and high-potential employees in the organization (which account for 5% of total employees) (Interview #20, First Round, July 24, 2016).

Third, for employee retention practices, the bank implements a 360-degree performance evaluation system and a participative decision-making style. The bank also focuses on developing leadership among its employees by emphasizing KFCI. “K” refers to know me, “F” refers to focus on me, “C” refers to care about me, and “I” refers to inspire me. That said, line managers must talk to their employees regularly and generate regular conversations with their subordinates to get to know them and focus on them. Additionally, line managers must show that they care about subordinates by asking them about their wellbeing. Line managers must be able to inspire their subordinates to work harder and to stay with the bank in the long run. Employees are also encouraged to participate in various activities such as corporate social activities (Interview #20, First Round, July 24, 2015). According to an interview with a senior executive vice president of human resources:

“We have attempted to build engaged employees from inside to outside.... Our employees are encouraged to participate in various corporate social activities, such as teaching finance and savings principles to children, teaching basic financial education to blind people, and teaching children to play football. Additionally, we provide a variety of

awards to our employees, such as “Mission I’m Possible” award, who go extra mile toward the goal. (Interview #20, First Round, July 24, 2015)”

Finally, the bank emphasizes on diversity and inclusion among its employees. The bank is the first bank in Thailand that offers benefits to employees who belong to the group of LGBT community (Lesbian, Gay, Bisexual, and Transgender Employees) to help retain its employees over time. Its benefit package (the so-called V-Plus) is offered to a spouse who is in the same sex (Interview #8, Second Round, Standard Chartered Thai, June 16, 2016). This group of employees is eligible to obtain low-interest rate loans from the bank. The bank’s database on this group of employees is kept strictly confidential. There are 52 spouses who submitted application forms to get the bank’s V-Plus benefits. Additionally, if this spouse has adopted children, they can use the bank’s benefit package for their children. This program started in July 2014 (Interview #20, First Round, July 24, 2016).

The bank also implements an external labor market strategy for its managerial and professional employees. In case that the bank is in short supply of employees in some position, it externally poaches employees from other banks or firms, or acquires Standard Chartered Bank employees from other subsidiaries (Interview #28, First Round, August 20, 2015; Interview #30, First Round, August 25, 2015). According to an interview with a senior executive vice president of human resources:

“There are some positions that are in short supply in our bank including sales associates and front-line employees. Additionally, risk management specialists or governance specialists are also in short supply. In these cases, we acquire mid-career managers from other banks or other firms. Or, in some cases, we transfer specialists from other subsidiaries of Standard Chartered Bank to work with us on a short-term assignment basis. (Interview #20, First Round, July 24, 2016)”

In sum, firm-level HR strategies of Bank of Ayudhya demonstrate an internal labor market strategy for its managerial and professional employees although, in many cases, the bank acquires managerial and professional employees externally. Firm-level HR strategies of Standard Chartered Thai demonstrate both an internal and an external labor market strategy for its managerial and professional employees.

Relationship Managers

The occupational-level HR strategies and practices in the case of relationship managers at Bank of Ayudhya and Standard Chartered Thai are quite similar in that both banks primarily implements an external labor market strategy. I use six dimensions of HR strategies and practices to analyze how the banks manage their relationship managers, as shown in Table 6.1. These include job definition, recruitment and selection, training, mobility patterns, pay, and job security.

Table 6.1 HR strategies and practices for relationship managers at Bank of Ayudhya and Standard Chartered Thai

Banks / Dimensions	Bank of Ayudhya	Standard Chartered Thai
Job definition	Very broad and, to some extent, not very clear. Job definition is different from that of other banks.	Broad and, to some extent, not clear
Recruitment and selection	Prefer to acquire relationship managers who have extensive work experience from other banks. Previous work experience in the field and outstanding work performance in this area from other banks or firms are important.	Primarily based on employee referral. Must pass and have 3 licenses: a life- and non-life insurance products broker license (LIB and NIB) and a single license (IC). Must have work experience and should have their own portfolios of customers
Training	Both firm-specific and general	Both firm-specific and general

	training	training
Mobility patterns	Rotate relationship managers within the division every 3 or 4 years. Career path is not limited within the bank.	Do not have an opportunity to be rotated to other job functions or departments. Career path is not very clear. Can bring customer accounts to other banks anytime
Pay	Performance-based pay / Good benefit package	Performance-based pay
Job security	Moderate-to-high levels, depending on employability	Moderate-to-high levels. Retirement age is only 55 years. No principle of lifetime employment

Bank of Ayudhya

Bank of Ayudhya primarily implements an external labor market strategy for its relationship managers. First, the job definition of relationship managers at the bank is different from that of other banks such as Kasikorn Bank and Krung Thai Bank. Relationship managers at the bank are primarily responsible for building and maintaining relationships with customers such as the developers of several real estate projects. They are not responsible for selling the bank's financial products. There is another team who is responsible for selling the bank's products. In other words, the duties and responsibilities of relationship managers are separate from those of salespersons (Interview #7, Second Round, Bank of Ayudhya, June 17, 2016).

Relationship managers typically act as a point of contact for the bank. When a customer seeks advice from the bank, this customer must think about relationship managers. Relationship managers then refer this customer to the sales team to further sell products or provide customer feedback about the bank's products to the product development team. In this regard, a team of relationship managers at the bank typically acts as the middlemen

between the product development and sales teams. The duties and responsibilities of relationship managers are as follows: preparing and launching a variety of campaigns; meeting with developers to understand what they need from the bank; managing work processes; representing the bank in congratulating its customers in several occasions; building and maintaining relationships with customers; and solving customers' problems. Relationship managers typically have their own portfolios of customers. At other banks such as Kasikorn Bank and Krung Thai Bank, however, relationship managers also act as salespersons for the bank's products in addition to building and maintaining positive relationships with customers (Interview #7, Second Round, Bank of Ayudhya, June 17, 2016). According to a relationship manager who is an assistant vice president of housing loans products:

“I have been working at the bank for approximately 2 years. Previously, there was no relationship management department in this division. When our team was acquired from Thanachart Bank to Bank of Ayudhya, we set up a new relationship management department in this division.....Here, when our developers (such as AP Property) launch an event, I typically serve as the contact point between the bank and AP Property to understand what kinds of housing loan products AP Property needs from the bank, what levels of interest rate AP Property needs from us, what kind of promotional activities they need from us, and what type of campaigns they need from us. For instance, I am now responsible for 4 main developers in Thailand: Land and Houses, Quality House, AP Property, and Ananda Development. I typically support our sales team to sell the bank's products but I do not directly sell these products to customers. (Interview #7, Second Round, Bank of Ayudhya, June 17, 2016)”

In sum, the job definition of relationship managers at Bank of Ayudhya is quite different from that of other banks. It, however, is still very broad and, to some extent, not

very clear. It seems that the duties and responsibilities of relationship managers at Bank of Ayudhya cover almost every issue other than product development and sales.

Second, the bank prefers to acquire relationship managers who have extensive work experience from other banks. For instance, when the bank's policy placed more emphasis on promoting its housing loan products, it acquired a team of relationship managers (consisting of managerial and professional employees at different levels) who were successful in developing and maintaining relationships with developers, and promoting the sales volume at Thanachart Bank to strengthen the bank's division of housing loan products. In this regard, the recruitment and selection criteria are more likely to be previous work experience in the field and outstanding work performance in this area from other banks. Additionally, to be selected as a relationship manager at the bank, one must at least have experience in selling housing loan products or other types of financial products and demonstrate selling or marketing skills (Interview #9, Second Round, Bank of Ayudhya, June 17, 2016).

According to a relationship manager (officer 5) of housing loan products division, to select a qualified relationship manager, the main recruitment and selection criteria are the applicants' work experience. In other words, applicants for the position of relationship managers must have experience in selling loan products or financial products for some time. They must demonstrate selling skills. Most of the applicants who apply for this position are referred by other employees in the bank. Employee referral is thus important at this bank, because the bank is able to recognize these applicants' previous work performance from their previous employers. If someone is referred by a Bank of Ayudhya's employee, this person must pass interviews with the HR department and the hiring department (Interview #9, Second Round, Bank of Ayudhya, June 17, 2016).

Third, the bank pays attention to both firm-specific and general training for coaching its relationship managers. Firm-specific training courses include the bank's criteria for credit

analysis and credit approval, whereas general training courses involve selling techniques and teamwork skill. Both internal and external experts are hired to serve as trainers for these courses. For instance, in the case of selling techniques, the bank hires outside experts, including Professor Sa-nga, to teach training participants. The courses related to criteria for credit analysis and credit approval are taught by the bank's internal experts (Interview #9, Second Round, Bank of Ayudhya, June 17, 2016). An interviewee who is a relationship manager (an assistant vice president) noted that Bank of Ayudhya places high importance on training its employees, including the group of relationship managers (Interview #7, Second Round, Bank of Ayudhya, June 17, 2016).

Fourth, the bank's policy for relationship managers is to rotate them within the division every 3 or 4 years so that these relationship managers are able to supervise various groups of customers or developers and so that these relationship managers are able to work interchangeably (Interview #9, Second Round, Bank of Ayudhya, June 17, 2016). According to a relationship manager (officer 5) of the housing loan products division:

“For instance, I am now supervising second-tier customers or real estate developers such as MK Development, Thanapat, and Starview. In the future, I may be rotated to supervise first-tier customers or real estate developers such as Land and Houses. (Interview #9, Second Round, Bank of Ayudhya, June 17, 2016)”

Additionally, several interviewees noted that relationship managers at Bank of Ayudhya typically have a good career opportunity in the Thai banking industry. Given that relationship managers act as the middlemen between salespersons or credit operators and product development specialists, they develop positive relationships with customers, and are able to take customer accounts with them when they move to other banks. Generally, each bank needs a group of relationship managers to build and maintain positive relationships with customers. On the one hand, by nature, product development specialists do not like to meet

with customers. Thus, relationship managers play a role in meeting with customers and getting their feedback before communicating this feedback to product development specialists. On the other hand, relationship managers support salespersons to be able to sell the bank's products to retail customers, such as customers who would like to get loans from the bank to purchase an apartment in a condominium or purchase a townhouse from real estate developers. Thus, the career path of relationship managers is not limited within the bank (Interview #7, Second Round, Bank of Ayudhya, June 17, 2016; Interview #8, Second Round, Bank of Ayudhya, July 17, 2016; Interview #9, Second Round, Bank of Ayudhya, July 17, 2016).

Fifth, the bank implements a performance-based pay policy for relationship managers. The performance of relationship managers is measured by the annual volume of housing loans (1,000 million Baht per year per manager) and the number of times each relationship manager attended the developer's events. This performance finally affects the percentage of annual salary increase and the amount of annual bonus (Interview #7, Second Round, Bank of Ayudhya, June 17, 2016).

The bank also offers a good benefit package for its relationship managers. For instance, it offers low-interest rate housing loan, low-interest rate automobile loan, education loan, emergency loan (up to 10 times of the monthly salary rate), and direct payment of healthcare expenses in case of hospital stays, to its relationship managers (Interview #9, Second Round, Bank of Ayudhya, July 17, 2016). A relationship manager (officer 5), however, noted that relationship managers at the bank typically get only the annual salary increase and bonus. This is not challenging to them. He believed that serving as salespersons rather than relationship managers is more challenging, because salespersons are eligible to receive several types of incentives. As salespersons, if they work harder, they will get a higher amount of incentives (Interview #9, Second Round, Bank of Ayudhya, July 17, 2016).

Nevertheless, benefits offered to relationship managers at the bank are still not as competitive as those offered to relationship managers at Kasikorn Bank. For instance, Kasikorn bank offers retirement benefits (calculated by the amount of last-month salary rate multiplied by years of service). Employees are eligible to receive these benefits if they work at the bank until they are at least 55 years old. Additionally, on every Chinese New Year, every employee (including contract employees and outsource staff) at Kasikorn Bank is eligible to receive a special bonus/allowance (equivalent to one-month salary rate of each employee) (Interview #8, Second Round, Bank of Ayudhya, July 17, 2016).

Finally, the job security for relationship managers at the bank is at moderate-to-high levels, depending on employability. In particular, some interviewees noted that the job security among employees at the bank depends on the nature of job. In other words, if jobs are still valuable and directly contribute to the performance of the bank, job security is high for employees who do those jobs (Interview #7, Second Round, Bank of Ayudhya, July 17, 2016).

Here, a relationship manager who is an assistant vice president noted that, the job security for relationship managers at the bank is quite high because their job is still valuable and contributes directly to the performance of the bank. In essence, their job generates profits for the bank so it is secure. Overall, however, when most people think about the banking industry, they typically think about branch-level jobs. Branch-level jobs now focus on the sales of financial products and the performance of branch-level employees is measured by several financial targets. Thus, currently, the turnover rate among branch-level employees is quite high. If they are able to achieve targets, their jobs are secure. If, however, they cannot achieve those targets, their job security is jeopardized. Typically, there is high competition among each type of financial products and also among banks. In this case, branch-level

employees cannot easily achieve financial targets (Interview #7, Second Round, Bank of Ayudhya, July 17, 2016).

In sum, the turnover rate among relationship managers at Bank of Ayudhya is not as high as that of branch-level employees at this bank. (Interview #7, Second Round, Bank of Ayudhya, July 17, 2016).

Standard Chartered Thai

The HR strategies and practices for relationship managers at Standard Chartered Thai are quite similar to those at Bank of Ayudhya.

First, the job definition for relationship managers at the bank is broad and, to some extent, not clear. In addition to building and maintaining positive relationships with customers, relationship managers at the bank must sell a variety of financial products to customers (Interview #4, Second Round, Standard Chartered Thai, June 14, 2016). This issue is different from the case of relationship managers at Bank of Ayudhya. At Bank of Ayudhya, the main duties and responsibilities of relationship managers are only to build and maintain positive relationships with customers. They are not required to sell a variety of financial products. There is a separated sales team to do so.

At this bank, relationship managers must have strong product knowledge. They must not only know products in Thailand but must also know products in other countries. For instance, if the bank's customers would like to transfer their money to the US, what shall relationship managers advise them? The Bank of Thailand has started allowing customers to transfer their money to invest in foreign countries starting from the second half of this year (2016). Thus, relationship managers have to know products in other countries to recommend to these customers. Relationship managers also have to understand customers' needs. Typically, relationship managers do not stay in the office. Rather, they go out to meet with customers. New customers do not know relationship managers so these managers have to

meet with them to build positive relationships. Relationship managers also have to review portfolios with existing customers every month (Interview #4, Second Round, Standard Chartered Thai, June 14, 2016).

Moreover, relationship managers have to gain knowledge on what specific products their customers need. This may take some time. Furthermore, because every bank typically offers similar types of financial products, relationship managers at the bank must work harder to know more about these products. They must offer a better service to their customers. Thus, building and maintaining long-term relationships with customers is significant for relationship managers at this bank. Relationship managers must also be able to serve customers in a variety of aspects, including solving problems or complaints (Interview #4, Second Round, Standard Chartered Thai, June 14, 2016).

An informant who is a senior relationship manager noted that typically customers purchase the bank's financial products because of relationship managers, not because of the reputation of the bank. This bank does not have strengths in any financial products. Thus, a (junior) relationship manager without any portfolio of customers may not be able to survive in the bank. The weakness of this bank is that it has only 20 branches and most customers do not walk in to purchase products at the branch level. Typically, relationship managers have to go out to meet with customers at least 2 days a week. They have to update portfolios of products with customers and make calls to customers to trade mutual funds or investment units. Additionally, they have to meet and talk with new customers: at least 10 persons a day. She reported that this is a tough job for relationship managers (Interview #5, Second Round, Standard Chartered Thai, June 14, 2016).

Second, the recruitment and selection of relationship managers at the bank is primarily based on employee referral. For instance, if existing relationship managers at the bank refer his friend to apply for a relationship manager position, and eventually this person

passes the selection process, these relationship managers will be eligible to receive a reward from the bank. Candidates for the position of relationship managers must typically take attitude and aptitude tests and must be interviewed by HR department specialists and the candidates' future direct bosses. Additionally, candidates for this position must pass and have 3 licenses: a life- and non-life insurance products broker license (LIB and NIB) and a single license (IC) to be able to become an investment consultant. Moreover, relationship managers must have work experience in this area. If candidates do not have work experience and do not have their own portfolios of customers, they may not be able to survive at Standard Chartered Thai (Interview #5, Second Round, Standard Chartered Thai, June 14, 2016).

This bank prefers to recruit candidates who can bring their portfolios of customers to the bank. A senior relationship manager noted that if candidates can bring portfolios of customers to the bank, they have a better chance of passing the selection process. It is very hard to find new customers if candidates do not know anyone and if candidates have no customer base. Generally, new customers in the area of wealth management or private banking come through word-of-mouth. That said, relationship managers' existing customers recommend other potential new customers (Interview #4, Second Round, Standard Chartered Thai, June 14, 2016).

Third, the bank puts emphasis on training its relationship managers. Both firm-specific skill and general skill are focused on in this regard. For instance, the bank typically trains relationship managers to know and understand every type of the bank's financial products. It also trains employees in professional grooming and make-up as well as personality improvement (Interview #5, Second Round, Standard Chartered Thai, June 14, 2016).

Specifically, training for relationship managers starts on the first day at the bank. On the first day, relationship managers as well as other newly recruited employees must attend

the course titled “one-day readiness”. This training course takes approximately a month. A group of 30 newly recruited employees are trained on the 11th floor of the Sathorn Thani Complex building (the bank’s headquarters). They must be trained about every type of financial products of the bank (Interview #5, Second Round, Standard Chartered Thai, June 14, 2016).

Additionally, the bank offers ongoing training courses for relationship managers on topics such as personality improvement and professional grooming and make-up. Refreshing courses about insurance products and the bank’s financial products are also offered regularly. The bank, however, does not have courses for employees who would like to acquire the 3 types of licenses (life- and non-life insurance broker licenses and an IC license). Relationship managers must already have these licenses before joining the bank. (Interview #5, Second Round, Standard Chartered Thai, June 14, 2016).

A junior relationship manager at this bank noted that the bank continuously trains its relationship managers throughout their career. (Interview #7, Second Round, Standard Chartered Thai, June 15, 2016).

Fourth, in principle, relationship managers at the bank are eligible to be rotated to other job functions or departments across the bank. In reality, however, relationship managers at this bank typically do not have an opportunity to be rotated to other job functions or departments. Customers at this bank feel attached to relationship managers, not the bank, because this bank has no strength in terms of its financial products. For instance, other banks may have strengths in insurance and mutual fund products. But this bank has not had that kind of strength. Thus, if relationship managers are rotated to other job functions or departments, it is possible that customers will discontinue purchasing the bank’s financial products and move to other banks (Interview #5, Second Round, Standard Chartered Thai, June 14, 2016).

A senior relationship manager at this bank noted that “some tellers are rotated to become a sales associate and a relationship manager. But if I am rotated to work for back office functions, I may not like it and end up resigning from the bank. I prefer to serve as a relationship manager because I am able to maintain long-term relationships with customers and I can bring these customer accounts with me to other banks at any time. (Interview #4, Second Round, Standard Chartered Thai, June 14, 2016)”

Most relationship managers at this bank have been poached from other banks. They typically start their career at Standard Chartered Thai as a relationship manager or a senior relationship manager (not an officer). The career path, however, is not very clear because relationship managers are typically motivated by incentives, not intrinsic factors such as growth opportunities (Interview #4, Second Round, Standard Chartered Thai, June 14, 2016). Most of the relationship managers interviewed said that they do not know exactly what their next career path is (Interviews # 4 – 7, June 14 – 15, 2016).

Fifth, the bank implements a performance-based pay system among its relationship managers. The performance of each relationship manager is measured semi-annually by the scorecard. In this regard, there are several measures (financial targets) on the scorecard such as sales volume of savings products, sales volume of fixed deposit products, sales volume of insurance products, sales volume of mutual fund products, number of customers' complaints, customer satisfaction index, number of errors in front-office operations (accounts for 80%) and number of errors in paperwork (accounts for 20%), and number of new customers in each relationship manager's portfolio. The incentive and bonus are thus linked to the performance of each relationship manager (Interview #7, Second Round, Standard Chartered Thai, June 15, 2016).

If a relationship manager receives lower than 80% of total scores (based on the financial targets) in the scorecard, this person is not eligible to receive any incentives from

the bank. If a relationship manager receives 80 - 90% of total scores (based on the financial targets) in the scorecard, this person is eligible to receive incentives of 1.5% of revenues of the bank. If a relationship manager receives 100 - 140% of total scores (based on the financial targets), this person is eligible to receive incentives of 4.8% of revenues of the bank. This percentage is changed annually, depending on the policy of Standard Chartered Banking Group (Interview #5, Second Round, Standard Chartered Thai, June 14, 2016). Each relationship manager must regularly monitor their performance in order to achieve those targets (Interview #7, Second Round, Standard Chartered Thai, June 15, 2016).

Additionally, the bank also offers a good benefit package for its relationship managers such as health insurance, provident fund, and annual leave. Typically, foreign banks in Thailand offer higher number of annual leave days for its employees than domestic banks (Interview #4, Second Round, Standard Chartered Thai, June 14, 2016).

Finally, the job security for relationship managers at this bank is moderate to high. The retirement age for relationship managers is only 55 years (Interview #4, Second Round, Standard Chartered Thai, June 14, 2016). Other banks, including Kasikorn Bank, Krung Thai Bank, and Bank of Ayudhya, have a retirement age of 60 years. Interviewees, however, still believe in the bank's stable financial status. According to an informant:

“Job security is, to some extent, important for us. An organization's status must be stable so that customers do not hesitate to use its services. This bank is, to some extent, stable. Thus, job security for us is not low. The bank, however, does not implement the principle of lifetime employment. (Interview #5, Second Round, Standard Chartered Thai, June 14, 2016)”

Nevertheless, the turnover rate among relationship managers at this bank is quite high. In particular, this rate is very high among employees who have worked with the bank for 2 - 3 years (Interview #7, Second Round, Standard Chartered Thai, June 15, 2016). Most junior

relationship managers cannot survive in the bank because they do not have a good portfolio of customers (Interview #5, Second Round, Standard Chartered Thai, June 14, 2016). In this regard, the bank faces a problem related to this high turnover rate. That said, customers cannot remember the names of relationship managers due to the fact that these managers resign from the bank in a very short period of time. It is possible that customers may change to other banks because of this reason. The bank thus prefers to acquire mid-career relationship managers with work experience and customer accounts (Interview #4, Second Round, Standard Chartered Thai, June 14, 2016). The position of relationship managers, however, is in high demand in the labor market. Therefore, these managers may move from one bank to other banks and take customer accounts with them if they are not satisfied with the work and HR systems of the bank. There seems to be no brand loyalty here.

Overall, the evidence supports that Bank of Ayudhya and Standard Chartered Thai primarily implement an external labor market strategy for their relationship managers.

Branch Managers

The occupational-level HR strategies and practices in the case of branch managers at Bank of Ayudhya and Standard Chartered Thai are quite similar in that both banks primarily implement an internal labor market strategy. I use six dimensions of HR strategies and practices to analyze how the banks manage their branch managers, as shown in Table 6.2. These include job definition, recruitment and selection, training, mobility patterns, pay, and job security.

Table 6.2 HR strategies and practices for branch managers at Bank of Ayudhya and Standard Chartered Thai

Banks / Dimensions	Bank of Ayudhya	Standard Chartered Thai
Job definition	Broad but clear	Broad but clear
Recruitment and selection	Prefer to recruit entry-level	Rely on recruiting entry branch-

	<p>officers and promote them to branch managers later.</p> <p>Applicants for a branch manager position must be promoted from assistant branch managers and have good or excellent work performance at the branch level for at least 3 consecutive years.</p>	<p>level employees and developing them in the long run. No acquisition of branch managers or senior branch-level officers from other banks to serve as the bank's branch managers. Must have excellent or good 3-year work performance at the branch level with positive attitudes to the bank</p>
Training	Firm-specific training	Both firm-specific and general training
Mobility patterns	<p>Vertical promotion only.</p> <p>Cannot be rotated to other job functions or departments or, even, to other branches outside their specific region.</p>	<p>Limited opportunity for internal rotation and vertical promotion because there are only 20 branches and only 3 hub or clusters in Thailand. No clear career path after being promoted to a branch manager position</p>
Pay	<p>Performance-based pay.</p> <p>Limited differentiation. Good benefit package.</p>	<p>Performance-based pay. Very good benefit package.</p>
Job security	<p>Moderate-to- high levels. Still depend to some extent on employability skill.</p>	<p>Depend on employability. No principle of lifetime employment.</p>

Bank of Ayudhya

First, the job definition for branch managers at the bank is broad but clear. Branch managers must be able to supervise three main areas in the branch: customer services (high counter), sales and financial products advisory services (low counter), and accounting (including cashier) (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016).

Initially, branch managers at this bank had to supervise 2 assistant branch managers and a chief accountant. One assistant branch manager was responsible for customer services (deposit-withdrawal-transfer), financial transactions, and high counter. The other assistant branch manager was responsible for credit analysis, credit operations, and credit approval. A chief accountant typically supervised cashiers and clearing officers. There were approximately 30 employees in each branch with 4 - 5 counters (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016).

Recently, branch managers' duties and responsibilities have changed based on industry and business changes. When GE Capital acquired the majority of shares in the bank, it reduced the size of most branches by offering an early retirement program and implementing a forced-ranking performance management system. [Currently, a sub-branch has 8 - 9 employees, a small-sized branch has 10 - 11 employees, and a large-sized branch has only 12 - 15 employees.] GE Capital's main business strategy was to focus on retail customers. Thus, the sales of financial products became more popular. During the GE Capital period, branch managers were responsible for 3 main areas: customer services transactions (teller or high counter), sales of financial products (low counter), and accounting (including cashier and L/G as well as P/N transactions. [L/G here refers to letter of guarantee whereas P/N here refers to promissory note] However, BTMU from Japan does not focus much on retail customers. It focuses on corporate, medium-sized, and retail customers. Currently, branch managers are still responsible for these 3 main areas but have to search for every size of customers, not just retail customers (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016).

The primary focus of branch managers at the bank is on sales of various types of financial products, including insurance products, small- and medium-sized enterprises (SMEs) loans, and personal loans, housing loans, and sub-products such as credit card and

automobile loans. Additionally, according to the BTMU's policy that focuses on corporate customers and depositors, branch managers are not able to stay within the office. Rather, they have to go out to meet with potential corporate customers and depositors (Interview #5, Second Round, Bank of Ayudhya, June 8, 2016).

Second, branch managers at the bank have been with the bank for more than 10 – 15 years. In the cases of large-sized branches, most of the branch managers have been working at the bank for more than 20 years. The bank typically recruits entry-level officers and promotes them to several positions until they become branch managers. Two main occupational groups are eligible to be promoted to a branch manager at this bank: tellers (universal tellers (UTL)) and sales associates (customer service representative (CSR)) (Interview #6, Second Round, Bank of Ayudhya, June 8, 2016).

For the first occupational group (tellers or UTL), the bank has a high probability of selecting applicants from the labor market. The ratio of applicants per a vacant teller position is typically 5 : 1. Applicants for this position should at least have one-year work experience from other banks such as Bangkok Bank, Kasikorn Bank, and Thai Military Bank [or can be a newly minted graduate]. In the case of the second occupational group (sales associates or CSR), however, the bank has a low chance in selecting applicants from the labor market due to the fact that a potential sales associate is in high demand in the banking industry. Typically, a sales associate must have at least one-year work experience. If applicants have some work experience (at least one year) and the interview committee believes that applicants have potential to sell the bank's products, this committee typically accepts all of them. In general, the bank's HR policy is to train these newly recruited employees for about a month (both classroom and simulation training) before assigning them to work at each branch (Interview #6, Second Round, Bank of Ayudhya, June 8, 2016).

To be selected, applicants should not change their jobs too frequently. They should not have any record of fraudulent activities. They should be able to work on weekends (with overtime pay). Additionally, applicants must dress professionally. The interview committee does not want to recruit applicants with excellent background because these applicants do not stay with the bank in the long run. The committee thus prefers to recruit applicants with moderate background and train them over time. In general, branch managers conduct interviews with applicants by themselves to ensure that they are able to recruit applicants with qualifications they need. In some cases, when HR department's representatives conduct interviews, branch managers do not get employees with qualifications they needed (Interview #6, Second Round, Bank of Ayudhya, June 8, 2016).

From entry-level officer 1, their career path is to become officer 2, officer 3, and officer 4, respectively. When the bank promotes them to officer 5, they typically serve as assistant branch managers. Thereafter, from assistant branch managers, they are eligible to take examinations to be considered for branch manager positions. From branch managers, they can be promoted to regional managers, regional directors (a senior vice president), and executive vice presidents (supervising group level), respectively (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016).

To become qualified applicants for branch manager positions, they must serve as assistant branch managers in that branch for some time and have good or excellent work performance at the branch level for at least 3 consecutive years. In other words, to apply for a branch manager position, the main selection criterion is 3-year good or excellent work performance at the branch level of Bank of Ayudhya. In addition, applicants who are selected based on their 3-year work performance must be interviewed by a committee consisting of several members, including a regional manager and a regional director (a senior vice president) (Interview #6, Second Round, Bank of Ayudhya, June 8, 2016).

Third, Bank of Ayudhya focuses on firm-specific training for branch managers and branch-level employees. Typically, outstanding branch managers and outstanding branch-level employees internally conduct most of the training courses for other branch managers and branch-level employees. For instance, senior branch managers conduct training for junior branch managers and branch-level employees in several classes such as SMEs loan classes which consist of 4 modules: how to call SMEs loan customers, basic techniques for SMEs loan analysis, intermediate techniques for SMEs loan analysis, and advance techniques for SMEs loan analysis (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016).

According to a branch manager of Lum Looka road (Klong 2) branch:

“In addition to using slides, I used my own experience as a case study to teach these trainees. This made my class more interactive and enjoyable. I used several real case studies to teach and motivate them. In some cases, I could motivate employees who intended to resign from the bank to stay back. There were various levels of trainees. Some of them were alert and had excellent performance while some of them were quite weak. For this, I had to understand them before customizing my class to each level of trainees. (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016)”

BTMU as the major shareholder also emphasizes on customer service training for branch managers and branch-level employees such as how to pay respect to customers (to bow to customers according to the Japanese culture) and how to send visitors or customers back until they are out of sight (according to the Japanese culture). In this regard, Japanese people in Thailand have started to become the bank’s customers (Interview #6, Second Round, Bank of Ayudhya, June 8, 2016). Branch-level employees at the bank must attend 5-day training courses conducted at various training centers so that they are able to take and pass life-insurance and non-life-insurance broker licenses (LIB and NIB) and a single license (IC) (to become a financial advisor). In this regard, branch-level employees are able to

reimburse an examination fee from the bank. However, they must pass these examinations within 2 times of examination. If not, these employees must pay for the fee by themselves (Interview #6, Second Round, Bank of Ayudhya, June 8, 2016).

Fourth, branch managers at the bank are typically promoted vertically to a regional manager, a regional director (a senior vice president), and an executive vice president, respectively. They cannot be rotated to other job functions or departments or, even, to other branches outside their specific region. The bank does not allow branch managers to be rotated to different branches according to their preferences. In other words, it is almost impossible for branch managers to be rotated across regions because each regional manager typically identifies specific successors for their branch in that region (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016).

For instance, branch managers cannot be rotated to other branches close to their hometown, such as in Nonthaburi province, if they were developed to be branch managers in the area of Pathumthani province. That means if they do not have prior experience in the area of Nonthaburi province, they are not eligible to be branch managers in that area. If one is a branch manager with good or excellent work performance in a region, this person's direct boss (a regional manager) will never allow the branch manager to be rotated to other branches across the region because this regional manager will in the process lose a qualified branch manager to another region. This will finally affects the overall performance of that region (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016).

Fifth, the bank implements a performance-based pay policy at the branch level. The performance of each branch is ranked against that of other branches in the same size across the bank (such as among sub-branches, among small-sized branches, and among large-sized branches). If the performance of a branch is "fair", this will eventually affect the percentage

of annual salary increase and the amount of variable bonus of the manager and employees of that branch (Interviews #1, #2, and #3, Second Round, Bank of Ayudhya, May 13, 2016).

Branch managers are also responsible for evaluating the performance of their subordinates in their branches. One of the strengths of the performance-based pay policy is that, every product that the branch-level employee is able to sell leads to additional performance scores. These scores are linked to incentives. For instance, if a branch-level employee is able to sell a credit card, this person is eligible to obtain an incentive of 50 Baht. (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016). By contrast, this policy's main weakness is that it puts a very high pressure on branch-level employees. (Interviews #1, #2, and #3, Second Round, Bank of Ayudhya, May 13, 2016).

An informant who is a branch manager of Future Park Rangsit 1 branch (a large-sized branch) noted that when GE Capital was the bank's major shareholder, differentiation of the amount of annual variable bonus between high and low performers was very high. For instance, if one's performance was ranked as grade 4 (good), this person was eligible to get the amount of variable bonus equal to 3 - 4 times of his current salary rate. By contrast, if this person's performance was ranked as grade 5 (excellent), he was eligible to get the amount of variable bonus equal to 9 - 10 times of his current salary rate. Now, when BTMU is the bank's major shareholder, however, differentiation between high and low performers is quite low. The amount of variable bonus for employees who are ranked as grade 4 and grade 5 is not so different from each other (Interview #5, Second Round, Bank of Ayudhya, June 8, 2016).

Nevertheless, BTMU's main strength is its benefits offered to its employees. In particular, as BTMU became the main shareholder of Bank of Ayudhya, it has improved the benefit package for branch-level managers and employees. For instance, currently, a junior branch-level officer is eligible to get health insurance, low-interest rate automobile loan (2%

per year), 10-times (of salary rate) emergency loan (from 5 times), and free-of-charge annual health check-up. Previously, only an assistant branch manager or higher was eligible to obtain this health insurance and low-interest rate automobile loan (Interview #6, Second Round, Bank of Ayudhya, June 8, 2016).

Finally, the job security for branch managers at the bank is at moderate-to- high levels. A branch manager of Future Park Rangsit branch 2 reported that the job security at Bank of Ayudhya has been very high for a long time. He has been working at the bank for several years (more than 15 years). He believes that the bank will never get bankrupt and he will stay with the bank until his retirement at 60 years of age. He will never move to other banks (Interview #6, Second Round, Bank of Ayudhya, June 8, 2016).

The other interviewee, however, attributes the high turnover rate among branch-level employees at the bank to the fact that those who resigned from the bank are people who are not capable, who do not intend to learn about the bank's financial products, and who are not ready to adjust themselves to changes in the banking industry (Interview #4, Second Round, Bank of Ayudhya, June 8, 2016).

In this regard, employees who are able to learn about the bank's financial products and are ready to adjust themselves to changes in the banking industry are able to survive in the bank and their job security is relatively higher. That said, job security seems to depend to some extent on employability skills of these employees.

Standard Chartered Thai

The HR strategies and practices for branch managers at Standard Chartered Thai are quite similar to those at Bank of Ayudhya.

First, the job definition for branch managers at the bank is not so different from that of other banks. Branch managers are typically responsible for managing every area of a branch, including customer service operations, sales of a variety of financial products, and

accounting. Actually, the area of accounting can be included in the customer service operations. The chief accountant in each branch has generally worked with the bank for a long period of time. This person must know every work procedure in each branch and must understand all rules and regulations related to the customer service operations (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016).

The most important area for branch managers at this bank is sales of a variety of financial products. Due to the fact that general customers do not typically walk in to get customer services, such as deposit and withdrawal, branch managers' primary job duty is to manage sales of a variety of financial products to achieve financial targets (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016).

A branch manager who is an assistant vice president of Pratunam branch noted that as a branch manager, he has to go out to meet with both new and existing customers. Because his branch is located in the middle of the Pratunam market, he has access to the market and meet with existing customers and potential customers, who are the owners of stores or merchants in this market, every day. In addition, he has to introduce his new employees (such as a sales associate) to those owners or merchants every time that his branch gets new employees. Relationships with customers are very important to the survival and success of his branch because the competition among banks is very high. So, he has to serve his customers better than other banks. In his case, however, he believed that branch managers must be able to balance two main areas in the bank: customer service operations and sales. In other words, he has to pay attention to both areas and cannot pay too much attention to either one area or the other area (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016).

In sum, the job definition for branch managers at the bank is clear but, to some extent, broad. Branch managers must be able to handle several high pressure assignments and high

sales targets, and must be able to manage their branch employees to work hard to achieve those targets.

Second, the recruitment and selection of branch managers at the bank rely on recruiting entry branch-level employees and developing them over a long term. In other words, the bank does not rely on poaching branch managers or senior branch-level officers from other banks to serve as their branch managers. Actually, top managers at Standard Chartered Thai once poached seven branch managers or senior officers from other banks to serve as the bank's branch managers. This group of branch managers, however, could not survive in the bank and had to finally resign from the bank in 2 – 3 years, because they could not adjust themselves to the new working environment and operations system. Typically, most, if not all, of the branch managers at the bank are grown and developed over time so they know the branch operations system and how to survive in the bank during a period of severe competition among banks (Interview #2, Second Round, Standard Chartered Thai, June 15, 2016).

Two main groups of entry-level branch employees are eligible to be developed and promoted to become branch managers: tellers and sales associates. The first group of employees, tellers, usually has work experience as tellers from other banks and joins the bank to upgrade their salary rate. In many cases, tellers can be newly minted graduates from Thai universities. They must have good personality and must be able to communicate in English language. They should also have knowledge in currency exchange (Interview #1, Second Round, Standard Chartered Thai, June 14, 2016).

By contrast, the second group of employees, sales associates (the so-called personal financial consultants (PFCs) or branch sales and services executives (BSSEs)), typically have extensive work experience so that they are able to supervise the sales of a variety of financial products, including mortgage, deposits, and insurance products, according to the targets. The

turnover rate among these BSSEs is typically very high. They work with the bank for only 3-4 years and resign from the bank to join other banks with a higher salary. One reason for this is that this bank has only 20 branches so if they aim to be promoted to branch manager, they must wait for a long time. By contrast, Thai-owned banks have thousands of branches across the country, they may have a higher chance of being promoted to a branch manager or, at least, of getting a higher salary because of their work experience from foreign banks (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016).

At the bank, these tellers and sales associates are promoted to become a senior officer and a branch manager, respectively. To be selected as branch managers, candidates must have excellent or good 3-year work performance with positive attitudes to the bank. In addition, personality, as well as good interpersonal and communication skills, is important for potential branch managers. They must also have good image and high level of accountability. The competition among candidates for the position of branch managers is very high because there are only 20 branches of the bank in Thailand. Most of the branches are located in Bangkok and metropolitan areas. Candidates must pass interviews with the interview committee (Interview #1, Second Round, Standard Chartered Thai, June 14, 2016).

Third, training for both firm-specific and general skills is very important for branch managers at the bank. The bank has its own learning academy for training these managers according to the Standard Chartered Banking Group's policy. This is one of the strengths of Standard Chartered Thai. The bank also offers e-learning programs for branch managers and branch-level employees (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016).

An assistant vice president who is a branch manager of Pratunam branch noted that when he was a newly appointed branch manager, he had to attend more than 10 training courses, including how to become a new branch manager, product management, and branch

management. These courses took several weeks to complete. In the case of newly minted branch-level employees, they have to attend a 1-month training course before being assigned to work at each branch (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016).

On-the-job training, however, is more important for branch managers. An informant who is a hub or cluster manager (a vice president) of Thong Lor, Sukhumvit 55 road branch commented that one of the strengths of this bank is that it serves as the school for branch managers. Because the size of the bank is not large, training courses can cover every level of employees. Training courses include technical, soft, and management skills. Nevertheless, on-the-job training is much more important for branch managers, because branch managers cannot apply everything they have learned in classes to real working contexts. Thus, learning by doing is much more important for branch managers at this bank (Interview #2, Second Round, Standard Chartered Thai, June 15, 2016).

Fourth, branch managers at the bank have a limited opportunity for internal rotation and vertical promotion. On the one hand, Standard Chartered Thai has only 20 branches in Thailand. In this regard, a qualified branch manager has limited opportunity for internal rotation. A manager of a large-sized branch cannot be rotated to a small-sized branch because the bank will lose its opportunity in utilizing knowledge, skills, and experiences of this manager. On the other hand, the opportunity for a branch manager to be vertically promoted to be a hub or cluster manager is very limited because there are only three hubs or clusters of the bank. Typically, a branch manager cannot be rotated to other job functions or departments in the bank (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016).

In general, from a branch-level officer (such as a teller or a personal financial consultant), the bank promotes this person to become a senior officer and a branch manager, respectively. Some branch managers are assistant vice presidents (the managerial level).

From a branch manager, the bank typically promotes this person to be a hub or a cluster manager (a vice president) and to be a regional manager (supervising several branches or hubs in each region) (a senior vice president), respectively (Interview #2, Second Round, Standard Chartered Thai, June 15, 2016).

An informant who is a branch manager (an assistant vice president) of Pratunam branch noted that his next career path is not very clear because the bank has only 20 branches in Thailand. He noted that one of the weaknesses of this bank is a limited number of positions. Kasikorn Bank, Siam Commercial Bank, and Bangkok Bank have more than 1,000 branches in Thailand. Thus, their branch managers have a higher opportunity to be promoted to a zone manager and a regional manager. He, however, cannot see this type of career growth opportunity at this bank (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016).

In other words, the career path for branch managers at the bank is not quite clear. A limited number of branches in Thailand reduce the opportunity for internal rotation and vertical promotion among branch managers at this bank. A hub or cluster manager noted that “my career growth opportunity is limited here due to a limited number of branches. I hence prefer to stay at this level and happy with my job now. Work-life balance is also important. (Interview #2, Second Round, Standard Chartered Thai, June 15, 2016)”

Fifth, Standard Chartered Thai implements a performance-based pay policy among branch managers. Unlike relationship managers, however, branch managers are not eligible to receive any type of incentives. Rather, they are eligible to receive an annual bonus. The performance of branch managers is measured by the scorecard. There are several measures on the scorecard such as total sales volume of the branch (the most important measure), number of operational errors of each branch, and number of reports or complaints regarding the non-compliance with the bank’s rules and regulations. These measures account for 70% of the

overall performance of branch managers. The remaining 30% of work performance is evaluated by the direct boss of each branch manager, i.e., a hub or cluster manager (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016).

The performance of all branches across the country is also ranked according to the scorecard mentioned earlier. This performance is directly linked to branch managers' annual bonus and salary increase (Interview #1, Second Round, Standard Chartered Thai, June 14, 2016).

Three branch managers reported that Standard Chartered Thai has offered the best benefit package for its branch managers and branch-level employees (Interviews #1, 2, and 3, Second Round, Standard Chartered Thai, June 14, 15, and 17, 2016). According to a vice president who is a hub or cluster manager of Thong Lor, Sukhumvit 55 road branch:

“In the case of other banks, only the individual employee is eligible to reimburse healthcare expenses from these banks. In the case of this bank, however, the employee including his or her family members, such as a husband or wife and two children, are eligible to reimburse healthcare expenses. Additionally, the number of annual leave days is approximately 20 days whereas most banks offer annual leave days of approximately 10 – 15 days. Moreover, the 10% provident fund that the bank pays for its employees is different from the rate of other banks. (Interview #2, Second Round, Standard Chartered Thai, June 15, 2016)”

Finally, there is no principle of lifetime employment at the bank. Several branch managers still believe that if they continuously improve their skills and work performance, they will never be laid off from the bank. Or, even if they are laid off, they will be able to find jobs at other banks easily (Interviews #1, 2, and 3, Second Round, Standard Chartered Thai, June 14, 15, and 17, 2016).

Specifically, an informant who is a hub or cluster manager (a vice president) of Sathorn Nua road branch noted that the banking industry is very important to national economic development. Thus, she believed that her career path in the Thai banking industry is clear. If she continues to improve her skills, especially her financial advisory skills, she will never be laid off from the bank. Additionally, if she continues to update her licenses, her job security will be high. Banks are still considered one of the most important financial institutions in Thailand (Interview #1, Second Round, Standard Chartered Thai, June 14, 2016).

Consistently, the other interviewee who is a branch manager (an assistant vice president) of Pratunam branch also noted that job security really depends on the principle of employability, not the principle of lifetime employment. He made the following comment, “Currently, our bank is in the process of downsizing. I, however, believe that if ones continue to have excellent or good work performance, they will never be laid off from the bank. If they work hard and achieve financial targets, they will also never be laid off from this bank. If you ask about the principle of lifetime employment or high job security, you will never get it from this bank. (Interview #3, Second Round, Standard Chartered Thai, June 17, 2016)”

Overall, the evidence supports that Bank of Ayudhya and Standard Chartered Thai primarily implement an internal labor market strategy for their branch managers.

Product Managers

The occupational-level HR strategies and practices in the case of product managers at Bank of Ayudhya and Standard Chartered Thai are quite similar in that both banks implement both an internal versus external labor market strategy for their product managers. I use six dimensions of HR strategies and practices to analyze how the banks manage their product managers, as shown in Table 6.3. These include job definition, recruitment and selection, training, mobility patterns, pay, and job security.

Table 6.3 HR strategies and practices for product managers at Bank of Ayudhya
and Standard Chartered Thai

Banks / Dimensions	Bank of Ayudhya	Standard Chartered Thai
Job definition	Broad and, to some extent, not very clear	Broad and, to some extent, not very clear
Recruitment and selection	One group is recruited and developed from entry-level employees. They must pass written tests and interviews as well as attitude and aptitude tests. The other group is poached from other firms or banks. They typically start their career as a vice president or higher and usually have experience in the financial services industry for more than 10 years.	Prefer to grow and develop entry-level employees or management trainees to become product managers. The ratio of candidates per a vacant position is about 10:1. In some cases, the bank acquired some experienced product managers from other banks or firms, depending on the position, nature of jobs, and number of internally developed candidates in the bank.
Training	Focus on both in-house classroom training and e-learning	Classroom training and, more important, on-the-job training (including coaching). Management trainees program. Fast track program.
Mobility patterns	Limited internal rotation. Clear career path. Seniority-based promotion is, to some extent, applied	High opportunity for internal rotation both in Thailand and other subsidiaries. Clear career path. Performance-based promotion. Limited quota of vertical promotion.
Pay	Performance-based pay. Limited differentiation. Internally developed employees or employees who have been working with the bank for a long time have lower amount of monthly salaries than that of externally acquired employees	Performance-based pay. Good benefit package.
Job security	Moderate-to-high levels. Depend on both principle of lifetime employment and principle of employability.	Moderate-to-high levels. Depend on the principle of employability.

Bank of Ayudhya

First, the job definition for product managers at the bank is broad and, to some extent, not very clear. That said, product managers have to develop and manage products in a variety of perspectives and must solve problems that may occur in various circumstances along the product development process. Product managers at the bank must cooperate with both insiders and outsiders to develop and manage products in the market (Interview #10, Second Round, Bank of Ayudhya, June 16, 2016).

In particular, product managers have to work according to the 4 principles of marketing: price, place, product, and promotion. They have to launch new products (such as housing loan products) to respond to customers' needs. In many cases, they have to adjust or improve current products to comply with the economic condition of the country. They have to understand end-to-end work processes. They have to conduct the feasibility study of the market and discuss with branch-level employees and relationship managers because these two groups have to sell their products. Additionally, they have to conduct break-even analysis and prepare information technology requirements for the information technology department (Interview #10, Second Round, Bank of Ayudhya, June 16, 2016).

Moreover, product managers at this bank must prepare advertising media and make a legal draft of memorandum of understanding (MOU) for the legal department. In other words, product managers must be involved in every stage of the process from developing products to issuing them to the market. Their job definition is quite broad in this regard (Interview #11, Second Round, Bank of Ayudhya, June 16, 2016).

Second, one group of product managers is recruited and developed from entry-level employees. The other group of product managers, however, is poached from other firms or banks. The first group is recruited and selected from a pool of qualified applicants and must pass both written tests and interviews. Some product managers in this group are recruited as

management trainees to become officers 3 and they are then developed over time to become product managers (the level of assistant vice president). To become product managers or product development officers, they must have product and marketing analysis skill and negotiation skill. They must be able to understand how to improve or adjust the bank's current products, such as housing loan products, and must be able to challenge team members and other departments regarding the bank's products (Interview #11, Second Round, Bank of Ayudhya, June 16, 2016).

Specifically, a product manager who is an assistant vice president noted that she was recruited to become a management trainee approximately 13 years ago. As a management trainee, she had to attend classroom training for 6 months and worked as an intern at the branch level and at the head office level for the other 6 months. Afterwards, she was assigned to work in the housing loan product development as an officer 3. Currently, she is an officer 7 (an assistant vice president) of the housing loan products development department (Interview #11, Second Round, Bank of Ayudhya, June 16, 2016).

The other informant who is also an assistant vice president noted that she started her career at the bank as an officer 5 (an assistant product manager) supervising housing loan products about 5 years ago. She passed written tests and interviews as well as attitude and aptitude tests. She was promoted to an officer 6 (a product manager) and, currently, she is an officer 7 (an assistant vice president) supervising housing loan products. To select a product development officer or an assistant product manager, the ratio of applicants per vacant product manager position is quite high. To select call center officers to answer customer questions about housing loan products (the so-called home for cash), however, the ratio of applicants per vacant position is much lower. It is not hard to find this latter group of applicants due to the fact that these positions do not require high-skilled applicants. The status of the latter group (call center officers) is contract employees. They typically graduate

with a grade 12 degree or a vocational degree or a Bachelor's Degree (Interview #10, Second Round, Bank of Ayudhya, June 16, 2016).

The second group of product managers at Bank of Ayudhya is poached from other firms or banks. This group of managers start their careers as a vice president or higher. They have experience in the financial services industry for some time (more than 10 years). A product manager who is a senior vice president noted that she had extensive work experience in several firms, such as Land and Houses group, Siam Commercial Bank's affiliates, and TISCO finance company limited, before being recruited by GE Group to work in the personal loan department. When GE Group acquired the bank, she was chosen to work at the bank. She started her career as a vice president in the housing loan products development department. Recently, she has been promoted to be a senior vice president supervising these products. She also noted that the product management department has two types of employees: employees who are the old generation and have been with the bank for years (since the Rattanak family period) and employees who were recruited as mid-career managers (since the GE Group and BTMU Group period) (Interview #12, Second Round, Bank of Ayudhya, June 16, 2016).

Third, the bank pays attention to training its product managers. In some cases, however, the bank does not focus on the applicability of lessons learned in the real working situation. That said, trainees must attend various courses that are not relevant to their jobs or they cannot apply what they learned in classes to real working contexts. At this bank, employees take both classroom training and e-learning courses. There are special training courses for both high and low performers (Interview #10, Second Round, Bank of Ayudhya, June 16, 2016).

Additionally, most of the training courses at the bank are in-house programs. The bank seldom sends its employees to attend training courses outside the bank or training

courses in foreign countries (Interview #12, Second Round, Bank of Ayudhya, June 16, 2016).

Fourth, the internal rotation among product managers is very rare at Bank of Ayudhya. In other words, the bank typically does not rotate its product managers or product development officers to other departments at the head office or to its affiliates. In principle, the bank provides an opportunity for its employees regarding the rotation to other departments or to other subsidiaries of BTMU in foreign countries. In reality, the bank does not focus on the internal rotation of its product managers. There is no internal rotation of employees to other departments at the head office level or to other affiliates of the bank. Thus, product managers tend to feel as if they are “deadwood” if they have to do the same things repeatedly over time (Interview #12, Second Round, Bank of Ayudhya, June 16, 2016). The only solution is that these product managers can pass the selection process so that they are eligible to be selected to work at other foreign subsidiaries of BTMU (Interview #12, Second Round, Bank of Ayudhya, June 16, 2016).

The career path of product managers at this bank, however, is quite clear. A product manager at Bank of Ayudhya typically starts from a junior officer (officer 3), and rises to an officer 4 to an assistant manager (officer 5) to a manager (officer 6) and to an assistant vice president (officer 7). From an assistant vice president, this person can be promoted to a first assistant vice president, a vice president, a senior vice president, and an executive vice president (supervising the overall product), respectively (Interview #10, Second Round, Bank of Ayudhya, June 16, 2016). In some cases, the bank does not internally promote its employees to the managerial level (a vice president or higher). Rather, it poaches managerial employees from other banks or firms to serve these positions.

Fifth, the bank implements a performance-based pay policy for its product managers. The bank, however, has distinct levels of salaries among product managers, especially those

at the professional level (from an officer 1 to an officer 7). In this regard, the pay for product managers (at the professional level) is attached to their jobs and levels, not individuals (Interview #11, Second Round, Bank of Ayudhya, June 16, 2016). In the case of product managers at the managerial level, especially those who are acquired from other firms or banks, the pay may be attached to each individual, not their jobs.

A product manager (an assistant vice president) noted that for officers at levels 3 – 4, monthly salary is approximately 20,000 – 30,000 Baht. For officers 5 – 6, their salary rate is approximately 30,000 – 50,000 Baht. For officers 6 – 7, however, their salary rate is approximately 60,000 – 70,000 Baht. The salary structure at the Bank of Ayudhya is still old-fashioned. The bank has distinct levels of monthly salary among its employees in each position. Their starting salary rate also depends on educational background and work experience (Interview #11, Second Round, Bank of Ayudhya, June 16, 2016).

The other informant who is a senior vice president, however, commented that because the bank has both internally developed employees and externally acquired employees, the problem she found was that internally developed employees or employees who have been working with the bank for a long time have lower amount of monthly salaries compared to those acquired externally. These externally acquired employees are typically poached from other banks or firms with a very high salary rate. Currently, the number of vice presidents, senior vice presidents, and executive vice presidents at the bank is much higher than that in the past years. The reason behind this issue is that the bank has acquired a larger number of those vice presidents, senior vice presidents, and executive vice presidents from other organizations (Interview #12, Second Round, Bank of Ayudhya, June 16, 2016).

This interviewee also noted that the pay differentiation between high and low performers was very high when GE was the major shareholder of the bank, but it is much lower now when BTMU has become the major shareholder of the bank. The latter case thus

does not encourage high-potential employees to stay over time. BTMU, however, pays more attention to benefits offered to its employees. Employees at every level are eligible to receive a variety of benefits including low-interest rate housing loan, automobile loan, and laptop (Interview #12, Second Round, Bank of Ayudhya, June 16, 2016).

Finally, the job security for product managers during BTMU period is moderate-to-high levels. BTMU implements the principle of lifetime employment for its employees, including product managers. If an employee does not commit any severe crime or wrongdoings, this person will never be laid off from the bank. This policy is the same as that of Rattanak family. But, it is different from the policy implemented by GE Group. During the GE Group period, job security depended more on principle of employability. A product manager who is a senior vice president reported that the principle of lifetime employment guarantees her job security. This principle is similar to that of Rattanak family. This policy, however, does not encourage high-potential employees to work with the bank over time. Additionally, BTMU primarily focuses on seniority for promotion of its employees (Interview #12, Second Round, Bank of Ayudhya, June 16, 2016).

Standard Chartered Thai

The HR strategies and practices for product managers at Standard Chartered Thai are quite similar to those at Bank of Ayudhya.

First, the job definition for product managers at the bank is very broad and, to some extent, not very clear. Product managers have to develop their own products, issue products, develop support systems, and design work processes. They have to discuss with people across departments in the bank to develop information technology support systems and branch operations system. They have to train the trainers so that those trainers can communicate about the products clearly with customers and other related parties across the bank. Product managers also have to prepare mass communication media and discuss the details of the

products with several advertising agencies. In general, product managers must be able to develop products that respond to other competitors in the market (Interview #8, Second Round, Standard Chartered Thai, June 16, 2016).

An assistant vice president who is a manager of deposit products noted that product managers must have multitasking skills. That said, product managers must handle various tasks at the same time. For instance, they have to attend events, discuss with vendors and partners, and contact with several departments across the bank such as the legal department, the mass communication department, and the compliance department. Additionally, product managers must be able to solve any problem according to customers' complaints, especially regarding the terms and conditions of each product. Product managers must also have strong financial, mathematical, and analytical skills. In particular, product managers must develop promotional campaigns to ensure that the bank faces only short-term loss but long-term gain from each product (Interview #9, Second Round, Standard Chartered Thai, June 16, 2016).

Second, for recruitment and selection of entry-level, employees grown and developed over time to become product managers are preferable at this bank. The bank develops many product managers through an international graduate management trainee program. In some cases, however, the bank poaches some experienced product managers from other banks or firms such as in credit card products, depending on the position, nature of job, and number of internally developed candidates in the bank. To be a qualified candidate for a product manager position, work experience is not the most important factor. Rather, this person must have logical and analytical thinking, and multitasking skill. A product manager can be graduates from a variety of fields such as economics, business administration, accounting, political science (Interview #9, Second Round, Standard Chartered Thai, June 16, 2016).

An informant who is a vice president of credit card products noted that he graduated with a Bachelor's Degree in International Economics from Chulalongkorn University and a

Master's Degree in Accounting from California State University in the US. After graduating with a Master's Degree, he passed the selection process and was able to join the international graduate management trainee (IGMT) program at this bank. The IGMT program has two minor programs: 1) wholesale or corporate such as M&As and 2) retail banking. There are 3 people in this program each year. If one passes this program, he is eligible to work in any department that fits with their knowledge, skills, and experience. The career path is quite clear for this group of employees. In his case, he was internally developed from an officer to become a vice president supervising credit card products. The selection process of this IGMT program is very tough. He had to pass three written exams: test of his ability to calculate and answer mathematical questions within a limited time, attitude test, and an essay question regarding how to access emerging markets. He also had to pass several rounds of interviews (via VDO conference) with different people in different departments. Generally, interviewers attempt to see whether candidates fit with each department or not. If an international graduate from this program can maintain excellent or good work performance, this person will be eligible to be promoted to top managers of the bank in a short period of time and will be eligible to be assigned to work at other subsidiaries of the bank in other countries (Interview #10, Second Round, Standard Chartered Thai, June 17, 2016).

Typically, the ratio of candidates per vacant product manager position is about 10:1, which is very high. In many cases, the bank prefers to use employee referral strategy because candidates typically have qualifications and work experience that are in compliance with what the bank needs (Interview #8, Second Round, Standard Chartered Thai, June 16, 2016).

Third, on-the-job training is the most important type of training for product managers at Standard Chartered Thai. There are no classroom training courses that teach a person to become a product manager. Soft skills are more important for product managers than

technical skills because the bank typically recruits applicants with strong technical skills. Product managers must have “can do” attitude in order to be successful in their job, must have to solve problems about each product, and must be able to solve customer complaints about the product almost every day. Thus, on-the-job training is the most important type of training (Interview #8, Second Round, Standard Chartered Thai, June 16, 2016). The other informant who is a product manager (an assistant vice president) of credit card products also reported that on-the-job training and coaching are more important than classroom training (Interview #9, Second Round, Standard Chartered Thai, June 16, 2016).

Classroom training courses that may be relevant to the product manager’s jobs include BASEL I, II, and III, money laundering act, and data security (Interview #9, Second Round, Standard Chartered Thai, June 16, 2016). These courses are likely to focus on general skill instead of firm-specific skill.

To develop a product manager at the bank, in addition to the IGMT program, classroom training, on-the-job training, and coaching, the bank has developed a fast track program to train newly minted university graduates, who have high potential, for one year to become a product manager (Interview #8, Second Round, Standard Chartered Thai, June 16, 2016).

Fourth, the bank implements a flat organizational structure for its product managers. In this regard, product managers must be able to work on their own and solve every kind of problem by themselves. Product managers must also be able to make decisions, to some extent, by themselves. (Interview #9, Second Round, Standard Chartered Thai, June 16, 2016). Additionally, product managers can be rotated to supervise other products or other job functions or departments and, in the case of high-potential product managers, they are eligible to be rotated to other subsidiaries across the globe. A flat organizational structure

thus facilitates the internal rotation of product managers (Interview #10, Second Round, Standard Chartered Thai, June 17, 2016).

The career path for product managers at Standard Chartered Thai is quite clear but limited due to the small size of the bank. Product managers are eligible to be promoted to higher levels such as a vice president, a senior vice president, an executive vice president, or a senior executive vice president. Their career path outside the bank is also very clear because experienced product managers are in high demand in the Thai banking industry (Interviews #8 and #9, Second Round, Standard Chartered Thai, June 16, 2016; Interview #10, Second Round, Standard Chartered Thai, June 17, 2016).

Additionally, the promotion of product managers at the bank is based on their performance, not seniority. In several Thai-owned banks, seniority-based promotion is more popular. In the case of Standard Chartered Thai, promotion is known only between direct boss and an employee. The bank, however, has quota of promotion of employees in each department or function (Interview #9, Second Round, Standard Chartered Thai, June 16, 2016).

Fifth, the bank implements a performance-based pay policy for product managers. The performance rating and value rating of product managers are linked directly to pay and bonus. “Values” here refer to five core values of the bank such as creativity, responsiveness and trustworthy. Two interviewees who are product managers (a senior vice president and an assistant vice president) reported that their pay and bonus are comparable with those in the labor market. The average percentage of annual salary increase, however, is lower than that in large-sized banks (Interviews #8 and #9, Second Round, Standard Chartered Thai, June 16, 2016).

In particular, at this bank, the average percentage of annual salary increase is only one digit whereas that in large-sized banks is, in many cases, two digits. Additionally, the bank

does not offer a fixed bonus to its employees. The bank offers only a variable bonus based on product managers' performance (Interviews #8 and #9, Second Round, Standard Chartered Thai, June 16, 2016).

Nevertheless, Standard Chartered Thai offers a good benefit package for its product managers. For instance, the reimbursement of healthcare expenses is at an amount of up to 60,000 baht per year for the level of professional employees. Employees and their family members such as husbands or wives and children are also eligible for this reimbursement. The reimbursement of dental expenses is up to 3,000 Baht per year. The bank also pays 10% of the salary rate to product managers' provident fund. Additionally, product managers have 20 annual leave days (for the level of brand manager or higher) whereas other banks have approximately 10 annual leave days. Moreover, the bank offers V-Plus service for employees who belong to the lesbian, gay, bisexual, and transgender (LGBT) group. (Interviews #8 and #9, Second Round, Standard Chartered Thai, June 16, 2016).

Finally, job security for product managers at this bank is at moderate-to-high levels and depends on the principle of employability. The bank does not implement the principle of lifetime employment. The status of the bank, however, is stable enough to ensure that the bank will not go bankrupt unexpectedly without notice. A senior vice president who is the head of deposit products noted that the job security is important for everyone. It is important for planning her life in advance. At least, she believed that the bank will not go bankrupt immediately. She should have at least one year in advance to plan her career and her life. There is nobody who can guarantee that this bank will not go bankrupt ever (Interview #8, Second Round Standard Chartered Thai, June 16, 2016).

Nevertheless, the other interviewee noted that the job security for product managers is very high because the duties and responsibilities of product managers are the heart of every job function in the bank. Whether other job functions run smoothly or not depends on product

managers. Additionally, the number of product managers at this bank is lower than that in other large-sized banks. Thus, product managers here have to learn about a variety of products and aspects so they know every aspect of these products. In this respect, their career path in the banking industry is clear even if they are to be laid off from this bank. (Interview #9, Second Round, Standard Chartered Thai, June 16, 2016).

The turnover rate among product managers at this bank is generally not high, although the position of product managers is in high demand in the industry. During the past 3 years, only one product manager resigned from the bank. If a high-performance and high-potential product manager intends to resign from the bank, however, this person's direct supervisor typically asks the HR department to provide a counter-offer in order to retain this person (Interview #9, Second Round, Standard Chartered Thai, June 16, 2016; Interview #10, Second Round, Standard Chartered Thai, June 17, 2016).

Overall, the evidence supports that Bank of Ayudhya and Standard Chartered Thai implement both an internal versus external labor market strategy for their product managers.

Summary

The evidence from the case studies of Bank of Ayudhya and Standard Chartered Thai supports the main argument of this chapter that the discontinuity of institutional legacies and ownership in both banks after the sudden external shock of the Asian financial crisis in 1997 reduced their commitment to internal labor market systems. These two banks rely more on an external labor market strategy by implementing a mixed 'hybrid' approach for their groups of managerial and professional employees in response to external pressures.

Specifically, Bank of Ayudhya was a Chinese-Thai family-owned bank before the Asian financial crisis. After the financial crisis in 1997, the ownership structure of this bank was drastically changed. The majority stake of the bank was acquired by General Electric (GE) Capital Group from the US in 2007 and, thereafter, its majority stake was acquired by

the Bank of Tokyo Mitsubishi UFJ (BTMU) from Japan in 2013. Currently, this bank is a privately owned bank with the majority shareholder (BTMU) from Japan, one of the CMEs. Because BTMU has served as the major shareholder of this bank for less than 3 years, however, the institutional legacies of foreign ownership of banks from CMEs and the likelihood that this bank will primarily adopt an internal labor market strategy for their managerial and professional employees have not become apparent, especially at the occupational level.

Rather, this bank still implements a mixed 'hybrid' approach at the occupational level. In this regard, the institutional legacies of foreign ownership of banks from LMEs, based on the acquisition of majority stake in the bank and the management by GE Capital Group from the US in 2007 - 2013, still influence the bank's HR strategies for managerial and professional employees. The case of this bank thus demonstrates that the discontinuity of institutional legacies and ownership of paternalism in a family-owned bank due to the change of ownership after the Asian financial crisis is associated with the erosion of an internal labor market strategy. Here, the likelihood that the bank relies more on an external labor market strategy by implementing a mixed 'hybrid' approach for its managerial and professional employees is associated with the institutional legacies of foreign ownership of banks from LMEs. In the future, however, if BTMU from Japan acts as the major shareholder of Bank of Ayudhya for quite a long time, the institutional legacies of foreign ownership of banks from CMEs and the likelihood that this bank will primarily adopt an internal labor market strategy for their managerial and professional employees should become more apparent at every level.

Standard Chartered Thai was a Chinese-Thai family-owned bank (under the name of Nakhon Thon Bank) before the Asian financial crisis. After the financial crisis in 1997, the ownership structure of this bank was drastically changed. The majority stake of this bank was then acquired by Standard Chartered Bank from the UK in 1999. Currently, this bank is a

privately owned bank with the majority shareholder (Standard Chartered Bank) from the UK, one of the LMEs. Due to the change of ownership after the Asian financial crisis (from a family-owned bank to a bank from LMEs), however, the use of an internal labor market strategy has eroded whereas the use of an external labor market strategy has increased. In other words, this bank has implemented a mixed 'hybrid' approach after the external shock of the Asian financial crisis. The case of this bank thus demonstrates that the discontinuity of institutional legacies and ownership of paternalism in a family-owned bank due to the change of ownership after the Asian financial crisis is associated with the erosion of an internal labor market strategy. Here, the likelihood that the bank relies more on an external labor market strategy by implementing a mixed 'hybrid' approach for its managerial and professional employees in response to external pressures is associated with the institutional legacies of foreign ownership of banks from LMEs.

Finally, based on the analysis of branch managers across four banks -- Kasikorn Bank, Krung Thai Bank, Bank of Ayudhya, and Standard Chartered Thai, the result has shown that an internal labor market strategy can be not only firm-specific but also occupation-specific. Specifically, the occupational group of branch managers in all of the four case study banks were grown and developed through an internal labor market within the organization over the years. One reason for this issue is that branch managers in each bank may need firm-specific skills rather than general skills. Thus, banks need to internally develop this group of managers over time.

CHAPTER 7

DISCUSSION AND CONCLUSIONS

Based on my field evidence, I have made four main arguments in this dissertation. First, the transformation in the Thai banking industry, brought about by the Asian financial crisis in 1997, has caused a shift in the demand for skills and led to two types of skill problems at the same time: deskilling and upskilling of jobs. This deskilling and upskilling of jobs has exacerbated the problem of skill shortages in this industry, especially among the groups of relationship managers, branch managers, and product managers. These skill shortages actually existed during the pre-crisis period but they have worsened after the Asian financial crisis due to three main reasons: regulatory changes, change in banks' focus from interest-based income to fee-based income, and advances in information technology that have led to the emergence of digital banking system.

On the one hand, changes in banks' focus from spread between loans and deposits to fees from selling a variety of financial products have led to a high demand for sales associates and tellers at the branch level who can be promoted to relationship managers and branch managers later in their careers. This has led to deskilling of branch-level jobs and declining quality of jobs among these branch-level employees. Specifically, graduates from first- or second-tier universities are not attracted to sales and tellers jobs because they view the status of these jobs as low and these jobs only need graduates with selling or marketing skills without the need of strong analytical skills. Additionally, banks have implemented several new management practices among sales associates and tellers according to the new business strategy that focuses on fee-based income, such as monitoring through closed-circuit television, setting very high sales targets and key performance indicators, and complying with several regulations, rules, and procedures. In this regard, banks have faced the shortage of graduates from first- and second-tier universities and have been compelled to recruit

graduates from third-tier universities to perform these jobs instead. The quality of graduates from third-tier universities, however, is not as high as that of graduates from first- or second-tier universities so banks had to invest training and developing these graduates over time until they became ready to work at the branch level. Nevertheless, due to poor working conditions, the turnover rates among third-tier university graduates are very high. When these graduates find new jobs, they typically resign from banks immediately, primarily because they do not like to work under the pressure of high sales targets and KPIs. The deskilling of jobs among sales associates and tellers, especially at the branch level, has thus exacerbated a shortage in supply of people who can be promoted to become relationship managers and branch managers.

On the other hand, stricter regulatory requirements to control the number of non-performing loans and advances in information technology in the banking industry have led to a high demand for product managers in this industry and led to upskilling of the product development and management jobs. Currently, product managers must have advanced knowledge and skills in finance, banking, and accounting and must have strong mathematical and analytical skills. This upskilling of jobs has thus led to a shortage in supply of graduates who can be promoted to become product managers because of two important dimensions. First, there are critical imbalances between the supply of graduates and the needs of labor markets. In particular, there has been an over-supply of graduates in the areas of social sciences and business administration, whereas there has been an under-supply of graduates in the areas of engineering, science, finance, banking, and accounting. Second, there has been a short supply of graduates who have strong analytical skills and have excellent relationship building and interpersonal skills. In this regard, there has been a short supply of university graduates with advanced knowledge and skills in finance, banking, and accounting and with

strong mathematical and analytical skills as well as relationship building and interpersonal skills who will become product managers in the future.

Second, given deskilling and upskilling of jobs that led to skill shortages at the occupational group level, banks located in a country with deficiencies in the national skill formation system, should in theory rely on an internal labor market strategy to solve these problems. In reality, however, banks face competing pressures. On the one hand, they have a need for firm-specific skills, suggesting they should adopt an internal labor market strategy. On the other hand, they face financial pressures that argue against the cost of investing in training, suggesting the likelihood that banks adopt an external labor market strategy. Based on my in-depth field research, some banks in Thailand have responded by primarily retaining their internal labor market systems, whereas the other banks have adopted an external labor market strategy or a mixed 'hybrid' approach. I argue in this dissertation that other organizational factors, particularly institutional legacies, shape firm-level HR strategies. Central to this argument is the idea that ownership structures matter.

Third, the four case study banks examined in Phase II: Kasikorn Bank, Krung Thai Bank, Bank of Ayudhya, and Standard Chartered Thai support the main argument that institutional legacies and ownership structures play a role in shaping firm-level HR strategies. In particular, Kasikorn Bank, Bank of Ayudhya, and Standard Chartered Thai were Chinese-Thai family-owned banks before the Asian financial crisis, while Krung Thai Bank was a government-owned bank. In other words, institutional legacies of all of the four case study banks were paternalistic in nature before the crisis. All of the banks developed internal labor market systems to train and develop their own managerial and professional employees and expected loyalty and deference from these employees, as evidenced by interviews with managerial and professional employees at different levels across these case study banks. After the financial crisis, however, two of the banks (Kasikorn Bank and Krung Thai Bank)

have continued their ownership and institutional legacies of paternalism. The other two banks (Bank of Ayudhya and Standard Chartered Thai) changed their ownership after the financial crisis due to financial losses. The family-based ownership and institutional legacies of paternalism were thus discontinued in these two banks.

On the one hand, the evidence from the case studies of Kasikorn Bank and Krung Thai Bank supports the argument that the continuity of ownership and institutional legacies of paternalism in both banks allowed them to continue to follow their traditional paternalistic practices after the Asian financial crisis. Even in 2016, despite regulatory changes, competitive pressures, and the development of digital banking, they continue to maintain strong internal labor market policies in general, and for their key occupational groups in particular.

Kasikorn Bank has been a family-owned Thai bank in the Thai banking industry. The founding owners, the Lamsam family (a Chinese-Thai family), have continuously played a crucial role in managing this bank and its affiliates even after the Asian economic crisis. These founding owners have preferred to internally develop their own managerial and professional employees at every level for a long period of time to ensure that these employees have interests that are aligned with the corporate culture and the interests of the founding owners and the Board of Directors. According to the institutional legacies of Kasikorn Bank, the first five presidents of the bank were members of the Lamsam family while the current set of presidents consists of the bank's scholarship students. Additionally, more than 50% of senior executive vice presidents of Kaskorn Bank are the bank's scholarship students. The bank never discontinued offering scholarships to high-potential students, even in the year of Asian financial crisis when every bank discontinued offering scholarships to high-potential university graduates to further their Master's Degrees in the US, the UK, or other countries across the globe.

Krung Thai Bank is the only government owned commercial bank in the Thai banking industry. The founding owner, the Thai government, has continuously played a crucial role in managing this bank because the bank is the government's primary tool in implementing a variety of financial policies. The Thai government through government-owned policies and strategies, such as the principle of life time employment, has thus fostered the bank to internally develop its own managerial and professional employees at every level for a long period of time. The bank prefers to recruit entry-level employees and develop them to become its middle and top managers. The bank has implemented the no layoff policy. The status of its employees as state enterprise personnel also supports a feeling of high job security among its employees. In this case, the turnover rate among its employees has been lower than that of other banks.

In this case, although the ownership structure of both Kasikorn Bank and Krung Thai Bank is different, they have continued their ownership and institutional legacies of paternalistic practices developed historically. They are also two banks that have continuously maintained an internal labor market strategy or strengthened it to manage the skills even after the sudden external shock of the Asian financial crisis.

On the other hand, the evidence from the case studies of Bank of Ayudhya and Standard Chartered Thai supports the argument that the discontinuity of institutional legacies and ownership in both banks after the sudden external shock of the Asian financial crisis reduced their commitment to internal labor market systems. These two banks have relied more on an external labor market strategy by implementing a mixed 'hybrid' approach for their groups of managerial and professional employees in response to external pressures.

Bank of Ayudhya was a Chinese-Thai family-owned bank before the Asian financial crisis. After the financial crisis in 1997, the ownership structure of this bank was drastically changed. The majority stake of the bank was acquired by General Electric (GE) Capital

Group from the US in 2007 and, thereafter, its majority stake has been acquired by the Bank of Tokyo Mitsubishi UFJ (BTMU) from Japan in 2013. Currently, this bank is a privately owned bank with the majority shareholder (BTMU) from Japan, one of the CMEs. Because BTMU has served as the major shareholder of this bank for less than 3 years, however, the institutional legacies of foreign ownership of banks from CMEs and the likelihood that this bank will primarily adopt an internal labor market strategy for their managerial and professional employees have not become apparent, especially at the occupational level.

Rather, this bank has implemented a mixed 'hybrid' approach at the occupational level. In this regard, the institutional legacies of foreign ownership of banks from LMEs, based on the acquisition of majority stake in the bank and the management by GE Capital Group, USA, in 2007 – 2013 (approximately 7 – 8 years), have influenced the bank's HR strategies for managerial and professional employees. The case of this bank thus demonstrates that the discontinuity of institutional legacies and ownership of paternalism in a family-owned bank due to the change of ownership after the Asian financial crisis is associated with the erosion of an internal labor market strategy. Here, the likelihood that the bank has relied more on an external labor market strategy by implementing a mixed 'hybrid' approach for its managerial and professional employees is associated with the institutional legacies of foreign ownership of banks from LMEs. In the future, however, if BTMU, Japan, continues to act as the major shareholder of Bank of Ayudhya for a significant period of time, the institutional legacies of foreign ownership of banks from CMEs and the likelihood that this bank will primarily adopt an internal labor market strategy for their managerial and professional employees may become more apparent at every level.

Standard Chartered Thai was a Chinese-Thai family-owned bank (under the name of Nakhon Thon Bank) before the Asian financial crisis. After the financial crisis in 1997, the ownership structure of the bank was drastically changed. The majority stake was acquired by

Standard Chartered Bank from UK in 1999. Currently, this bank is a privately owned bank with the majority shareholder (Standard Chartered Bank) from UK, one of the LMEs. Due to the change of ownership after the Asian financial crisis (from a family-owned bank to a bank from LMEs), however, the use of an internal labor market strategy has eroded whereas the use of an external labor market strategy has increased. In other words, this bank has implemented a mixed 'hybrid' approach after the external shock of the Asian financial crisis. The case of this bank thus demonstrates that the discontinuity of institutional legacies and ownership of paternalism in a family-owned bank due to the change of ownership after the Asian financial crisis is associated with the erosion of an internal labor market strategy. Here, the likelihood that the bank has relied more on an external labor market strategy by implementing a mixed 'hybrid' approach for its managerial and professional employees in response to external pressures is associated with the institutional legacies of foreign ownership of banks from LMEs.

Fourth, based on the analysis of each occupational group across four case study banks -- Kasikorn Bank, Krung Thai Bank, Bank of Ayudhya, and Standard Chartered Thai, the cases of relationship managers and product managers across four case study banks are different from the case of branch managers in that these two groups of managers typically need to have knowledge and skills that are not firm-specific. "Relationship managers" here refer to a group of people who must have both technical skill in managing several types of loans, credit, financial products and instruments and soft skill in building, maintaining, and managing relationships with customers. "Product managers" here refer to a group of people who must have technical skill in designing, developing, and improving several types of financial products and services and soft skill in cooperating with both insiders and outsiders to develop and manage these products. Their knowledge and skills, either each of them alone or a combination of them, might be applied to other banks in the industry. They do not have

to customize these knowledge and skills to the surrounding contexts according to branch, area, zone, and region in each bank. Thus, it is possible that some banks might internally develop these groups of managers, whereas others might externally hire them from other banks. In this regard, institutional legacies and ownership structures of firms matter more than the occupational characteristics.

In the case of branch managers, however, the occupational characteristics matter more than institutional legacies and ownership structures of firms. Specifically, the occupational group of branch managers in all of four case study banks has been developed through internal labor market systems over the years. One reason for this issue might be the fact that branch managers in each bank are required to have knowledge and skills in branch operations system, bank's financial products and instruments, branch accounting system, branch's surrounding context, and branch's customer relationship management. The combination of these knowledge and skills, especially in the quantities that are appropriate with each bank's corporate culture and surrounding context, is unlikely to be replicated in other banks. Thus, banks need to internally develop this group of managers over time.

Overall, institutional legacies and ownership do play a major role in shaping differences in firm-level HR strategies as seen among the four case study banks. In reality, however, there might be differences in HR strategies across different occupational groups in these banks such as in the case of branch managers. Future research should further explore the reason why banks pay more attention to the implementation of an internal labor market strategy among the group of branch managers.

The main arguments from this research should thus contribute to an institutional perspective on strategic HRM by demonstrating how the national skill formation system and firm-level antecedents, particularly institutional legacies, shape firm-level HR strategies and practices. In particular, this research focuses on demonstrating why firms, located in the same

industry and country contexts, do not converge towards similar models of employment practices. That said, all of the banks, located in the banking industry and in the country of Thailand (one of the emerging market economies), should implement an internal labor market strategy to respond to deficiencies in the national skill formation system. In reality, however, some banks in Thailand have implemented internal labor market systems, while others have implemented an external labor market strategy or a mixed 'hybrid' approach of both strategies. One of the organizational-level factors shaping this difference is institutional legacies and ownership structure of each bank.

The empirical research in this dissertation also has policy implications for national governments, related government agencies such as public and private universities, banks, and industry associations regarding the policies to address long-term national human capital issues, such as occupational-level skill shortages, that are particularly severe in not only Thailand but also other emerging market economies.

In this case, one possible solution is for banks in Thailand to work closely with universities (both public and private universities) and develop strategic partnerships between two parties. For instance, banks might align the course syllabus taught at the university level with the changing requirements of the Thai banking industry. In some cases, banks might collaborate with these universities to develop special courses or degrees for the industry including relationship management courses, wealth management courses, branch management courses, and financial product development courses. Another solution might be to collaborate with universities to develop a special internship course for the bank. That said, banks might recruit management trainees who pass this internship course to work directly at the bank. In addition to classroom training, this course can include tutoring and coaching from by middle managers or top managers from banks.

Classroom training courses can also include both structured classroom lectures and interactive discussions with managerial and professional employees from banks. These courses might help students to gain insights and essential skill sets. These classroom training courses might also include visits to banks' head office and branches, written mid-term tests, and final presentation of projects.

Actually, banks in other neighboring countries, such as Singapore, already partner with universities and are very successful in this regard. Banks in Thailand might thus learn from those banks in the neighboring countries regarding how to develop strategic partnerships with universities, because developing strategic partnerships with universities is likely to help produce a pool of newly minted university graduates in the areas that are in short supply in the labor market such as sales associates, tellers, relationship managers, branch managers, and product managers. In other words, this strategy might help alleviate the problem of occupational-level skill shortages in the Thai banking industry.

The limitation of this research includes its methodology. Because this research is based on the case studies of two Thai-owned banks and two foreign banks in Thailand, it does not intend to claim generalizability to all of the firms across every sector regarding organizational factors that shape firm-level HR strategies. Rather, the results from this research should lead to a further discussion on institutional and organizational factors that influence the adoption of an internal versus external labor market strategy for managerial and professional employees. Additionally, this research paper omits the case study of banks from other emerging market economies (EMEs), such as China and Malaysia. Future researchers may explore how institutional legacies of foreign ownership of banks from EMEs shape firm-level HR strategies for managerial and professional employees. The in-depth longitudinal case studies in the case of Bank of Ayudhya to examine the institutional legacies of foreign ownership of banks from CMEs and the likelihood that this bank will adopt an internal labor

market strategy for their managerial and professional employees, and quantitative studies with a large sample size of banks from several countries or firms across other sectors might be useful to deepen understandings of a topic that is significant from an institutional perspective on strategic HRM.

APPENDIX**Table A.1: List of Interviewees in Phase I (First Round)**

No.	Position	Date
1 - 2	Finance and Banking Experts and Scholars	June 15, 2015
3	Independent Director of Siam Commercial Bank	June 22, 2015
4	Independent Director of Krung Thai Panich Insurance	June 23, 2015
5 - 6	HR Consultants & Managing Partner of an HR Consulting Company	June 24, 2015
7	Top Manager of Krung Thai Panich Insurance	June 29, 2015
8	Independent Director of Thai Samutr Life Insurance and Ex-top manager of the Stock Exchange of Thailand	June 29, 2015
9	Ex-top manager of Kasikorn Bank	June 30, 2015
10	Top manager at the Central Bank of Thailand	June 30, 2015
11	HR scholar and consultant	July 3, 2015
12	HR scholar and consultant	July 8, 2015
13	Advisor to several banks and insurance companies / HR scholar	July 9, 2015
14	Top manager of Kasikorn Bank	July 10, 2015
15	Top manager of Thai Samutr Life Insurance	July 15, 2015
16	Top manager of CIMB (Thailand) – A Malaysian Bank	July 17, 2015
17	Middle manager of Bank of Ayudhya	July 17, 2015
18	HR scholar and consultant	July 21, 2015
19	Top manager of Department of Skill Development	July 22, 2015

20	Top manager at Standard Chartered (Thai)	July 24, 2015
21	Top manager of Thai Listed Companies Association	August 3, 2015
22	HR Scholar and Professor of HRM	August 4, 2015
23	Middle manager of Bangkok Bank	August 13, 2015
24	Middle manager of CIMB (Thai)	August 13, 2015
25	Top manager of Citibank (Thai)	August 14, 2015
26 - 27	Executives of Association of International Banks	August 17, 2015
28	HR Consultant and Ex-middle manager at Bangkok Bank, Bank of Ayudhya, and Standard Chartered (Thai)	August 20, 2015
29	Top manager of HSBC (Thai)	August 24, 2015
30	HR Consultant and Ex-middle manager at Chase Manhattan and Standard Chartered	August 25, 2015
31	SMEs Entrepreneur and Customers of Siam Commercial Bank	August 27, 2015
32 - 33	Top managers of Siam Commercial Bank	August 27, 2015
34 - 36	Top and middle managers of Land and Houses Bank	September 1, 2015
37	Middle manager of Siam Commercial Bank	September 2, 2015
38 - 39	Top managers of Thai Credit Retail Bank	September 7, 2015
40	First-line manager at Bangkok Bank	September 7, 2015
41	HR Scholar and Consultant	September 10, 2015
42 - 43	Top managers of Thai Military Bank	September 11, 2015
44	HR and Industrial Relations Scholar and Consultant	September 15, 2015
45	HR and Industrial Relations Expert & A Successful Entrepreneur	September 16, 2015
46	HR and Industrial Relations Scholar	September 18, 2015
47	Ex-top manager of Bangkok bank & Top	September 22, 2015

	manager of KGI Securities Public Company Limited	
48	Top manager of Krung Thai Bank	September 23, 2015
49 - 50	Retired employees of Bangkok Bank & Ex-Chairman of Bangkok Bank Labor Union	September 24, 2015
51	Top manager of Industrial and Commercial Bank of China (ICBC) and Ex-top Manager of United Overseas Bank (UOB)	September 28, 2015
52 - 53	Top manager & HR Strategist of Thanachart Bank	October 1, 2015
54	Top manager of Government Savings Bank	October 2, 2015
55	Top manager of KGI Securities (Thai) Public Company Limited	October 5, 2015
56	Top manager of Tisco Bank	October 13, 2015
57	HR and Labor Relations Consultant and Scholar	March 7, 2016
58	Investment Consultant of Bank of Ayudhya	March 7, 2016
59	Top manager of Bank of Ayudhya	March 9, 2016
60	Director of Muang Thai Life Insurance and Ex-top manager of Kasikorn Bank	March 9, 2016
61 - 62	HR Scholar and Consultant & His assistant	March 9, 2016
63 - 64	Macro HR scholar and her PhD student	March 10, 2016
65	Top manager of CIMB (Thai)	March 10, 2016
66	Top manager of Kasikorn Bank	March 11, 2016
67	Top manager of Finansia Syrus Securities Public Company Limited	March 14, 2016
68	Top manager of TSFC Securities Public Company Limited	March 15, 2016

69	Macro HR & Labor scholar at Thailand Development Research Institute	March 18, 2016
70	Macro HR scholar at Thailand Development Research Institute	March 18, 2016
71	Retiree of Bangkok Bank Public Company Limited	March 20, 2016
72	Top manager of AIRA Securities Public Company Limited	March 21, 2016
73	Top manager of Kasikorn Bank Public Company Limited	March 23, 2016
74	Middle manager of Government Savings Bank	March 30, 2016
75	Executive of Association of Thai Securities Companies	March 31, 2016
76	Area (Zone) Manager of Siam Commercial Bank Public Company Limited	April 3, 2016
77	Division Manager at PRTR (Executive Recruitment Company or Headhunters)	April 5, 2016

Table A.2: List of Interview Questions in Phase I (First Round)

Questions for Managerial Employees, Middle Management, Top Management, HR Consultants and Scholars

- 1) How do you think about the national skill formation system in Thailand? Specifically, how does the national skill formation system influences the quality of employees in the Thai banking industry?
- 2) How does the quality of management schools and curriculum in Thailand influence the quality of employees in the Thai banking industry? Are management schools in Thailand able to produce graduates who are ready to work in the Thai banking industry?
- 3) How does the Department of Skill Development play a role in developing employees in the Thai banking industry? How does the Thai Institute of Banking and Finance Association play a role in supporting the banking and finance education in Thailand? How does the institute play a role in developing human resources in this industry?
- 4) What are the key human resource management challenges facing your organization?
- 5) Do financial regulations (such as Bank of Thailand's regulations) influence human resource management at your organization?
- 6) Has your organization ever been facing the skill shortage (the shortage of qualified employees) in Thailand? If so, which positions, at what levels, and how do you solve this problem?
- 7) How do you manage talent at your organization?
- 8) Does the shortage of qualified employees in Thailand affect your organization's business operations and expansion in Thailand?
- 9) Does the Thai Bankers Association / Association of International Banks play a role in alleviating the problem regarding the shortage of qualified employees in Thailand?
- 10) What are the key strengths of recruitment and selection practices at your organization?
- 11) What are the key strengths of training and development practices at your organization?
- 12) How does your organization take care of employees' career paths?
- 13) How does your organization retain employees over the long run? How do you protect other banks from "buying" your employees?

- 14) What are the key strengths of compensation management practices at your organization?
- 15) Does your organization place more importance on internal labor market than on external labor market? If so, how? If not, why? How often your organizations “buy” qualified human resources from other organizations? How often your organizations “develop” qualified human resources internally? How?
- 16) Has the HR system at your organization been influenced by the home country’s HR system? If so, how? How does your organization adapt the HR system to the Thai context?
- 17) Are there any functions or types of specialties that cannot be performed in Thailand due to the lack of skilled employees? If so, please specify and how do you solve this problem?
- 18) Could you recommend other interviewees who are an expert in this / that area so that I can contact and interview them directly?

Questions for Labor Unions Representatives and/or Professional Employees

- 1) Can you describe your duties and responsibilities as a teller / marketing officer? Can you describe the working conditions at the branch you have been working?
- 2) How do changes from single-skilled to multi-skilled jobs affect your working conditions at the branch? How do they influence morale and motivation of workers? How do they influence the human resource development system of workers? How do they affect the transfer of employees in the branch / bank?
- 3) If possible, can you describe the level of compensation and/or benefits at your bank? How about the level compensation and / or benefits at your bank compared with other banks?
- 4) How about the collective bargaining between management and workers at your bank?
- 5) What are the recent labor relations and collective bargaining issues in the Thai banking industry?
- 6) What are the roles of labor unions in the Thai banking industry in general? How about the strength of labor unions in the Thai banking industry in general? What is the unionization rate in the Thai banking industry?
- 7) What are the roles of labor unions at your bank? What is the unionization rate at your bank?
- 8) What are the future directions of labor unions at your bank?

- 9) Do the newly established banks such as Thanachart, Kiatnakin, Thai Credit Retail Bank have labor unions? Why or why not? If not, how does management negotiate with workers at these banks?
- 10) Could you recommend other interviewees who are working at other banks and / or working at other labor unions so that I can contact and interview them directly?

Table A.3: List of Interviewees in Each Case Study Bank in Phase II (Second Round)

Phase (Round) of Interviews	Kasikorn Bank Public Company Limited	Krung Thai Bank Public Company Limited	Bank of Ayudhya Public Company Limited	Standard Chartered Thai Public Company Limited
Phase II (Round 2) (May – June 2016)	<p>Branch Managers</p> <p>1) Zone Manager – May 16, 2016 2-3.30pm</p> <p>2) Zone Manager – May 17, 2016 9-10.30am</p> <p>3) Zone Manager – May 18, 2016 1-2.30pm</p> <p>Relationship Managers</p> <p>4) Assistant Vice President – May 12, 2016 – 1-2pm</p> <p>5) Vice President – May 12, 2016 2-3pm</p> <p>6) Senior Relationship Manager – May 12, 2016 3-4pm</p> <p>7) Team Manager – May 16, 2016 10.30-11.30am</p> <p>Product Managers</p> <p>8) Senior Vice President – May 17, 2016 2-2.45pm</p> <p>9) Senior Vice President – May 13, 2016 11am-12pm</p>	<p>Branch Managers</p> <p>1) Senior Branch Manager – May 3, 2016 10 – 11am</p> <p>2) Branch Manager – May 4, 2016 10-11am</p> <p>3) Senior Branch Manager – May 4, 2016 11am – 12.30pm</p> <p>4) Senior Branch Manager – May 10, 2016 2-3.30pm</p> <p>5) Senior Branch Manager – May 23, 2016 1-2.30pm</p> <p>6) Senior Branch Manager – May 24, 2016 10-11am</p> <p>7) Senior Branch Manager – May 24, 2016 1-2pm</p> <p>8) Branch Manager – May 26, 2016 11am-12pm</p> <p>Relationship Managers</p> <p>9) Senior Director – May 26, 2016 2-3.30pm</p> <p>10) Director – May 30, 2016 10-11am</p> <p>11) Director – May 30, 2016 2-2.45pm</p> <p>12) Senior Director – May 31, 2016 3-4.30pm</p> <p>Product Managers</p> <p>13) Director – May 23, 2016 9.15-10.15am</p> <p>14) Director – May 25, 2016 2-3pm</p> <p>15) Senior Director –</p>	<p>Branch Managers</p> <p>1) Assistant Branch Manager – May 13, 2016 5.30-6.30pm</p> <p>2) Teller – May 13, 2016 4.45pm – 5.30pm</p> <p>3) Teller – May 13, 2016 4.45pm – 5.30pm</p> <p>4) Branch Manager – June 8, 2016 9-10.15am</p> <p>5) Branch Manager – June 8, 2016 10.15-11.30am</p> <p>6) Branch Manager – June 8, 2016 11.30am-12.45pm</p> <p>Relationship Managers</p> <p>7) Assistant Vice President – June 17, 2016 1.30-2.15pm</p> <p>8) Assistant Vice President – June 17, 2016 2.15-3.45pm</p> <p>9) Relationship Manager – June 17, 2016 3.45-4.30pm</p> <p>Product Managers</p> <p>10) Assistant Vice President – June 16, 2016 9.30-10.15am</p> <p>11) Assistant Vice President – June 16, 2016 10.15-11.45am</p> <p>12) Senior Vice President – June 16, 2016 11.45am – 12.30pm</p>	<p>Branch Managers</p> <p>1) Vice President & Hub (Cluster) Manager – June 14, 2016 11am-12pm</p> <p>2) Vice President & Hub (Cluster) Manager – June 15, 2016 3-3.45pm</p> <p>3) Assistant Vice President & Branch Manager – June 17, 2016 9-10.15am</p> <p>Relationship Managers</p> <p>4) Senior Relationship Manager – June 14, 2016 9.30-10.15am</p> <p>5) Senior Relationship Manager – June 14, 2016 10.15-11am</p> <p>6) Assistant Vice President & Team Manager – June 15, 2016 3.45-4.15pm</p> <p>7) Relationship Manager – June 15, 2016 4.15-4.45pm</p> <p>Product Managers</p> <p>8) Senior Vice President – June 16, 2016 2-3pm</p> <p>9) Assistant Vice President – June 16, 2016 3-4.15pm</p> <p>10) Vice President – June 17, 2016 11am-12pm</p>

		May 27, 2016 10-11am 16) Senior Director – May 31, 2016 2-3pm		
Phase I (Round 1) (Exploratory Stage) (June 15, 2015 – April 5, 2016)	1) Senior Executive Vice President – HR – March 11, 2016 10- 11am 2) Executive Vice President – HR – July 10, 2015 10-11am 3) Executive Vice President – March 23, 2016 11am-12pm 4) Director of Muang Thai Life Insurance Public Company Limited (one of Kasikorn Bank’s affiliates) and Former Senior Executive Vice President (HR) at Kasikorn Bank – March 9, 2016 1.30-2.30pm 5) Former Senior Executive Vice President – June 30, 2015 11am – 12pm	1) Executive Vice President (HR) – September 23, 2015 3- 4.15pm	1) Executive Vice President – March 9, 2016 10.30-11.15am 2) Senior Vice President – HR – July 17, 2015 2.30-4pm 3) Investment Consultant – March 7, 2016 5- 5.30pm	1) Senior Executive Vice President - HR – July 24, 2015 3-4pm 2) Former HR Manager of Bank of Ayudhya and Standard Chartered (Thai) – August 20, 2015 10.30- 11.30am 3) Former HR Manager at Standard Chartered (Thai) – August 25, 2015 6-7pm
Total Interviewees in Each Case Study Bank	14	17	15	13

Note: Total interviewees (Phase I or Round 1) (Exploratory Stage) June 15 – April 5, 2016) : 77 interviewees

Total Interviewees (Phase II or Round 2) May – June 2016 : 47 interviewees

124 interviewees in total

Table A.4: List of Interview Questions in Phase II (Second Round)***Questions for Managers***

- 1) What are the bank's policies and practices in terms of mobility pattern?
- 2) What are the bank's policies in terms of pay?
- 3) What are the bank's policies in terms of training?
- 4) What are the bank's policies in terms of job security?
- 5) How are people inoccupation typically recruited and selected – what pool of applicants, criteria for selection [general education or specific skill requirements, personality or other criteria, etc. For every 1 position available, how many applicants?
- 6) How much competition is there for highly qualified people? In what occupations or positions?
- 7) What are the entry level positions and is there a career ladder – what does it consist of?
- 8) What kind of training or development do you provide? [after he answers, probe: Is this through formal training, on-the-job learning, rotational programs, etc?
- 9) What criteria are used for promotion?
- 10) How much do you rely on internal hiring versus external promotion? For which positions?
- 11) Compensation – how much at each position level? Is pay tied to a job/position, seniority,? Performance?
- 12) How often are your employees 'poached' – hired by another firm? How often do they quit?

Questions for Professional Employees

- 1) What is your educational background?
- 2) When were you hired? In what jobs, what duties, and what responsibilities?
- 3) How many jobs, duties, and responsibilities before serving the current position?
- 4) Are you able to move or transfer to different job duties in your bank? How?
- 5) How many promotions have you got before serving the current position?
- 6) What did each job consist of in terms of tasks and skills requirements of that job?
- 7) What kind of training at each new job? Firm-specific training?
- 8) What promotions do you expect next?

- 9) Is your pay attached to your jobs or skills?
- 10) What do you anticipate in your career over the next 5 – 10 years?
- 11) How do you think about the security of your job?
- 12) Is your career path the typical career path in your bank? Is there any variation?

If so, please explain the alternatives.

13) What kind of challenges have you had in terms of skills, especially when you were hired and when you moved to different jobs?

14) What did your job demands in terms of skills? How did you overcome the skills gap? (firm training or scholarships or attending courses on your own or else)

15) Do you feel that you have opportunities to move to jobs in the banking industry? If so, what kinds of jobs would you be eligible for?

Table A.5: Population of Banks in the Thai Banking Industry (By Ownership)

Privately Owned Banks (Registered in Thailand)	Government Owned Bank & Specialized Financial Institutions (SFIs)	Foreign-owned Banks (Not Registered in Thailand)
<u>Privately Owned Banks (less than 50% owned by foreigners)</u> <ol style="list-style-type: none"> 1) Bangkok Bank Public Company Limited 2) Kasikorn Bank Public Company Limited (Formerly, Thai Farmers Bank) 3) Siam Commercial Bank Public Company Limited 4) Thai Military Bank Public Company Limited 5) Kiatnakin Bank Public Company Limited 6) Tisco Bank Public Company Limited 7) Thanachart Bank Public Company Limited 8) Land and House Bank Public Company Limited 9) Thai Credit Retail Bank Public Company Limited 	<ol style="list-style-type: none"> 1) Krung Thai Bank Public Company Limited (Government-owned bank) 2) Government Savings Bank (SFI) 3) Government Housing Bank (SFI) 4) Bank for Agriculture and Agricultural Cooperatives (SFI) 5) Small and Medium Enterprise (SME) Development Bank of Thailand (SFI) 6) Islamic Bank of Thailand (SFI) 7) Export-Import Bank of Thailand (SFI) 8) Thai Credit Guarantee Corporation (SFI) 9) Secondary Mortgage Corporation (SFI) 	<u>Subsidiaries of foreign-owned banks</u> <ol style="list-style-type: none"> 1) Mega International Commercial Bank (Taiwan) 2) Bank of China (China) 3) ANZ (Thai) Public Company Limited (Australia and New Zealand) 4) Sumitomo Mitsui Trust (Japan) <u>Branches of foreign-owned banks</u> <ol style="list-style-type: none"> 1) JPMorgan Chase (USA) 2) Citibank (USA) 3) Deutsche Bank (Germany) 4) Royal Bank of Scotland PLC (UK) 5) BNP Paribas (France) 6) Mizuho Bank (Japan) 7) Bank of America (USA) 8) RHB Bank (Malaysia) 9) Indian Overseas Bank

<p><u>Privately Owned Banks</u> <u>(more than 50% owned by foreigners)</u></p> <ol style="list-style-type: none"> 1) Bank of Ayudhya Public Company Limited (Japan) 2) CIMB Thai Bank Public Company Limited (Malaysia) 3) UOB Bank Public Company Limited (Singapore) 4) Standard Chartered Bank (Thai) Public Company Limited (UK) 5) ICBC (Thai) Bank Public Company Limited (China) 		<p>(India)</p> <ol style="list-style-type: none"> 10) Overseas-Chinese Banking Corporation (Singapore) 11) Hong Kong and Shanghai Banking Corporation (UK)
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(Source: Bank of Thailand, 2016)

Table A.6: Population of Privately owned Banks (Registered in Thailand) and a Government-owned Bank in the Thai Banking Industry (By size, number of employees, number of branches, and number of ATMs)

Bank Name	Total Assets	Number of Employees in 2015	Number of Branches in 2015	Number of ATMs in 2015
Bangkok Bank Public Company Limited	2,835,852 million Baht	27,142	1,169	9,330
Krung Thai Bank Public Company Limited	2,748,000 million Baht	24,000	1,214	5,900
Kasikorn Bank Public Company Limited	2,539,000 million Baht	21,419	1,119	9,280
Siam Commercial Bank Public Company Limited	2,774,309 million Baht	26,159	1,209	9,904
Bank of Ayudhya Public Company Limited	1,705,517 million Baht	22,834	676	5,635
Thai Military Bank Public Company Limited	838,937 million Baht	9,270	450	2,292
CIMB Thai Bank Public Company	304,621 million Baht	3,997	123	-

Limited				
Thanachart Bank Public Company Limited	951,190 million Baht	>12,000	616	-
UOB Bank Public Company Limited	397,682 million Baht	>3,000	154	363
TISCO Bank Public Company Limited	305,886 million Baht	4,245	56	-
Kiatnakin Bank Public Company Limited	240,407 million Baht	4,019	86	-
Land and Houses Bank Public Company Limited	164,808 million Baht	1,467	117	-
Standard Chartered Bank (Thai) Public Company Limited	208,388 million Baht	2,000	20	18
ICBC (Thai) Bank Public Company Limited	183,029 million Baht	545	20	20
Thai Credit Retail Bank Public Company Limited	28,256 million Baht	990	74	12

(Sources: Based on the latest available data from each bank's annual reports and related web-based resources)

Table A.7: Population of Privately owned Banks (Registered in Thailand) and a Government owned Bank in the Thai Banking Industry (By segment)

Bank Name	Segment
Bangkok Bank Public Company Limited	Universal Banking
Krung Thai Bank Public Company Limited	Universal Banking
Kasikorn Bank Public Company Limited	Universal Banking
Siam Commercial Bank Public Company Limited	Universal Banking
Bank of Ayudhya Public Company Limited	Universal Banking
Thai Military Bank Public Company Limited	Universal Banking
CIMB Thai Public Company Limited	Universal Banking
UOB Public Company Limited	Universal Banking
Standard Chartered Bank (Thai) Public Company Limited	Universal Banking
Thanachart Bank Public Company Limited	Universal Banking
Kiatnakin Bank Public Company Limited	Universal Banking
TISCO Bank Public Company Limited	Universal Banking
Land and Houses Bank Public Company Limited	Universal Banking
ICBC Thai Bank Public Company Limited	Universal Banking
Thai Credit Retail Bank Public Company Limited	Retail Banking

(Source: Bank of Thailand, 2016)

Table A.8: Population of Privately owned Banks (Registered in Thailand) and a Government-owned Bank in the Thai Banking Industry (By ownership – Major Shareholders)

Bank Name	Major Shareholders
Bangkok Bank Public Company Limited	Sophonpanich family and its affiliates
Krung Thai Bank Public Company Limited	Ministry of Finance via the Financial Institutions Development Fund
Kasikorn Bank Public Company Limited	Lamsam family and its affiliates
Siam Commercial Bank Public Company Limited	Office of the Crown Property
Bank of Ayudhya Public Company Limited	Bank of Tokyo Mitsubishi UFJ
Thai Military Bank Public Company Limited	Ministry of Finance / ING Bank N.V.
CIMB Thai Public Company Limited	CIMB Bank Berhad from Malaysia
UOB Public Company Limited	United Overseas Bank Limited from Singapore
Standard Chartered Bank (Thai) Public Company Limited	Standard Chartered Bank from the UK
Thanachart Bank Public Company Limited	Thanachart Capital Public Company Limited / Scotia Bank from Canada
Kiatnakin Bank Public Company Limited	Wattanawekin family and its affiliates
TISCO Bank Public Company Limited	TISCO Financial Group
Land and Houses Bank Public Company Limited	Land and Houses Public Company Limited and Quality House Public Company Limited
ICBC Thai Bank Public Company Limited	Industrial and Commerce Bank of China from China
Thai Credit Retail Bank Public Company Limited	Thai Life Insurance Public Company Limited and its affiliates

(Sources: Based on the latest available data from each bank's annual reports and related web-based resources)

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