

MANAGEMENT TRAINING IN THAILAND

A Strategy for the Bureau for Private Enterprise
of the U.S. Agency for International Development

Report to the

Committee on Industrial Policy for Developing Countries

Commission on Engineering and Technical Systems

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The trip reports that constitute this document were commissioned by the Committee on Industrial Policy for Developing Countries, which intended to use them as working papers in a study of the state of management education and training in developing nations. The committee was originally charged by the Bureau for Private Enterprise of the U.S. Agency for International Development with recommending a strategy by which the Bureau could rapidly assist and spur private contributions to the improvement of management development in five selected countries. To understand the specific problems for current management development in the selected countries, and to generate a set of optional training approaches from which to distill its recommendations, the committee appointed teams of two or three consultants to conduct interviews and other research in each country and to provide trip reports.

As a result of changes in the scope of work requested by the Bureau for Private Enterprise in late 1982, the plans for the general study were scrapped, and two additional countries designated for team visits. The visiting team reports included herein thus represent the work of the individual team members and not that of the Committee on Industrial Policy for Developing Countries. They have not been subjected to the normal National Research Council review process, but are presented in the belief that the several optional courses of action conceived or identified by the authoring teams will be of interest and use to the Bureau and others concerned with its work and objectives.

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EXECUTIVE SUMMARY

There are gaps and weaknesses in management training for the private sector in Thailand, and Bureau for Private Enterprise of U.S. AID (AID/PRE) can provide solutions for some of these problems. As Thailand's largest businesses continue to grow, they recognize a scarcity of managers with the experience and cosmopolitan outlook to compete internationally. Many smaller firms lack basic know-how in planning, purchasing, marketing, production systems, and other areas. Thailand has difficulty in generating managers for both large and small businesses and in offering satisfactory extension courses to managers currently employed in business. This is due in great part to the lack of management course materials relevant to the Thai context and the difficulty of keeping qualified professors in the classroom.

Each of the leading management institutions in the Bangkok area has its political supporters, so it could be risky for AID/PRE to support any one to a greater degree than the others. Of those we had time to survey, the English language MBA program at Chulalongkorn University is furthest along in planning and fund-raising. It constitutes the best opportunity for a rapid, useful, and well-appreciated contribution to management training by AID/PRE.

In funding Chulalongkorn, or any other program, AID/PRE may want to insist on providing matching funds that parallel and leverage Thai private donations. AID/PRE could also target its support to those programs that:

- offer professors and students exposure to the actual work of private business, by encouraging professors to consult and students to write and analyze case studies of Thai firms; and,
- develop training materials, such as film strips, tapes, television programs, case studies, or an English-Thai/Thai-English business glossary, which are relevant to the Thai business context.

The projects we describe in this paper and, undoubtedly, other institutions outside Bangkok that we could not visit, may be tied together in a national program for management development. Such a program could build infrastructure, make it less imperative for professors to leave the classroom for the private sector, and

establish executive training on a self-sustaining basis. Then, with capabilities in place and basic material either available or being developed, AID/PRE could move towards emphasis on small business improvement and encouraging entrepreneurship.

INTRODUCTION

In February 1982, Mrs. Elise duPont, Assistant Administrator of AID's Bureau for Private Enterprise (PRE), led a reconnaissance mission to survey the prospects for increased American private sector involvement in Thailand. That team dealt with four areas--the gas industry, electronics, agribusiness, and management. The last of these was covered by Dr. Margaret Graham. Excerpts of her report on the implications for management training of the new Thai industrial strategy are attached as Appendix A of this report.

The trip covered in the present report is a follow-up visit to the earlier reconnaissance mission, but it focuses exclusively on management training and development as an area in which the Agency for International Development (AID) may wish to expand its involvement in Thailand. This report summarizes the findings, conclusions, and recommendations of the team chosen for Thailand by the National Research Council's Committee on Industrial Policy for Developing Countries. Dr. Graham, associate professor at the Boston University School of Management, and Mr. Richard Floor, partner in the law offices of Goodwin, Proctor & Hoar, Boston, conducted their research in Thailand from June 22 to July 1, 1982. In their investigation they addressed the following objectives:

- to elaborate on the need for professional management training already identified in the earlier report,
- to suggest steps that AID could take in the short term to address that need, and
- to set long-term guidelines for AID funding and involvement with management training over the next 10 years.

Before departing for Thailand the team reviewed a 1980 World Bank study, "Industrial Development Strategy in Thailand," and reviewed the reports of other reconnaissance mission members for their opinions on management skill needs. The team's method in country was primarily to conduct interviews, both individually and together, with business people and government officials and regulators. Mr. Frank Converse, of the International Executive Service Corps, and the staff of the AID Mission in Bangkok helped to arrange appointments and travel. The team sought through its questions:

- to identify immediate and critical private sector management deficiencies, existing or conceivable private institutions for addressing those deficiencies, and avenues through which AID can leverage private financial support for the solutions to those deficiencies,
- to learn the extent to which the private sector is prepared to share management training costs, and
- to understand the business community's perception of existing management programs.

The team met in Thailand with some of the key people who had been consulted on the first trip, interviewed a number of additional representatives of the Thai private sector, and spoke with Thai university and government officials who are closely concerned with management training programs. The team also surveyed some of the limited literature available in Thailand, including training institute brochures and a report by the Thai National Economic and Social Development Board, "The Thai Economy and Profiles of Selected Industries." In all, the team interviewed more than 30 people among the leading Thai family businesses, banking, American corporations, and the universities in the Bangkok area. The people consulted are listed in Appendix B. The team did not have time to examine institutions of secondary and higher education or vocational training in parts of Thailand most distant from the capital. Because of the shortness of time, and in response to Thai concern with a strategy to increase regional/international competitiveness, the team narrowed its focus to the most sophisticated businesses and institutions in the country.

Following a brief economic overview, the remainder of the report is divided into the following sections: a discussion of the need for management training, a review of the goals and guidelines that should form future AID policy, and possible options for AID funding of management training in Thailand.

ECONOMIC OVERVIEW

During the past three years, Thailand's balance of payments problems have been compounded by oil price increases, inflation and recession in developed countries, and high international interest rates. A relatively high growth rate has been maintained (6.1 percent in 1979, 5.8 percent in 1980, and 7.8 percent in 1981) but this was accompanied by accelerating inflation and large external deficits. Consumer prices increased by 6.5 percent per year between 1975 and 1978, 9.9 percent in 1979, 19.8 percent in 1980, and 12.8 percent in 1981. The current account deficit grew from 22.6 billion Baht (5.8 percent of gross domestic product) in 1977 to 58 billion Baht (6.5 percent of GDP) in 1980 and 65 billion Baht (6.1 percent of GDP) in 1981.

Since 1980 the government has tempered its stimulative fiscal policies of the 1970s. It has allowed sharp increases in prices for most petroleum products and electricity, sought to increase government revenue, and lifted the 15 percent ceiling on interest rates. In October 1980 price controls were lifted on 29 of 36 regulated goods, and the government started to reform the tariff structure by reducing import duties on electrical goods.

Despite the effect of these measures on the price level and effective demand, economic performance in most sectors was reasonable in 1981. Agricultural production and incomes rose rapidly. The agricultural sector stimulated production in other sectors, compensating partly for the deflationary effects of the government's fiscal policy. Gross domestic product grew by 7.8 percent overall with 5.3 percent growth in agriculture. Meanwhile, the restrictive fiscal policy succeeded in bringing inflation down from 1980's 19.8 percent level to 12.8 percent.

NEED FOR MANAGEMENT TRAINING

The team's research confirmed a number of management-related problems first described in Dr. Graham's report of February 1982:

- the severe scarcity of managers with middle- and upper-level management experience,
- the absence of certain key managerial skills, including general management, the management of technology transfer, international finance, banking, and systems,
- the lack of basic management know-how in small and medium-sized businesses,
- the lack of management course materials relevant to the Thai business context, and
- the difficulty of retaining qualified professors of management in professional schools, in view of the more lucrative opportunities in the private sector.

Thai and American business people in Thailand commented often that the most serious deficiencies in general management skill are at the middle and upper levels. Although there are typically specialists available (i.e., engineers, accountants, etc.) to meet demand, they are narrowly educated and find it difficult to move into supervisory levels where they must coordinate the work of other specialists. A second group of professionals who seem to lack a general management perspective are those in the government, where representatives of the private sector maintain that they encounter complete ignorance of the consequences of many forms of government regulation for the investing community.

The current management problem has developed as a consequence of the rapid growth of the Thai economy. The large and influential family-owned businesses, which have historically been managed by family members with overseas training, have evolved to a size and competitive position where the employment of professional managers has become necessary. These family firms account for a major share of Thai manufacturing and economic activity in general. In light of the poor data collection by agencies and associations that monitor the business

community, the opinions and insights of these industrial leaders provide the most reliable analysis of supply and demand for managerial personnel.

The consensus among these firms was that the lack of competent managerial candidates in Thailand is unprecedented. Thailand's growing natural gas industry requires technicians and sophisticated managers who can work with high technology, and these are scarce. Likewise, the mechanization of Thai agriculture and the increase of electronics and other types of manufacturing place demands on the existing pools of technical and managerial talent. Anticipated gains in Thailand's agricultural productivity may increase the number of unskilled people seeking jobs in industry, and companies will need skilled managers to use this labor pool most effectively.

Several aspects of the Royal Thai Government's five-year plan appear likely to accentuate the trends requiring more managers:

- o the basic economic growth rate projected at a minimum of 7.6 percent per annum in the industrial sector,
- the government's confirmed policy to break down family ownership and to enforce broader ownership by public shareholders, both directly, as in the Commercial Banking Act of 1979, and indirectly through higher corporate taxation of non-public companies, (a policy which, if successful, will force the evolution in these firms from family rules to commonly recognized management practice), and
- the movement from government encouragement of import substitution industries to export products, which will require more efficient management to compete in international markets.

Thailand has a strong material base on which to build international competitiveness. Even with relatively unsophisticated farming techniques, Thailand produces enough rice and other crops to be among the world's few net food exporters. Recent discoveries of natural gas below the Bay of Thailand promise foreign exchange, while the broad manufacturing base offers processed agricultural goods, minerals, and some consumer and small capital goods for export.

In Thailand as in the United States, there can be no substitute for experienced managers, but MBAs, especially those trained in English in U.S.-style management programs, are in demand. The Thai predilection for American style training is related to a generations-old practice of gaining prestige by studying in England or, later, in the United States. Competition for MBAs has become so keen in the last several years that recruiters from some of the largest Thai enterprises have found it worth their while to make special trips to the United States to hire graduating Thai MBA students before they return to Thailand. Several American companies operating in Thailand (banks in particular) have found it no longer feasible to wait for graduates to return.

Existing Thai Management Training Programs

Formal MBA programs in Thailand graduate approximately 500 students annually, spread among the three universities of Thammasat, Chulalongkorn, and the National Institute of Development Administration (NIDA). It is hard to project specific annual needs for different professional management specialties, because the data available from government sources are highly aggregated, according to Mr. Visit of the manpower area of the National Economic and Social Development Board (NESDB).¹ Moreover, previous attempts to gear up training capacity for certain needed skills in Thailand, such as that for elementary school teachers, left the country with such an oversupply in those areas that there is now a bias against a planned approach. Nevertheless, the current output of MBAs is certainly far below the present and expected needs of an expanding Thai economy.

Weaknesses among the three universities currently providing management training pose problems for even the limited number of locally trained MBAs. The following comments on the quality of educational programs reflect near unanimity among those interviewed.

National Institute of Development Administration, which is generally perceived as the strongest academically of the three MBA programs, has historically been identified with the government sector in Thailand. Its prestigious School of Public Administration has supplied many top government leaders over the past decade and is able to recruit a good group of students. Because NIDA's faculty have been allowed to do private consulting, they have been widely regarded as more in touch with the real world than the full-time faculties of other management programs. Perhaps because of this exposure, NIDA suffers more than any other institution with frequent faculty resignations and, therefore, discontinuity and inconsistent quality of curriculum.

Thammasat University offers an evening MBA program that draws heavily on part-time lecturers from the business community for its teaching staff. While most of the classes are conducted in Thai, a few are taught in English. Instructors in the English-language business courses report a sharp contrast in enthusiasm between students who have been immersed in the use of English and those who have not. Although regarded as the most practical of the MBA programs because of its part-time faculty, Thammasat suffers from a lack of adequate facilities as well as the problem endemic to part-time programs, diluted commitment by both faculty and students. Nevertheless, demand for the program is great, and there are said to be many qualified applicants for every one accepted.

Chulalongkorn University, which in many fields is seen as the front-ranking academic institution in Thailand, currently offers the weakest of the three MBA programs. It relies almost entirely on full-time faculty, and the near-subsistence level of faculty salaries has made it difficult to attract experienced staff. In addition, prohibitions against faculty consulting and general faculty isolation from the private sector have seriously affected the credibility of its management programs in the Thai private sector. Nonetheless, Chulalongkorn has produced the largest number of Thai-speaking MBAs annu-

ally. Its new Graduate Institute of Business Administration (GIBA), described further below, aims to improve the quality of Chulalongkorn's management offerings by expanding its Thai faculty, producing improved training materials, and increasing the amount of executive training available to Thai managers.

The tendency of the leading Thai management institutions to compete with each other for limited faculty and material resources is of critical importance. All of these institutions are located in the Bangkok area, and each has its own loyal following in high places in the Thai government and business communities. Anything that happens in one is quite visible to the others, and it is all too possible to alienate important people in the government by favoring one institution over others.

Recently, however, there have been heartening attempts among the administrators of these institutions to cooperate on a limited basis. The past dean of the business administration program at NIDA, for instance, pledged his institution's cooperation with the proposed GIBA at Chulalongkorn, promising to share foreign faculty where possible. Such efforts to cooperate can be fostered only if no institution feels it is actually endangered by aid to another. NIDA professors, for instance, have expressed concern that a new program at Chulalongkorn might lure their already limited faculty resources and further destabilize their management program.

Perhaps more important in the short term is the rising demand for executive training for managers currently employed in business. At present these needs are served on a limited basis by several institutions and associations that offer two-to-three-day programs. These include the Thai Management Association (TMA), the Personnel Management Association of Thailand (PMAT), and Young Presidents Organization (YPO), and some weekend seminars run at NIDA.

All such programs in Thailand are seriously hindered by a lack of adequate Thai language training materials and case studies, as well as by the scarcity of faculty. Management training materials in English that address Thai business contexts are in short supply but great demand, since English is unquestionably the language of business throughout the southeast Asian region. A lack of facility in English among many Thai managers is viewed as one of Thailand's disadvantages as it moves into international competition with ASEAN and other countries in serving Asian markets.

A new approach to management training that holds real promise for small business began recently under the auspices of Open University, which broadcasts its programs over television. The Open University now offers construction management, its first management-related program. It has the virtue of reaching people employed in small and medium-sized businesses, through a combination of television broadcasts, audio tapes, written materials, and residential programs at regional centers. The initial version of this program has achieved an enrollment of 6,000 people in its two years of operation. Dr. Wichit Srisa Arn, in the government's Office of University Affairs, believes the curriculum could be expanded and varied to embrace a range of management topics of interest to small businesses. Thailand's Open

University has recently received an important boost from the Japanese government, which has donated \$8 million to fund a major new production center for its worthwhile and highly visible activities.

Finally, several management training programs are addressing the problems of smaller enterprises, including one involving proposed AID assistance. In connection with the private sector development program contemplated by the AID mission in Thailand, it has been proposed that the Industrial Finance Corporation of Thailand devote the interest spread it earns by re-lending low-cost money from AID to a type of management training service for small businesses.

THE ROLE OF LARGE COMPANIES

Apart from formal management training programs provided by public institutions and associations, leading companies in the Thai and foreign private sectors have been active in developing management training programs for their own staffs. The team members talked with executives in charge of management training at Siam Cement, Saha Union, Bangkok Bank, Thai Farmers Bank, Siam Motors, and the Charoen Pokphand Group of Companies. Programs developed within such companies use their own executives and practitioners from other companies as guest lecturers. Quite comprehensive programs can be put together in this way, such as the four-level management training programs at Saha Union for the most promising young managers. Siam Cement and the University of California-Berkeley have developed a program that brings foreign professors to Thailand and sends many senior executives abroad to such programs as the Harvard MBA program. Thai Farmers Bank is a leader in sponsoring students for foreign study.

The team concluded from all of its discussion with management training experts that the large Thai companies, both public and family-owned, play a critical and potentially quite effective part in disseminating management skills and know-how to smaller companies. Self-interest has prompted such companies as Siam Cement and Siam Motors to organize wide-ranging training activities for their suppliers, their dealers, and their customers. Because small company managers are often unaware of the availability and potential benefits of more sophisticated management methods, the large companies may be the only agents of training that smaller company managers encounter. However, most small firms do not enjoy close relations with larger companies; many, particularly outside Bangkok, are cut off from this type of training.

Large companies have also acted as important sources of new technology. Two examples are Kubota Diesel and the Charoen Pokphand Group. The Kubota enterprise has developed sophisticated casting technology among some of its key local suppliers and has also trained its diesel engine customers in better maintenance and farming techniques. The Charoen Pokphand Group has set up small Thai farmers as mass producers of chickens and poultry-related products.

Because of their influence, such large Thai companies are active and probably irreplaceable agents for management training and improve-

ment in the Thai industrial sector. Government policies that ignore this large-company role for political and general economic policy reasons may do so to the detriment of productive practice.

The same may be said of any Thai industrial strategy that overlooks the multinational business community. Prime Minister Prem Tinsulananda speaks supportively about the benefits that the foreign sector can bring to Thai industry, and those benefits include managerial and technical know-how. The enthusiastic foreign business community in Thailand comprises, among others: electronics firms, including National Semiconductor and IBM; the oil and gas industries, including Exxon and Union Oil; many international banks; textiles; and the chemical industry, including a joint Scandinavian-Japanese-Thai fertilizer project. The Japanese have become ensconced in the Thai private sector through long-term, deliberate contributions to industrial development.

SUMMARY OF THE PROBLEM

The need for trained managers and the shortfall of existing institutions was the theme most often mentioned spontaneously by all the private sector representatives, Thai and American, that were interviewed on the two trips. A new theme that emerged during the follow-up visit was the willingness of members of the private sector, including the large family companies, to support improvement in formal professional training programs. The private sector appears willing to invest to develop Thailand's intellectual base in management areas and to become less dependent on foreign know-how and only partially applicable foreign management techniques.

The limits on management development in Thailand so far appear related to the historical gap that exists between the public (government and university) and private sectors. The public sector has traditionally opposed, even scorned, interaction between the academic and business worlds through consulting. Meanwhile, the private sector has adopted the expedient of hiring the most competent professors of management and economics away from academia, instead of supporting programs for the development of a reservoir of required skills. For example, two prominent professors, Dr. Sang of the Ayudyha Bank and Dr. Veeravat of the Charoen Pokphand Group, have recently left NIDA for executive positions. These factors have led to the depletion of already limited faculty resources. The seriousness of the problem was verified by top executives at two separate companies who, when asked to estimate the number of fully trained and qualified management professors currently teaching in Thailand, put the number at "less than 10."

REVIEW OF GOALS AND GUIDELINES

In view of the management development problem in Thailand as we have described it, the long-term goal of AID's funding program could be to promote the development of a store of intellectual capital in the management areas, against which the Thai business community can draw as the economy continues to expand. The study team viewed the two primary components of this goal as being the training of adequate numbers of fully qualified Thai professors who are in close touch with the Thai private sector and the development of training materials, some in Thai, that have relevance to Thai business culture and practice.

FACULTY

Several actions may be taken to reduce the scarcity of professors, but the most effective will be to increase faculty compensation. A small step in this direction would be salary supplements for research and local casewriting, but there are pitfalls in this approach. Experience at NIDA has suggested that without careful quality controls and appropriate safeguards, commissioned materials can be quite inferior. A more substantial professorial income supplement may be obtained from consulting, which provides the added benefits of practical experience, contact, and increased credibility with the local business community. Compensation is a sensitive area, and any measures to supplement salaries could take account of civil service concerns about equity in pay for public employees.

A second measure to increase the availability of Thai management professors relates to levels of competence. Increased access to training in the United States--ranging from full doctoral programs to short courses and conferences--may help to raise skill levels, provided that people who return can be required to remain in teaching for some period. Other ways to improve professorial competence are participation in courses taught by U.S. professors and/or experienced managers, consulting with such visitors, or to cooperation in preparing course materials.

INSTRUCTIONAL MATERIALS

Thai professors and managers who have studied under the case method in the United States often express their belief that case study can be effective in counteracting some of the more passive educational patterns that pervade the Thai educational system. Training materials in U.S. case style are scarce, particularly in Thai. There is a need to translate relevant cases and other materials into Thai and create new materials in several disciplines that relate to the Thai context and business practice. The professors and students who develop such materials could consult not only with the private sector, but also with a wide range of potential users, especially the Open University program and the Thai Management Association. Early emphasis might be placed on cases and materials related to international finance, marketing, and technology transfer. (It is worth noting that the EuroAsian Centre and the European Administrative Institute [INSEAD] have recently been developing cases in technology transfer in Thailand, Indonesia, Hong Kong, and other countries. Another pool of experts can be found at the Asian Institute of Management.)

There is a pressing need in several programs for better instructional hardware. This is particularly true at Thammasat, where even such basic tools as overhead projectors are in short supply, computers are still too few to meet demand, and not a single micro-computer seems to be available to students in any management programs we surveyed. The Open University program, in particular, would benefit from more audio equipment, better audio-visual materials, and video tape recorders to equip at least the major regional centers.

Since there has been little coordination of resources among the various institutions, it would be useful to audit what is currently available, review needs, evaluate what exists in the United States in audio-visual materials, and recommend acquisition and allocation policies. The International Executive Service Corps (IESC) could provide reasonable and competent consulting help for this type of activity.

POLITICAL CONSIDERATIONS

Thailand's history of frequent changes of government ought not to hinder the activities of AID or of potential American investors. The current government has withstood domestic challenges and has stabilized. The Communist countries east of Thailand certainly pose threats, but these should serve as an incentive rather than a deterrent to U.S. support of the prevailing political and commercial order in Thailand. Political instability over the years obscures Thailand's record of economic stability; indeed, the business environment has not discouraged but attracted Japanese investors for many years. It is an environment in which the contributions of American management can be welcome and useful.

Since each major Thai management institution has its own loyal and influential following, it would be beneficial politically and pragma-

tically to avoid the appearance of favoritism towards one at the expense of others. The February report has already explained why the obvious way of avoiding this pitfall, setting up a new institution, does not make sense in the Thai context, and further conversations during our more recent visit support that conclusion.

To review the earlier findings:

1. Faculty, equipment, and teaching aids are already spread rather thinly among existing programs, so that the lack is material rather than organizational; and,
2. A number of Thai initiatives towards solving the management skill shortfall have attracted considerable interest and support from the local private sector. These programs can be improved considerably with AID funding and advice at much less cost than a new institution would entail and without the implicit rejection of Thai initiatives.

It does not appear advisable to provide direct funding to the regional Asian Institute of Technology (AIT), located near Bangkok. It is true that this institution plans to include more industrial management in its curriculum and has established a foundation that will raise money for this purpose and others. However, the perception of AIT within the Thai community, a perception confirmed by the interviewed AIT faculty members (Dr. Anant and Dr. Pakorn), is of a decidedly non-Thai institution that has little contact with the Thai economy and especially the business community. Present Thai enrollment at AIT is 100 out of 600 students, while Thai faculty number 10 out of 70. AIT graduates are viewed as being in an "ivory tower" and demand high salaries. To direct substantial assets to AIT would, therefore, be regarded as a dilution of American commitment to Thailand itself. On the other hand, it could be useful to stimulate more contact with this regional resource, perhaps by arranging joint visiting professorships or by sponsoring cooperative seminars.

The Thai public and private sectors, so long divided, greatly need formal mechanisms for cooperation and communication. Visible American participation by both the public and private sectors in setting up such mechanisms could be of clear benefit to American interests. AID funding in the management area will be regarded as another step in responding to Prime Minister Prem's initiative taken when visiting President Reagan in October 1981. It is not irrelevant to American prospects in Thailand that the Japanese have been making highly visible contributions to Thailand that the United States has not matched. Representatives of the U.S. private sector whom we consulted held the view that a U.S. contribution in management that was contingent on active Thai involvement would be well received.

Several representatives of the U.S. private sector also expressed an interest in giving to some organization that would fund all institutions rather than having to give directly to any one institution. The IBM representative, Robert Romulo, made a particular point of this. It was also suggested that contributions be tax deductible and that

funded activities be highly visible and clearly attributable to their corporate sponsors, as evidence of U.S. private sector interest in Thai development.

SHORT-TERM FUNDING

For its short-term funding of projects, AID should try to strike a balance between the following considerations:

- funding programs in Thailand that have laid the best groundwork--i.e., those most able to show results quickly, and
- offering some support to each of the major Thai training institutions, for political reasons.

Moreover, AID should encourage institutions that seek funds to strengthen their emphasis on applied and general managerial subjects.

As we mentioned earlier, Chulalongkorn University has set up its GIBA as a joint program with the Kellogg School of Management at Northwestern University and with the Wharton School of the University of Pennsylvania. This program has been worked out in greater detail than those at other universities, its aims are clearly stated, and it has the potential for providing a better trained, larger group of Thai managers. As a result of Chulalongkorn's initial planning talks with representatives of the participating American schools, GIBA's course offerings will include production and operations management and other principles of management practice. For these reasons, one option could be a substantial and rapid amount of AID funding for Chulalongkorn University.

The other Thai programs could also clearly benefit from AID funding and would be able to show short-term improvements in the quality of management training. Consistent with our earlier discussion of the needs for materials and equipment, the following projects and programs also merit immediate consideration: Thammasat requires instructional equipment and support for curriculum development; NIDA requires funds to expand and improve its weekend executive development programs and to support continuing education for its staff; and the Thai Management Association has made a specific proposal for funding for materials development support in the management area. In fact, the TMA and the Open University have already spoken informally about launching some cooperative efforts, which AID ought to encourage.

Specific proposals are described in greater detail in the following sections.

CHULALONGKORN UNIVERSITY

The Chulalongkorn program is designed not simply to train English-speaking MBA students in Thailand by using American visiting professors, but to use the connection with the American institutions to meet the previously stated needs of developing Thai management faculty. Among the specific programs planned are:

- joint teaching involving Thai and American professors,
- joint U.S./Thai consulting assignments,
- refresher courses in the U.S. for Thai professors,
- scholarship aid for business school doctoral students in the U.S.,
- development of training materials pertinent to the Thai business context, and
- research projects directed toward Thai business interests.²

At the suggestion of several U.S. advisors, the design of this program has already evolved from a simple MBA program towards one with greater emphasis on executive training and creation of Thai intellectual capital. One new element of the program will be English language instruction in courses designed by the same expert who established English classes for the Siam Cement/University of California program. Moreover, team consulting and the development of teaching materials will bring Thai professors and their students more in touch with current best management practice. English language courses, a broadened business curriculum, and more sophisticated preparation for the Thai faculty make the GIBA program stronger than it was at the time of the reconnaissance mission. AID funding could influence the program to move much more rapidly in these directions.

The Chulalongkorn program has received initial commitments for an endowment of about \$900,000 over the first two years of operation, representing pledges of one million Baht each by nearly 20 Thai private businesses. The study team was persuaded that significant funds remain to be tapped in the Thai private sector, both additional funds from companies that have already pledged and funds from companies that have not yet been approached. For this reason and to assure private sector commitment, we wish to underscore the importance that any AID funding of operating costs for this program should be done on a matching basis. By making further funding contingent on matching contributions, AID may leverage continued private sector involvement, including that of the largest family-run companies. Based on our perceptions of the U.S. and Thai private sector sources, the likelihood of program termination for lack of matching funds does not appear great.

The Chulalongkorn program may be viewed as the highest priority of the projects we describe. By building a more sophisticated MBA program with broader course content than exists currently in Thailand, PRE could address the need for middle and upper management candidates. Funding MBA training in country could contribute to a more positive perception of business education and can help to retain faculty.

Increasing the availability of MBA training in Thailand could also serve to demystify business practice in the eyes of Thai government regulators.

In return for AID funding, the Chulalongkorn program could be required to put early emphasis on executive training programs in both curriculum and professional upgrading and to develop materials that could be used in other Thai management programs. It should also be encouraged to give early attention to arranging production management and technology transfer courses and seminars. The cooperating American universities could be required to arrange for intensive cultural orientation for all professors who have not spent time in Thailand. Appropriate short programs for this purpose are offered by Cornell University and the Fletcher School of Law and Diplomacy at Tufts University, among others. Alternatively, staff from INSEAD could be asked to hold a seminar.

MANAGEMENT GLOSSARY

A project that could be extremely beneficial to U.S./Thai private sector contacts as well as Thai management training is the development of a Thai-English/English-Thai management glossary. The glossary could translate business terms from one language to the other and should also explain concepts in Thai business practice that are not readily grasped by American business people, and vice versa. Because of differences in business philosophies, mere translation of words is not sufficient; to be useful, the glossary could "translate" the different approaches to business in the two countries.

Initiating work on a management glossary for Thailand could be, in our opinion, PRE's second priority. PRE may wish to solicit work plans for the project both in the United States and through the Bangkok Mission. Providing stipends to Thai professors working on the glossary could help keep them in teaching. Involving NESDB officials in the work could increase the agency's adroitness in monitoring and regulating international business.

NIDA/THAI MANAGEMENT ASSOCIATION

Another program that bears further investigation is a proposed case-writing workshop sponsored by NIDA in conjunction with Thai Management Association and several companies that have active training programs. This program would give intensive case-writing training to a small group of interested Thai academics and, possibly, to trainers employed by companies. If it were put in two phases, the workshop would allow participants to critique actual cases they write in the initial training period. The INSEAD experience might be a valuable contributor to this program. Eventual AID funding of this program might be supplemented in part by charging private company participants; this is

consistent with our earlier recommendation to obtain matching funds from Thai industry for AID expenditures. The team ranks this as its third priority.

MECHANISMS FOR SHORT-TERM FUNDING

Upon its return to the United States, the team assisted in organizing a funding mechanism that businessmen in Thailand conceptualized. The Foundation for Management Training in Thailand has just been established to contribute to the development of intellectual capital in management-related areas in the form of teachers and researchers, educational materials, and hardware. Although nominally located in the United States for legal purposes, the principal participation will be Thai national and the base of operations will be Bangkok.

We believe that the most effective approach to specific allocation of resources, among the projects above and others that could be proposed, ought to involve local Thai participation. This foundation could be a useful channel through which to fund these programs. The foundation offers the additional advantages of: (1) avoidance of bias toward a particular institution, (2) an adaptive long-range planning and funding source for a spectrum of evolving management development needs, and (3) a continuing forum for communication between the public and private sectors in Thailand.

Because of the traditional separation of public and private sectors in Thailand, no such organization existed previously. Several foundations, such as AIT's foundation and the Kennedy Foundation, are interested in funneling money towards related training objectives, but none of these involve representatives from the Thai community in the way the new foundation has been set up to do. The team found broad support in the Thai community for this approach, and it was also well received by American business and government representatives, including the head of IBM's Thailand operations, the president of the American Chamber of Commerce, and the American ambassador, John G. Dean.

Ambassador Dean believes, for instance, that the presence of something as visible as the foundation will create significant social pressure for contributions and support from the Thai private sector. We further believe that the need to combat the increasingly visible Japanese management presence in Thailand will act as a powerful incentive for American business support of the aims discussed. In addition, AID may wish to encourage Ministry of Education and other government participation in the foundation board to increase contact between business and government policy leaders.

LONG-TERM GUIDELINES

Whether AID chooses to support management development in Thailand through one or more foundations or directly, its longer term emphasis could be as follows:

- Develop infrastructure in management training, preferably through seed money to get permanent programs firmly established and self-sustaining.
- Improve small business management capabilities; this could be done gradually, by hiring graduates rather than faculty from the management training institutions.
- Encourage indigenous Thai entrepreneurship and new business formations.
- Encourage public/private cooperation and creation of permanent linkage to improve the use of available resources such as AIT.

Specific projects are described below:

1. A particularly useful one to two year project could be to conduct and publish a comprehensive survey of all audio-visual materials that are relevant to management training in developing countries. It would provide a continuing resource for many AID programs and could consolidate in one place and keep updated information that people in AID's Office of International Training and other places may already know but that does not appear to be collected in one place. We suggest that as a first step arrangements be made with the IESC to send out an audio-visual expert for three months to perform a preparatory audit, return to the United States to match the need with what is available and to make a second consulting trip to Thailand.
2. A second, longer-term project would be translation of basic text material in such critical areas as industrial engineering, accounting, marketing, and policy, where these are not now available. This would require study and coordination with current Thai management professors.

NOTES

1. NESDB reflects the public sector's traditional, self-imposed insulation vis-a-vis private business. Government officials have tended to overlook that managers provide distinct groups of skills in businesses, so the Board has not maintained records on distinct managerial groups.
2. The Graduate Institute of Business Administration operation plan, as presented by Chulalongkorn University, appears as Appendix C to this report.

APPENDIX A

Excerpt from February 1982 Reconnaissance Report by Dr. Margaret Graham

Accurate data are not available to measure the dimensions of the managerial manpower problem precisely. This discussion will be based almost entirely on interviews with representatives from various parts of the Thai and foreign business, government, and university communities. While the picture presented here is necessarily somewhat impressionistic, it does rest on bits of concrete evidence, and it reflects a viewpoint that was found to be striking in the consistency with which it was expressed across a broad range of sources.

The manpower need can be summarized in three broad points. First, there is an emerging scarcity of experienced and professionally trained managers--especially general managers--at middle and upper management levels in Thailand. Secondly, while there is no lack of technically trained people, or indeed of people with various specialized business skills, there seems to be a problem with the mix of skills available, especially in the areas that enable technology transfer. Thirdly, there is a shortage of semiskilled and skilled workers and a lack of adequate facilities to train them for practical, entry-level positions.

Before these points are developed further, they should be placed in perspective. The manpower problem in Thailand is said to be "emerging," made serious by the prospect of rapid economic growth. Until quite recently the supply of foreign trained Thais available on the open market appears to have been adequate to meet the demand for professional managers, a demand confined largely to a few international enterprises. Thai companies, mainly family owned, have placed much greater value on relationship, experience, and seniority than on professional training. Most were satisfied with employing those few family members whom they sent abroad for training, and they did not need outsiders. Only in the last several years does this position appear to have shifted. Family owned enterprises are expanding in size beyond the span of control of family members. International enterprises such as some of the foreign banks are now finding it necessary to compete for MBAs, for example, for the first time.

Technical training in Thailand seems to be particularly strong. Engineering programs at a number of colleges and universities seem to attract large numbers of the brightest scholars in the country as

judged by test results. The Asian Institute of Technology, a regional center located in Thailand and supported by a wide variety of international donors, is a very valuable resource. Thai engineers are in demand abroad and are often recruited to work in Singapore and Saudi Arabia, to name two prominent examples, at several times the salary they can command at home.

Nor has Thailand been behind in sending its people for foreign training. The number of well-educated Thais is impressive by international standards. Indeed, the educational qualifications of the people who fill top government and business positions compare favorably with the qualifications of their counterparts in the United States.

Nevertheless, it is widely believed there is a management problem in Thailand, and there is evidence to support that contention. Even now qualified Thais with good experience and professional training are stretched very thinly indeed. Many hold executive positions in more than one company. Some also try to teach management courses on the side. Another indication of the scarcity of talent is the premium the market now places on foreign management training. At a gathering of Thai alumni from American business schools it was pointed out that very young people with top American MBAs often hold quite senior positions in Thailand. Compensation for general management positions is estimated to be twenty, sometimes even thirty times as high as entry-level wages, a much greater spread than in American or European companies.

It is apparent that existing local management programs at the graduate level are not meeting the need for professional management training of the type the market demands. Thai banks are spending large sums to support their most promising young managers in American business schools, an amount perhaps three to five times as much per student as it would cost to support full-time education at home.

American management training appears to be highly prized over local training for several reasons, some of them cultural, some structural in nature. First, local management training is criticized as culture-bound--passive, lacking in analytical rigor--and generally inappropriate as training for the rigors of international competition. Management education materials available in Thai are said to be quite inadequate, but the alternative of using English language materials is unsatisfactory when both students and instructors have trouble with comprehension. Second, a fundamental problem is that local educational institutions, tied as they are to civil service pay scales, cannot keep top quality staff. Effective pay levels for management instructors, even taking into consideration research supplements, are said to be barely half of what such people can receive in private industry. University administrators say that professors educated abroad are invariably enticed into the private sector, and the problem seems to be worsening. The one outstanding exception to this rule appears to be the Asian Institute of Technology, which as a private institution is able to adjust its pay scales to a more competitive rate, but this institution does not offer management training as such.

A particularly serious aspect of the lack of general management talent lies in the area of technology transfer. The activities of technical specialists must be coordinated with other areas of the firm if an organization is to replicate a production process developed in a foreign company. Many successful technology transfers have occurred in Thai companies. Examples are the Crown Seal operation and the Siam Kubota diesel factory. In both cases the Thai operations have been able to do without all but one or two of the foreign managers after a short time. It is likely, however, that such experiences will be harder to replicate as the demands on available Thai managerial talent become more intense. Meanwhile, technical assistance payments become an even greater part of the Thai balance of payments.

Outside what may be called the large enterprise part of Thai business there is a further management problem. Small and medium sized businesses are receiving more encouragement under the new five year plan than they have ever received. Indeed, it is generally believed that the increase of productivity in agribusiness will depend in large part on small enterprises. There appears to be a serious lack of basic management know-how in such businesses that would make possible major improvements in productivity, both in simple manufacturing and in agriculturally linked businesses. Owners of businesses in this category are not likely to have the time or the inclination to look to schools of management for information about basic marketing or accounting, for instance, and they often lack the resources to hire employees who are specially trained in these fundamental management skills. If such enterprises are to be reached at all they are most likely to be contacted through such channels as the Association of Thai Industries or the Thai Management Association.

Aside from the management related problems discussed above, the most frequently mentioned manpower problems have to do with the lack of certain types of semiskilled labor. Vocational schools and government apprenticeship programs notwithstanding, Thai and foreign investors alike stress the difficulty of finding and keeping semiskilled workers. This appears to be true for a range of different industries. It is said that companies are reluctant to invest in training employees because workers with even a year of simple training and experience can find jobs elsewhere at several times their starting pay. Since it is true that companies known for their outstanding training programs and above average pay levels appear to have no difficulty with turnover, the problem may well be one of compensation practices. Nevertheless, there is room for entry level training tailored more closely to the needs of certain industries. Such training done on a cooperative basis could reduce the incidence of injurious competition for a too limited supply of semiskilled people.

In summary, the anticipated economic expansion in Thailand appears to create, or at least contribute to, a manpower problem that will affect the prospects for foreign investment. If Thailand is to be attractive to American investors it will need more English speaking, professionally trained managers who have a general management perspective and more semiskilled workers with specific entry-level skills. The first need suggests a requirement for better in-country profes-

sional management training programs, both in English and Thai. Such programs must be staffed with better paid, qualified teachers who have access to materials that are appropriate to the Thai context. The second need suggests some other form of program that is coordinated through existing Thai industry associations.

It appears that the Thai business community, often in cooperation with the American and other foreign business communities, has already been pursuing a number of different programs related to management and manpower. Since programs initiated inside the country are much more likely to endure than those introduced from without, it seems most important to encourage and support them. Moreover, AID is not now likely to be in a position to establish any independent institution on a scale that would match the Asian Institute of Management, and it would be a waste of resources to establish anything of a lesser character. It seems reasonable in the case of Thailand, where the private sector is already doing much and where the government appears to be on the threshold of improving its responsiveness to its private sector, to offer AID mon. as a way of strengthening and concentrating programs that are already in the planning stages and seem to have the most enthusiastic support of the Thai and American private sectors. To do otherwise would only be to compete for already scarce talents and to diffuse the efforts of able people who are already spread too thinly.

APPENDIX B

List of Interviewees

- Dr. Pakorn Adulbhan, Director and Registrar, The Association of Thai Industries, and faculty of Asian Institute of Technology
- Dr. Anat Arbhabirom, Asian Institute of Technology
- Mr. Visit Boonyakesanond, Director of the Population and Manpower Planning Division, National Economic and Social Development Board
- Mr. Tawee Butsun Forn, Vice President - Cement and Refractories, The Siam Cement Co., Ltd.
- Mr. Olarn Chaipravat, Senior Vice President, The Siam Commercial Bank
- Dr. Bryan Conway, Euro-Asia Centre, INSEAD
- The Honorable John Gunther Dean, U.S. Ambassador to Thailand
- Mr. Paron Israsena, Vice President - Central Administration, The Siam Cement Co., Ltd.
- Dr. Som Jatusipitak, Executive Vice President, Berli Jucker Co., Ltd., and Faculty of Thammasat University
- Mr. Veeravat Kanchanadul, Manager, Planning and Development Office, Accounting and Finance Office, Charoen Pokphand Group of Companies
- Mr. Yupa Keturat, Training and Development Manager, Central Personnel Division, The Siam Cement Co., Ltd.
- Mr. Bunlue Kumpanartsanyakon, Managing Director, The Siam Kubota Diesel Co., Ltd.
- Mr. Dhongchai Lamsam, Deputy Managing Director, Loxley (Bangkok) Limited

Mrs. Dhipavadee Mek sawan, Office of Civil Service Commission,
Manpower

Mr. Khunying Phornthip Narongdej, Vice President, Siam Motors
Co., Ltd.

Mr. Robert Papazian, The Middle East Marketing Company Limited

Mr. Chanut Piyaoui, Managing Director, Dusit Thani Hotel

Dr. Amara Raksasataya, Professor, Fellow of the Royal Institute,
National Institute of Development Administration

Mr. Prajuah Reonchaidee, Personnel Director, Saha-Union Corp.,
Ltd.

Mr. Robert R. Romulo, General Manager - Thailand/Burma/
Bangladesh, IBM Thailand Company Limited

Mr. Chana Rungsang, Director and Executive Vice President,
Thai Farmers Bank

Dr. Helmut Schüttle, Euro-Asia Centre, INSEAD

Dr. Wichit Srisa Arn, Rector, Sukhothai Open University, and
Deputy Undersecretary of State, Office of University Affairs

Mr. Virojn Sritelan, Director, The Dusit Thani Hotel

Mr. Somkiat Sukdheva, Vice President, Personnel Department,
Thai Farmers Bank

Dr. Somburana S. Spuandit, Director, Management Development Center,
Thailand Management Association

Dr. Vichit Suraphongschai, Vice President and Manager, Funds and
Liquidity Management Office, Bangkok Bank Limited

Dr. Suthi, Chulalongkorn University

Dr. Ajva Taulananda, Group Vice President, Charoen Pokphand Group
of Companies

Dr. Toemsakai, Chulalongkorn University

Mr. Triphop Viriyasirikul, Personnel Manager, Siam Motors Co.,
Ltd.

APPENDIX C

**Operation Plan:
The Graduate Institute of Business Administration**

The activities of the Graduate Institute of Business Administration (GIBA) for the next five years are:

1. MBA Program

The training of MBA graduates with different functional emphases as seen in the table below is based upon the priority of needs as expressed in a survey of prospective clients in Thailand's business sector.

MBA Program Areas of Emphasis and Expected Enrollment					
	1983	1984	1985	1986	1987
Finance	40	40+40	40+40	40+40	40+40
Marketing			40	40+40	40+40
Operations				40	40+40
Total Enrollment	<u>40</u>	<u>80</u>	<u>120</u>	<u>200</u>	<u>200</u>

The proportion of Thai to American faculty will be:

1983-1985	approximately 1:3
1986-1987	approximately 1:1
1988 onward	approximately 3:1

Faculty strength (Thai + American) will be:

	1983	1984	1985	1986	1987
Faculty Strength	4+10	6+20	6+20	15+15	17+17

2. Executive Development Programs

Executive development programs of two types are to be offered. Both programs will utilize the available faculty. One type involves seminar/discussion groups of one to three days duration. The other type entails development/training programs of two to four weeks. Approximately four courses of seminar/discussion groups and two development/training programs will be offered each year.

3. Consulting Services

It is estimated that there will be two to four cases involving the consulting services of faculty members in each functional field during the course of each year.

4. Human Resources Development

To achieve the objective of building up Thai counterpart faculty in six years and maintaining their quality at an acceptable standard, three types of development activities are required:

- a. Familiarization and refresher programs will enable Thai instructors to visit the J.L. Kellogg Graduate School of Management or the Wharton School for observation and interaction with their American counterparts with respect to course design, teaching methods, and subject content, for periods of approximately one to three months. These programs are required of both new instructors and those instructors who have been with the institute for more than three years.
- b. Doctoral studies involve not only the recruitment of promising candidates in Thailand, but also providing them with scholarships for doctoral studies in business at leading universities abroad. Each may require from three to five years to complete his or her degree.
- c. Participation in professional conferences will be sponsored for faculty members who wish to keep abreast of concepts and practices in their areas and exchange their views and experiences with colleagues.

5. Academic Resources Development

In order to better understand the nature and problems of business and management in Southeast Asia, it will be necessary to establish sufficient funding support for case development and research projects in the various functional areas. Ideally, about ten case studies should be developed each year as well as two to five research projects undertaken.