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FOREIGN EXECUTIVES IN THAI ORGANIZATIONS: AN EXPLORATION OF DIVERSITY AND HOW INNOVATION WILL HELP

Sirintorn Thepmongkorn

Burapha University International College, Thailand
[*sthepmongkorn@gmail.com*](mailto:sthepmongkorn@gmail.com)

Thaksaorn Srisangkhajorn

Burapha University International College, Thailand
[*tu.thaksaorn@gmail.com*](mailto:tu.thaksaorn@gmail.com)

James Vincent Johnson

Burapha University International College, Thailand
[*james.vin.johnson@gmail.com*](mailto:james.vin.johnson@gmail.com)

Abstract

In today's global society, a large number of Thai people, working in Thailand, are managed by expats from western cultures. The resulting management challenges exist in all offices in Thailand that are managed by expats, both foreign companies and Thai companies. Many expat managers are not familiar with Thai cultural norms, but due to the Asean Economic Community, Thailand is becoming more open to foreign investment, including foreign companies establishing operations within Thailand. Overcoming cross-cultural misunderstandings will enable expat managers and Thai staff to communicate more successfully, and thus achieve their business

purposes. Although all expat managers should receive appropriate cultural training before beginning their management assignment in Thailand, it is unclear how many managers actually receive specialized training, or how effective the training is. Because cross-cultural encounters are unavoidable when communicating in an international setting, all managers should use innovative management techniques to address cultural challenges. Once again, it is not clear how many managers actually use effective techniques. The level of technological and non-technological innovation may reflect the level of organizational innovation management employed by the company. Without the use of innovative techniques, managers will struggle to handle the unique challenges of managing a Thai staff. This paper provides some preliminary information on the types of problems that expat managers must address on a regular basis, problems such as culture shock, diversity in communication styles, hierarchy in Thai organizations, and how expats perform innovation employee management. The research goal of this study is to determine which innovation techniques are similar among the target companies, which companies employ different or unusual innovation techniques, and which companies do not use any of the well-known innovation techniques.

Keywords

Expatriates, Cross- cultural, Innovation

1. Introduction

Thailand is an important participant for the ASEAN community of nations, partially due to the amount of manufacturing work done in Thailand. Over the past several years, many international firms have expanded their operations into Thailand. Due largely to the rapid pace of globalization, many Thai companies as well as foreign companies with operations in Thailand have difficulty finding and retaining enough qualified Thai managers to meet business needs. Companies in Thailand must be led by qualified senior managers if the company hopes to compete in global markets. A successful global manager will have to possess technical, political, social, organizational, and cultural competencies beyond those found in many of the expatriates of the past (Bartlett, 1986; Bartlett & Ghoshal, 1994; Ghoshal & Bartlett, 1997).

As globalization progresses, the need to deploy people in different locations all over the world is increasing, and the transfer of personnel from the firm's parent country to subsidiaries

located in Thailand are referred to as expatriates if the assignment is for longer than six months (Thepmongkorn, 2014). These expatriates continue to be important source of managers for various types of firms, both Thai companies as well as foreign companies with operations in Thailand. The successful operation of Thai companies and companies with operations in Thailand requires expatriates to fulfill management positions, and these managers must be able to solve a variety of business problems. Many of the problems are exacerbated by the cultural differences between Thailand and the expat manager's home country. Besides carrying out their management assignments, these expats must live far away from their home, adapt to a new environment, interact with people from different cultural backgrounds, and quickly respond to the frequent changes of global market conditions (Briscoe & Schuler, 2004).

The management skills of expatriates is crucial to business success, and the criteria a firm uses for selecting expatriate managers will influence overall company performance (Thepmongkorn, 2014). The criteria include many components such as work-related skills, willingness to work abroad, language competencies, human relation skills, prior work performance, prior international experience, family situation, gender, and career development (Briscoe & Schuler, 2004).

2. Literature Review

2.1 The Framework: Hofstede's Cultural Dimensions

According to Hofstede (2011), culture is defined as "the collective programming of the mind that distinguishes the members or one group or category of people from others." He further states that societal cultures reside in values while organizational cultures reside in practices" (Hofstede, 2011). Over two decades ago, Geert Hofstede published his seminal work about cross-culture analysis: "Culture's Consequences" (Hofstede, 1980). In his book, he identified five dimensions of national cultures, where a dimension is a part of a culture that can be measured. Since these dimensions can be measured in any culture, they can be used as a basis of comparison between various cultures.

The five dimensions are well documented in the literature, so they are only briefly described below. The summaries are based on material published by Hofstede (2011) and Hofstede et al., 2010.

2.1.1 Power Distance Index (PDI)

The Power Distance Index is defined as “the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.”

2.1.2 Uncertainty Avoidance Index (UAI)

This index is defined as “a society's tolerance for ambiguity” where ambiguities refer to something that is new, unusual, unknown, or otherwise different.

2.1.3 Individualism versus Collectivism (IDV)

The IDV index is defined as “the degree to which people in a society are integrated into groups.”

2.1.4 Masculinity versus Femininity (MAS)

This index is defined as “the distribution of values between genders.”

2.1.5 Long-Term versus Short-Term Orientation (LTO)

The LTO index is defined as “the choice of focus between people’s efforts: the future or the present and past.”

2.2 The Hofstede Data

Below is a table that shows the five index scores for Thailand and three ‘key’ western cultures. These cultures are considered ‘key’ because of the number of expats that come from these cultures who are managing Thai staff in Thailand.

Dimension	Thailand	United States (2 firms)	United Kingdom	Australia	Netherland
PDI	64	40	35	36	37
IDV	20	91	89	90	88
MAS	34	62	66	61	65
UAI	64	46	35	51	37
LTO	56	29	25	31	24

Using the detailed descriptions provided by Hofstede, 2011 and Hofstede et al., 2010 for the five cultural dimensions, the authors were able to highlight some of the more critical challenges that western expat managers face when beginning their assignment in Thailand. A summary of the challenges are listed below:

2.2.1 Power Distance Index

- Thai subordinates want to be told what to do. However, expat managers expect Thai subordinates to participate in decision making because the manager thinks the Thais want to be consulted.
- Thai subordinates expect management to focus on the role of the manager while expat managers want to focus on the role of the employee.
- Thai subordinates expect the boss to be a good father figure while expat managers see themselves as good resources. The manager is available to help Thai staff as needed, but the manager is willing to let the Thai staff solve problems by themselves.

2.2.2 Individualism versus Collectivism

- The Thai staffs believe that agreement and happiness must be maintained and conflict must be avoided. However, the expat manager thinks that disagreement or conflict is considered healthy.
- Thai staff thinks that work relationships are more important than work activities while the expat manager thinks exactly the opposite.
- The Thai staff expects that hiring and promotion decisions should be partially based on the candidate belonging to the right group. However, the expat manager expects that hiring and promotion decisions should be mostly based on the employee's skills and abilities.

2.2.3 Uncertainty Avoidance Index

- Thai staffs think that different ideas are not accepted while expat managers want to hear different ideas from the Thai staff.
- The Thai expectation is that the boss has all the answers. However, the expat manager's expectation is that the Thai staff will help find the answers.
- Thai staffs think that people should work hard only when necessary, but the expat manager thinks that people should work hard all the time.

2.2.4 Masculinity versus Femininity

- The Thai expectation is that all people should be caring, moderate, and content while the expat manager's expectation is that people should be confident, forceful, and ambitious.
- The Thai staffs focus on the quality of life at work while the expat manager focuses on job performance at work.
- Thai staff wants managers to reach staff consensus while expat managers are trained to be decisive and aggressive decision makers.

2.2.5 Innovation Management

Due to rapid change and shorter lifecycles, businesses are faced with extremely competitive environments (Sanderson, 1997). Innovation is becoming a driving force for success in all kinds of businesses. Companies with high levels of innovation have twice the advantages regarding performance when compared with companies with low levels of innovation (Dervitsiotis, 2010). Thus, Tidd states that innovation in organizations would sustain competitive advantage. That is why most companies cannot ignore the adaptation of innovation as a core competency. Schumpeter's five-typologies of innovation suggests that innovation can be classified as new products, new methods of production, new sources of supply, new market exploration, and new ways of organizing businesses.

Damanpour (1992) defined innovation as the adoption of an idea, behavior, system, policy, program, device, process, product, or service that is new to the organization. While many companies are concerned mainly with technological product innovation and process innovation, organizational innovation or management innovation is becoming progressively more important for overall business success (Hamel, 2007).

Organizational innovation deals with all parts of the organization, and it should be independent from technological innovation. OECD describes organizational innovation as an implementation of a new organizational method in the company's management practice (knowledge management, teamwork, flexibility), production approaches (organizational change), or external relations (networking, outsourcing, customer relations). Organizational innovation is an integration of structure, strategy, and behavior in the company (Gera & GU, 2004). The best practices, processes, structures, or techniques could extend innovation performance for an organization (Lokshin & Birkinshaw, 2008). Dervitsiotis suggests that organizational

management reflects the company's innovation competencies and may cause failure if the management doesn't match the structure.

To become an innovative organization, organizations need to acknowledge the value of new knowledge and apply it for value creation (Todorova & Durisin, 2007). According to Schlegelmilch, senior management attitudes, technology, and human resource management encourage creative innovation within a company. The knowledge management that organization obtains from shared-knowledge relationships with customer, suppliers, and competitors, can enrich innovation and success in the firm's businesses (OECD, 2010).

Before attempting to become more innovative, companies should train their employees and strengthen their leadership's ability to think innovatively (Dahlgaard et al., 2010). Employee intellectual skills and capabilities are the main assets of the firm (Drucker et al., 1997). Innovation management has been associated with knowledge management (Coombs & Hull, 1998). As long as companies are able to apply their knowledge to develop their businesses internally and externally, many technology issues might not matter. Managing from idea to commercialization and market is a process of innovation activities besides product innovation and technology innovation (Tidd, 2008).

A culture of learning is also a significant factor influencing innovation accessibility and performance (Lin, 2009). A diversified learning process may either be from tacit knowledge by learning-by-doing or by learning-by-sharing (Patel & Pavitt, 1994). The characteristics of a company's culture determine the company's competitive advantage (Floyd, 1999). A culture of learning also includes changes to structure and to company procedures, such as vertical and horizontal collaboration, decentralization of hierarchy levels, or functional differentiation (Damanpour, 1991).

There are still arguments about the relationship between size and innovation. Audretsch (1987) finds that large firms are more innovative and intense with high barriers to entry, while small ones perform better in competitive markets. Rogers (2004) finds that small firms perform better with regard to innovation networking. Younger businesses were more likely to embrace workplace innovations (Chi et al., 2007). Oslo Manual claims that small businesses may show innovation even though they do not have formal R&D activities.

Most of the research to date focuses on large firms in developed countries, although a

limited number of research studies in developing countries exist - such as SMEs in Thailand (Song, 2010). Most research focused on the manufacturing industry; not too many research studies have focused on the service industries (Meyer & Dalal, 2002). This research study addresses mainly service organizations, and the findings should apply to any expatriates with short-term management assignments to company in Thailand.

3. Research Methodology

The purpose of this research is to identify business management practices and investigate innovative techniques employed by expat managers who manage Thai staff working in Thailand. A qualitative approach was conducted to investigate management problems faced by western expat managers as well as the innovative techniques that can help expat managers overcome cross-cultural barriers as they manage their companies' operations in Thailand. A case study was conducted using five diverse multinational companies located in Bangkok. Four of five companies are primarily service companies, the other is an industry company and three of them can be classified as Small-Medium Businesses (SMB), the others two are Large Businesses. All five companies are managed by an expat manager from a western culture, and all five have Thai middle managers and Thai staff. All five companies have been operating in Thailand for at least five years.

The qualitative approach used was in-depth face-to-face interviews with the senior expat manager. The same set of interview questions were used for each of the expat managers. The focus of the interviews was on the cross-cultural issues they face on a regular basis. All five of the expat managers obtained advanced degrees in engineering or business from western universities, and all five have an engineering background. Two of the managers lived in Thailand before starting their job as an expat manager. Two of the five managers also have management experience in other Asian countries.

The initial interviews of these diverse Expat managers have been completed, and more interviews are planned. Findings from the interviews will be used to develop a detailed survey that will be sent to a large number of expat managers, which will allow accountable data and information to be collected and analyzed. This paper provides some preliminary information on the types of problems that expat managers encounter – problems such as culture shock, diversity

in communication styles, hierarchy in Thai organizations, and how expats use innovation management techniques. The research goal of this study is to determine which innovation techniques are similar among the target companies, which companies employ different or unusual innovation techniques, and which companies do not use any of the well-known innovation techniques. The result of the research will be to document the best-practice managerial techniques for expat managers that are assigned to manage Thai staffs.

4. Research Findings

All five companies reported that there is good information sharing among the staff, but in some cases, the information may be 'stored' instead of 'shared'. The stored information would be accessible to anyone who wanted to take the time to search for and retrieve it. In all five organizations, the expat manager is treated better in term of pay and benefits than the Thai employees. The managers stated that more senior people are generally treated with more respect.

Research found that four consultancy companies and one industry company showed outstanding performance with regard to price, quality, and flexibility. Each of the companies successfully used innovation for new products or services. However, all five firms are still challenged in the areas of delivery reliability, high productivity, and new network development.

When it comes to strategic business decisions, all five firms made more decisions by a centralized strategic management team than by hierarchy within the company (i.e. the boss). Some of the firms also made decisions by departmentalization. On the other hand, the firms made operational decisions by a combination of methods such as committees and department teams. In all cases, both strategic and operational decisions are made by teams instead of by individuals.

Knowledge management exists in each company in various types of learning programs. Project evaluation, mentoring practices, and employee suggestion programs are used. However, employee participation in vision creation is not successful for four of the surveyed firms. The production organization is successful in term of employee participation in vision creation surveyed.

The in-depth interviews revealed that companies are aware of various types of technology, but the managers focused on in-house knowledge management that comes from their

employees' skills and that could be built into the culture of the company. This knowledge management could be in the form of simple innovative techniques, processes, and brainstorming for new ideas. Leaders are concerned about the importance of innovation in all areas of their company and believe that innovation could enhance their performance and their competitive advantage.

Creativity is also needed, and sharing knowledge internally and externally is important. The interview results showed that new product- or service-innovation is high and is a result of building new processes as well as other types of organizational changes.

4.1 The Challenges

All five managers confirmed that they have difficulty dealing with cultural differences. Four of the five managers confirmed that the way they perform their job in Thailand is different than the way they would carry out their job in their home country. Yet none of the expat managers received any cultural management or cultural sensitivity training before being assigned to manage Thai staff. The differences between Thailand scores and western expat scores highlight the need for training. Since training was not provided, can expat managers employ innovative management techniques to compensate for their lack of cross-cultural training?

Teamwork is encouraged in all five organizations, but it is not very effective in one company. The manager believes the reason is that the roles are so different that working as a 'team' is really not possible. The teamwork concept is supported by Thailand's low scores in the "Individualism versus Collectivism" dimension. The teamwork concept is also supported by Thailand's low scores in the Masculinity versus Femininity dimension.

In each organization, the managers delegate work to their Thai staffs. But in each case, the managers will check-in with their staff daily or almost daily – even when out of the office. One of the managers said that good communications does not exist between the expat manager and the Thai employees. He said that the communication is very one-sided, where the manager talks and the employees listen. All of the managers said that they rarely receive suggestions from their Thai staff. As an example, one expat manager said that their office is very bright, but the staff did not make a suggestion for window curtains for over a year. But one of the manager use almost 6 months to change his Thai staff behavior. He is encouraged his staff to speak loud and give suggestions and also make decisions too. He said that one day he was going to enter the

operation area without wearing the safety glass but he was stopped by his secretary that he did not wear the safety so he is not allowed to walk in the operation area. All of these issues are by Thailand's high scores in both the Power Distance and the Uncertainty Avoidance dimensions.

In two of the organizations surveyed, strategic decisions are made by strategic management team. In the third company, strategic decisions are made at the department level. In the case of operational decisions, all five companies use a combination of methods, including teams or committees. However, in most of cases, the Thai employees do not participate in vision creation. The reason is explained by Thailand's scores in the Power Distance dimension.

Four of the five companies use semi-autonomous work teams. The fifth company reported that the Thai staff needed too much guidance too frequently to have a true semi-autonomous work team. Although the responses are mixed, the fifth company's response is supported by Thailand's score in the Power Distance and Uncertainty Avoidance dimensions: Thai subordinates want to be told what to do and the Thai expectation is that the boss has all the answers.

4.2 Use of Innovative Techniques

Each of the companies has used a variety of innovative management techniques. Some of the techniques that may help the manager and staff overcome cultural barriers are listed below.

- Job Rotation. Only one company, the industry firm uses job rotation. The rest are not use job rotation because the staffs are too small.
- Employee Training. All five firms reported that 50% to 90% of the Thai staff participated in training over the past three years. Of particular interest, however, is that only one of the Thai staff from five organizations attended training that potentially would help overcome cultural barriers:
 - Cross Cultural Communications
 - Cross Cultural Skills
 - Teamwork Skills
 - Supervisory Skills
 - Organization Skills

Instead, all of the training was either technical (engineering or business) classes or English language classes.

5. Conclusion

This research has shown that innovative management in an organization is significant as a key driver of competition. This idea appears to be especially true for companies run by expat executives who work in Thailand. Cultural sensitivity and complexity are challenging for both the Thai staff and the expat managers. Although many expat managers work in Thailand for the short-term, these challenges may have significant implications for the long-run. Managers surveyed for this study revealed that they need to motivate their employees to accept changes and to make changes themselves, especially changes in employee attitudes about new things. The expat managers try to reduce organizational hierarchy, reduce bureaucratic complexity, and address an unwillingness to share knowledge, not just store knowledge, within their company because the managers know that these issues could hinder innovation. Moreover, failing to accept change can be another barrier to innovation.

The surveyed managers are also aware of training that could address many of the intercultural complications that they face on a daily basis. For example, direct and indirect conflict with employees and management often happened in the surveyed companies, and sometimes this conflict was simply due to a lack of understanding about the Thai culture on the part of expat managers. Therefore, such intercultural training is considered critical.

All in all, knowledge management from both internal and external sources is required to implement innovative techniques for these companies. Using the right applications and techniques will generate organizational innovation. Although each of the surveyed managers use innovative management techniques, all five these companies still lack an innovation culture, which would enable them to more fully address cross-cultural issues.

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