

ORIGINAL ARTICLE

# Human Resource Development in the Thai Private Sector

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## Abstract

*The purposes of this study were to examine the history of human resource development (HRD) practices in the Thai private sector, and to answer the question about the future of HRD practices in the Thai private sector based on the results of the first purpose. Based on a review of existing studies related to the Thai private sector and its human resource practices, as well as the Thai economic situation, and its effect on human resource practices, the implication of HRD practices for the Thai private sector and HRD professional are discussed. Challenges related to HRD practices are also discussed.*

**Keywords :** Human Resource Development, Thailand, Thai Private Sector

## นิพนธ์ต้นฉบับ

# การพัฒนาทรัพยากรมนุษย์ในภาคเอกชนไทย<sup>1</sup>

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### บทคัดย่อ

วัตถุประสงค์ของบทความนี้ คือ การสำรวจทบทวนประวัติของแนวปฏิบัติด้านการพัฒนาทรัพยากรมนุษย์ในภาคเอกชนของประเทศไทย และนำผลการศึกษาที่ได้มามุ่งตอบคำถามเกี่ยวกับอนาคตของแนวทางปฏิบัติด้านการพัฒนาทรัพยากรมนุษย์ในภาคเอกชนไทย จากผลการทบทวนวรรณกรรมที่เกี่ยวข้องกับภาคเอกชนไทยและแนวปฏิบัติเกี่ยวกับทรัพยากรมนุษย์ รวมทั้งสภาวะเศรษฐกิจและผลกระทบที่มีต่อแนวปฏิบัติเกี่ยวกับทรัพยากรมนุษย์ บทความนี้ได้อภิปรายและเสนอความท้าทายต่างๆ ที่เกี่ยวข้องกับแนวปฏิบัติด้านการพัฒนาทรัพยากรมนุษย์สำหรับนักพัฒนาทรัพยากรมนุษย์ในภาคเอกชนไทย

**คำสำคัญ :** การพัฒนาทรัพยากรมนุษย์ ประเทศไทย ภาคเอกชนไทย

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The concept of human resource development (HRD) is essential. This concept is not only a key strategy in developing national economic growth and competitiveness (George, 2006; Lewis, 2007), but it is also widely accepted that the concept of HRD is important in helping individual organizations achieve their goals. Swanson and Holton III (2009) defined HRD as “a process of developing and unleashing expertise for the purpose of improving individual, team, work process, and organizational system performance” (p. 4), and HRD can be classified as both a discipline and a professional field of practice. Although Phinaitrup (2000) explained that the term HRD first emerged in Thailand after the Second World War, the initial HRD concept focused on educating people as a means to develop the national economy. The term HRD was not used commonly in Thailand until the 8<sup>th</sup> National Economic and Social Development Plan (1997-2001) (Bello, Cunningham, & Poh, 1998) with a focus on providing opportunities for all Thai people to “develop their full potential physically, spiritually, and intellectually” (National Economic and Social Development Board, n.d., p. ii). Thus, it might be concluded that the concept of HRD in Thailand is not limited to skill formation and skill development, but spiritual development as well. However, this paper aims to investigate only skill formation and skill development as a function of HRD in the private sector in Thailand.

Although HRD is not a relatively new concept in Thailand, it was not a separate field until 1992 when the first Thai HRD school was established at the graduate level. The personnel managers (or human resource managers as they were then called) in Thailand usually graduated with degrees in political science; thus, public administration concepts had an influence on early human resource practices in Thailand (Siengthai & Bechter, 2004 as cited in Siengthai, Tanlamai, & Rowley, 2008). However, until now there has been no formal separation between human resource management (HRM) and HRD in Thailand. Thus, to gain a deep understanding of human resource practices in Thailand, literature related to HRD and HRM should be included. Databases related to HR, and data from several reliable websites, especially from the Thai and the U.S. governments, and international organizations, such as the World Bank, and the World Economic Forum, were the major sources of the current study.

The present study has two main purposes. First, it aims to examine the history of HRD practices in the Thai private sector. Based on the results of the first purpose, this study intends to answer the question about the future of HRD practices in the Thai private sector. In the following section, the results of the literature review related to HRD in the Thai private sector and its future are presented.

## The Thai Private Sector and its Human Resource Practices

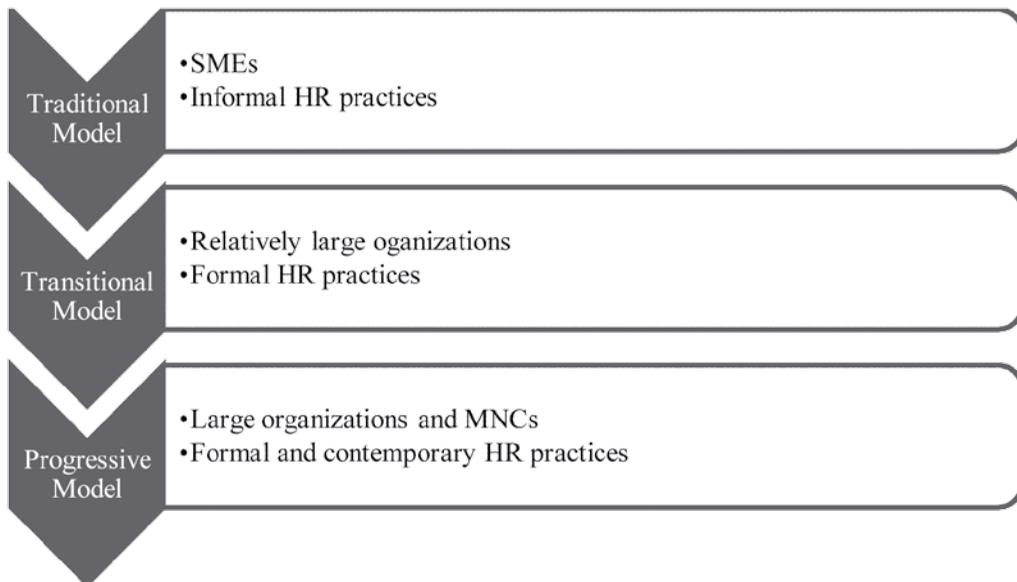
The Thai private sector can be divided into three categories: a) family enterprises which mainly include small and medium enterprises (SMEs), b) Thai-owned corporations which have grown out of family enterprises, and some of which have been developed into publicly held companies, and c) multinational corporations (MNCs) (Lawler et al., 1997 as cited in Lawler & Atmiyanandana, 2003) which mainly are from Japan, and the U.S. Accordingly, human resources practices in Thailand can be distinguished into three models : traditional, transitional, and progressive (Figure 1) (Kamoche, 2000). Human resource practices in the traditional model seem to be ignored by organizations, and are likely to be found in small and medium family enterprises. Most managers running the companies in this model also have negative attitudes toward their employees, leading to close supervision. Training and development is treated as a cost, and largely depends on informal on-the-job training because it is cheap. Employees in this type of organization are usually less educated and their employability is limited. Organizations usually take advantage of this limitation by providing little or no training, and paying employees below the market rate. As Suriyasarn and Resurreccion (2003) explained, these “low-skill, low-pay, low-quality, and low-status jobs” can be found easily in

labor-intensive industry in which women are a main labor source (p. xii).

The human resource situation in the transitional model seems to be better; these organizations are likely to recognize the vital role of human resource toward the success of organization. In this model, business management and human resource activities are more formalized than in the traditional model. These organizations usually somewhat believe in developing their employees, especially by on-the-job training that can build firm-specific qualifications. However, these expenses cannot be truly considered as an investment because they can be cut easily in any difficult time.

Finally, human resource activities in the progressive model take a formal approach which can commonly be found in large Thai organizations and MNCs. In this model, HRD is seen as an essential tool to help an organization achieve its objectives by providing effective and necessary training to employees; thus, training is truly seen as a continuous investment which should be done systematically from training needs analysis until training evaluation. In addition, HRD activities in the progressive model are not only limited to training, but they include other types of activities that can continuously develop employees’ potential, such as career development, job rotation and job enrichment programs.

Figure 1: Human resource practices model in Thailand



Source : Adapted content from Kamoche (2000)

During the 1980s-1990s when the Thai economy had reached its peak period, management practices in the Thai private sector faced several changes in order to respond to the high business pressure from globalization. Thus, when firms became bigger and conducted more business globally, they were more receptive to learning international human resource practices. For example, in Thai-owned companies, although members of the founding family still had significant involvement in management, a professional management team usually was hired to manage the more complex businesses. As a result, these corporations applied more Western business practices (Lawler & Atmiyanandana, 2003; Ohtaki, 2003; Yeung, Warner, & Rowley, 2008). The Western

business practices can be seen mostly from MNCs, especially the U.S.-based MNCs. In contrast, the Japanese MNCs usually implement some Japanese management practices, such as the emphasis on job rotation and seniority. Regardless of their country of origin, these MNCs usually choose to apply only some best practices from their parent companies because of the different contextual factors between Thailand and their nations.

### Thai Economic Situation and its Effect on HRD Practices

Thailand had impressive economic growth from the 1960s until the 1990s, increasing with an average of 7.8% annually. Although the World Bank (2006) explained that

the major reason contributing to the impressive economic growth in Thailand was a high rate of educated people leading to a more qualified labor force, some argued that the overuse of natural resources, the ignorance of environmental problems, the lack of transparency in managing businesses, and the Thai surplus labor economy were the real contributing factors (Fry, 2002; Lawler & Atmiyanandana, 1995; Siengthai et al., 2008; Warr, 2000). Especially during the early stage of Thai economic growth, labor-intensive industries, such as textiles, that demanded relatively low educated workers were booming; thus, the Thai economy could take advantage of the large pool of low educated, inexpensive workers by simply hiring more cheap employees when companies wanted to increase their outputs instead of developing existing employees' productivity. This process continued until the early 1990s when the pool of cheap rural labor was largely used up, leading to higher wages. However, because labor productivity was not increased accordingly, high wages inevitably led to a loss in companies' competitive advantage. This situation emphasizes the importance of HRD on the sustainable organizational success in Thai organizations' perspective.

Before the Asian economic crisis in 1997/98, Thailand enjoyed a long period of economic prosperity. Ananvoranich and Tsang (2004) explained that the challenge of human

resource work in Thailand at that time was how to develop reliable and committed employees because of the high turnover rate from the job hopping common in both less-educated and well-educated employees. Some companies, especially labor-intensive industries that require less-educated workers, solved the job hopping problem with a short term solution of not providing any training to their employees, except for basic and firm-specific training programs. As explained above, this situation was finally linked to the loss of organizations' competitive advantage because their employees were not competent enough to compete with other companies, especially firms in new emerging cheap labor nations, such as China. In contrast, MNCs implemented a different approach to solve the problem. Most American MNCs used the high wage strategy to attract and retain experienced and well-trained employees from other companies rather than developed employees' skills within the own organizations, whereas most Japanese MNCs relied on their internal labor market, leading to a huge investment in training and development, especially in professional and technical positions (Lawler & Atmiyanandana, 1995).

During the 1990s, however, because of the tight labor market and the significant shortages of more skilled and highly trained workers, several firms realized the importance of developing their own employees. These firms

adopted more aggressive approaches in their HRD practices, especially by emphasizing employee training and development. However, at that time, HRD in most companies had worked more in service delivery, not in a strategy position (Akaraborworn & McLean, 2001a; Lawler & Atmiyanandana, 1995). Interestingly, some organizations, especially Thai-owned organizations, provided many more training programs than they needed, especially off-the-job training which usually were held in hotels or resorts and provided fancy meals to participants. In other words, training in Thailand had more meaning than performance improvement; training could be a symbol of prestige and a bonus for employees (Holmes & Tangtongtavy, 1997 as cited in Akaraborworn & Mclean, 2001b). Thus, to some extent, a high training budget in some Thai organizations could not be directly considered as an investment for performance improvement. In summary, HRD practices in the Thai private sector during the economic boom were superficial, and were not related to organizational goals.

During the Asian economic crisis of 1997/98, the Thai economy was severely hit, leading to major changes both in business management and the life of the Thai people. For example, the real GDP growth rate was approximately negative 10% in 1998 as compared to approximately 10% of the economic growth during the 1980s. Some

organizations were forced to close, whereas several faced huge restructuring or downsizing. As a result, a large number of employees were unemployed. The unemployment rate at that time was approximately 4%, compared to the long-term relatively low unemployment rate of 1% before the crisis. At that time, several management practices were implemented to fight for business survival. Thai employees were more concerned with their job security, which could be implied from the security of their organizations, rather than personal high salary as they were during the economic boom. In other words, these employees were more likely to be involved in and receptive to programs that could improve the competitiveness of the companies (Anabvoranich & Tsang, 2004) since these changes could imply to business survival. Employers, thus, had an opportunity to implement greater flexibility in aspects of human resource activities. For example, systematic and performance improvement training programs were implemented, and merit-based performance management replaced an unproductive seniority-based evaluation approach (Akaraborworn & Mclean, 2001a; McCampbell, Jongpipitporn, Umar, & Ungaree, 1999; Rowley & Warner, 2004). In summary, during the severe economic crisis, human resource practices in the Thai private sector were forced to change because of business pressures. As a result, HRD practices at that time were likely to

emphasize and link to business purposes in order to help the organizations survive and to prevent themselves from being outsourced.

Now, after the crisis, human resource professionals in the Thai private sector are expected to continuously play an important role in organizations, especially in the position related to business strategy, in order to avoid the current risk of being replaced or outsourced (Lawler & Atmiyanandana, 2003; Yeung et al., 2008). Wattanapong (2000) stated that several companies in Thailand, especially big companies, have realized the potential of HRD in a new way. It is now seen as a strategic tool to help an organization by providing more training with the purpose of improving employees' productivity, not focusing on entertainment anymore. The most recent data shows that an average training expenditure per employee in Thailand was Baht 12,830 (Akaraboworn, n.d.) (Approximately US\$ 427 as of the exchange rate in February 2011), compared to an average training expenditure per employees in the US in 2007 at \$1,110 (American Society for Training and Development, n.d.); and the average training for an employee in Thailand was 15 hours per year (Akaraboworn, n.d.). The only way to persuade organizations to invest their limited resources in training activities is to show the concrete results of training which absolutely cannot be proved by the reaction measurement from Kirkpatrick's model on which most HRD practitioners have

relied (Yamhill & McLean, 2005).

Another change that continuously occurs after the crisis is the involvement of human resource practitioners in organization development (OD). During the economic boom, several companies, especially large companies, implemented the idea of OD by hiring high-priced foreign consulting firms to implement popular interventions which mostly developed in the U.S. However, these efforts were usually initiated from top management, ignoring one of the most significant components contributing to the success of the OD process, employee involvement (McLean, 2006). In addition, although the foreign consulting firms were likely to do a great job in bringing their technical knowledge to these organizations, some best practices were not compatible with Asian culture in countries like Thailand, so the social system of these organizations was not changed accordingly. Thus, it is hard to maintain the effect of changes (Akaraborworn & McLean, 2001a; McGrath-Champ & Carter, 2001). In contrast, after the crisis, human resource practitioners are expected to be involved more in OD since most organizations cannot spend a huge amount of money in hiring foreign consulting firms without seeing any empirical results. However, the involvement of Thai human resource practitioners in OD is in its early stage.

In conclusion, the effect of the Asian economic crisis on human resource practices

in Thailand as the follows : The crisis led to an increase in unemployment and high pressures in the business environment. To respond to these changes, most organizations in the Thai private sector tended to realize the importance of developing human resource within their organizations. In particular, medium and large Thai-owned organizations have learned and implemented a more Western management style which a result-oriented approach, though this process seemed to be slow because of the cultural differences between Thailand and Western countries (Bartlett, Lawler, Bae, Chen, & Wan, 2002; Lawler & Atmiyanandana, 2003; Morakul & Wu, 2001; Rowley & Warner, 2004; Sriussadaporn, 2006).

### **HRD Practices in Thailand : What is next?**

HRD in Asia is a significant issue for national policy makers, and for HRD professionals in the private sector (McLean et al., 2004 as cited in Ismail, Osman-Gani, Ahmand, Krauss, Ismail, & Hajaraih, 2007). In Thailand, Lawler and Atmiyanandana (2003) stated that the future of training and development is likely to have better advancement both in terms of the support from the government and from the private sector itself. The Thai government generally focuses on improving the skills of non-and semi-skilled workers who have relatively low education, and encourages the private sector to become more responsible in skill development of their own

employees by implementing a tax privilege (Dubey-Villinger, 2001). However, training courses provided by the government usually focus on short-term, basic skill training, and most of the courses ignore the development of life skills that are necessary for successful workers (Suriyasarn & Resurreccion, 2003). Thus, it might be implied that the future of training and development in the Thai private sector is not only limited to professional and managerial employees, but it is the duty of organizations to provide more in-house training and other development activities for their lower-level employees.

However, not every HRD activity in Thailand has such a bright future. Bartlett et al. (2002) stated that the low educational level of Thai employees leads to an opportunity for HRD practitioners to implement short-term HRD activities, such as training programs which are related to the current job of employees. However, this low educational level is an obstacle hindering human resource practitioners from implementing long-term HRD practices, such as training and career development to prepare employees for more challenging tasks. In addition, because of great demand for short-term HRD practices, HRD practitioners are likely to have less time to be involved in long-term activities and focus on duties as a strategic partner. This observation is in line with the fact that most Thai companies have very limited

involvement in career development and OD (Akaraborworn & McLean, 2001a; Lawler & Atmiyanandana, 2003; Siengthai et al., 2008). Thus, there is no doubt that this limitation can be a problem to the growth of organizations in the future. Additionally, because most organizations in the Thai private sector are likely to adopt the Western style primarily focusing on a performance-driven organizational culture, it is challenging for human resource practitioners to incorporate this culture on a day-to-day basis while maintaining the good relationships among employees and between employees and management which are traditional in Thai organizations (Chainuvati & Granrose, 2001).

In summary, HRD practices, especially training and development, in the Thai private sector are likely to have a better advancement in the near future even though some areas, such as career development and organization development, have the potential to be a problem in the long term. In addition, according to the expectation that human resource practitioners should be truly responsible for helping organizations achieve goals, the important question regarding the capability of Thai human resource practitioners arises. Apart from the question regarding the capability of being a strategic partner, research-based knowledge about human resource practices in the Thai

context is extremely limited. This situation reflects the limitation of Thai human resource professionals in creating new knowledge. A lack of indigenous research-based knowledge is a huge hindrance in developing the human resource field in that country (McLean, 1998). Thus, because of this limitation, the sustainable growth of the human resource field in Thailand is questionable.

### Conclusions

HRD in Thailand is not a new discipline, even though there is no formal separation between HRD and HRM. Human resource practices in Thailand were started with an informal and simple approach, and are likely to adopt Western knowledge, especially in medium and large Thai-owned companies, because of the influence from globalization. This situation can be seen clearly after the Asian economic crisis in 1997/98. In addition, although HRD activities tend to have a better advancement, some improvements are needed, especially in long-term HRD activities if Thai organizations want to maintain their competitive advantage, since the former national advantage of cheap labor is not longer true. Finally, it is time for Thai human resource professionals to develop themselves in order to be competent enough to truly help their organizations.

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