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EDITOR'S INTRODUCTION

Once again Thailand is living under military control after the most recent coup received royal assent. Armed soldiers stand outside the university (it adjoins Voice TV, which was banned from broadcasting for a lengthy period) and it is illegal to criticize the coup or its junta in any way. As we say in Britain, if you can't think of anything nice to say, then don't say anything at all.

In this issue, I am pleased to be able to include a diverse set of research papers from Vietnam, Bangladesh, India and Thailand. The first of these is by Trần Thị Thanh Tú, who has investigated the role of board directors in state and private sector banks. He concludes on the basis of his research that the higher quality members of the joint stock private sector banks has contributed to a higher level of performance in that sector.

Next is a study by Lavanchawee Sujarittanonta and Vilasinee Khemapanya of the prospects for long-stay residents in the old age healthcare sector in Thailand. This is a growing and important sector since life expectancies are increasing and there is a need for senior citizens to marshal effectively the resources available to them so as to provide a decent long-term standard of living, often in a different country where the costs of living are lower.

Third, Rawee Pheomwahn and Moussa Mahmoud and provide a proposed model for learning and developing as a management team. The difficulties involved in this are outlined in terms of the personal

qualities required and the level of commitment to the teamwork necessary.

Next, Md. Aftab Uddin, Shanewaz Mahmood Sohel and Abu Mohammad Atiqur Rahman consider the degree to which digitization of organizations has taken place in Bangladesh. Noting the importance of digitization in the formation of an advanced knowledge-based economy, the authors conclude that few Bangladesh organizations have taken the necessary steps to prepare for this step and this is an area where definite improvement is required. Of course, much of the Bangladeshi economy is based on commercial activities which are quite limited in terms of complexity and sophistication and it is difficult to see how this will change in the foreseeable future.

Surabhi Singh next provides a small but interesting quantitative study of expectations and aspirations of customers of online banking services in India. As one of many developing nations wishing to introduce online services in sensitive sectors for a comparatively limited sector of the overall population in the context of relatively low-trust society, India faces issues relating to ensuring that the necessary infrastructure is in place and that there is no conflation between possible incompetence, poor service and chicanery.

Sixth, Md. Sahidur Rahman, Rana Karan and Md. Iftekhar Arif contribute to the existing knowledge on job satisfaction, organizational commitment and turnover intention among a sample of employees through a quantitative study. The connection between these variables is noted and recommendations made as to how managers might improve satisfaction through commitment and hence maintain employment stability.

Finally, Moussa Mahmoud provides a detailed paper on the importance and operation of human resource information systems (HRIS) in a variety of organizations.

Once again, it is a pleasure to be able to contribute to some small extent to the development of scholarly knowledge that will improve international understanding and peaceful cross-border relations. The pursuit of scholarly knowledge and our role in publishing it is internationalist in nature and aims to bring benefits to all of humanity while also bearing in mind the needs of sustainability of environment and society. It seeks to highlight the truth, insofar as this can be measured and established, through verifiable and replicable empirical investigation and rigorous reporting of the truth. And the clocks have struck thirteen.

John Walsh, Editor, SIU Journal of Management.

Opinions expressed in this introduction belong to the editor alone and should not be ascribed to Shinawatra University as a whole or any individual member of it.

PEER REVIEWED RESEARCH PAPERS

Comparative Study of the Role of the Board of Directors between State-Owned Banks and Joint Stock Banks in Vietnam

Abstract

Restructuring of the current banking system in Vietnam has highlighted the importance of corporate governance and, especially, the role of the board of directors in Vietnam's banks. However, research studies in corporate governance in banking in Vietnam are limited. In this context, this paper contrasts actual practices of the role of board of directors in two banks with different ownership structures (i.e. a state-owned bank and a joint stock bank) to identify whether there is a difference in the role of board of directors associated with different ownership structures. The framework for evaluation is the OECD and Basel principles of corporate governance. The paper starts with an introduction to the context and the rationale of the research. It then summarises results of previous research studies on corporate governance in international practice in section 2 and explains the methodology employed in section 3. Finally, the paper evaluates current practices of the board of directors of the two selected banks in section 4 and gives some conclusions and recommendations in section 5. The results show that there is a significant gap between actual practices of the responsibilities of the board of directors in these two banks and international principles. There is also a noticeable deviation of actual practice of the role of the board from Vietnam's central bank regulations. The lack of independence in the board, role of controlling shareholders and close relationships among a group of directors are clearly found in the analysis. From qualitative analysis, there is a noticeable difference in the performance between the joint stock bank with a better role for the board of directors and the state-owned bank.

Keywords: *bank, bank performance, board of directors, corporate governance, Vietnam.*

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1. Introduction

There is a rising trend of the issuance and application of corporate governance guidelines by regulators and professional associations around the world. These guidelines aim to provide a framework for best corporate governance practices for companies, investors and other stakeholders to observe and use for benchmarking. In Vietnam, corporate governance is not a well-established concept but it has become a major concern of regulators, shareholders and related parties, especially in the banking system, for various reasons.

First, the Asian financial crisis in 1997 revealed weaknesses in corporate governance practices in Asian banks. Before 1997, the Asian economic model was characterized by large, dominant corporate and family-owned corporations. These corporations had financial subsidiaries (banks) whose functions were to finance internal financial needs within the corporations. As a result, connected lending increased and this created more risk for those corporations. This problem was compounded by weak regulation and supervision of central banks, creating a fragile banking system, which was one of the reasons for the Asian crisis.

Second, the global financial crisis starting in 2008 has been analyzed by central banks and academic institutes. Several reasons have been identified, of which an inappropriate remuneration policy is one of the most widely agreed upon ones. Bank directors and CEOs were blamed for being so heavily driven by short-term profits that they took too much risk and ignored the long-term interests of banks and

shareholders. For this reason, the corporate governance framework has been reviewed internationally.

Third, in Vietnam, privatization in the banking system started in 2007. Before privatization, there were 34 joint stock commercial banks and five state-owned banks. The banking system was highly concentrated with five state-owned commercial banks accounting for 70 to 80% of total assets. Banks started to be privatized in 2007. Vietcombank was the first bank to be privatized. During and after privatization, there was a gradual and noticeable shift in the market share from state-owned commercial banks to joint stock commercial banks. One of the reasons is the poor corporate governance under long-term state ownership. Weaknesses in corporate governance in state-owned commercial banks were revealed when these banks started to receive less support from the government.

Finally, consolidation and reform in the Vietnam banking system has been conducted by the government since 2005. In this process, laws and regulations are revised and newly formulated in order to provide a proper legal framework for the banking system. Regulations on banks' organization, prudential operation and control have been revised. New regulations on prudential ratios in banking operation took effect in October 2010. A new law on credit institutions was passed and took effect in January 2011. In this reform process, improved corporate governance has been one of the top priorities.

While corporate governance in Vietnam's banking system has been one of the major concerns of all market participants, research in this area is limited. Several research projects and surveys in the corporate governance of Vietnam enterprises highlighted that there is a big gap between the international principles and Vietnamese regulations and a substantial deviation of actual practices from the regulations (e.g. Cung & Robertson, 2005; Freeman & Lan, 2006). In this context, the paper intends to analyze the actual practices and role of the board of directors in Vietnamese banks. The results may give some exploratory

information for further empirical studies and bank regulations in Vietnam.

To evaluate the role of the board of directors in Vietnamese banks, two banks among the top ten of all banks according to amount of capital were selected so that they showed different types of management. One bank used to be a state-owned commercial bank which had recently been privatized. The other is a joint stock commercial bank. The analysis of the role of the board of directors in the two Vietnamese banks highlighted several issues of corporate governance:

- In general, most of OECD and Basel principles for the responsibilities of board of directors are not observed or only partially observed in both banks. There is a gap between the central bank's regulations and actual practice in corporate governance.
- The ability of the board of directors' supervisory board to maintain independent business judgment is found to be limited. Lack of independent directors, the role of social relations and the dominance of controlling shareholders are reasons for less independent judgments.
- There is a difference between the role of the board of directors in the joint stock bank and the newly privatized bank. The former has adopted active management processes and has been responsive to change. Delineation of responsibilities is clearer in the former as compared to the latter.
- Close relationships among a group of directors and dominance of a group of related shareholders found in two banks should be further researched. Such research would provide further implications for regulators.

2. Literature Review of Corporate Governance and the Board of Directors' Role in Banking

There are many definitions of corporate governance. The OECD (2004) states that "Corporate governance is a system by which companies are directed and controlled." La Porta *et al.* (2000) consider corporate governance to be a set of mechanisms with which outside investors protect themselves against problems arising from conflicts of interest by managers and controlling shareholders. Although there are different definitions of corporate governance, according to Pei Sai Fan (2004), "... corporate governance is basically about putting in place the structure, processes and mechanisms by which business and affairs of the company are directed and managed in order to enhance the long term shareholder value through accountability of managers."

At a basic level, corporate governance problems arise when shareholders wish to control their companies in a different way than the managers. These problems are further complicated by conflicts among different shareholders due to diversity in ownership. To solve these conflicts, proper corporate governance frameworks are put in place. Five mechanisms in corporate governance are used to manage the conflicts: (i) hostile takeover; (ii) partial concentration of ownership and control by large shareholders or a group of shareholders; (iii) delegation of partial control to large creditors (e.g. financial intermediaries); (iv) control of the CEO by the board of directors and (v) alignment of managers' interests with shareholders through the remuneration policy. Among these mechanisms, the role of the board of directors in controlling CEOs is perhaps most widely used. Most corporate charters require that shareholders elect a board of directors, which monitors the CEO on their behalf.

Research in the field of the board of directors has focused on board composition and independence. The impact of independent directors on the efficiency of the boards has been studied based on empirical

data. The results are mixed. On the one hand, practical findings support the hypothesis that independent directors gave rise to an improvement in board efficiency. For example, the board with higher independence can replace inefficient CEOs more easily. On the other hand, other evidence suggested that there is no conclusive evidence on the effect of board independence (Becht, 2007; Hermanlin & Weisbach, 1991).

In banking, the role of boards is of special importance and relevance. This is because there is limited competition, intense regulation and high informational asymmetry, which complicates the issue of bank governance (Levine, 2004). Research studies in the role of the board of directors in banks also centered on board composition and independence. Bank board composition and size is found to be related to the abilities of the board in monitoring CEOs. However, excessively independent directors can negatively affect board efficiency. The suggested optimum limit for the board of an international bank is 19 directors (de Andres & Vallelado, 2008).

In Asian banks, research studies in corporate governance found that the boards of Japanese banks did not fulfill their duty of monitoring properly, especially before the financial crisis. CEOs were found to be wholly protected from dismissal discipline resulting from poor performance. After the crisis, the situation changed since the higher the number of directors replaced, the higher the performance the bank experienced (Anderson & Campbell, 2004). In Southeast Asia, the privatization of banks has been found to bring about better performance (William & Nguyen, 2005). This finding suggests that increasing the control of the boards as a consequence of privatization has improved the bank performance.

In contrast to extensive literature on the role of the board, there is limited analysis of the role of the boards and how the boards should be regulated in practice. In Vietnam, there is no analysis or evaluation of regulations of corporate governance in banks. However, the

assessment of the corporate governance of the Vietnamese market with respect to the OECD principles by the World Bank in 2006 highlighted a significant gap between practices and principles in corporate governance (World Bank, 2006).

3. Methodology

3.1. Analytical Framework

The responsibilities of the board of directors are set out in Principle 6 of OECD principles of corporate governance and in 8 Basel principles on enhancing corporate governance. Among 6 sub-responsibilities mentioned in Principle 6, four are analyzed and evaluated for two cases:¹

- Sub-principle 1: The board of directors should act on a fully informed basis, in good faith, with due diligence, and care, and in the best interests of the bank and shareholders
- Sub-principle 2: Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly
- Sub-principle 3: The board should fulfill certain key functions as follows:
 - Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures and acquisitions

¹ The other two sub principles are not analyzed due to information constraints.

- Monitoring the effectiveness of the company's governance practices and making changes as needed
 - Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning
 - Aligning key executive and board remuneration with the longer term interests of the company and its shareholders
 - Ensuring a formal and transparent board nomination and election process
 - Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions
 - Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards
- Sub principle 4: The board should be able to exercise objective independent judgment on corporate affairs.

3.2. Evaluation Scale

The corporate governance of each bank is analyzed and evaluated against the above principles. Evaluation is based on four measures: unobserved (UO), partially observed (PO), materially observed (MO) and fully observed (FO). Each sub-principle is considered as fully observed when all criteria and requirements of a sub principle are met. Materially observed means that more than 50% of criteria and requirements are met. Partially observed means that fewer than 50%

of criteria and requirements are met. The sub-principle is considered to be unobserved when none of the criteria and requirements is met. If no information is disclosed or obtained for a sub-principle, this sub-principle is also considered as unobserved.

3.3. Data and Information

In Vietnam, banking has always been considered to be an important and sensitive economic area. As a result, disclosure is limited and the information lacks consistency and comprehensiveness. For these reasons, it is very difficult to obtain comprehensive information of the whole banking system in terms of corporate governance. Consequently, two banks in the top ten according to capital, representing the two main types of ownership (i.e. a newly-privatized, former state-owned bank and a joint stock one) have been selected as case studies. With the two case studies selected, it is expected that the banks can provide evidence of common practices in Vietnam's banks. The source of information used is mainly secondary. There are financial audited reports, charters, bank guidelines on operation and organization, annual reports and other documents available. However, informal interviews with bank managers and policy makers were also conducted to provide supplementary data.

4. Analysis of the Board of Directors' Role in Two Vietnamese Banks

4.1. The Joint Stock Bank – Recently Transformed from a State-Owned Commercial Bank (SOCB)

4.1.1. Overview of the Bank

The SOCB was established in late 1980s as one of the four largest state-owned commercial banks. The bank ranks among the top five biggest banks in terms of capital and has about 1,000 branches and transaction offices all over the country. The SOCB was privatized

from 2007–9. At present, the state remains the controlling shareholder (with 70-80% of equity), according to bank reports in 2010. The bank has a Board of Directors, a chief executive officer (CEO) or general director and a supervisory board. The supervisory board is subordinated to the general shareholder meeting, not to the board of directors.

4.1.2. Board Duties

Sub-principle 1: The Board of Directors should act on a fully informed basis, in good faith, with due diligence, and care, and in the best interest of the bank and the shareholders (partially observed).

The "duty of care" and "duty of loyalty" are both mentioned in the bank's charter but with some limitations. Firstly, the duty of care and due diligence is not elaborated in detail. There is no code of conduct to explain which behaviours a duly diligent person should exhibit in different situations. In addition, the concept of due diligence is not well-established in Vietnam. The management style, based on state-ownership for 20 years, has become embedded in the management philosophy of the bank. Many directors and managers in the SOCB are unable to differentiate what behaviour they should exhibit. Furthermore, those who are aware of the commonly expected behaviour are not always willing to act accordingly, as long as they can benefit from their ignorance and their responsibility is not clear. For this reason and without detailed guidelines on due diligence, the duty of care and due diligence is materially not observed in practice. Secondly, duty of loyalty is elaborated more clearly than the duty of care. The board of directors, the supervisory board, the CEO and deputy CEO, as well as the branch managers, have to be loyal to the interests of shareholders and the bank. They are not allowed to make use of the information or business opportunities obtained through their role as directors for their own interest or for the interests of other banks at the expense of the bank. There are also cases where they are required to notify the Board of Directors in full and timely form all the

potential conflicts of interests and related party transactions. So, from a regulatory perspective, the duty of loyalty is properly defined. In practice, directors do not always act with loyalty because the bank was only just privatized and it is generally perceived that the duty of loyalty has not been conducted effectively in the state-owned enterprises.

Boards of directors are expected to be informed in a timely fashion about all decisions and operational guidelines in all areas of the CEO and relation to subordinates, while the deputy CEOs and chief accountants must reported to the Board of Directors. The Board of Directors has meetings with the Board of Management at least every quarter. However, the reliability and accuracy of information provided is not confirmed because it depends on the bank's accounting policy, which is that of the Vietnam accounting standard (VAS) and the quality of internal audits and control systems. Although there is a significant change in internal audit and control structure and personnel, it will take time for the internal audit and control systems of the bank to function independently due to the inherently inefficient internal audit and control systems used under state management.

Sub-principle 2: Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly (unobserved).

Although the bank was privatized, the state remains the controlling shareholder, with shares accounting for more than 80% of total share value (as of December 31st, 2009). More than four of the seven directors had been managers of the bank for years and the others were central bank staff. Consequently, although it is stated in the bank guidelines that the board should act equally in the interests of minority shareholders, actually equal treatment is not likely to be found.

Sub principle 3: The board should fulfill certain key functions: reviewing and guiding corporate strategy, major plans of action, risk

policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures and acquisitions (partially observed).

In the bank charter and guidelines on internal governance, it is not clear that the bank must have a strategy. The bank charter does not require the board to approve the strategy, the annual business plan or the budget. However, the charter does require the board of directors to have comments and guidance on business plans and development directions of the bank for certain periods. The CEO is required to draft the business plan for each year and for five years for submission to the board. The shareholder general meeting has to approve the direction prior to its operation and development as proposed by the board. Thus, it is apparent that responsibilities of the general shareholder meeting, the board and the CEO in making decisions on bank strategy are not delegated clearly and properly. This situation can be an obstacle to the bank in shaping and implementing strategy.

Risk policy is a key element to good corporate governance. While the central bank regulations require at least two committees, i.e. the risk management committee and the human resources committee, the bank now has four committees, i.e. supervisory risk committee, policy committee, asset-liability committee (ALCO) and the personnel and compensation committee. The board has approved risk management policy and monitors the implementation of risk minimizing measures. The bank also has departments dealing with respective risks, i.e. credit risk department, market and operational risk department and ALCO support department. These are significant steps that the bank has made recently because, three years ago, the bank did not have such risk departments in place. In spite of these changes, the liquidity, market and operational risks are not measured properly as the bank lacks the tools and expertise in risk management in a more complex and dynamic environment. Financial risk modelling, such as value at risk, probability of default and maturity mismatch reports, is not adequate.

The bank currently does not have a risk module to support risk identification, measuring and monitoring. These limitations can negatively affect the way the board guides risk management.

Monitoring the effectiveness of the company's governance practices and making changes as needed (unobserved).

The board is responsible for making decisions on management organizational structure at head office, branches and subsidiaries and, also, for providing internal policies and guidelines concerning the governance and operation of the bank. However, there is no specific requirement for the board to monitor and evaluate the internal structure on an ongoing basis. Thus, even when in reality the board monitors the effectiveness of the governance structure, it does not consider this work as one of its mandatory tasks. As a result, the board does not monitor governance practices continuously and make changes when necessary.

Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning (partially observed).

The board is responsible for nominating, replacing and setting compensation for the CEO, deputy CEO and chief accountant. This practice is in line with the international principle but is different from the regulations given by the central bank, which requires the general shareholder meeting to approve the compensation scheme for the CEO. Consequently, the central bank should consider making adjustments to this issue in its regulations.

For the past four years, several new and young deputy CEOs have been appointed. This indicates that the bank has undergone significant and positive change in organizational structure and governance during and after the privatization process. However, all newly-appointed deputy CEOs used to be senior managers of the bank for many years

and are used to the state management style of inefficient and passive management. As a result, radical changes are unlikely to happen in the bank in the foreseeable future.

Under the current governance structure, the board is also responsible for selecting, terminating the contracts and setting the remuneration for managers and deputy managers of departments in the head office. However, the Basel principles recommend that the executives oversee and manage the managers' jobs. As a result, managers are expected to be nominated by the CEO. However, since the CEO cannot select subordinates personally, it would be unfair for the CEO to be responsible for any mistake in doing business if such mistakes are due to having the wrong managers in office. Consequently, the accountability of the CEO is not clearly identified under the current governance structure.

Aligning key executive and board remuneration with the longer-term interests of the company and its shareholders (partially observed).

Compensation and other benefits for directors are based on bank performance and approved by the general shareholder meeting annually. The board is responsible for deciding compensation, bonuses and other benefits for the CEO based on personal and corporate performance. CEO compensation must be reported to the general shareholder meeting. When the bank incurs losses, the compensation of the board and the CEO cannot be increased and no bonuses are paid. Such arrangements can align the executive and board remuneration with the longer-term interests of the bank and its shareholders. However, it differs from the central bank regulations, which require the general shareholder meeting to approve the remuneration of the board and the CEO. This difference should be considered by the central bank as the Basel recommendations call for the board of directors or personnel and compensation committee to decide or approve compensation for key executives and the board.

Ensuring a formal and transparent board nomination and election process (unobserved).

The board of directors is appointed by the shareholder general meeting. In June 2010, the controlling shareholder was the state holding 70-80% of total common shares, according to bank reports in 2010. The bank labour union is the second major shareholder and held about 5% of total common shares. The right to sell state shares must be in line with state regulations. The bank labour union is not allowed to sell its shares and the state has the right to nominate the board.

While the bank has a board election procedure, in which the board directors are appointed by shareholder votes, it is the state that decides the directors. It is expected that there will be no major changes in the board nomination procedure.

Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions (partially observed).

The directors, supervisory board members, key executives and branch managers are all required to report to the board of directors any potential conflict of interest, such as the name of any institution in which they hold over 10% of the total shares. Similarly, they cannot make use of their position to help related parties or individuals borrow from the bank with favourable terms and conditions. Every quarter, the bank reports to the Stock Exchange Commission on deals in which related individuals of the board of directors and other key executives buy or sell the shares of the bank. However, in practice, as the accountability of the board and CEO has been unclear under the state ownership regime for nearly 20 years, the present board of directors and management, with the same members, do not manage conflicts of interest properly.

Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards (unobserved).

The CEO is responsible for preparing annual financial statements, consolidated financial statements, income statements and the "management and governance report." The board monitors the report-preparing process and approves the financial statements and annual reports of the bank. The board also prepares the bank's financial and operational report and the "evaluation report of governance." The supervisory board is responsible for evaluating these reports for disclosure at the annual general shareholder meeting. This financial reporting arrangement is unclear and it is difficult to delineate the responsibilities of the CEO, the board of directors and the supervisory board. The types of reports are not clear and consistent as there are several similar reports with slightly different names.

The bank has a supervisory board, a supervisory and a risk committee. However, the functions of these entities are not clear from the point of view of the bank's guidelines. The supervisory board is appointed by the general shareholder meeting and is subordinated to the general shareholder meeting. Its function is to monitor independently the bank's operations, management and governance and take responsibility for the shareholders. Its duties are: (1) to control and oversee compliance of the board and CEO; (2) notify the board when a director is found to have violated regulations and request corrective action and (3) manage and monitor the internal audit department and use internal audit personnel in its work. Consequently, the supervisory board, whose primary function is to supervise the board of directors, now takes charge of some internal control functions.

While the supervisory board leads and monitors the internal audit and control system, the board of directors is obliged to decide the structure

of internal audits and to control systems, to nominate and replace key personnel, to set compensation and issue the internal audit and control policy of the bank. With this arrangement, the role of the supervisory board is unclear.

In addition, the supervisory board is less likely to be independent, since the head of the supervisory board used to be a branch manager, which is a role subordinated to the present CEO.

Sub principle 4: The board should be able to exercise objective independent judgment on corporate affairs (unobserved).

According to the bank's charter, the board is required to have at least five members and a maximum of 11 members (Decree 59/2009/ND-CP, 2009). At least one-third of the directors are non-executive and independent. The number of independent directors is less than the minimum requirement of the central bank. The bank charter also sets criteria for an independent director but the criteria are not as strict as the central bank's requirements. As required by the central bank, an independent director is a person who is currently not working or has not worked for the bank for the past three years. This requirement is not in the bank's charter. In fact, the bank now has seven directors. This paper views that none of them are independent directors as required by the regulations. Five directors had been senior managers of the banks for many years. The two others are managers of the central bank – a state regulator – which represents the state shareholder.

In the charter, there is a concept called “part time director,” which refers to a director who at the same time holds other positions in the bank. These jobs are different from the position of director.

The above arrangement indicates that the ability of the board of directors to make independent business judgments is weak and board independence overall is very weak. This feature is a typical

characteristic of a state-owned corporation. Even when the bank has become a joint stock commercial bank, the lack of independence in the board is obviously an outcome of the state-ownership structure and it takes years to evolve into a different form.

While a low level of board independence is one of the main weaknesses of bank governance, there are several positive changes in board composition, which has helped reduce the lack of independence of the board of directors. As required by the charter, board directors cannot be members of supervisory boards. There is a legal requirement for separation of the position of CEO and chairperson.

In summary, several comments and observations are found in analyzing the responsibilities of the board of a joint stock commercial bank, which was just converted from a big state-owned commercial bank.

Firstly, there are many positive changes in governance and management which increase the supervisory role of the board of directors and the accountability of the management as compared to the previous state-owned status.

Secondly, the SOCB is big in terms of assets, branch network and number of staff. The unclear delineation of responsibilities of the board and the management is an embedded feature of the governance of a bank under state ownership. As a result, there are several limitations in the corporate governance of the bank, which will take time to solve. These limitations reveal the fact that the bank does not have a clear approach for managing a joint stock bank with higher pressure for efficiency:

- The responsibilities of the board of directors, supervisory board and management are not clear, especially in terms of financial reports, supervision, internal control and nomination of managers.

- Important duties that the board should have, as recommended by the OECD and Basel, are not mentioned clearly in the board of directors' responsibilities to the bank. The approval of long-term strategy and business plans are examples. There are also some duties in which the board should not be involved. The board's nominating and replacement of department managers are examples of this.
- The board's responsibilities are defined more for compliance than for active management with a forward-looking approach.
- The board's independence is weak as a consequence of historical state ownership. It will take time to improve independence as the bank is too big for a radical short-term change.
- Bank guidelines and policies are not well-written. There are overlaps among the bank's internal regulations. For example, the guidelines on governance have several provisions that are exactly identical to the charter, while the risk policies are not adequate, as they do not cover risks such as policy risk and operational risk.
- Bank efficiency is low compared to big joint stock banks, which have had a long presence in the market. The equity to total asset ratio is 5%, which is much lower than the 7.8% of its peers. The ratio of asset value for one staff member is 13 billion VND (approximately 22,300 Vietnamese dong = 1US\$) while a big joint stock bank – one of its peers – has the ratio of 20 billion VND, according to bank reports in 2009 and 2010. The inefficiency of the bank can be

explained by the weak corporate governance system, as described above.

4.2. The Joint Stock Bank (JSB)

4.2.1 Bank Overview

The JSB was established in the early 1990s as one of the first joint stock commercial banks when Vietnam was in the early stage of moving towards becoming a market economy. The bank ranks among the top ten biggest banks in terms of capital and has about 200 branches and transaction offices all over the country. The JSB has major shareholders and an institutional shareholder which is an international bank. The bank has a board of directors and a board of management headed by the CEO or general director and a supervisory board. The supervisory board is subordinated to the general shareholder meeting, not to the board of directors.

4.2.2 Board Duties

Sub-principle 1: The Board of Directors should act on a fully informed basis, in good faith, with due diligence, and care, and in the best interest of the bank and the shareholders (partially observed).

From a legal perspective, "duty of care" is handled in the same way as in the SOCB in that there is no explanation on what behaviour is common in a particular situation. However, this duty is more emphasized in the JSB than in the SOCB as it is specifically placed in a separate provision in the charter. The JSB was originally established as a joint stock organization with private shareholders and, therefore, the board and management staff are expected to be aware of the common behavioural norms.

The duty of loyalty is legally and practically better than that in the SOCB. The duty of loyalty is clearly stipulated in a separate provision

in the charter. Besides the responsibilities of loyalty and disclosure of potential conflicts, the board directors, the CEO and management staff are not allowed to buy and sell the banks' shares if they have inside information that other shareholders do not have. In the SOCB, this issue is not formally and specifically mentioned in the guidelines.

The board of directors is expected to be informed on time. The supervisory board is obliged to report on bank performance to the board of directors frequently. The CEO is required to report to the board of directors. The directors have the right to examine the general ledger, the list of shareholders and other documents of the bank in the course of their work.

However, while there are provisions for procedures to convene and handle meetings, meeting frequency is not mentioned in either charter or guidelines on the board operation. This indicates that the board's access to information can be limited from legal perspective. The bank also has a management information system in place. However, it needs to be improved in order to provide the board with more information, including profitability by customer type, products and employees in order to improve decision-making processes.

It should be noted that among the nine directors, four directors including the chairperson hold from one to five other positions such as chairperson, vice chairperson and directors on boards of other companies. Serving many high positions can affect the time and resources that the directors are able to devote to the bank and can, therefore, have a negative impact on their performance.

Sub-principle 2: Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly (unobserved).

The bank has major shareholders. It also has a policy of restricting the maximum number of shares that can be held by a single state

enterprise, institution, individual or even group of related people. The upper limit for a state enterprise is 40% of the bank's chartered capital. That limit for an institution is 30% of the chartered capital and an individual can hold shares up to 15% of the total chartered capital. These limits indicate that the equity structure is likely to be balanced among a group of shareholders or major shareholders. From this perspective, the controlling power of a group of shareholders or an individual shareholder is not so strong. In this case, the minority shareholders and other groups of shareholders are expected to be better protected than in the case of the SOCB.

However, as the current legal framework does not protect minority shareholders properly, the minority shareholders in the banking system are not well protected in relation to the OECD principles.

Sub principle 3: The board should fulfill certain key functions: reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions (materially observed).

The JSB has business strategies for the medium- and long-terms. The board is responsible for the approval of strategies and also approves the annual budget and the business plan. The bank's business plan appears to be clear and comprehensive as it covers financial issues and many other aspects of operation. They include plans to develop the network, policies, products, targeted customers, human resources, information technology, service quality and public relations of the bank. In 2010, the bank has a clear strategy with five core cultural values approved by the board. This fact indicates that the board is aware of its role in guiding strategy and it is setting the tone for the culture of the whole bank.

The board is required to monitor the implementation of approved plans and evaluate bank performance. It is also responsible for the approval of risk policies and for monitoring the implementation of corrective actions. The role of the board in mergers and acquisitions (M&A) is not clearly defined in the charter, mainly because central bank regulations on the liquidation or M&A of banks are very weak and inadequate at present.

Monitoring the effectiveness of the bank's governance practices and making changes as needed (partially observed).

The board is required to decide about the structure of the head office, internal audit and branches. However, there are no specific requirements for the board to evaluate the efficiency of the internal structure of the bank in terms of policies and guidelines. The lack of this legal requirement can have a negative impact on the board's role of monitoring the bank.

However, for the past two years, the bank has made significant changes in its organizational structure. The JSB has adopted a more customer-orientated approach by restructuring its business into sales and distribution, product and services and support divisions. Changes have been made in the structure of risk management and of credit supervision divisions in order to improve risk management quality.

The JSB is observed to be active in response to external changes such as regulations and market forces and to initiate changes for its own efficiency. Their policies and guidelines have been amended regularly. The charter has been amended annually. Other policies and guidelines have been amended including guidelines for loan approvals, guidelines for bank network development and policies concerning loan trading, internal communications and managing subsidiaries. For the past two years, the JSB has built its nomination and compensation policy, which recognizes the staff's contribution to the bank and

assesses employee capability, thereby enabling them to be adequately rewarded and in a timely manner.

While the bank needs to have a legal requirement for the board's responsibility in monitoring and updating bank policies, in practice, the bank has fulfilled this duty quite well in recent years.

Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning (materially observed).

The board is responsible for nominating, replacing and setting compensation and other benefits for the CEO, deputy CEO and chief accountant, which is the same as in the SOCB. However, such delegation of responsibilities is different from the regulations of the central bank, which requires the general shareholder meeting to approve the compensation scheme for the CEO. This difference should be considered by the central bank because the current regulations are not in line with the Basel recommendations.

The chairperson is required to make a working schedule and allocate tasks to the board members in writing. The chair is responsible for the evaluation of performance of each director at least once a year and for reporting at the general shareholder meeting. Thus, delegation of responsibilities is very clear and this provides a good base for effective evaluation of directors' performance.

For the past few years, key executive turnover is stable as the CEO has been with the bank for ten years. As the bank's financial performance has been above average, the long-term service of the CEO is not found to be problematic.

Aligning key executive and board remuneration with the longer term interests of the company and its shareholders (partially observed).

Criteria for management and board remuneration cannot be obtained. They are neither disclosed publicly nor included in the annual general shareholder meeting. However, the bank has enhanced the nomination and compensation policy so that high quality personnel can be retained. From personal observation, the key executive turnover was not as high as in other joint stock banks when the competition for good quality bank executives was fierce.

When the bank incurs losses, the compensation of the board and CEO cannot be increased and no bonuses are paid. Such arrangements can align executive and board remuneration with the longer term interests of the bank and its shareholders. The bank also has a personnel and remuneration committee, which helps the board of directors in deciding the level of compensation.

Ensuring a formal and transparent board nomination and election process (partially observed).

In the guidelines for the board's structure and operation, only criteria and conditions for director nomination are specified. There are no guidelines for the nomination process and the back-up personnel plan. Criteria and other requirements for directors are clear and well in line with the central bank's regulations.

Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions (partially observed).

Directors, supervisory board members, key executives and branch managers are all required to report, as early as possible, to the board of directors all potential conflicts of interest that they might experience with respect to other institutions. They cannot make use of their position to help related parties or individuals borrow from the bank at favourable terms and conditions. Every quarter, the bank

reports to the Stock Exchange Commission on deals in which relevant individuals, board directors and key executives buy or sell shares in the bank. However, it is observed that there are close social ties among board directors and the head of the supervisory board, as they are currently working for the same company besides the bank. Consequently, conflicts of interest are not expected to be well managed.

Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards (partially observed).

The bank has three top-down layers for monitoring and supervising operations, i.e. the supervisory board, internal audit and risk committee and the internal audit and control system:

- The supervisory board is appointed by the shareholders. It is responsible for overseeing and monitoring the operations of the board and the management on behalf of the shareholders. While the criteria for the supervisory board members are set clearly and there are criteria for independence, the guidelines on operation of the supervisory board do not set a minimum number of independent members. In practice, the head of the supervisory board is not independent, as he has been the chief accountant and branch manager of the JSB for many years. The qualifications and experience of the supervisory board are not as strong as those of the board of directors. All these factors can negatively affect the independence of the supervisory board.

- The internal audit and risk committee exists to support the board in ensuring the integrity of the accounting and reporting system. It also provides consultancy to the board and helps the board improve its risk supervision.
- The internal audit and control system is under the management of the CEO who monitors operations of departments and branches. However, the board is responsible for issuing the guidelines on structure and operations of internal audit and control. It is also obliged to nominate, replace and set remuneration for internal audit and control staff. Such arrangements can improve the independence and efficiency of the internal audit and control function.
- These three layers of control and supervision have helped in enhancing the control of efficiency. However, the bank should be assured that the reporting lines of these entities are clearly defined, since otherwise overlapping lines might hinder the bank's operations.

Risk management has been improved and has been moving towards international best practice since 2008:

- In 2008, a risk management module was established and this helps to monitor and to measure the capital adequacy ratio according to Basel principle 2. Interest and exchange rate risks are also managed. Credit risk management was improved through introducing an internal rating system and centralized loan approval. The improvement in risk management has facilitated the design of new products based on risk management by customers.

- The foreign institutional shareholder, with its international expertise and experience, has supported technology, training, governance, risk management and product development. As a result, significant progress has been made in risk management at the bank.
- Other risks are also managed in the bank, such as policy risk and operational risk.

However, since close ties between the board and the head of the supervisory board exist, it is possible that the board may not always ensure the integrity of financial reports as shareholders would expect.

Sub principle 4: The board should be able to exercise objective independent judgment on corporate affairs (partially observed).

The board is required to have a minimum of three directors and a maximum of 11 directors. At least half of the directors are independent and non-executive. The provisions of board composition and independence fully follow the central bank regulations.

The criteria for an independent director are clearly defined in the charter. The bank has nine members. While information is not adequate for identifying the number of independent directors, an overall review of directors' CVs indicates that the independence of the board in business judgment seems to be higher than in the SOCB, since the backgrounds and experiences of the directors are diversified, international and strong. Six directors have had experience in construction, trading, airlines, equipment and finance before becoming directors at the bank. Their educational background was good as most of them were internationally educated and have worked overseas. Foreign directors representing a foreign institutional investor – an international bank – are also experienced in international banking operations and audits.

The charter does not allow the chairperson to participate in the board or management of any other financial institutions. As required by law, the chairperson cannot be the CEO or deputy CEO at the same time. These restrictions on the number of positions held can enhance the independence of the board.

However, it should be noted that three directors and the head of the supervisory board are currently working with the same corporation besides the JSB. There are also other directors who are working in the same corporation. Consequently, the bank is governed by a board of directors that is dominated by groups of related directors.

To summarize, the following comments and observations are found in evaluating the responsibility of the board of the JSB:

- The JSB is found to be able to respond actively to external changes and to initiate changes for continuous self-improvement. Changes have been implemented in many areas, including policies and procedures, information technology and organizational structure.
- The bank's policies and guidelines are clearly designed and applicable. Although policies have been monitored and changed, there is no legal requirement for the board to monitor or evaluate the effectiveness of policies and make changes as needed. The bank should incorporate this duty in its charter.
- The domination by groups of related directors and the weaker position of the supervisory board as compared to the board of directors indicates that social relationships and personal acquaintance plays a role in corporate governance in the bank and that treatment of all groups of shareholders is less likely to be equal. Minority shareholders are not, therefore, well protected.

- The bank ranks among the biggest joint stock banks and has a long presence in the market. The equity to total asset ratio is relatively high (7.8%). The ratio of assets per employee is 20 billion VND. As compared to the SOCB, the JSB holds a better position and is more efficient, according to bank reports in 2009 and 2010. The branch network and number of staff is smaller than the SOCB. This better performance can be explained by the better corporate governance of the bank.

4.3 Summary of Assessment Results

The below summary of assessment result is obtained from analysis in parts 4.1 and 4.2.

Principle VI: Responsibilities of the board of directors	SOCB	JSB
SP1: The Board of Directors should act on fully informed basis, in good faith, with due diligence, and care, and in the best interest of the bank and the shareholders	PO	PO
SP2: Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.	UO	UO
SP3: The board should fulfill certain key functions: reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions.	PO	MO
Monitoring the effectiveness of the company's governance practices and making changes as needed.	UO	PO
Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning	PO	PO

Aligning key executive and board remuneration with the longer term interests of the company and its shareholders	PO	PO
Ensuring a formal and transparent board nomination and election process	UO	PO
Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions	PO	PO
Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards	UO	PO
Sub principle 4: The board should be able to exercise objective independent judgment on corporate affairs	UO	Po

Table 1: *Summary of Observation of Principles and Guidelines in the Two Banks Studied; source: Original Research (note: UO = unobserved; PO = partially observed; MO = materially observed).*

5. Conclusions and Policy Implications

The role of the board of directors in Vietnamese banks is found to be most commonly only partially observed compared to the OECD and Basel principles of corporate governance. Regulators and bank directors need to expend further efforts to develop a proper corporate governance framework. There is also a gap between central bank regulations concerning corporate governance and the actual practices of the banks.

It is found that the JSB has better corporate governance, which is closer to international principles than the SOCB, which is a newly-

privatized joint stock bank. The responsibilities of the JSB board are clearly defined in the bank's guidelines and are more effective in practice. State management, which was characterized as passive and suffered from unclear delineation of responsibilities, was found to be embedded in the current governance of the newly-privatized bank. This can be an obstacle to the bank's development since it may mean the bank will be unable to make changes. Consequently, the government should gradually reduce its support and set the tone for changing the culture of newly-privatized banks.

The weak independence of the board of directors is found in both banks because of the dominance of the controlling state shareholder or a group of related directors. Personal relationships play an important role among the directors and, therefore, the protection of minority shareholders and the control function of the supervisory board are weak. The strong power of the chairperson, as a consequence of a past position higher than that of a supervisory board member, gives rise to less independent supervisory boards.

The central bank should revise the existing regulations concerning organization and operations especially with respect to the duties of general shareholder meetings, boards of directors and CEOs to ensure the accountability and independence of the boards and their executives. An effective and enforceable supervision framework should be put in place to close the gap between the actual practices of Vietnamese banks' corporate governance and the regulations governing it.

It is generally expected that international principles of corporate governance are applied in all countries. However, the straight transplantation of international principles into the local context will not bring benefits if the legal framework and institutional environment are weak (Yuka, 2007). In order to apply these principles to the Vietnamese banking system effectively, the necessary conditions should be prepared and more research should be done. First, an

evaluation of the impact of the current regulations on bank organization and operations and on banking system performance should be conducted. Second, the main unique characteristics of the Vietnamese banking system should be identified and their impact on bank performance should be researched. The above observation highlights a need for further research on the impact of social relationships among directors and executives on the efficiency of the board of directors, the supervisory board and the CEO. The findings of such a research study would provide suggestions for regulators for properly regulating the governance of banks in Vietnam. Finally, the central bank's implicit support of the banking system should be gradually reduced to create transparency and clearer accountability of bank directors.

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Senior Tourism Promotion in Asia with Focus on Thailand: Policy Comparison and Service Providers' Opinions

Lavanchawee Sujarittanonta and Vilasinee Khemapayana

Abstract

Demographic trends around the world have led to increasing numbers of healthy senior citizens and childless working couples. Currently, several economically advanced countries face the challenge of having numerous senior citizens, who represent an economic burden on their governments in terms of potentially unfunded or under-funded pensions and health care systems. Consequently, the home governments of senior citizens and host governments in Asia have developed a complementary policy of promoting long-stay residence for seniors in Southeast Asia, where the governments of Malaysia, the Philippines and Thailand have enthusiastically created long-stay projects with special visa systems and other privileges to attract senior long-stay residents. This study compares the policies designed to attract senior long-stay tourists in Malaysia, the Philippines and Thailand, using official statistics and sources. In order to determine the impact of senior long-stay tourists on the service industry sectors involved, a qualitative focus on Thailand is presented using in-depth interviews of managers and service personnel of service businesses surrounding two boutique hotels and an apartment block in Bangkok. Thailand was chosen because it has the highest number of senior long-stay tourists. Findings suggest that there is limited economic gain from senior long-stay tourists because they spend less than younger tourists and service personnel are frustrated to a certain level because senior tourists tend to be fussier and want more attention. Moreover, service personnel also complain of molestation, which may be due to cross-cultural miscommunication. Policy and

managerial implications are discussed with suggestions for further research.

Keywords: *long-stay tourism, Malaysia, the Philippines, service sector, Thailand*

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1. Introduction

“Long-stay tourism has a strong underlying demographic support. The worldwide aging population means that increasingly, people will seek the benefits of long-stay tourism. They are uncertain about the extent to which they will outlive their financial resources in this lifetime. The basic conditions they require are good weather, good value to make their money go further, and a stimulating environment to keep their minds and their bodies active (Ritchie, 2014).”

Social and economic factors over the past 30 years, as seen in global demographic statistics, have contributed to the trend in advanced countries for people to have fewer children, whether they are married or living together or in any other arrangement. Priority is very often placed on career development instead of starting a family. Moreover, medical advancements and increased health consciousness have also led to longer life expectancies with higher standards of well-being. The decline in birth rates and aging societies has raised concerns. With a huge aging population, current job markets in many countries have begun to promote early retirement at 50-55 with a golden parachute in lieu of pension, persuading employees to start their own

businesses or seek part-time employment as alternative sources of income. However, more recently, Nordic and other European countries have started to prolong the retirement age to 65 and beyond, because the governments found themselves unable to support the pension and healthcare burdens for their retirees.

Amidst the international trend for healthier senior citizens, there is also an increasing global trend for long-stay tourism. To help stretch pension dollars further with affordable health care, senior citizens, be they officially retired or not, are seeking destinations with lower costs of living and favourable climate and social atmosphere. The term long-stay tourism is now understood to be synonymous with elderly residential tourists, especially in countries with warm climates such as Southeast Asian countries. Just as northern Europeans began this trend by moving to Mediterranean countries in the 1970s, Japanese 'rongusutei' tourists, millions of them, are now leading the Asian long-stay process in Southeast Asia (Ono, 2008).

In fact, this form of senior long-stay tourism is highly competitive, with nations in Asia competing fiercely for foreign exchange inflows from the pension dollars and national health insurance dollars from the pockets of retirees from economically more affluent countries. As a result, Asian governments are facilitating long-stay in combination with health tourism and investments in the medical hospitality industry.

Thus, this research study examines the senior tourism promotion policies of three top long-stay destinations: Malaysia, the Philippines and Thailand. Past empirical research on long-stay tourism tended to focus on consumer behaviour, specifically on how and why the senior tourists perceive and choose long-stay destinations. However, this study seeks to fill in the gaps to some extent by focusing on the businesses that are frequented by senior long-stay tourists and exploring issues relevant to them. In order to provide a comprehensive picture of policy outcomes, it is also necessary to take into

consideration the opinions of service providers on senior tourists. Since statistics show that Thailand has the highest number of senior long-stay tourists and also because the main researcher is Thai, interview data from service providers in Bangkok were collected for content analysis.

2. Literature Review

Given their physical limitations, older tourists have to make trade-offs when deciding their travel plans. For example, they are willing to forego certain sightseeing activities in order to ensure comfort and safety, even if it is at a higher cost and requires more time. After all, unlike families and working age tourists, these senior tourists tend to be retired and have plenty of time on their hands to enjoy the destination at their leisure.

From the tourist destination's perspective, these special requirements for safety and comfort by the senior tourists offer an opportunity to further diversify tourism products and services. Consequently, research on tourist market segmentation that addresses senior tourists usually emphasizes how elderly customers perceive hospitality, tourism and travel services. For example, it was found that in making travel purchase decisions, elderly tourists consider many different aspects of their trip compared to tourists of other age ranges. Based on the different weights given by tourists to various tour attributes, Kim, Wei and Ruys (2003) found that tourists to Western Australia can be categorized into different groups, namely, senior groups, active learners and relaxed family bodies.

2.1. Who Are Senior Long-Stay Tourists?

According to Sujarittanonta and Patterson (2005), senior long-stay tourists or long-stayers are a special category of tourists who extend their stay for as long as three months or more in a foreign destination. They want to take their time in enjoying a destination, experience

living abroad and tend to be retirees with regular cash flow from pension funds or other sources.

Sometimes, a distinction is made between long-stay and retirement in another country, while some studies, as well as governments, do not make this distinction and categorize senior tourists and retirees within the same group. A longer than usual visit abroad by retired middle-aged and older people is considered as a long-stay and is based on a tourist visa or special long-stay visa with precise time limit and conditions; it is not a migration (Sujarittanonta & Patterson, 2005). Thus, a long-stay trip requires a visa application, whereas overseas retirement requires immigration procedures.

Sujarittanonta and Patterson (2005) also addressed the similarities for both long-stay and overseas retirement, since both involve senior people who will spend an extended period in the overseas destination, although there are similar criteria such as low cost of living combined with a high quality of life, interesting activities such as historical, cultural and natural attractions, traditional treatments and concerns over lifestyle changes. If the senior tourists are from cold climates, they may look for warm countries to pass away the winter seasons. Since they are aging, they may require medical care or nursing, e.g. long-term medical treatments.

2.2. Mutual Economic Benefits for the Home and Host Countries

At the very start, for destination countries to benefit economically from tourism, most research studies address the development of tourist attractions (e.g. going back to Lew's 1987 framework for tourist attractions) and ways to entice tourists to stay longer because a longer stay means buying more services and products, thereby spending more foreign exchange in the host country (Wang, Little & DelHomme-Little, 2012). At the same time, home countries are also

encouraging their senior citizens to spend more time overseas in order to reduce the healthcare burden.

In fact, *rongusutei* is a registered trademark of Japan's Long Stay Foundation (*Rongusutei Zaidan*) which was established in 1992 as a public interest corporation authorized by the former Ministry of International Trade and Industry (MITI) (Ono, 2008). Hence, the long-stay concept first originated in Japan, where it is known as *rongusutei*, in which the distinction between tourism/tourists and migration/migrants has become blurred – long-stay tourism aims not at sight-seeing but at staying and experiencing life in a particular destination (Ono, 2008). *Rongusutei Zaidan* also recommends that Malaysia, Thailand and the Philippines are favorite countries for long-stay, due to “low-cost, short-flight-time and warm weather” (Long Stay Foundation, n.d.) However, for Thailand, the senior long-stay tourists come mainly from colder Western climates, inviting them to stay for up to a year, in combination with healthcare services. For Malaysia and the Philippines, their senior tourists are mostly from neighbouring countries in the region, e.g. China, Japan, South Korea and Taiwan.

While home country governments of senior tourists are promoting long-stay or retirement overseas, the host governments in Asia also compete for foreign exchange from senior tourists. Theoretically, long-stay tourism promises mutual benefits for both the host and home countries, for example the Japanese, Chinese and Nordic governments also encourage their senior citizens to move to Thailand, as evidenced by the successes of the Japanese village in Kanchanaburi, Chinese village in Chiang Mai and Scandinavian Village in Chonburi.

2.3. Healthcare Concerns

Long-stayers also include medical tourists who seek more affordable and available healthcare (Sujarittanonta & Patterson, 2005). For a

memorable, safe, healthy extended stay in a destination, senior tourists require safety and available health care providers. Health service demands by senior tourists have also been addressed by past research studies, e.g. Bauer's 2012 study on senior tourist health needs in Peru. However, services that senior tourists are concerned about do not necessarily have to be related to exotic destinations with unusual local diseases and infections. They are frequently concerned with basic, regular check-up procedures, standard health maintenance and standard pharmaceutical supplies for universally expected physical conditions that come with age, such as high blood pressure, high cholesterol and high blood sugar. Other related issues concern food safety and allergies but this can be easily avoided without many complications thanks to the availability of imported fruits and vegetables in the city of just about any part of the world today, as well as familiar global brands of processed and packaged foods, as well as toiletries and cleaning products in global chains and franchises. Moreover, international food safety control systems are also now in practice in all food exporting countries (Wu, 2012). In fact, Fukahori *et al.* (2011) found that about 80% of healthcare professionals found no difference between caring for elderly Japanese subjects and people from Thailand.

2.4. Language Barrier

While English is now East Asia's *lingua franca*, this does not always apply to senior tourists. It was found that a language barrier can also pose a problem among senior tourists who were educated at a time back when English was not a mandatory part of their country's school curriculum, when international educational programmes did not exist on a large scale and the English language was used only among the economically well-off in the upper classes of contemporaneous societies. Naturally, the wealthy of each country have less need to stretch their pensions nor save on medical care by moving to Asia where the cost of living is lower. Consequently, even though local service providers in host countries like the Philippines and Malaysia

can use English fluently in their daily lives, almost to the extent of it being a mother tongue, it is the senior tourists who more commonly have difficulties in using English to communicate. For example, many elderly Japanese subjects were unable to speak either English or Thai, leading to communication difficulties in Thailand (Fukahori *et al.*, 2011). As a result, Thai service providers such as Bumrungrad Hospital and Bangkok Hospital have to hire personnel who can speak fluent Japanese and Chinese. The language situation may be a clue to suggesting the limitations of senior long-stay tourists in contributing to the economy of the host Asian countries concerned.

With the senior tourists already spending longer time in the host country as a matter of definition, the concern has now shifted to the economic and social impacts on the host society, precisely as a result of having senior tourists staying for a longer time than the usual tourists, and even visiting repeatedly over the later years of their lives.

Consequently, the main research questions are:

- In light of competing policies among Asian governments to attract senior tourists, what are the potential social and economic impacts that senior long-stay tourists provide for the host country?
- What are the opinions of local service providers about senior tourists?
- How can policy makers and managers improve senior long-stay tourism conditions for service personnel?

3. Methodology

For competing policies among Asian governments to attract senior tourists, information and data on long-stay host organizations in Malaysia, the Philippines and Thailand were collected online through official and non-official websites.

Since statistics show that Thailand has the highest number of long-stayers, in-depth interview data was collected from Thai service providers in order to determine the opinions of local service providers about senior tourists.

For this purpose, Mrs. Vilasinee Khamapanya, co-owner of StayBangkok.com allowed the researcher to interview the managers and service personnel at three of her Bangkok establishments that are frequented by senior tourists, among other properties. She also helped to organize interviews of managers and personnel of service businesses in the vicinity of her boutique hotels and apartments.

The service providers in the Bangkok city area were chosen based on their proximity to affordable hotels that are amenable for longer stays and they provided useful information concerning the opinions of hotel managers and private hospital managers and surrounding service providers. Data on Thai service providers' opinions were collected through in-depth interviews in combination with on-site observation, both by the researcher and trained research assistants.

Actual visits were made on-site for the interviews to ensure that there really are foreign senior tourist customers at these service business locations. By talking to the owner and personnel present at each business (about 3-5 persons per service business), depending on who was around and available for information, the research study included a total of 20 businesses including StayBangkok's three accommodation establishments in the heart of Bangkok with skytrain and subway accessibility (Payathai and Ratchada stations). Content analysis was carried out and discussed by the researcher and research assistant, with the participation of a hotel manager who volunteered information and served as a reliability and validity check, thus minimizing the risk of researcher misinterpretation and bias.

The respondents interviewed for this study totalled 20 and the schedule of in-depth interviews was as follows:

- The manager and hotel personnel at the Staybangkok chain of boutique hotels and serviced apartment (the three businesses of Wattana Mansion, Bangkok City and Bangkok Suite), were interviewed and this involved one general manager, one front desk manager, four receptionists and three housekeepers.
- The owners/managers and service personnel at approximately five to seven businesses each from around Wattana Mansion, Bangkok City Hotel and Bangkok City Suite respectively that cater to senior and long-stay tourist customers, e.g. restaurants, coffee shops, hair salons, traditional Thai massage shops, clinics and convenience stores, which includes two spa service personnel, three servers and two travel agents.
- Major medical providers in Bangkok, namely two nurses from Bangkok Hospital, one doctor from Bumrungrad Hospital and one quality improvement coordinator (QI Co) from Samitivej Hospital.

Content analysis and discussions were carried out by:

- The researchers who also teach hospitality at the undergraduate level.
- Co-owner and a manager of www.staybangkok.com.

4. Findings

4.1. Interview Results

Interview results suggested that, while Thai medical services are high quality at very reasonable prices, there are still challenges for service providers to overcome in offering long-stay services to senior tourists.

From the interview with the doctor from Bumrungrad Hospital, where the overwhelming majority of clients are foreigners, it was found that the cost of Thailand's healthcare and medical procedures is "not expensive" compared to their home countries and, in addition, Thai doctors are of top quality and gives premier or world class medical service at this venue.

Although Thai people are not as fluent in English as compared to many people in Malaysia and the Philippines, interviews of the nurses from Bangkok Hospital found that while most of the patients are foreigners, they do not have difficulties in communicating with Thai medical staff. This is because the hospital has prepared translators who are readily available in the languages of major client countries.

The interview with the quality improvement coordinator (QI Co) from Samitivej Hospital provided additional confirmation of the quality of healthcare in Thailand for the overseas clientele, whereas the hospital continually strives towards excellence and quality improvement in every aspect. This effort is driven by the quest for international recognition and reputation and depends on details such as having translators to hand for convenience and to avoid misunderstandings during medical consultations (which is of the utmost importance).

However, the travel agents in this study did not have a very positive experience of the senior tourists, finding the elderly people to be rather too shrewd and detailed before making the decision to purchase a trip (e.g. day trips, weekend trips and provincial trips). In their experience, some senior tourists have even expressed dissatisfaction after having gone on the trip they purchased and have demanding a refund by claiming that the experience did not meet their expectations and needs prior to the trip. In certain cases, the senior tourists even threatened to file a police report although, after negotiations, they did not carry out the threat. The travel agents felt that all these dramatic incidents were staged in order to bargain for additional benefits.

This finding on careful spending corresponds with the interview findings from the hotel's general manager, whose opinion was that hotel guests aged over 55 (retirement age) are usually not comfortable about spending extravagantly, which is understandable because they will be spending a longer time overseas on limited funds and, thus, would spend more carefully to obtain the maximum value they possibly could.

Despite being surrounded by the bustling Bangkok environment, senior long-stay tourists were also found to be extremely lonely, especially the male tourists. Loneliness was so severe that in some cases it trumped the financial concerns mentioned by the general manager in this study. This led to generosity that was mostly found in the experience of the receptionists in this interview, who were mostly young women and who personally experienced these hotel guests' advances. Whether they were seriously looking for a life partner or not, senior male long-stayers would frequent the receptionist desk for casual chatting and shower snacks and sweets on the receptionists, up to the point of giving presents of smart phones. When they became more acquainted over time, the receptionists would get asked or invited out, "where do you want to go? I'll take you there." Some have been more generous and offered the receptionists plane tickets with pocket money.

Even in the hotel service environment, where cultural sensitivity is taken for granted, there were also instances of cultural miscommunications or culture shock. This is a more common occurrence which involved interactions between guest and service staff of different genders. For example, a housekeeper in this interview felt harassed when the senior tourist requested specific help. The senior tourist had complained about itchiness, "Don't know what I'm allergic to, maybe the towel, maybe the sheets are not clean." When the housekeeper arrived, the guest took off his trousers wearing only his briefs, in order to show the itching area on his bottom. The

housekeeper got frightened and ran off to tell her supervisor, who solved the problem by sending in a male housekeeper.

The waitress who delivered room service to the rooms also expressed similar worries. Those interviewed by this study have experienced expressions of gratitude that Thai custom is unfamiliar with when it comes to male-female interaction. What happened simply was that the guest decided to hug the waitress who delivered his meal order but, unfortunately, the Thai waitress perceived this as molestation. She claimed that she had to wriggle her way out of the embrace and subsequently escaped. Later, the guest ordered more food and asked for this particular waitress to deliver it to him. The hotel informed him that her shift was over and sent a male waiter instead.

4.2. Asian Long-Stay Landscape

The attractiveness of competing Asian long-stay host countries is evaluated by comparing government policies designed to attract senior long-stay tourists. In order to lure seniors to long-stay, interesting benefits and perks were offered, with special visas created just for the senior long-stay category. There was an age requirement of 50 years' old and strict employment restrictions during the stay and, since the aim was to earn foreign exchange, all three countries (Malaysia, the Philippines and Thailand) had financial deposit requirements and even pension requirement in the case of the Philippines. Information and data on long-stay host organizations in Malaysia, the Philippines and Thailand were collected online through official and non-official websites and are summarized as follows.

4.2.1. Malaysia

The Malaysian government officially launched the Malaysia My Second Home (MM2H) programme (www.mm2h.gov.my) in 2002 (Jegathesan, 2012). It was again re-launched by the Ministry of Tourism of Malaysia in April, 2006 (Ministry of Tourism & Culture

website <http://www.secondhome.com.my/t1/index.php>). According to Jegathesan (2012), MM2H applicants are led by China, Japan, Bangladesh, the United Kingdom and Iran, with a total of 2,387 MM2H applicants approved in 2011.

Long-stayers must deposit US\$50,000 in a local bank account in order to qualify for the MM2H programme (*ibid.*). Interestingly, the Ministry of Tourism highlighted that MM2H is not equivalent to a Malaysia Permanent Resident status (PR) but is as good as PR for people who do not plan to work.

Malaysia is very generous in that it issues senior foreigners a 10 years' Social Visit Pass (SVP) & Multiple Entry Visa (MEV) which will be continuously renewable, unless that senior tourist violates the law in some way. Working is discouraged but allowed but only part-time and up to 20 hours per week, pending application approval. Employment would have to be approved through a work permit and not under long-stay status.

To reduce cumbersome bureaucracy for senior tourists, a private firm, Richmond Consultants (MM2H) Sdn. Bhd. has been appointed as one of the official sponsors to help foreigners apply for the programme in a hassle-free way. Some of the perks include tax exemptions for remittances of offshore pension funds, the right to open a business (but not to be employed), ownership of freehold property and land, as well as tax-free purchases of locally-made cars.

Senior long-stay tourists can also apply for an annual membership fee under the MM2H programme. The fee is RM175 (approximately US\$54) and covers two people, with discounts on products and services at certain shops, access to a telephone Help Line, linkage with other MM2H visa holders, monthly E-mail newsletter and the right to give feedback through a designated communication channel, among other enticements.

4.2.2. The Philippines

The Philippines Retirement Authority (PRA) is a state-owned enterprise that is now an attached agency of the Department of Tourism and was established in 1985 (Philippine Retirement Authority, 2007). Previously, the PRA was under the Board of Investment (BOI) of the Department of Trade and Industry. There were nearly 21,000 senior long-stay tourists as of 2011, coming principally from China, South Korea, Taiwan and Japan (Jegathesan, 2012).

Interestingly, the special long-stay status is aimed not only at foreign nationals but, also, former Filipino citizens who had migrated overseas. In effect, the Philippine government wants to attract wealthy Filipinos back home so that they might invest their capital in the Philippines and luring seniors with "... the end-view of accelerating the socio-economic development of the country, contributing to the foreign currency reserve of the economy and by providing them the best quality of life in the most attractive package" (Philippine Retirement Authority, 2007).

Also, long-stay tourists in the Philippines are allowed to work and do not need to be old. While the official age and financial requirement is similar to that of Malaysia, i.e. 50 years' old with a US\$50,000 deposit requirement but the deposit amount required depends on the pension sum available and the long-stay tourist can apply for an Alien Employment Permit (AEP) and work. Depending on their earnings, those foreigners and former Filipinos under 50 can also apply for this programme.

Recently, in June 2013, the Philippines came up with a Special Resident Retiree's Visa (SRRV), which allows long-stay tourists to extend their stay for six months after the standard 21 day tourist visa (Philippine Embassy, July 2013). The SSRV costs PHP13,900 for visa-required nationals (US\$302) and slightly less for non-visa

required nationals like citizens of ASEAN countries (PHP11,500). Long-stay tourists can also apply for PRA membership which comes with privileges such as Greet and Assist at the airport, a 24/7 Hotline, assistance in obtaining basic documents such as National Bureau of Investigation (NBI) clearance, driver's license and motor vehicle registration, Philippine tax exemption, medical clearance and Alien Employment Permit (AEP), in addition to basic privileges such as merchant discounts, list of hospitals and doctors and assistance with banking matters.

4.2.3. Thailand

In 2001, the Thai government started the long-stay tourism project. Back then, it was estimated that up to 250 million elderly people from Japan, Europe and the Middle East would like to retire in a developing country like Thailand (Sujarittanonta & Patterson, 2005). Thus, the Thai Longstay Management (TLM) Company Limited (Long stay Foundation, n.d.) was established in 2001 as a state-owned enterprise, with the Tourism Authority of Thailand as the major shareholder.

The requirement to become a long-stay tourist is to be 50 years' old or older and have a Thai bank account with a minimum deposit of 800,000 Baht (approximately US\$24,823) for at least two months in the first year and three months for the second year. Similar to Malaysia's MM2H scheme and the Philippines' PRA scheme, Thailand's TLM also offers membership at a service fee of between 12,000 baht to 20,000 baht (US\$380-640) per person per year, depending on the type of membership (Silver, Silver Plus or Gold memberships). The benefits include a one-year Single Entry Retirement Visa, fast-track Airport Immigration which TLM apparently thinks that seniors need because they have little time left in life and fast-track Thai driving license application and approval which foreigners would need help with given that Thai is the official language. However, the most attractive benefit is the 18% discount for health & accident insurance, because Thailand wants its long-stay

customers to live longer and more active lives in order to keep contributing more and more to the Thai economy. Consequently, the membership's Smart Card comes with discounts at several service providers (such as hotels, resorts, spas, golf courses, restaurants and shops, as well as travel assistance services, including information and know-how on travel destinations with transportation, airport liaison, travel channel broadcasting and visa and immigration services) and communication and safety service providers (e.g. mobile phone with SIM card; safety and technology support services, awareness and care from tourist police, natural disaster alert-system through mobile phone, accident health insurance, savings bank account and medical services).

The Ministry of Foreign Affairs also came up with a special one-year Non-Immigrant Visa known as the "O-A" (Long Stay) which is issued to applicants aged 50 years and over who do not intend to work. Employment of any kind is strictly prohibited.

4.3. Interview Data

From the interview data that was collected from hotel manager and service providers in Thailand, there were differences in the opinions of service personnel and owners and managers. Also some negative social externalities were expressed by the service businesses.

In general, practically every service personnel expressed the opinion that senior tourists shop less than younger tourists and are fussy (i.e. they complain about what they perceive to be poor service). The longer their stay, the shrewder they become and this is manifested by haggling more and tipping less. Hence, while most people outside the tourism industry may think that foreign senior tourists would help to boost the Thai economy, the service personnel finds that in fact these senior tourists do not like to spend much money (i.e. they are 'stingy') and have low potential to contribute to the Thai economy (of course, the respondents are not very-well informed). However, the managers and owners of the service businesses suggested that even though they

do not spend much, the presence of senior long-stay tourists can help to stimulate investment in real estate and new businesses, such as investment in accommodation and healthcare projects, as well as small and medium-sized establishments in the low- to medium-price range. Their view is that, despite the minimal food and shopping expenses of senior tourists, foreign exchange income would nevertheless accrue in the form of accommodation rentals, hospital and clinic services. Consequently, the economic impact that senior tourists would bring is still positive for the Thai economy.

Thai service providers, both managers and personnel, also admit that they need to improve their foreign language skills and learn more than just basic English. This is because senior long-stay tourists not only spend more time each stay but, also, do not go out to explore very far. Thus the senior tourists end up spending more time having long conversations with the service personnel and so require a more personal level of conversation beyond the standard transactional verbal communication. This foreign language inadequacy extends not only to English but, also, to the Japanese and Chinese languages. Moreover, the increased duration of interaction also poses unwanted social externalities that service personnel had to tolerate from the senior long-stay tourists. Several respondents reported increased unwanted physical contact from the senior tourists, which Thai culture finds inappropriate and workers outside the sex industry consider as molestation when it comes from foreigners and non-social elite members.

In conclusion, although in common with most Asian cultures Thai culture cultivates a respect for the elderly, the presence of seniors who are foreigners is not always welcomed. Some Thai service providers are wary about a depressing scenario in the future in which the Thai social environment becomes filled (in their small-minded and somewhat xenophobic attitude typical of Thai people) with ‘stingy,’ demanding and complaining foreign senior people. Findings from both comparative government policies and the interviews of managers

and personnel of service businesses are further discussed in the next section in the context of Thailand's competitiveness, together with policy and managerial implications.

4.4. Discussion of Findings, Managerial and Policy Implications and Suggestions for Further Research

The senior long-stay policies and programmes of Malaysia, the Philippines and Thailand are summarized below in Table 1.

Long-Stay Host Country	Malaysia	Philippines	Thailand
Program	Malaysia Second (MM2H) programme	My Home Retirement Authority	Thai Long-Stay Management (TLM) Company Limited
Launch Year	2002 & re-launched 2006	1985	2001
Responsible Agencies	Ministry of Tourism & Culture	An attached agency of the Department of Tourism	State-owned enterprise, major shareholder is the Tourism Authority of Thailand
Long-Stayer age and Financial requirements	US\$50,000* (age below 50 are required to show proof of liquid assets worth a minimum of RM500,000 and offshore income of	Age requirements & Visa deposits of up to US\$50,000 depending on age and pension terms*	50 years or older, have a Thai bank account with a minimum deposit of 800,000 Baht (US\$25,000)

	RM10,000 per month)	per	at least 2 months in the first year and 3 months for the second year
Special Long-Stay Visa	10 years “Social Visit Pass” (SVP) & “Multiple Entry Visa” (MEV)	“Long-Stay Visitor Visa Extension” (LSVVE) up to 6 months after 21 days standard tourist visa	1 year Non-Immigrant Visa "O-A" (Long Stay)
Long-Stay Home Country*	1.China 2.Japan 3.Bangladesh 4.United Kingdom 5.Iran	1. China 2. South Korea 3. Taiwan 4. Japan	In 2011* 1. England 2. America 3. Germany A-O Visa Statistics (2007-2011)** 1. Sweden 2. Finland 3. USA 4. Canada 5. France
Number of Longstayers*	2,387 approved in 2011	Nearly 21,000 as of 2011	35,488 applicants in 2011

Table 1: Comparison of Policies to Attract Senior Tourists to Malaysia, Philippines and Thailand; **sources:** Malaysia My Second Home (2014), Philippine Retirement Authority (2007), Jegathesan (2012), ** Long stay A-O Visa Statistics from Department of Tourism (cumulative 2007-2011), Long stay at Thailand (2010).

Why is Thailand more successful? From the table above, Thailand has 35,488 applicants compared to 21,000 for the Philippines and only 2,400 for Malaysia. While it might be argued that Thailand attracts more senior long-stay tourists because Thailand charges long-stayers only half the deposit amount (US\$25,000 compared to US\$50,000), the deposit requirement is unlikely to be the explanation because the target markets are different. Thailand attract long-stayers from the cold countries of the West (e.g. Sweden, Finland, USA, England and Germany), while the Philippines and Malaysia attract long-stayers from within the region (e.g. China, Japan, South Korea and Taiwan). Moreover, the Western target countries' cost of living is much higher than East Asian target countries, therefore the price difference of US\$25,000 in savings is unlikely to be the main reason why Western senior long-stayers choose Thailand over the Philippines and Malaysia.

Further research is necessary to determine the reason for Western long-stayer consumer behaviour in selecting Thailand over Malaysia and the Philippines, given that all three countries share approximately similar climates. Moreover, Filipinos and Malaysians are also (at least in some cases) fluent in English, unlike Thailand where English is a second language that poses a great challenge for service providers who cater to long-stayers, as this study found.

The Philippines also has the added privilege compared to Malaysia and Thailand that the long-stay tourists are allowed to work through an Alien Employment Permit (AEP) and they do not need to be older than 50 to qualify for the special long-stay status. While it may be observed that the Philippines' LSVVE is valid for only the short period of up to six months, this limited time period may not have much impact on the Philippines' customers since they are mainly from the neighbouring countries of China, South Korea, Taiwan and Japan, making it convenient for them to travel back and forth from home to host. However, despite these perks over competing Malaysia and Thailand, the flexibility and leeway regarding age, pension requirements and financial deposit requirements also create an

ambiguity in the Philippines' regulations, since these conditions are subject to the judgment of the official in charge of each application case. Consequently, the Philippines may be able to attract more senior long-stay tourists if their regulations are more precise. In order to attract senior long-stay tourists from target countries that are far away requiring long haul flights, the LSVVE may need to be automatic and approved in the home country of the long-stay tourists, without having to wait to be in the Philippines to reapply after 21 days (subject to approval). The conditions for LSVVE application become an uncertainty, posing an obstacle for at least some senior tourists in planning their long-stay trips.

Given that Islam is the largest or main religion in their countries, it is logical that senior tourists from Bangladesh and Iran would have a preference for Malaysia. This is due to Islamic concerns about the availability and reliability of Halal food and other standard requirements of the religion that should be met, e.g. prayer rooms, an environment of modesty where women wear hijabs and so forth. The comfort level for Muslim senior tourists in Malaysia would be superior to Thailand or the Philippines, much as these two countries have been trying and succeeding in developing their Halal food industries. Policies to attract Muslim senior long-stay tourists are, unfortunately, not sufficiently popular in Thailand, although Bangkok has a small zone in Nana that caters specifically for Middle Eastern tourists and other Muslims nationalities and many Muslim southern Thais speak *jawi*, which is a dialect of Arabic. Thai service providers such as Bumrungrad hospital also have a separate zone for their Muslim clients. Most food courts in the major shopping malls of Bangkok now also have at least one Halal food shop or a vegetarian Indian food stall but there are nevertheless limitations.

In the case of Thailand, Thailand's private and public sectors collaborate and strive to provide foreign elderly tourists with security, safety, healthcare, happiness and satisfaction. It is estimated that the increase in revenue for Thailand's GDP is approximately 19 billion

dollars, coming from over 15.8 million senior tourists for 2010. According to the Tourism Authority of Thailand, the motivations for senior tourists to stay longer in Thailand come from factors such as the friendly atmosphere, safety and political stability (irrespective of recent events), low cost of living, convenient visa application procedures, interesting activities and attractions, climate, food, culture, sports and shopping. Other personal attractions for seniors to come to Thailand include not just lower cost medical services but the search for love, marriage and entertainment. Moreover, the influence of media such as the film "Lost in Thailand 2013" which is very popular in China, also play an important role in tourism in Thailand.

However, as the in-depth interview findings suggested, there are also questionable social impacts from the presence of elderly foreigners in the Kingdom.

In general, practically all service personnel are frustrated to a certain level, partly because they find that senior tourists shop less and are demanding and complaining. The reason that senior tourists are stingy could be that they are from the older generation and are careful with money (and are also understandably concerned about being cheated by local staff). Senior long-stay tourists, it is claimed, are more fussy, "they are asking more personal wants" but that could be due to the longer duration of time that they spend, compared to regular tourists. The elderly in general are also lonely and want to tell stories about their past repeatedly.

Another cause of frustration is possibly due to miscommunication, resulting from the limited language competency of the service personnel. The increased interaction calls for a deeper level of communication beyond the perfunctory hello and goodbye, how are you and so forth. Both managers and personnel also admit that they need to improve their foreign language skills and learn more than just basic English. Thus, this is an opportunity for universities that teach hospitality and tourism programmes in Thailand to offer more

advanced English language courses. Socially speaking, with more time, an understanding of senior foreigners may be more realistic for the Thai service providers, who may improve their language skills and come to a cultural adjustment to accommodate the long-stay foreign tourists, in terms of expectation and behaviour towards them.

Other unwanted social externalities that service personnel felt they had to tolerate from the senior long-stay tourists includes unwanted physical contact which most considered as molestation, leading to overall increased molestation in the service industry, as other tourists begin to see that the service personnel put up with such contact from senior tourists and the management did not press charges. This misperception is due in part to Thai culture, which encourages a show of respect to the elderly, which is a value cultivated since childhood. However, in fact this Thai cultural value is reserved for senior relatives and friends and not strangers in general. In order to protect Thai service personnel from such harassment, the Ministry of Foreign Affairs, which issues the A-O long-stay visa, as well as the Thai Long-Stay Management, will need to educate their long-stay applicants about Thai cultural sensitivities when it comes to physical contact and interaction between service provider and customer, as well as clearly defining the differences between workers in the sex industry and non-sex worker personnel. It may also be necessary to train the service personnel on how to escape from a molestation situation.

Nevertheless, foreign exchange income from foreign senior tourists comes mainly from accommodation rentals, some hospital and clinic services and minimal food expenses, as was expressed by the managers and owners of the service businesses, who look at the bigger picture and see how senior long-stay tourists can stimulate investments in real estate and new businesses.

This research is incomplete because it only collects data from Thailand. In order to understand the strengths and weaknesses of the Philippines and Malaysia, more research needs to be conducted,

involving data collection from service providers to senior long-stay tourists.

5. Conclusion

The interview data suggests that, like all forms of tourism, the economic benefits to be derived from having tourists staying longer is not always necessarily positive, even if the tourist are senior citizens. The host country could earn more per tourism day from younger tourists than from senior long-stayers.

Consequently, a longitudinal study on all three countries - Malaysia, the Philippines and Thailand - would help to shed light on how service providers adjust to foreign long-stay tourists. It would also be interesting to find out how the socio-cultural interaction plays out in the long term, with increasing numbers of Chinese, Malaysian and Japanese seniors living and interacting in Thai cultural spaces, as well as how the Thai public would change their perceptions and their traditional cultural values towards the elderly people and adjust themselves to the contemporary world in which foreigners are treated as their equals.

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A Proposed Model for Enhancing the Performance and Learning in a Managerial Team

Ravee Phoewhawm and Mahmoud Moussa

Abstract

One of the greatest challenges of being competitive in the long run that any company faces is in sustaining the morale of a managerial team to produce the desired outcomes. There will be times when members of the team have to be confronted with challenging issues such as holding each other accountable or painstakingly keeping anxiety at a moderate level during a heated debate. This study proposes a model for forming and learning as a managerial team by pinpointing the issues of upholding morale, coordinating the capabilities of team members and being equipped to deal with the changes in the work process. However, with so many uncontrolled dynamics in the working environment, the proposed model is effective when members are truly focused on obtaining results.

Keywords: *communication, consensus, experimentation, execution, learning.*

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1. Introduction

For a team of managers working in a company where it has to adapt constantly in a changing business environment, continual change is necessary to prevent atrophy in learning and effective performance as a group (Marcus, 2011). A managerial team is formed to be entrusted with its organization's purpose of upholding the values as well as leveraging the resources to ensure competitiveness, resiliency and longevity for the future (Schilling, 2010). Consequently, such a team has to execute with a collective state of mind situations where individual members form and learn by being firmly aligned, questioning their methods and using analysis to attain the desired outcome (Kinicki & Williams, 2011).

1.1. Forming and Learning as a Managerial Team in a Changing Business Environment

One of the greatest challenges of being competitive in the long run that any company faces is in sustaining the morale of a managerial team to produce the desired outcome (Divakaran, Mani & Post, 2012). The focus is on coordinating the diverse knowledge, skills, abilities and perspectives of team members to keep pace with abrupt changes and interacting with others to develop group proficiencies (Hackman, 2011). Simultaneously, the working conditions must support collaboration, being aware of the actions taken and solving problems in a more creative manner (Wang, 2006). There will be times when members of the team have to be confronted with challenging issues such as holding each other accountable or painstakingly keeping anxiety at a moderate level during a heated debate (Levin, 2011). However, a collective effort is strongly urged in converting this situation into a productive experience that helps the team to become fully equipped in managing the changes involved (Marquardt, 2011).

1.2. Research Questions

The authors of this work attempt to address the following questions concerning enhancing performance and learning in a managerial team:

1. How should morale be upheld?
2. What is the proper design for coordinating the capabilities of team members?
3. What should be the outlook design for people to be equipped to deal with the changes involved?

1.3. Research Objective

The aim of this research is to construct a model for enhancing performance and learning in a managerial team by upholding morale, designing a work flow for coordinating the capabilities of team members and providing an outlook for people to be equipped to deal with the changes involved.

2. Literature Review

2.1. Establishing a Sound Flow of Communication

A sound flow of communication involves the idea of making it safe for team members to admit to their shortcomings while other members are taking the initiative to learn about the event and search for the next steps of action to rectify the matter (Edmondson, 2011). Individual members of the team are asked to reflect on the obstacles they faced and make a concerted effort to think of possibilities (Biloslavo, 2005) for attaining the objectives. Communication becomes a sound flow when team members are encouraged to reflect on what, where, when and how (Yeo, 2008) rather than spending time on thinking about what caused the problem in the first place.

2.2. Providing Reasons

According to Schilling (2010:252), "... the great strength of the house of quality is that it provides a common language and framework within which the members of a project team may interact. The house of quality makes the relationship between product attributes and customer requirements very clear, it focuses on design trade-offs, it highlights the competitive shortcomings of the company's existing products, and it helps in identifying what steps need to be taken to improve them."

2.3. Experimenting with the Decisions Made

The aim of conducting trials and tests is to evaluate the decisions that were made and to seek for further improvement (West & Bamford, 2010). Teams may have to take on a deliberately experimental approach to clarify the key processes that have led to their decisions while at the same time anticipating and removing barriers that can disrupt the effort to learn from their failures and treat them as the subject of ongoing research (Edmondson & Cannon, 2004).

3. Case Analysis

A case analysis was applied on an event at a manufacturing company where the managerial team was struggling to regain its level of performance in complying with the organization's philosophy and mission statement. This is, therefore, a case of a managerial team's effort in forming and learning together.

3.1. Background of the Study

To protect the integrity of all stakeholders and the company's reputation for quality in what is a very competitive industry, the company will be referred to as the "Megatronics Company."

Based in the Lamphun province of northern Thailand, Megatronics is a manufacturing company that specializes in producing electrical components. The company relies on its departmental managers to work as a team in order to fulfill two objectives – “... the company’s philosophy of delivering quality and the mission statement of attaining the highest benefit for the customers.” Established in 1999, the company set the standard for work practice and customer service in its early years.

3.2. A Team Lacking Teamwork

As 2010 approached, the team studied started to experience some problems in functioning as a team. While the problems were mounting, the motivation to work as a truly defined team started to wane. All the while, the company’s managing director and human resources manager claimed that the philosophy and mission of the corporation could be attained if the managers were able to work as a complete team. However, rather than standing as a strong unit, some team members opted not to fully get involved for fear of the possible repercussions; that is, there was a lack of support for the concept. Some of the members stood by the sidelines and abandoned hope for change while leaving the more vocal team members to make spontaneous contributions. The human resources manager had to arrange a special meeting to help the managerial team gather its thoughts and realign its behaviour with the company’s philosophy and mission.

3.3. Defining the Root Cause

In an interview with the managing director of Megatronics, he perceived that there were many problems among the departmental managers in trying to work as a team. He felt that there were dysfunctional working relationships as individual team members focused more on who was at fault rather than finding a solution. He also perceived that they were not complying with the company’s

foundations by being careless in delivering finished goods that did not match customer orders. In addition, the managing director stated that the team was lacking in collaborative behaviour in developing a better method for problem-solving. Furthermore, the managing director sensed that the team was not willing to share ideas, information or knowledge with each other despite asking each of them to do so when he had a meeting with them.

The next interviews were conducted with managerial team members to obtain their version of the problems being experienced directly. They provided further information by presenting workplace issues that they had to overcome. First, they mentioned that they were unable to obtain accurate and confirmed information due to fellow team members not wanting to be held responsible for negative outcomes caused by the product. Second, they had experience in not having enough time to agree on an exact schedule for finishing a project because of hidden tasks that required prompt completion. Third, they sometimes had to compromise the quality of work in order to meet with the pressures of demands from their customers who were urging quick delivery.

Based on observation of one of the managerial team's meetings, the issue of rushing to get things done forced the managers to get their assignments finished as soon as possible because of the hectic schedule. By rushing the process, the products manufactured were often returned as below quality and were heavily criticized by the receiving customers.

The staff did have a team but they were lacking in teamwork. Members were not able to come together and exchange ideas and probe for solutions due to being bombarded with problems that hindered their ability to meet the schedule. Some members stayed silent about problems and hoped that the matters would be resolved by somebody else. Challenges and problems were sometimes abandoned when people did not wish to exhibit the strong will and effort

necessary to manage the situation. It was somewhat ironic to see the managerial team working effectively when it was conditions of fear and anger that forced them to work together. The former made people scared of losing their job or being reprimanded, while the latter was a cause of emotional frustration for top management. Not only was there a sense of being intimidated for rapidly providing information but people also had to endure being chastised for not giving accurate information. While the problems continued to mount, it resulted in mental strain and physical anguish for some of the managerial team members who wanted to improve their team's performance. As a result, teamwork and morale could not flourish.

3.4. Change of Outlook and Approach towards Working and Learning Together

At a managerial team meeting focusing on achieving high quality, members of the team were asked to reflect on the current operational system. A roundtable discussion was established to obtain their insights on what was working and what was not working, as well as the reasons for this. Each team member was given a chance to express a personal view of the operational system. Since there was evidence that people were not able to obtain accurate and confirmed information, which led to some mistakes and errors, the aim was to get the managerial team thinking about how to serve internal customers (i.e. fellow departmental colleagues) better so that everybody can work with a sense of professional dignity. It was proposed to the managers that they come up with an improved work design model that incorporates the Megatronic company's philosophy and mission.

The issue of concern for some team members was having enough time to ensure that the project could be completed on schedule. In general, there needs to be a session where everyone can come together and provide valuable inputs in ensuring that the project will be done with appropriate quality and on time. The managerial team felt that there

should be a pre-assessment meeting to address the following questions: What are the technical issues? What are the procurement issues? What are the production issues? And what are the profit-margin issues?

The team had to come up with an ideal working system or model that will allow all of them to obtain accurate information so they can perform to the best of their abilities to achieve the stated objective, for example: delivering on-time, with suitable levels of quality or enhanced satisfaction for the (internal/external) customers. It was agreed among the managerial team members that this working system should uphold the values of people being in high spirits, being challenged, honest, responsible, aware of the need for self-improvement and respect, experiencing job-satisfaction and maintaining teamwork. In order for them to achieve the outcome of quality, they all agreed that they want to work in an environment where the original working model produces a positive currency of working relationship values. This model is presented below:

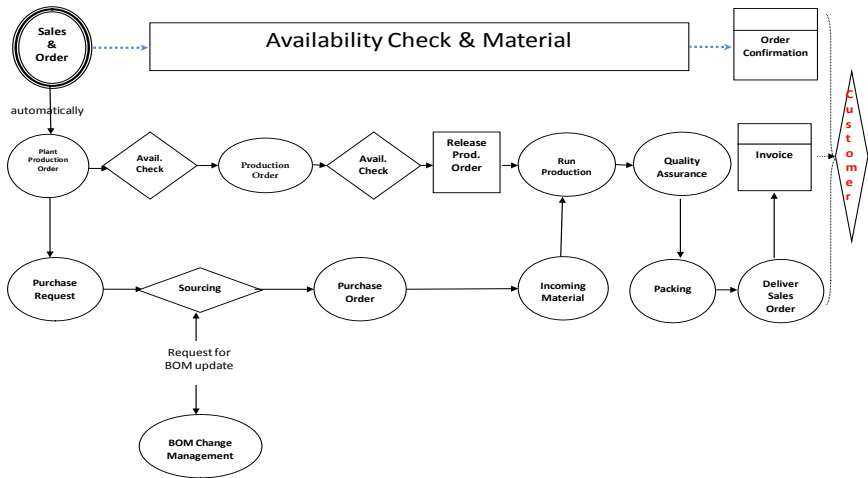


Figure 1: *The Original Working Model; source: Original Research*

3.5. Working and Learning Together in a Modified Direction

Upon review and reflection as a group, the managerial team discovered that the problem was not so much a question based on resources or policies but rather the way that the work flow was designed. According to the members, it seems that the original working design was completely outmoded and could not reinvented according to the demands from customers for high quality. Worse, the old work design did not provide the mental infrastructure for the team to enhance their teamwork or allow time to examine the root causes of the problems being experienced. The team believed that it was time to take control of the situation before the situation starts to control the team’s performance. A working model was put forward so as to try to achieve consensus and then determine if this project could be managed accordingly and then an execution stage to come to an understanding and, hence, demonstrate commitment to the project.

There is, therefore, first a consensus stage and, second, an execution stage.

The purpose of the consensus stage was to:

- Obtain information that is accurate and confirmed;
- Identify issues that are of concern and rectify them as soon as possible;
- Set an agreed plan for action.

In this stage, quality is defined and drawn so that team members know the appropriate action to be taken. This would be the mission that is upheld from the very beginning. The execution stage ensures that all involved members have made a commitment to finishing the project. This stage also allows the staff to address any arising and/or existing problems that must be taken care of so that the project will be completed on schedule.

The newly designed working model was not intended just for the configuration of the duties and roles of those involved but was also built for the purpose of integrating the positive elements of the working relationship into daily procedures. In reality, this work design model was made for the managerial team to continue to move forward and provide the capacity to overcome difficult and challenging situations. At the same time, the model is for sustaining teamwork and having the different forms of behaviour aligned for producing an outcome with the company's mission embedded into every piece of the finished products. The managerial team agreed that the work being done, from start to finish, must meet with requisite quality standards otherwise the product will be rejected.

With the new approach, before any production can be fully completed, the team should get together to create a covenant; that is, an

agreement to which everyone agrees and means they are fully aware of what is occurring and what are the right actions to take to complete the project with the necessary level of quality. Consequently, the administration of the consensus stage will enable the team to discuss any matters that are of concern or issues to be resolved before operation is fully implemented. The consensus stage is a philosophy in itself which brings the knowledge and skills of others to be in unison in directing the project, along with meeting the quality and standards that the company wishes to uphold.

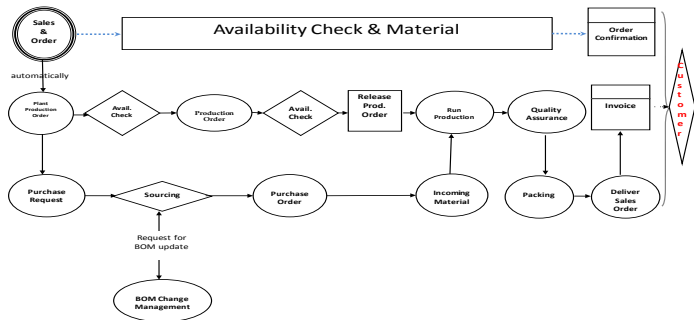


Figure 2: Adapted Working Model; source: Original Research

Figure 2 above depicts the consensus stage commencing at the point of sales and ordering. This stage gathers the managerial team for a series of meetings to discuss the selection, initiation, planning and execution of research and development projects, as well as devising a plan based on information gathered about relevant problems and the master data process for new projects, in addition to pointing out issues of concern in completing the old projects that were analyzed from the individual, production, procurement and resources perspectives. The consensus stage scans for any problems that are either about to occur, have been occurring or are occurring asymmetrically. This stage allows the managerial team to take the initiative in managing the

problems so that they will be contained and/or eliminated from the operation. Team members are free not only to discuss the issues at hand but are also encouraged to offer an investigative report on why these problems are happening. In addition, the individual members of the team are asked to provide some sort of solution for resolving the matter. This gives a chance for the team to stride forward in improving the procurement operation and to have the opportunity to unite as a team to complete standard quality work.

The consensus stage is a philosophical approach to team learning that is conducive to their working environment. Hence, it creates the conditions for team members to acquire the ability to learn together to accomplish a goal, to be responsible for making a contribution to achieving goals, to reflect on collaborative efforts and to decide on ways to improve effectiveness and develop interpersonal skills. This operational framework is composed of three integrative phases which then change to final confirmation of the process before entering the execution stage.

4. Results: A Meltdown in Learning as a Managerial Team

Despite efforts to create an effective approach to working and learning together, the new work design model was abandoned after a couple of months and reconstructed in a way that enabled higher authorities to oversee all operations. Upon obtaining feedback from one of the managerial team members, it was stated that: “There was not much of a sense of connection among team members as they tried to fix their own problems that were occurring in their task assignments. With problems present in the workplace, each individual team member adapted themselves to the situation by treating the problems on their own so as to sustain what they felt were their working responsibilities”. Upon further elaboration, the respondent observed that the members were mostly “... dealing with the problems on their

own rather as a team, which made the team members deviate from taking accountability to apply their talent, skills and ability in strengthening the existing teamwork.” It was revealed, in other words, that the team had resorted back to its previous working behaviour and this was detrimental to the team’s performance as a whole.

5. Discussion and Implications

The style of communication should set the level of expectation for members of the managerial team so that they can reflect, analyze or discuss events which will challenge the conventional paradigm of working as a team without being pressured to produce. It would have been useful for members to draw out their mental ideas by performing a vivid demonstration of what is deemed acceptable performance while requesting improvement on the least desirable performance within the operational framework.

If quality is the main reason for working in such a formation then it would have been helpful for the managerial team to ensure that they are functioning in an operational system that makes everyone accountable to others and to have direct access to accurate and confirmed information, while having enough time to agree on an exact schedule in finishing the project and not having to compromise on quality so that the team as a whole can learn how to stay strongly focused on delivering high levels of quality on a consistent basis.

Experimenting with the decisions made was a good way for the managerial team to reassess their performance as well as acquiring the facts and figures to determine where the next steps can be taken for general improvement. However, this concept requires strong commitment and support from all colleagues within the team. In this case, the focus and energy became diluted in the working environment, which kept the pressure on to produce swiftly. With the lack of behavioural maintenance to fulfill this experimental approach, it appears that it becomes just another task assignment that nobody

wants to take because it is perceived to be an inconvenience that will occupy too much time and preventing the completion of work.

6. Recommendations

There was a team but there was a lack of teamwork in the effort to adapt to a new challenge. The proposed model for forming and learning as a managerial team is one in keeping with the mental behaviour of the team firmly aligned so that they are able to concentrate their efforts in following through both consensus and execution. In the case of this manufacturing company, for example, the affirmation would be that the team has collectively brought about an agreement (i.e. consensus) to be highly focused on the company's philosophy of delivering high quality and the mission statement of attaining the highest benefit for the customers before carrying out all orders, while preventing work disruptions from affecting their working performance. First and foremost, the managerial team stays committed to the philosophy and mission by fostering a mental code for team performance behaviour. Even with a revised working design model, the team would have to ask themselves about the issue of 'delivering quality and attaining the highest benefit for the customers.' The questions involved are as follows: "How can we get a sound flow of communication established in the working process? How can reason be applied at the moment of pressure? How can we be strongly committed to experimenting with our decisions?" Figure 3 below indicates the model for forming and learning as a managerial team for the sake of being aligned to complete the execution of the consensus.

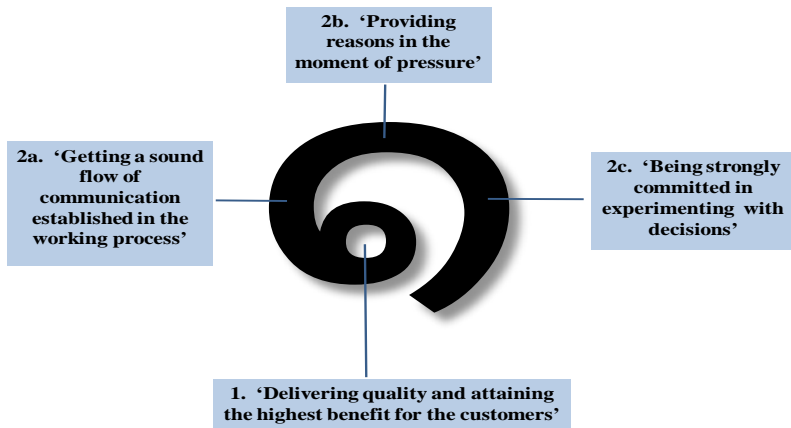


Figure 3: *Model for Forming and Learning as a Managerial Team;*
source: *Original Research*

The figure above incorporates the ancient Thai numeral one. The form represents the origin or the starting point of things that are about to become and then swirls around that point with questions, practical issues or other topics in order to allow the users to apply the relevant theory. In this analogy, it is a model for forming and learning as a managerial team where the point of origin is an empty hole that represents the ability of members to direct their efforts to meeting the designated objectives. In this regard, the managerial team is highly concentrated on 'delivering quality and attaining the highest benefit for the customers.' This is the conviction of the managerial team in what it has set out to do and then seeing to it that it becomes attained. In order to make it happen, the team has to set a mental code for team performance behaviour by setting the conditions that will make fellow colleagues comply in a professional manner. With the focus intact, members coordinate their capabilities to configure the methods of obtaining a sound flow of communication which can be embedded in the working process, thereby providing reasons in the moment of

pressure and being strongly committed to experimenting with decisions so that the team remains firmly aligned while at the same time undergoing a process of creating consensus and conducting the execution of the project. This model is also a process for being equipped in forming and learning as a managerial team whenever abrupt changes occur in their current work flow operations. Above all, the model demonstrates that the aim to be accomplished with the conceptual applications indicated can be achieved without being overwhelmed by any technical disruptions.

With an attempt to offer a model for enhancing the performance and learning of a managerial team, the authors of this study have pointed out the issues of upholding morale, coordinating the capabilities of team members and being equipped to deal with change. To generate a sense of collective effort in assisting the managerial team to achieve its objective, the concepts of creating a sound flow of communication, providing reasons and experimenting with the decisions were provided to enable the conditions of forming and learning endured within the consensus and execution processes. However, with so many uncontrolled dynamics in the working environment, such as working attitudes and behaviour, the model can only bring out the desired results when the mental fortitude of team members is appropriate. In other words, the proposed model for enhancing the performance and learning in a managerial team is effective when individual team members are highly committed to doing their utmost best to achieve results, even in the face of adversity.

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The State of the Digitization of Business Enterprises in Bangladesh: A Stakeholders' Perspective

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Abstract

Nowadays, technology can explain whether an enterprise survives or fails. A digital enterprise can exploit the blessings of information and communication technology (ICT) and thereby produce the products and services desired by consumers. In this study, the researchers seek to reveal the state of digitization and the readiness of different concerns to it. Data have been collected through a self-developed questionnaire from 255 respondents using a convenience sampling method. It is found that the current state of digitization is not good and many preparations have still to be made. The implications of these findings are drawn and discussed and recommendations in the form of future directions are suggested. Finally, some limitations as to this research are explored.

Key Words: Bangladesh, digital enterprises, digitization, e-business

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1. Introduction

Business enterprises across the world are now being compelled to step into the age of the digital economy. The information and communication technology (ICT) explosion has condensed the business world into a global business hub and that facilitates all kinds of operation. Technology-backed organizations have outpaced traditional labour-intensive and semi-labour intensive enterprises. There is much less scope for organizations driven by other resources to out-perform technology-powered enterprises, which has been revealed by the growth rates already achieved (Hurley-Hanson & Giannantonio, 2013). ICT paves the ways to doing business faster, better and cheaper in every way that an organization has to work, innovate, communicate, buy, sell and live (Poon & Swatman, 1998). In addition, the ICT revolution has contributed to the automation of firms by removing some bottlenecks in operations, removed unnecessary intermediaries, reduced communications costs and expanded the firm's exposure to the wider world (Janita & Chong, 2013). Its impact on the economy, GDP and overall development of a country is undeniable (Katz, Koutroumpis & Callorda, 2013). Entering into the digital economy has become a survival decision for entrepreneurs, since upgrading the traditional rule-of-thumb based organizations with automation might resolve numerous problems. ICT and its disruptive blessings do not affect all nations in a linear fashion but promotes uneven development and dissolves the borders of countries.

Though much of the world's economy is now moving towards the dot.com (click and mortar) businesses like eBay (US), ASOS (UK)

and Taobao² (China), developing world countries are largely reliant on the traditional bricks and mortar model for trading goods (Molla & Licker, 2005). Uses of ICT in this sector can result in increased productivity, expediting exposure and, thereby, promoting efficient production while making brands attractive to consumers (Janita & Chong, 2013; Barua *et al.*, 2001). A large number of research studies have been conducted around the world with the aim of unlocking the factors that have an impact on the nature and degree of digitization of a firm. Despite various research studies suggesting that individual (employee), organizational, cultural, contextual, governmental, supplier and customer-level factors should be networked in the spider web of ICT solutions (Thatcher, Foster & Zhu, 2006), very little research has been done to uncover the state of readiness of less developed countries (LDCs) as to issues involved in the digitization of their organizations.

2. Bangladesh Demography and Digital Bangladesh

Bangladesh is a developing country with a population of 150.49 million and a territory of 147,570 square km. There is a literacy rate of more than 71% (Ministry of Finance, 2012). This economy has protected itself from the curse of the global economic recession and maintained 6.7% growth in FY2010-2011 (The Executive Times, 2011) and 6.3% growth in 2011-12 (Ministry of Finance, 2012). Although it has been acknowledged to be one of the Next Eleven Economies (Goldman Sachs Economic Research, 2007), the pace of ICT development in Bangladesh is scarcely worth mentioning. It is lagging behind in this respect and is yet to integrate state of the art ICT, such as management information systems, decision support systems, prototyping, computer aided design, computer aided

² An online marketplace facilitating consumer-to-consumer (C2C) retail by providing a platform for small businesses and individual entrepreneurs to open online retail stores that mainly cater to consumers in China, Hong Kong, Macau and Taiwan.

manufacturing, just-in-time management, value added networks (VAN), electronic data interchange (EDI), electronic fund transfer (EFT) and so on at the mass level (Ather, Howladar & Uddin, 2011). A recent survey conducted by Katz *et al.* (2013) revealed that Bangladesh is in the constrained cluster (4th) of digitization, while, on the other hand, India, Sri Lanka and Pakistan are in the emerging cluster in the digitization index of 184 countries. The importance of digitization has been acknowledged by the government of Bangladesh as it included the slogan 'Digital Bangladesh' in its election manifesto at the recent election. Although nearly everyone now realizes the importance of digitization for the development of the country, very little research is being conducted to assess the current position of digitization.

3. Literature Review

Total digitalization has become an achievable dream that has caught the attention of academia, policy makers and even the politicians themselves. Digitization has become a buzzword that is ubiquitously used of solving all of an organization's problems. Katz *et al.* (2013:6) defined digitization as the social transformation triggered by the massive adoption of digital technologies to generate processes, share and transact information. A digital firm can transform business enterprises by streamlining unnecessary activities in the value creating entities or in the logistics pipelines (BarNir, Gallagher & Auger, 2002). In a digital firm, all the significant business relationships with customers, suppliers and employees are digitally enabled and mediated (Laudon & Laudon, 2011:11). The objective is to attain better customer relationships, engender information resource exchanges, increase employee performance and augment operational efficiencies (Davis, 2005; BarNir *et al.*, 2002).

A firm can become fully digitized through adopting e-business processes in its entire value creation process, i.e., from inbound logistics to distribution of goods to final customers. The

implementation of e-business requires using computer platforms and applications to perform all commercial activities including direct selling (e-tailing), customer relationship management (CRM), supply chain management (SCM) and using the internet as a medium by which to conduct business transactions (Abu-Musa, 2004). Moreover, Jeffcoate, Chappel and Feindt (2002) argue that the internal and external value creating entities for a firm must be integrated to enable the firm to connect all the stakeholders to implement e-business technology. There are significant payoffs from e-business initiatives; for example, if all the value creating entities are digitally connected, firms can quickly optimize both operational performance and financial cost-effectiveness (Barua *et al.*, 2001). Consequently, investment in e-business technologies might give fuel to and accelerate the digitization endeavour. The model of Barua *et al.* (2001:42) links IT applications and process readiness with desirable outcomes such as profits and returns to investment and assets through operational excellence and efficiency.

Furthermore, the digital revolution has accelerated electronic commerce and drives the same by providing the necessary support, either through technology or by making the supporting environment conversant with technological changes (Turban *et al.*, 2008). Janita and Chong (2013) have categorized the factors of Business to Business (B2B) adoption in small and medium-sized enterprises (SMEs) into two classes: 1. Internal (individual and organizational) and 2. External (technology, market & industry, external support and government support). Tan, Tyler and Manica (2007) have shown that the perceived readiness (awareness, resource, commitment and governance) of organizations and of external (government, market forces and support industries) forces can help to ensure the institutionalization of B2B e-commerce. Organizations' inertia towards the phobia of giving access to corporate information to suppliers, stakeholders and customers because of threat of losing secrets is a serious impediment of B2B e-commerce (*ibid.*, 2007; Teoa & Ranganathan, 2004). Kshetri (2007) addresses the issue as to why

developing countries are not in a position to digitize themselves and concludes that economic factors, sociopolitical factors and cognitive factors all hinder the adoption of competitive models like e-commerce at the consumer and business levels in Nepal.

Keil *et al.* (2001) described the transformation of business by connecting the supply push and the demand pull through ICT. ICT permits the bridging of supply chain management and demand chain management for maximizing customer satisfaction along with the yardsticks of quality, cost and delivery. The transition to digitally intensive societies is associated not only with technology adoption but, also, with the use of these technologies (e.g. new applications and services), the quality and capacity of networks and their affordability (Katz *et al.*, 2013:6). A digitization index has been developed basing on six parameters (ubiquity, affordability, reliability, speed, usability and skill) by the same authors.

Zhu, Kraemer and Xu (2002) suggested that three factors (technological, organizational and environmental) can be interconnected for better adoption of e-business and this will lead to the creation of e-business value, for instance through impact on commerce, impact of internal efficiency and impact on coordination. Barua *et al.* (2001) identified drivers focusing on three key areas, for example, e-business processes for customers and suppliers, IT applications for customers, suppliers and internal operations and finally e-business readiness for customers and suppliers. However, they do not consider other stakeholders like distributors, financial institutions and competitors. To digitize an organization, adopting an enterprise system leveraging customers, supply chain, human resources and financial accounting can be a way (Mathrani, Mathrani & Viehland, 2013; Davenport, 1998).

The above literature suggests that digitization is not merely the adoption of technology but it requires readiness of users backed by enormous levels of support from employees, management, customers,

suppliers and all other involved stakeholders. Turban *et al.* (2008) proposed a model to adopt for being a digitized enterprise that combines the corporate internet with its extranet.

3.1. Research Objectives

Since the digitization process requires the comprehensive readiness of all concerns, it is necessary to determine whether all stakeholders like customers, suppliers, internal employees, management and others are prepared to embrace the infusion of large-scale digitization. Consequently, the following objectives have been formulated:

1. To measure relationships among those variables of digitization under consideration;
2. To determine the present state of digitization and the readiness for digitized endeavours in Bangladesh and
3. To give some policy guidelines for triggering the digitization effort.

4. Research Methods

4.1 Respondents' Profile

Only 255 (57%) usable responses were received out of 450 potential respondents who were working in different organizations (i.e., readymade garments, pharmaceuticals, educational institutions, information technology firms and others) at different levels who were requested to rate the different parameters of measuring the readiness of digitization efforts. Out of these 255 respondents, 25 respondents (9.8%) were female and 230 respondents (90.2%) were male. Respondents ranged in age group from 20 to 64 years, with a mean of 36.8 (SD = 7.24) years and they belong to different age brackets, with the majority below the age of 35. A total 78 (30.6%) employees are from the public sector and the remainder (177 or 69.4%) are from the

private sector. In terms of industrial units, 45 employees belonged to ready-made garments, 16 employees to medical care, 10 employees to education, 76 employees to banking, 58 employees to IT and 48 (14.40%) to other industries.

4.2. Questionnaire Design

The questionnaire was designed with the help of various group discussions. Eighteen groups of students were formed and each comprised six students from the Management Information Systems class of a leading private university in Bangladesh. Students were briefed about digitization and its literature and asked to write statements for measuring the digitization of an enterprise. Thirty-two statements were, finally, selected after five days' of teamwork and then each group was, again, asked to cluster the 32 statements into groups using sticky notes. Eventually, five readiness components (customers/clients, suppliers, employees, management and other stakeholders) of measuring the state of digitization were identified.

4.3. Data Collection Procedure

Survey instruments were delivered to respondents through personal visits. A convenience sampling technique was used to collect the responses from respondents. It took around 30 working days to collect the required amount of data. After collecting data from 450 respondents, only 255 responses were used to avoid common method bias and related inference problems. The raw data were then entered into the SPSS 16.0 data editor for generating the required statistical results.

4.4. Reliability of Scales

Reliability is an indicator of a measure's internal consistency. Cronbach's alpha (α) is the most commonly applied estimate of a multiple item scale's reliability. It (α) is the most widely-used method

to measure the reliability of the scale (Zikmund & Babin, 2007). Scales with a coefficient α between 0.80 and 0.95 are considered to have very good reliability (*ibid.*:322). In this study it is found that the reliability score of 32 items used in this field survey is 0.852 which was reasonably found to be very reliable.

5. Results

Examination of Table 1 shows that there was a significantly large effect (Cohen, 1988) of the state of digitization with employees' readiness, top management support, customers' readiness, suppliers' readiness and other forms of support ($r = 0.626, 0.708, 0.718, 0.737,$ and $0.733, p < 0.01$), while a significant medium positive correlation was found most of other variables (employees' readiness, top management support, customers' readiness, suppliers' readiness and other forms of support), apart from the weak effect of size of employees with suppliers' readiness and other forms of support. In addition, a large correlation was also found between suppliers' readiness and customers' readiness ($r = 0.551, p < 0.01$).

	1	2	3	4	5	6
1. State of Digitization	1					
2. Employees' Readiness	0.626**	1				
3. Top Management Support	0.708**	0.426**	1			
4. Customers' Readiness	0.718**	0.333**	0.318**	1		
5. Suppliers' Readiness	0.737**	0.273**	0.364**	0.551**	1	
6. Other Support	0.733**	0.286**	0.452**	0.323**	0.400**	1

Table 1: Correlation Analysis; **source:** Original Research (note: ** indicates that the result is significant at the 0.01 level (2-tailed))

Investigation of Table 2 reveals that the reality of the state of digitization in Bangladesh. The literature suggested that each individual variable would have a significant impact on the readiness for digitization but the analysis portrays a different story. Mean scores

of employees' readiness, top management support, customers' readiness, suppliers' readiness and other forms of supports ranged from around 1.93 (to the nearest scale "agree") to around 2.49 (in between "agree" to "undecided"). However, analysis of standard deviations indicates that the responses are not very skewed.

	Employees' Readiness	Customers' Readiness	Management Support	Suppliers' Readiness	Other Support
Mean	1.9261	2.4876	1.9585	2.3928	2.0151
Std. Deviation	0.51983	0.60938	0.53426	0.59383	0.72212

Table 2: *Other Statistics; source: Original Research*

6. Discussion

This study aimed at further understanding the relationships among the variables under consideration. Correlation analysis shows that all variables are positively correlated with each other. All variables under this research had an impact on digitization. Among the variables affecting digitization, customers and suppliers had large effects and others had medium or small impacts. It seems that all variables are in positive relationships with each other. The analysis shows that mean scores of different aspects leading to digitization are quite low. Their scores centre on 3 (undecided or neutral), which suggests unpreparedness on behalf of end users. Employees' readiness and management support are worth mentioning but the other stakeholders from inbound logistics to outbound logistics are not quite prepared for obtaining access through digital devices. It appears that not all organizations are prepared for this change. Overall, the state of digitization is below average and still requires much preparation from all. This finding is similar to the studies of Katz *et al.* (2013), in which Bangladesh scored below 10 out of 100 and was ranked low among the 184 countries considered.

7. Implications

At present, digitization is a crucial issue for organizations all over the world. It is more vital for organization in a developing country because an organization without digitization lacks countless opportunities arising from the blessings of efficient and effective performance. One of the important implications of this research is to highlight the need for the pervasiveness of digitization applications in Bangladesh. The readiness of different drivers is insufficient and this finding should stimulate policy-makers to make more efforts in this regard. Corporate executives have to think about their customers and their suppliers while launching the digitization of the firm. The government has to encourage foreign direct investment for digitizing enterprises in both the public and private sectors. Foreign investors have opportunities in Bangladesh because there is great scope for digitization.

8. Limitations

This is the first research study on the crucial issue of digitization in Bangladesh. Subjectivity in sample selection might have been a limitation and, therefore, the generalization the findings may be questioned in some respects. Random sampling in place of convenience sampling might have brought about more representative results for further generalization. In any case, this quite a limited number of respondents to use for predicting the results for an entire country. Causal inferences as to data which have been collected and measured without error might further limit the generalizability of this research, as might also the fact that common method bias for the data collection method and the measurements used is possible.

9. Future Directions

Digitization has been transforming the way of doing businesses. It brings the businesses back to the door-step of customers, suppliers and

others stakeholders affecting businesses elsewhere. It replaces the bricks and mortar business model with the click and mortar (or dot.com) business model, which makes everything digitally enabled. Researchers have great scope for doing work in this field. Some case studies based on digitally well-developed countries like Norway, Denmark, and Switzerland (Katz *et al.*, 2013) can be conducted for channeling information to the concerns of different policy-makers in Bangladesh to inform them as to how digitization is taking place around the world. The research technique used here is an exploratory one and a more rigorous analysis might follow to identify the factors affecting the digitization choice in Bangladesh in greater detail.

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A Study of Customer Expectations and Customer Perceptions in Online Banking

Surabhi Singh

Abstract

Service quality gap issues are those that emerge from differences in customer expectations and perceptions. There is a need to study service quality gap issues to gain differential competitive advantage. Despite the extensive research that has already taken place in the service quality area, gap issues keep evolving in the banking industry. This paper describes the prevailing issues in online banking where consumer expectations are not equated with consumer perceptions for online banking products. Earlier research (e.g. Jun & Cai, 2001) suggests that there is no substantial difference between internet-only banks and traditional banks offering internet services. This study will provide insights into how online banks may perform better by incorporating solutions for service quality gap issues. Implications relating to service marketing are provided as a result.

Keywords: *customer expectations, customer perceptions, online banking, service quality*

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1. Introduction

Online banking is a result of the growing expectations of bank customers who expect the convenience of the online world for their daily needs. Popular services covered under online banking include ATM, credit cards, debit cards, smart cards, electronic funds transfer (EFT) system, cheques truncation payment system, mobile banking, internet banking and telephone banking, among others. The operating cost per unit for services is lower for banks using online banking and

it also offers convenience to customers as they are not required to go to the bank's premises. There is very low incidence of errors and the customer can obtain funds at any time from ATM machines and bank premises. Credit cards and debit cards enable the customers to obtain discounts from retail outlets. The customers can easily transfer the funds from one place to another place electronically. These developments have been taking place since 1990 (Srivastava *et al.*, 2007). With the emergence of new digital technology, the banking industry has engaged information technology (IT) to acquire, to process and to deliver information to banking customers (Manuswamy & Annamullah, 2012).

Customers are becoming value-sensitive and banks need to constantly innovate and update their services to match customers' expectations and to provide convenient, reliable and expedient services. Driven by competition among banks to capture larger shares of the banking market overall, individual banks have started making available more services through the distribution channel of the internet (*ibid.*, 2012).

Online banking is a kind of system that enables the customers of financial institutions, whether they are individuals or businesses, to access accounts, transact business or obtain information on financial products and services through the internet. Although there is a significant growth of online users in India, the number of financial transactions carried out over the internet remains very low. However, this trend is the same globally and it has been observed that potential users either do not adopt online banking or do not use it continually after adoption (*ibid.*, 2012).

In service industries in general and in the banking industry, in particular, the internet has been explored and exploited as a means of improving service provision. Banks are not only competing in traditional banking services but have also expanded the scope of competition to an e-environment through online banking services. These banks are introducing online banking with the assurance to their

customers that they will be able to maintain a competitive level of service quality in the future and in the effort to avoid losing their customers to other banks. Online banking also helps banks to build and maintain close relationships with their customers, reduces operating and fixed costs and achieves more efficient and profitable financial performance. The benefits of online banking for users are that it is easier to operate, reliable, hassle-free, convenient and safer to use. (*ibid.*, 2012).

2. Literature Review

Jordan and Ketz (1999) found that even the most successful banks offering internet banking services were able to serve only a relatively small portion of their customer base through IT channels. In its latest report on the status of e-Banking in India, International Data Corporation, an information technology provider, feels that though the banks have taken the first step, they have got a long way to go before Online banking becomes a way of life.

Different forms of the online banking are web-based banking where a customer can access his or her account(s) when he or she uses the internet; the second form of online banking is where a bank customer uses a modem to dial-up to a bank's server to access his or her bank account(s) (and subsequent technologies now that modems have been made largely obsolescent). The latter type of online banking is also known as dial-up banking. A special type of dial-up banking is called an extranet, which is a private network between a bank and its corporate customers. Mu (2003) and Thulani and Tofara (2009) identify three functional levels of online banking, which are informational, communicative and transactional websites. Informational (websites) are the first level of online banking. Typically, the bank has the marketing information about its products and services on a standalone server. Here the security risk is very low as informational systems typically have no path between the server and the bank's internal network. Simple transactional (websites) are a

type of online banking that allows some interaction between the bank's systems and the customer. The interaction is limited to e-mail, account inquiry, loan application or static file updates (name and address). It does not permit any funds transfers. Meanwhile, advanced transactional (websites) represent a level of the online banking system that allows bank customers to transfer funds electronically to and from their accounts, pay bills and conduct other banking transaction online (Adil, Akhtar and Khan, 2013). The prime driver for offering these kinds of services online is to offer 24x7 availability and convenience to customers. Beyond that, cost reduction is another major reason (Financial Express, 2002).

Corrocher (2002) investigated the determinants of internet technology adoption for the provision of banking services in the Italian context and also studied the relationship between internet banking and traditional banking, in order to understand whether these two systems of financial services delivery are perceived as substitutes or complements by the banks themselves. Apparently, 43% of online banking users have not started online financial transactions because of security reasons, while 39% have not started because they prefer face to face transactions, 22% have not started because they do not know how to use the services and 10% have not used the service because the sites provided are considered to be not user friendly, while for 2% banks do not provide internet banking services.

Parasuraman *et al.* (1988) defined service quality as the gap between customers' expectation of service and their perception of the service experience. Based on the concept of service quality, the original SERVQUAL instrument includes 22 items. The data on the 22 attributes are grouped into five dimensions: tangibles, responsiveness, assurance, reliability and empathy. This instrument has been applied in a variety of services such as hospitals, travel and tourism, a telephone company, two insurance companies and two banks. SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's

perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions. Despite the numerous applications of SERVQUAL in the literature, its use on the online banking industry in India has not been fully explored. As a result, this paper aims to:

1. Examine the online banking service quality by measuring the expectations and perceptions of customers;
2. Analyse the service quality gap of online banking and explore the issues related to the same.

3. Methodology

A research hypothesis was created that were based on the service quality of online banking. In original and null format, the hypothesis may be expressed as follows:

H_1 : Significant differences exist in service quality gap of online banking.

H_0 : Significant differences do not exist in service quality gap of online banking.

E-service quality can be explained as an overall customer evaluation about e-service delivery in a marketplace which is virtual (Santos, 2003). Online customers' expectations are higher than traditional customers (*ibid.*, 2003). The single most researched area in services marketing today is service quality. According to Fisk, Brown and Bitner (1993), early research in service quality disclosed its subjective nature but it was not until several years later that the concept of service quality as the result of differences between actual and expected levels of service began to emerge. This implies that organizations must establish requirements and specifications; once established, the quality goals of the various functions of the

organization are to comply strictly with these specifications. In today's increasingly competitive environment, the high quality of service is critical to corporate success. The purpose of this paper is to analyze the gap in the service on regular basis to the customers.

The SERVQUAL methodology has been used as a tool with five dimensions and statements for this analysis. The gap analysis model is the most widely accepted instrument to measure service quality. It postulates that *a priori* factors like personal needs, word-of-mouth influences and past experiences as well as the communications of the service organization will create a certain level of expectation of the service.

This research work aims to examine the services provided by banks to their customers from the perspective of the satisfaction of customers in the Noida region of India. Gap scores using the SERVQUAL methodology have been used in this research work. An alpha reliability test was conducted to test the reliability and validity of the responses obtained and, then, factor analysis was used for further explorations.

The sample size obtained is 50 consumers (exclusively online users) of selected online banks AXIS, ICICI, SBI, HDFC and the Bank of Baroda. A sample of 50 respondents, ten each in the five selected banks with online accounts, has been collected by judgment sampling. A questionnaire consisting of 22 items based on the SERVQUAL model was administered to respondents. The criteria employed in the judgment sampling method are usage rate and frequency of online banking transactions.

The questionnaire was divided into three sections. The first section measured the experience (E) of service quality in the online banks, the second measured perception (P) of service quality in online banks in Noida. Respondents were asked to complete two different types of questions. One category asked questions based on the respondents'

perceptions or expectations of a service delivered to them and the other category asked them questions based on their satisfaction or experience. So SQ introduces service quality, whereas P and E introduce perception and expectation respectively.

3.1. Service Quality = Perception – Experience

If $SQ = \text{Service Quality}$, $P = \text{Customers' Perceptions}$ and $E = \text{Customers' Expectations}$, then $(P - E = SQ)$ is a scale to examine the expectations or perceptions of a customer about the quality of specific product or service (SQ).

1. Negative Q indicates that there is a gap in service quality.
2. Positive Q indicates that the satisfaction level of consumers is higher than their expectation.

The third section of the questionnaire dealt with the respondents' satisfaction levels and, lastly, the demographic profile of the respondents. A seven-point Likert Scale ranging from strongly unsatisfied = 1 to strongly satisfied = 7 was used to measure the 22 attributes relating to five dimensions (customer understanding, service standards, service performance, communications and service quality).

The analysis was conducted by using the Statistical Package for Social Sciences (SPSS) version 20. A frequency distribution was first used to describe the sample. The means and standard deviations of the attributes are also computed. Independent t-tests are used to test the significance of any differences between the sample means.

This study has been designed to determine which factors have the most effect and which factors have the least effect on customer satisfaction levels. Consequently, this project has used an exploratory research design with administered structured questionnaires. At the time of collecting the data, proper care was taken to ensure that the

demographic profile of the users was such as to minimize the possibility of any sort of prejudice or bias in the sample.

4. Data Analysis

Five banks were selected for analysis: HDFC; ICICI; SBI; AXIS and the Bank of Baroda. Each bank had ten respondents selected by judgment sampling. Of these, 64.0% were male and 36.0% female. The service quality gap for each of the variables is displayed in Table 1 below.

	Expectation (E)	Perception (P)	Service Quality Gap = E - P
V1	5.84	4.14	1.70
V2	5.30	3.76	1.54
V3	5.82	4.16	1.66
V4	5.52	4.16	1.36
V5	4.98	3.36	1.62
V6	4.80	3.84	0.96
V7	5.34	3.78	1.56
V8	5.72	3.74	1.98
V9	5.18	4.10	1.08
V10	5.06	3.52	1.54
V11	5.10	4.14	0.96
V12	4.82	4.44	0.38
V13	4.70	4.76	-0.06
V14	5.34	3.40	1.94
V15	5.32	3.28	2.04
V16	4.62	3.94	0.68
V17	4.78	3.60	1.18
V18	5.40	4.04	1.36
V19	5.32	4.54	0.78
V20	4.72	4.38	0.34
V21	4.96	4.58	0.38
V22	4.76	4.28	0.48

Table 1: *Service Quality Gap; source: Original Research*

These variables were then grouped into the five constructs described previously and the results are displayed in the Table 2 below.

	Expectation (E)	Perception (P)	Service Gap = E - P	Quality
Tangibility	11.14	7.90	3.24	
Reliability	16.32	11.68	4.64	
Responsiveness	31.20	23.12	8.08	
Assurance	29.58	23.42	6.16	
Empathy	25.16	21.82	3.34	

Table 2: *Accumulated Service Gaps in Five SERVQUAL Dimensions;*
source: *Original Research*

It is evident that the higher the gap score, the higher is the level of dissatisfaction. The total score for the responsiveness dimension is 8.08 and that is the highest. The banks in general lack in responsiveness and assurance and this is an area that could clearly be improved. However, it is also clear that there are distinct gaps in all five dimensions posited by the SERVQUAL method. It will be to the benefit of bank management, therefore, to narrow this gap. Theoretically, this can be managed by lowering the level of expectation but this is more sensibly approached by trying to improve the service experience.

5. Research Findings

The service quality is measured in terms of RATER viz Reliability, Assurance, Tangibility, Empathy and Responsiveness (see Table 2 above). The service quality gap is measured as the difference in customer expectations and perceptions. The higher the gap is, the more customer dissatisfaction can be identified. More focus should be placed on the responses made to every customer by banks, who should take the responsibility for trying to increase the trust that customers feel about the relationship. The p value < 0.05 and, hence, the null hypothesis is rejected. Thus, it is concluded that significant

differences do exist in service quality gaps of online banking, as measured in this research study.

The empathy score is quite low compared to the other dimensions, which might indicate that that the banks sampled do make efforts to understand their customers and that the customers are quite well satisfied with respect to this dimension. The strategy of the banks is still insufficient in terms of responsiveness and assurance.

Customer expectations and customer perceptions, if properly dealt with, can be used to help reduce the gap between the customer and online banks. Banks are growing at a considerable rate with the upsurge of internet based transactions. The perception of online banking in the minds of actual and potential consumers should be improved. The gap analysis is applicable to any aspect of industry where performance improvements are desired, not just in customer service and relationship management. Measuring gaps is the first step in enhancing customer satisfaction. Additionally, competitive advantages can be achieved by exceeding customer expectations. Gap analysis is the technique utilized to determine where firms exceed or fall below customer expectations. This research has helped to identify the various aspects related to service quality gap issues in banks. Customer experience in online banks has been explored and it has been found that online banking services are not considered acceptable by most of the customers in India due to service issues of those banks involved. The online experience of banks needs to be promoted amongst the consumers as there is at least one section of Indian society who still relies on physical banking.

Customer satisfaction leads to repeat purchases and repeat purchases lead to loyal customers. In turn, customer loyalty leads to enhanced brand equity and higher profits. Consequently, understanding customer perceptions is important to a firm's performance. As such, gap analysis is used as a tool to narrow the gap between perceptions and reality, thereby giving direction to companies in enhancing

customer satisfaction. Service quality has been found to be one of the significant factors in distinguishing services and products and it is an important tool to measure customer satisfaction.

7. Conclusion and Implications

In terms of practical implications, this study has attempted to provide banking organizations a better understanding of service quality gap issues of online banking and solutions for any problems identified. This would provide more generalized conclusions for private as well as public sector banks. Additionally, since India aspires to become a globally competent and renowned financial centre, it would be appropriate and relevant to replicate the study using an international or even global sample of banks. Customer satisfaction is more critical in internet companies because customers demand high quality products or services and, if they are unsatisfied, it is easy for them to move away to another site and leave those companies behind forever if they have been dissatisfied. Consequently, the internet companies need to know the customer's requirements for a satisfactory level of service. Some parameters of customer's satisfaction include numbers of clicks needed to determine what they want, the amount of information they need, response time and speed of webpage loading and response. The implication is that when banks in this country provide services to global customers, such as business travelers, tourists and students, among others, they should provide good quality services to foreign customers. As a result, the quality and customer satisfaction issues attached to services are highly relevant to the international area. Owing to the virtual framework and its occasional frailties, most of the consumers have issues linked with their online banking transactions. There is a need to increase the trust of customers in the usefulness of online banking among the public as a whole.

8. Limitations

The study is restricted to Delhi and the national capital region (NCR) of New Delhi due to resource constraints affecting the researcher. The

sample selected is limited to just a few areas which might limit the generalisability of results. However, it represents a necessary and economical first step in identifying relevant internet banking adoption and its impact on overall quality that can later be tested in larger, more representative samples in the Indian context. An intercept procedure might be employed to collect data from users of internet banking as this too may be useful in dealing with the generalisability of findings.

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Investigating the Relationships among Job Satisfaction, Organizational Commitment, and Turnover Intention: An Empirical Study

Md. Sahidur Rahman, Rana Karan and Md. Iftekhar Arif

Abstract

This study mainly attempts to investigate the relationships among organizational commitment, job satisfaction and turnover intentions of executives in Bangladesh. Data were collected using a convenience sampling technique from 187 executives working at different organizations in Chittagong. Respondents were asked to rate their own organizational commitment, job satisfaction and turnover intentions by completing printed self-rating survey instruments. Job satisfaction was assessed by Ather and Nimalathan's (2006) Job Satisfaction Scale, while organizational commitment was measured by Meyer and Allen's (1997) Organizational Commitment Scale. In measuring turnover intentions, a three-item Turnover Intention Scale was adopted from Camman et al. (1979). To analyze and interpret the relationships among the variables, this study used descriptive statistics, correlation and regression analyses. An important implication of the study is that managers should take initiatives to increase job satisfaction with a view to amplifying organizational commitment as well as reducing the turnover intentions of the employees in the organizations concerned. Using a convenience sampling technique was an important limitation which might have limited the generalizability of the results of this study. Future research directions are discussed.

Key words: *job satisfaction, organizational commitment, turnover*

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1. Introduction

The last few decades have witnessed significant changes in the areas of technology, economy and the business environment. Continuous change and adaptation to the changing environment, decreasing product life cycles, spontaneity and unpredictability make business management more complex. In addition, the responses of contemporary business organizations to the changing environment have been constantly evolving in different ways. These characteristics of the current business environment make organizations become more dependent on their employees for survival in the market and, naturally, the responses of organizations to the changing environment greatly depend on employee performance. However, the success of any organization not only depends on the organization taking advantage of its human resources but also, in turn, on the organizational commitment of those employees (Beukhof, Jong & Nijhot, 1998). Committed employees, who are highly motivated and contribute their time and energy to the pursuit of organizational goals, are increasingly being acknowledged as being the primary assets available to an organization (Pfeffer, 1998). Various studies have found that an organization benefits from its employees' commitment

in terms of lower rates of job movement, higher productivity and work quality (Mathieu & Zajac, 1990). However, retaining committed multi-skilled employees in a particular organization has become another major challenge for today's firms as their value is also appreciated by rival employers. Additionally, the expectation levels of workers are not static. To meet the continually increasing expectations of those skilled workers, managers now have to move beyond the traditional ways of managing human resources. Consequently, organizations have to exert more effort to satisfy and retain their committed and experienced workers, even though that effort might sometimes be expended in vain in retaining this vital resource. Excessive turnover of skilled, qualified and experienced employees could be a great disruption for a company. Moreover, numerous costs are associated with an employee's recruitment, retention and growth. In fact, the departure of an experienced employee not only means the loss of the productivity and value provided by that employee but it also increases firm costs to find and secure a suitable replacement. Consequently, it is extremely important to be informed about the early indications of potential turnover of employees; turnover intentions are perhaps the best indicator of future turnover (Futrell & Parasuraman, 1984). Hence, the managers have to find different means to reduce turnover intentions of the employees that will ultimately help managers to retain their most committed and competent employees. In this respect, the employee job satisfaction may play a significant role.

Job satisfaction is one of the most researched attitudes in the literature of industrial and organizational psychology, social psychology and organizational behaviour (Alotaibi, 2001; Parnell & Crandall, 2003; Grissom, Nicholson-Crotty & Keiser, 2013; Tnay *et al.*, 2013). It has been defined as "feelings or affective responses to facets of the (workplace) situation" (Smith, Kendall & Hulin, 1969:6), while, organizational commitment is defined as "the degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization" (Robbins & Judge, 2010:118). It represents the attachment that individuals form to

their employing organizations. On the contrary, turnover intention is defined as the reflection of "... the (subjective) probability that an individual will change his or her job within a certain time period (Sousa-Poza & Henneberger, 2002:1)." It adversely influences organizational effectiveness (Hom & Griffeth, 1995). Losing competent and experienced employees could represent great loss or disruption for a company. Hence, the retention of skilled and experienced workers is highly desirable for sustainable competitive advantage.

Boles *et al.* (2007) indicate that various facets of job satisfaction are more strongly related to organizational commitment. Available studies found that job satisfaction influences employee absenteeism and turnover intentions (Parnell & Crandall, 2003; Spector, 1997; Koys, 2001). In addition, both job satisfaction and organizational commitment have been shown to be related to turnover intentions (Lum *et al.*, 1998; DeGieter, Hofmans & Pepermans, 2011). Moreover, a number of studies found negative relationships between organizational commitment and both intention to leave and actual turnover (Allen & Meyer, 1996; Mathieu & Zajac, 1990; Tett & Meyer, 1993; Zhao *et al.*, 2013).

In spite of these associations, there has been relatively little empirical research examining the relationships among job satisfaction, organizational commitment and turnover intention, especially in the context of Bangladesh. This research gap has motivated the researchers to undertake the present study. It is believed that a better understanding of the proposed relationship can not only address the gap currently existing in the literature but can also enhance the body of knowledge from the academic perspective. In addition, from the practical viewpoint, the current study may carry importance in the field of human resources and in advancing the strategic capability of organizations.

The main research question of the study concerns the associations

among job satisfaction, organizational commitment and turnover intentions measured by the executives. In order to answer the main research question, the current study sets three objectives: (i) to identify the relationship between job satisfaction and organizational commitment perceived by the executives; (ii) to examine the relationship between job satisfaction and turnover intentions perceived by the executives and (iii) to investigate the relationship between organizational commitment and turnover intentions perceived by the executives. It is expected that the results of the study will be of considerable importance for industrial and organizational psychologists, HR practitioners, business leaders and, certainly, for effective management practices in the current environment.

2. Literature Review

2.1 Job Satisfaction

Job satisfaction is an attitude concerning work-related conditions, facets or aspects of the job (Wiener, 1982). It refers to the positive attitudes or emotional dispositions people may gain from work or through various aspects of work (Furnham, 1997). Locke (1976:1300) defined job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences." It indicates an employee's positive attitude toward his or her job (related to the organization and its environment) after evaluating all the characteristics of the job against his or her expectations. In today's business environment, managers consider job satisfaction as a significant issue due to its enormous impact on employees' behavioural outcomes. It is found that organizations with more satisfied workers are more effective than those with less satisfied workers (Robbins & Judge, 2010). This is an important area of research because job satisfaction is found to be correlated with enhanced job performance, positive work values, high levels of employee motivation and lower rates of absenteeism, turnover and

burnout (Begley & Czajka, 1993; Tharenou, 1993; Salehi & Gholtash, 2011).

Locke (1976) presented a summary of job dimensions that has been established to contribute significantly to employee job satisfaction. The particular dimensions represent characteristics associated with job satisfaction. The dimensions are: work itself; pay; promotion; recognition; working conditions; benefits; supervision and co-worker relationships. It is assumed to influence the employees' opinion of "how interesting the work is, how well they are doing, and, in general, how much they enjoy doing it" (McCormick & Ilgen, 1985:309). Spector (1997) lists three important features of job satisfaction. Firstly, organizations should be guided by human values. Such organizations will treat employees fairly and with respect. Secondly, the behaviour of workers depending on their level of job satisfaction will affect the functioning and activities of the organization's business. Thirdly, job satisfaction may serve as an indicator of organizational activities. It is closely linked to that person's behaviour in the workplace (Davis & Newstrom, 1985). George and Jones (2002) list four factors that can affect the level of satisfaction: (i) personality - the way a person consistently feels, thinks and behaves; (ii) values, specifically intrinsic vs. extrinsic values, which reflect a person's beliefs regarding results and how s/he should behave at work; (iii) work conditions - i.e., tasks, the people with whom the employee associates, physical conditions and work environment and (iv) social influence - the influence of other individuals or groups (colleagues, family, cultural environment) on the employee's attitudes and behaviour. Moreover, various factors, such as employees' style and quality of management, job design, compensation, working conditions, needs and desires, social relationships, perceived long-range opportunities and perceived opportunities elsewhere are considered to be the determinants of job satisfaction (Byars & Rue, 1997; Moorhead & Griffin, 1999). A person's satisfaction mostly depends on the gap between that person's expectations and what is actually received. Naturally, an individual will be less satisfied or

dissatisfied if he or she does not receive what s/he expects. Moreover, a person may be relatively satisfied with one aspect of his or her job while dissatisfied with another aspect.

2.2. Organizational Commitment

Organizational commitment is described as an employee's psychological attachment to the organization (Barnard, 1938) or as the relative strength of an individual's identification with and involvement in a particular organization (Mowday, Steers & Porter, 1979). Later, Mowday, Porter, and Steers (1982) refer to organizational commitment as the strength of an individual's identification with and involvement in a particular organization. It inherently exhibits employees' psychological attachment to the organization and intention to continue their job with the current organization due to a sense of obligation to the organization or their coworkers. Porter *et al.* (1974) defined organizational commitment as a set of components. They suggested that organizational commitment has three primary features: (i) a strong belief in and acceptance of the organization's goals and values; (ii) a willingness to exert considerable effort on behalf of the organization and (iii) a strong desire to remain with the organization (Porter *et al.*, 1974).

Meyer and Allen (1991) concentrated on three separate dimensions of organizational commitment in order to maintain membership in an organization, which are desire (affective commitment), a need (continuance commitment) and an obligation (normative commitment). According to Robbins and Judge (2010:113), "... affective commitment is an emotional attachment to the organization and a belief in its values." It is "... positive feelings of identification with, attachment to, and involvement in the work organization (Meyer & Allen, 1984:375)." According to Meyer and Allen (1984:375), "... continuance commitment is defined as the extent to which employees feel committed to their organizations by virtue of the costs that they feel are associated with leaving." It is a calculative attachment which

is different from affective commitment. Continuance commitment (a need) refers to an awareness of the costs associated with leaving the organization. Employees whose primary link to the organization is based on continuance commitment remained because they need to do so. A lack of other suitable alternatives, the threat of losing attractive benefits and giving up seniority-based privileges might be some of the reasons associated with continuance commitment. Crewson (1997) found that the length of organizational membership has a positive relationship with continuance commitment. Normative commitment refers to "... commitment based on a sense of obligation to the organization (Allen & Meyer, 1996:253)." It is "... an obligation to remain with an organization for moral or ethical reasons (Robbins & Judge, 2010:114)." Employees with a high level of normative commitment think that they should remain with the organization. Organizational commitment has emerged as an important construct in organizational research due to its relationship with work-related constructs such as absenteeism, turnover, job satisfaction, job-involvement and leader-subordinate relations (Mathieu & Zajac, 1990; Tett & Meyer, 1993).

2.3 Turnover Intentions

Turnover is defined as the "... individual movement across the membership boundary of an organization (Price, 2001:600)." It could be voluntary or involuntary. It is also defined as "... voluntary and involuntary permanent withdrawal from an organization (Robbins & Judge, 2010:29)." In this current study, the authors aim to focus on voluntary turnover intentions, simply, the turnover intentions of employees. Voluntary turnover means "... a conscious and deliberate wilfulness to leave the organization (Tett & Meyer 1993:262)." It means "... voluntary cessation of membership of an organization by an employee of that organization (Morrell, Loan-Clarke & Wilkinson, 2001:6)." It refers to the intent of an individual to leave his or her organization (Alniacik *et al.*, 2013). It captures the individual's perception and evaluation of job alternatives (Mobley *et al.*, 1979).

A study conducted by Muchinsky and Murrow (1980) found that there are three determinants of turnover: (i) economic opportunity factors; (ii) individual factors and (iii) work-related factors. Voluntary turnover creates significant costs, both in terms of direct costs, such as replacement cost or in terms of indirect costs, such as the pressure on remaining staff or the loss of social capital (Staw, 1980). Turnover of skilled employees can be very expensive and disruptive for firms (Reichheld, 1996). Lee and Bruvold (2003) stated that investment in employee development is correlated with the employee's intention to leave the organization. Available studies found that various factors are related to turnover intentions, for example, satisfaction and commitment (DeGieter *et al.*, 2011); shorter work hours, choice of work schedule (Bame, 1993); salary growth (Trevor, Barry & Boudreau, 1997); lack of recognition and lack of competitive compensation systems (Abassi & Hollman, 2000); lack of meaningful work and opportunities for promotion (Miller & Wheeler, 1992); ineffective performance appraisal and planning systems (Dailey & Kirk 1992).

2.4. Development of Research Hypotheses

2.4. 1. Job Satisfaction and Organizational Commitment

Many studies use different facets of satisfaction to predict employee attributes such as performance, organizational commitment and service quality (Dienhart & Gregoire, 1993). Robbins and Judge (2010:117) define job satisfaction as "... a positive feeling about a job, resulting from an evaluation of its characteristics," while organizational commitment concerns the degree to which an individual feels psychologically attached to the organization in which he or she works (Kacmar, Carlson & Brymer, 1999). Moreover, Meyer and Allen (1984:375) define affective commitment (a component of organizational commitment) as the employee's "... positive feelings of identification with, attachment, and involvement in the work organisation." Satisfied employees should be more

committed to their organizations and to their colleagues. It is revealed that job satisfaction is an antecedent to organizational commitment (Brown & Peterson, 1993). If a person is satisfied with his or her colleagues and organization, he or she will put more effort in favour of that organization and those colleagues. Committed employees feel themselves as a part of their organizations and consider the organizations' problems of their own. Additionally, organizationally committed individuals "... are willing to give something of themselves in order to contribute to the organization's well-being" (Mowday *et al.*, 1982:27)." Moreover, LaLopa (1997) also stated that job satisfaction is a significant predictor of organizational commitment. Hence, the first hypothesis has been developed as follows:

Hypothesis 1: *There is a positive relationship between job satisfaction and organizational commitment perceived by the executives.*

2.4. 2. Job Satisfaction and Turnover Intention

A number of studies reported a significant correlation between turnover intentions and satisfaction with the work itself (Hom, Katerberg & Hulin, 1979; Waters, Roach & Waters, 1976; Coomber & Barriball, 2007; Saporna & Claveria, 2013). Overall job satisfaction of employees appears to be associated with turnover intentions (Angle & Perry, 1981; Bedeian & Armenakis, 1981). Employees are more satisfied to work in a positive work environment and, therefore, less likely to leave their organizations (Pace, 2002). In one study, Moore (2002) found that lack of job satisfaction, among other factors, contributes to people's intentions to quit their jobs. Fishbein and Ajzen (1975) also found that job satisfaction has a direct impact on turnover intention. Available studies found job satisfaction to be correlated to enhanced job performance, positive work values, high levels of employee motivation and lower rates of absenteeism, turnover, and burnout (Begley & Czajka, 1993; Tharenou, 1993). If

employees are not satisfied with their jobs, they will seek better jobs that will meet their expectations. Consequently, dissatisfied employees tend to have high turnover intentions. Jackofsky and Peters (1983) suggested that job turnover should have a strong relationship with job satisfaction. It has also been found to be a better predictor of intent to leave as compared to the availability of other employment opportunities (Shields & Ward, 2001). Based on the above discussions, it could be assumed that job satisfaction is negatively related to turnover intention perceived by the executives. Hence, the second hypothesis has been proposed as follows:

Hypothesis 2: There is a negative relationship between job satisfaction and turnover intention perceived by the executive.

2.4. 3. Organizational Commitment and Turnover Intention

Organizational commitment becomes important due to its link with the propensity to leave and turnover (Brown & Peterson, 1993; Lamber & Hogan, 2009). Studies reported a significant association between organizational commitment and turnover intentions (Hom *et al.*, 1979; Mowday *et al.*, 1979). Highly committed employees feel obliged to their colleagues as well as to their organizations and have less intention to leave their organizations suddenly due to moral or ethical reasons. It is also found that organizational commitment is the strongest attitudinal determinant of voluntary turnover (Mowday *et al.*, 1982; Porter *et al.*, 1974). Mowday *et al.* (1982) saw organizational commitment as a strong belief in an organization's goals, and values, a willingness to exert considerable effort on behalf of an organization and a strong desire to remain a member of the organization. Peters, Bhagat and O'Connor (1981) found that organizational commitment had a stronger relationship with turnover intentions than job satisfaction. Arnold and Feldman (1982) found that both job satisfaction and organizational commitment correlated significantly with turnover intentions, although commitment showed the stronger relationship. In addition, available studies (Mueller *et al.*, 1994;

Taunton *et al.*, 1997) found that organizational commitment was a better predictor of turnover intentions than job satisfaction. Based on the discussions above, it could be assumed that organizational commitment should be negatively related to turnover intentions. Consequently, the final hypothesis was developed as follows:

Hypothesis 3: *There is a negative relationship between organizational commitment and turnover intention perceived by the executives.*

A hypothetical model has been developed to exhibit the relationships among job satisfaction, organizational commitment, and turnover intentions as follows.

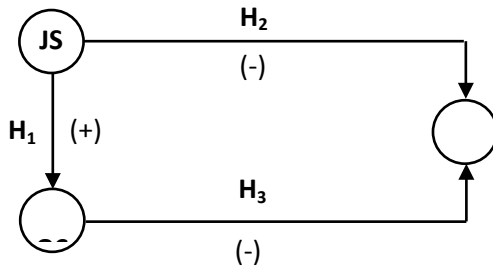


Figure 1: *Hypothetical Model; source: Original Research (Note: JS = job satisfaction; OC = organizational commitment; TI = turnover intention)*

3. Research Methods

3.1. Participants

The data for this study were collected from 187 executives from different organizations in the city of Chittagong. The executives were requested to rate their own job satisfaction, organizational

commitment and turnover intentions. In selecting the sample, this study used a convenience sampling technique. The respondents were also requested to provide information about their age, gender, years of experience, educational background, organizational level and organization type. The organizations were grouped into five categories: manufacturing; education; finance; services and others. Respondents were categorized into three categories, namely: higher-level; mid-level and lower-level. Respondents were given full autonomy in rating themselves. Respondents ranged in age from 26 to 51 years, with a mean of 31.2 (SD = 6.2) years, and 156 (83.4%) were male while 31 (16.6%) were female. Average job experience was 5.5 (SD = 3.2) years. There were 17 (9.1%), 163 (87.2%), and 7 (3.7%) respondents in the upper, middle, and lower-level categories respectively. The respondents were well educated: 76 (40.6%) had completed bachelor degrees, 97 (51.9%) had postgraduate studies, while 14 (7.5%) showed other higher degrees. In terms of organizational units, 49 (26.2%) respondents belonged to manufacturing, 45 (24.1%) respondents belonged to education, 38 (20.3%) respondents belonged to finance, 32 (17.1%) respondents belonged to services and 23 (12.3%) respondents belonged to other industries.

3.2. Survey Instruments

In order to measure the job satisfaction, organizational commitment, and turnover intentions of the executives, self-rated printed questionnaires were used. All the questionnaires used in this study were measured on a 7-point Likert scale ranging from 7 (strongly agree) to 1 (strongly disagree). This study adopts the following measures to collect data from the participants.

3.2.1. Organizational Commitment

In this study, the authors adapted the Meyer and Allen's (1997) Organizational Commitment Scale to measure the organizational

commitment of the executives. The reliability of the Organizational Commitment Scale for the current study was 0.85. Sample items for the organizational commitments were “I really feel as if this organization’s problems are my own” and “Right now, staying with my organization is a matter of necessity as much as desire.” The mean score of organizational commitment was obtained by totalling the twenty-four items’ scores and dividing them by the number of items.

3.2.2. Job Satisfaction

To measure the job satisfaction of the respondents, an eleven-item scale developed by Ather and Nimalathanan (2006) was used. Sample items were “I like the content of the work I do” and “My achievements are recognized by my superior.” The reliability of the job satisfaction scale for the current study was 0.77. The mean score of job satisfaction was obtained by totalling the eleven job satisfaction item scores and dividing them by the number of items.

3.2.4. Turnover Intentions

For measuring the turnover intentions of the executives, a three-item scale, developed by Camman *et al.* (1979) was used in this study. Sample items were “It is very possible that I will look for a new job next year” and “If I may choose again, I will not choose to work for the current organization.” The mean score of turnover intention was obtained by totalling the three turnover intention item scores and dividing them by the number of items. In this study, the reliability of the turnover intention was found to be 0.75.

3.3. Data Collection Procedure and Analysis of Data

In order to collect data, 250 executives working at different organizations in the Chittagong city were selected and the printed questionnaires were to them together with a brief introduction of the study and information on the procedures to complete the printed

survey instruments. The executives took twenty five minutes on average to complete a questionnaire. Finally, 187 (74.8%) usable responses were received. Owing to some constraints, it was not possible to collect an equal number of responses from each organization. All the data were analyzed through SPSS version 17. Descriptive statistics (such as means and standard deviations), bivariate correlations (Pearson correlation) and regression analysis (linear regression) were used for analysing the relationships if any among the variables. No missing values were found in any of the selected questionnaires.

3.4. Reliability of Scales and Validity of Data

Reliability reflects the consistency of a set of items in measuring the study variables and concepts (Cooper & Schinder, 2001). It illustrates the individual differences concerning the amount of agreement or disagreement of the concepts or variables studied (Malhotra, 2002). Cronbach's alpha is the most widely-used method to measure the reliability of the scale (Cooper & Schinder, 2001; Malhotra, 2002). It may be mentioned that Cronbach's alpha value ranges from 0 to 1 but to be satisfactory the value should be more than 0.60 for the scale to be considered to be reliable (Malhotra, 2002; Cronbach, 1951). However, Cronbach's (1951) alpha of the job satisfaction, organizational commitment, and turnover intentions scale for the current study were 0.85, 0.77 and 0.75 respectively. Hence, these three instruments were considered to be highly reliable for data collection.

The validity refers the extent to which differences in the scores of observed scales reflect true differences among objects of the characteristics being measured, rather than being systematic or random errors (Malhotra, 2002). In this study, authors considered only the criterion validity, which denotes that criterion variables (i.e. demographic characteristics, attitudinal and behavioural measures) were collected at the same time. Face and content validity were not

essential because the authors used established survey instruments in this study.

4. Results

The means and standard deviations calculated for the job satisfaction, organizational commitment and turnover intentions are presented in Table 1. Correlations among the studied variables are also presented in Table 1.

Variables/components	Mean	SD	Alpha	Correlations	
1. Job satisfaction	5.43	0.97	0.85	1	
2. Organizational commitment	5.36	1.01	0.77	0.68**	1
3. Turnover intentions	2.51	1.30	0.75	-0.46**	-0.49** 1

Table 1: Means, Standard Deviations, Reliabilities and Correlations between Variables; **source:** Original Research (note: ** Significant at the 0.01 level; $N = 187$).

Examination of Table 1 shows that there were significant correlations among job satisfaction, organizational commitment and turnover intentions. Job satisfaction was found to be related significantly with organizational commitment ($r = 0.68$, $p < 0.01$); while a significant negative correlation ($r = -0.46$, $p < 0.01$) was found between job satisfaction and turnover intentions. Moreover, organizational commitment was also found negatively correlated ($r = -0.49$, $p < 0.01$) with turnover intentions. Thus, it is indicated that all three hypotheses were supported by the results (i.e. the null hypotheses formats could be rejected).

Covariates	Co-efficients (β)			S.E. (β)			Value of t-statistic			Value of R ²			Value of F –statistic		
	JS	OC	TI	JS	OC	TI	JS	OC	TI	JS	OC	TI	JS	OC	TI
Age	0.01	-0.01	-0.01	0.02	0.02	0.03	0.23	-0.32	-0.18	0.04	0.03	0.04	1.27	0.88	1.25
Gender	-0.14	-0.25	0.25	0.21	0.22	0.29	-0.67	-1.1	0.86						
Tenure	-0.02	-0.02	0.01	0.03	0.03	0.03	-0.95	-0.058	0.03						
Education	-0.22	-0.11	0.38	0.12	0.12	0.16	-1.8	-0.86	2.4*						
Position	0.13	-0.12	0.20	0.21	0.21	0.28	0.65	-0.54	0.73						
Organization	-0.03	0.06	-0.02	0.05	0.05	0.07	-0.65	1.1	-0.24						

Table 2: Summary of Regression Analysis of Socio-Demographic Characteristics with JS, OC, and TI; **source:** Original Research (note: ** Significant at the 0.01 level; * Significant at 0.05 level; N = 187; JS = job satisfaction; OC = organizational commitment; TI = turnover intention)

Review of Table 2 indicates that only 4% of the variances in both job satisfaction and turnover intentions and 3% of the variances in organizational commitment were explained by socio-demographic characteristics (e.g. age, gender, tenure, education, position and organization type). Additionally, Table 2 indicates that a larger portion of variance in job satisfaction, organizational commitment and turnover intentions were unexplained. The presence of unexplained variance suggests that there were other potential variables that account for variations in job satisfaction, organizational commitment and turnover intentions.

Predictor	Co-efficients (β)	S.E. (β)	Value of t-statistic	Value of R^2	Value of F – statistic
Job satisfaction	0.70	0.06	12.50**	0.46	156.10**

Table 3: Summary of Regression Analysis regarding Job Satisfaction with Organizational Commitment; **source:** Original Research (note: ** Significant at the 0.01 level; N = 187).

Examination of Table 3 indicates that about 46% of the variance in organizational commitment was explained by job satisfaction, where the t-values were also found to be significant. This suggests that job satisfaction accounted for a significant increase in organizational commitment. Although a large proportion of variance in organizational commitment was unexplained, it has been suggested that job satisfaction might be a significant predictor in explaining the organizational commitment perceived by the respondents.

Review of Table 4 indicates that about 21% and 24% of the variances in turnover intentions were explained by job satisfaction and organizational commitment respectively. All the t-values and F-values were found to be significant. This suggests that both job satisfaction and organizational commitment accounted for significant decreases in turnover intentions. Although a large proportion of variance in

turnover intention was unexplained, it has been suggested that both job satisfaction and organizational commitment might be significant predictors in explaining the turnover intentions perceived by the respondents.

Predictor	Co-efficients (β)	S.E. (β)	Value of t-statistic	Value of R^2	Value of F – statistic
JS	-0.62	0.09	-6.96**	0.21	48.44**
OC	- 0.64	0.09	-7.61**	0.24	57.84**

Table 4: Summary of Regression Analysis Regarding Job Satisfaction and Organizational Commitment with Turnover Intentions; **source:** Original Research (note: ** Significant at the 0.01 level; N= 187; OC = organizational commitment; TI = turnover intention).

5. Discussion

The present study intends to examine the relationships among job satisfaction, organizational commitment and turnover intentions measured by the executives. The first purpose of this study was to explore the relationship between job satisfaction and organizational commitment. Hypothesis 1 stated that there will be a positive relationship between job satisfaction and organizational commitment measured by the respondents' perception. The result ($r = 0.68, p < 0.01$) of the current study supported this contention. Thus, highly satisfied individuals tend to have higher organizational commitment towards their organizations. This positive relationship is consistent with the findings of previous studies (Brown & Peterson, 1993; LaLopa, 1997). This result of the current study also offers support for the theoretical argument that higher job satisfaction may be an important aspect in increasing employees' organizational commitment.

The second purpose of the study was to investigate the relationship between job satisfaction and turnover intentions. The relationship between organizational commitment and turnover intentions was found to be negative ($r = -0.46$, $p < 0.01$) as perceived by the respondents. This negative relationship is consistent with the findings of previous studies (Hom *et al.*, 1979; Waters *et al.*, 1976). This indicates that highly satisfied executives have lower tendencies to leave their organizations. This tentative understanding is based on the theoretical assumption that higher job satisfaction may be a precursor of lower turnover intentions.

The final purpose of the study was to examine the relationship between organizational commitment and turnover intentions. Hypothesis 3 stated that organizational commitment will be negatively related to turnover intentions measured by the respondents' perceptions. The result ($r = -0.49$, $p < 0.01$) of the current study supported this assertion that highly committed employees tend to have lower intentions to leave their current jobs. This negative relationship is consistent with the findings of previous studies (Hom *et al.*, 1979; Mowday *et al.*, 1979; Mueller *et al.*, 1994). The result of the present paper also provides support for the assumption that higher organizational commitment may be an important indicator of lower turnover intentions among employees.

5.1. Implications for Management

An important implication of the study is that managers should take initiatives to increase job satisfaction with a view to amplifying organizational commitment as well as reducing turnover intentions of employees in their organizations. To ensure the presence of sustainable competitive advantage, organizations need more committed employees with more devotion to their organizations as well as to their colleagues. Organizations have to retain their competent and experienced employees for the same purpose. By measuring the current level of job satisfaction of the employees,

managers can forecast future turnover intentions and can thereby ascertain employee attitudes toward their organizations. It is revealed that more satisfied employees tend to have higher commitment towards their organizations and that ultimately ensures better employee attachment toward their organizations that may in turn lead to better job performance and prevent sudden turnover of employees. The current study is pertinent to the practitioners as well as to the business leaders as the findings may help them to identify the highly satisfied executives who are able to facilitate organizational goals.

5.2. Limitations

Despite the positive implications for management, the study has suffered from some limitations. The most important limitation was to use a convenience sampling technique that might limit the generalizability of the findings. A random sampling procedure could be a better alternative to assure the generalizability of the results (Rahman, Ferdausy & Uddin, 2012). The sample size (N = 187) posed another limitation of this study. A larger and more representative sample is needed to investigate further the relationships among job satisfaction, organizational commitment and turnover intentions. The presence of common method variance in the measures may have caused inflated relationships between the independent and dependent variables. One way to overcome this problem is to split the measures of variables by time (Rahim *et al.*, 2006). Finally, the current study used a self-rated instrument to measure job satisfaction, organizational commitment and turnover intentions of the respondents. A 360° assessment can be used to obtain reliable results where senior managers, supervisors, colleagues and peers rate the participants on the relevant items (Rahman *et al.*, 2013).

5.3. Future Directions

In terms of future research directions, subsequent studies should be attempted to investigate the relationships among job satisfaction,

organizational commitment and turnover intentions in different industries on a longitudinal basis. Future research would benefit from a large sample size, using a variety of samples. The structural equation model generates more reliable conclusions in terms of the construct validity of the measurements used. The research in such a case examines the relationships between job satisfaction and turnover intentions or organizational commitment and turnover intentions mediated by other factors, which could produce more interesting results. Moreover, research examining the relationship between transaction leadership and job satisfaction is warranted.

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A Review of Human Resource Information Systems (HRISs) in Organizations

Mahmoud Moussa

Abstract

It is never worthless to invest in training and educating employees in human resource (HR) departments in the area of information technology (IT). The reasons behind this include: (a) organizations around the globe have HR-related information needs and (b) IT issues have become increasingly relevant to business endurance. HR information systems (HRIS) can be a strategic resource and a powerful tool in the hands of decision makers. Alternatively, it can also be a burden and waste of human and non-human resources in organizations. This paper includes a general overview of HRIS, automated performance management and human resource tasks, eHR or technology in human resource management and HRIS challenges related to technology. Finally, the author presents some implications for practitioners and recommendations for future studies. This paper is intended to allow researchers to expand their understanding of fundamental features and characteristics relevant to effective HRIS in organizations. In addition, the paper is intended to support practitioners in highlighting critical issues necessary for the successful implementation of HRIS. Although the paper is narrative or descriptive in nature and non-statistical, it can be used to enhance the understanding of HRIS patterns in organizations.

Keywords: *employee, HR, HRIS, information, organization*

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1. Overview of Human Resource Information Systems (HRIS)

Information technology has undoubtedly changed the face of human resource management (HRM) around the globe. Perhaps the most essential use of technology in HRM is an organization's human resources information system (HRIS). The term '*information system*' implies the interrelated individuals, data, technology and organizational processes an organization uses to collect, store, process and disseminate information (Dessler, 2011). Apparently, today, the concept of an information system has become synonymous with computerization (Miner & Crane, 1995). Unsurprisingly, computers have abridged the data analysis task and they can be of great importance in HRM. For example, payroll, employee records, equal employment opportunity information, compensation and benefits are frequently computerized HR functions (Mathis & Jackson, 2000). In terms of HRIS, it has been described as an integrated system to collect, process, store, analyze, retrieve and disseminate critical information, which can provide useful support in HR decision making, coordination, control, analysis and visualization of an organization's HRM activities (Mathis & Jackson, 2003; Dessler, 2000; Miner & Crane, 1995; Gomez-Mejia, Balkin & Cardy, 2004). In other words, an HRIS links together all HR information into a system, and large organizations integrate their separate HR systems into an integrated HRIS (Dessler, 2003). Following this line of thought, the challenge for HR professionals is to integrate the conventional HR functions of the organization, without a glitch, with other corporate value-adding activities (Lee, Lee & Kwon, 2007).

Jackson and Schuler (2000) noted that when computer technologies are utilized to collect, analyze and allocate information about an organization's employees, the consequential systems are indicated as HRIS. Moreover, HR information management (HRIM) systems are also referred to as HRIS, when computer technologies are applied to collect, scrutinize and allocate data about job candidates and

employees (Jackson, Schuler & Werner, 2009). They also explained that HRIM systems not only communicate an organization's policies and strategies to all employees, regardless of their settings but, also, allow employees to access the following matters from around the globe:

- information about performance appraisals and competencies needed for a particular task in the organization;
- professional development plans and tactics for managing their progress;
- announcements related to job openings and descriptions throughout the organization and
- all benefit packages offered in organizations around the world.

Bulmash (2011:53) observed "... these systems provide a repository for information/data to be stored and maintained, and they possess varying degrees of reporting capability. However, for the data to be useful, they need to be transformed into information that is meaningful to managers." HR departments are facing this challenge today and will eventually determine their capacity in providing strategic HR services.

Propositions behind installing such a system and the anticipated outcomes indicate the following: (a) competitiveness; (b) increase in the efficiency of HR activities and the line management of the organization; (c) elevate the organization to another level, as it generates a mixture of HR-related documents and (d) capable of assessing HR activities concerning the organization's strategic plans (Dessler, 2000). When an efficient HRIS is implemented, the prime benefit obtained is that HR personnel can focus more effectively on the organization's strategic goal instead of on regular practices (Belcourt, Bohlander & Snell, 2008). This would involve employee needs analysis, employee promotions and career paths and the effects of the organization's policies to enhance and/or maximize the

organization's profits. The most noticeable effects of HRIS have been operational (e.g., automating routine tasks, improving administrative works, containing costs and enhancing productivity). Nevertheless, the changing face of HRIS has been directed toward self-service, setting up systems (often on an intranet) to permit decision makers to access employee records for business purposes and allowing employees to access and modify their own benefits and other private information (Belcourt *et al.*, 2008).

An HRIS should be tailored to deliver information that is: (a) timely: leaders must be able to access the latest information; (b) accurate: leaders must be able to count on the quality of the information offered; (c) concise: leaders should be able to obtain a great deal of information at any one time; (d) relevant: leaders should receive only the information wanted for each circumstance and (e) complete: leaders should obtain inclusive and not limited amounts of information (Mondy & Mondy, 2008). Consequently, HRIS are considered advocates of: (a) planning to satisfy all business needs; (b) fulfilling the employees' desires in an organization and (c) controlling all types of business policies and programs (O'Brien & Marakas, 2006).

The following tasks are involved when creating an HRIS:

Determination of information needs: information, data and necessary resources for decision-making processes and employers at different levels may require different types of information. Thus, an analysis of all activities performed in an organization, work plans and restrictions that may have an effect on the implementation of an HRIS system is critical. However, there must be the realization that these aspects vary from one organization to another and from one industry to another.

Designing the system: during this phase, the release of identified information should occur in a style that matches the employers' needs for the information. In all cases, structuring an HRIS system involves

the development of some processing methods, in order to convey the desired information to employers in different positions.

Implementation: in this step, the system has already been installed and employees should be able to acquire all of the required skills and knowledge available through training courses and orientations. Moreover, an emphasis should be placed upon the integration of the HRIS system with other relevant organizational aspects.

Monitoring and evaluation: this step includes performance appraisals to recognize deficiencies in the system and to take corrective actions to ensure the success of the implementation phase. The system should be assessed continually and a high degree of flexibility should be incorporated to make it possible to modify various components periodically, inside and outside the organization (Bhavsar, 2011).

With that said, an HRIS moves beyond simply storing and retrieving data to include more applications, such as generating reports, forecasting HR needs, strategic planning, career and promotion planning and appraising HR policies and practices (Bohlander & Snell, 2004). Additionally, numerous organizations have implemented HRIS that also enhance employee selection and recruitment, job placement; performance evaluations, employee benefits and compensation, training and development, security, health and safety issues and many other HRM functions. Consequently, the design of an HRIS assists decision makers in making more appropriate decisions. This is particularly true when careful consideration is given to HRIS subsystems, including: employee administration; recruitment; time and attendance; training and development; pension management; employment equity; performance appraisals; benefits and compensation management; organizational management; safety and health; labour relations and payroll (Bulmash, 2011). According to research and the Equal Employment Opportunity Commission (EEOC), the HRIS should also include information about every employee's age, race, religion, sex, place of birth and marital status;

however, this information should not be exploited for selection, promotion, training and compensation or evaluation purposes (Cherrington, 1995). Beside this, some of the more commonly requested reports generated by an HRIS include general information (e.g., name, address, phone number, postal code and age); compensation documents (e.g., salary statements or history); performance assessments; absenteeism (e.g., sick leave, personal leave, paid or unpaid leaves and number of allowed vacation days); duties performed and position titles; types of training received and competencies required (Bulmash, 2011). However, to take full advantage of an HRIS, scholars and practitioners should promote significant components its success and information-related design characteristics (Mueller, Strohmeier & Gasper, 2010).

Moreover, an HRM information system (HRMIS), also known as a personnel MIS, can play a vital role in ensuring organizational success. Some of the activities performed by an HRMIS include:

Human resource planning: one of the fundamental phases of any HRMIS is specifying employee needs, to determine or, at least predict, how many employees are needed, put the correct one in the correct place and anticipate the number of employees needed in the future.

Employee selection and recruitment: if the HR plans show that more employees are needed, the next step involves recruiting and selecting those employees. Organizations seeking new personnel normally use computers to evaluate potential candidates to screen them and begin the recruiting efforts. In addition, applicants upload their CVs to the Internet and then HR managers can recognize candidates who they might be interested in interviewing.

Training and skills inventory: jobs that primarily involve thinking and problem solving activities, such as professional and technical occupations, require very specific training for new candidates. After

the training course is completed, the employees' mastery of the relevant skills can be evaluated.

Scheduling and job placement: schedules are planned for each employee, specifying particular tasks to be performed over a specific period. Job placements frequently are determined according to employee skills inventory reports, which aim to identify the right person for the right job.

Wage and salary administration: another HRMIS subsystem concerns wages and salaries, benefits, medical payments and retirement accounts. Wage and salary information can be obtained from the organization's database and controlled by the HRMIS to present accurate information and documents to the upper-level of management.

Outplacement: employees quit their jobs for a variety of reasons. Outplacement services are delivered by many organizations to assist employees in making the right decision when moving to another organization. Thus, outplacement can include job training and counseling, financial and retirement planning and many other options. In addition, some employees use the internet to plan for such a transition or retirement (Stair & Reynolds, 2008).

According to Noe *et al.* (2007:549), a standard feature of a modern HRIS is the use of relational databases, which store data in separate files that can be linked by common elements. These common elements are fields identifying the type of data. Commonly used fields for an HR database include name, Social Security number, job status (i.e., full-or part-time), hiring date, position, title, rate of pay, citizenship status, job history, job location, mailing address, birth date and emergency contacts. A relational database is far more complicated than the traditional technique of storing employee information by name, with one file per candidate.

Another common use of an HRIS is applicant tracking or retrieving and controlling job applicants' records efficiently for hiring and termination purposes, planning and career development. By assessing such data, the HR department can assess the long-term horizons of its recruiting and selection procedures; fortunately, computer hardware and software have made tracking of HR much easier. Jackson and Schuler (2000) observed that a large number of global organizations have considered implementing sophisticated HRIS with the purpose of maintaining records concerning who is performing what and where. For global organizations, it is perhaps fundamental to use a sophisticated HRIS because assigning employees overseas while keeping track of each division and all departmental practices and policies might otherwise be overwhelming (Dessler, 2003). However, global and domestic organizations use HRIS to assist them in planning their HR both qualitatively and quantitatively (Khera & Gulati, 2012).

After an exhaustive review of literature, the author can summarily offer the following benefits of HRIS in organizations as follows: updated records; quick information processing; better awareness within individuals in organizations; accurate information; high level of employee satisfaction; better employee involvement programmes; the reduction of repeated information reported to employers and better access to a plethora of information in the formats required. By contrast, obstacles involved in the implementation of an effective HRIS can be interpreted as follows: ineffective communication among individuals in organizations; ineffective management and lack of commitment to the development of the organization; contentment with the existing circumstances; change resistance; insufficient budget; problems in coordinating with individuals, departments and organizations; timing issues; lack of wisdom about choosing the right person in the right place and, above all, politics involved in the implementation of the system.

As a caveat, an HRIS is never considered a substitute for data accuracy and such a database requires a regular updating and reviewing processes in both international and domestic organizations.

2. Automated Performance Management and HR Tasks

Technological growth has transformed the way many organizations operate and handle performance management. Technology permits organizations to transform large amounts of data into practical or valuable information and allows both employers and employees to recognize deficiencies in their systems. Consequently, technology is transforming the way HR departments manage and use employee records and the distribution of information. Today, HR personnel use contemporary technology to automate most of their tasks in managing employee records and allowing employees access to information for training or benefits. Noe *et al.* (2007) noted that automation makes a remarkable contribution to HR departments; for example:

- automation has increased HRM efficiency through minimizing the number of individuals required to perform particular tasks;
- it facilitates the work of HR experts and consultants, when clarifying how the HR department can help the organization accomplish its mission, vision and objectives;
- it provides some tactics that may construct and enhance systems for knowledge-sharing to promote the creation of a learning organization;
- using tools and information processing to perform tasks that have been completed by employees and
- employees can easily follow the organization's new trends and policies and receive information about their benefits online.

Jackson *et al.* (2009) reported that automation can do more than increase efficiency and save time; it can: (a) enhance the reliability of assessments and make them more reasonable and fair to employees; (b) communicate performance criteria to employees and (c) assist leaders in developing performance reports that exhibit strengths, weaknesses and opportunities. Nonetheless, careful planning and cooperation among diverse quarters of the organization are strongly required. Moreover, several technologies have been adopted by organizations to improve their productivity and they are often part of a HRIS. These are:

Transaction Processing System (TPS): a TPS conducts computations and calculations required in evaluating HRM decisions and practices and involves documenting decisions and practices related to employee relocation, training costs and benefit packages. TPS are applications for information processing for routine day-to-day business activities. All of an organization's important data may be stored in a single extensive database that is considered the organization's central information resource. The database can be updated by either batch processing, where data are gathered over a specific period and processed together, or online, where data processing occurs as information becomes available. In short, a TPS offers direct support to the operational level of an organization. It captures, stores and transmits details of business interactions.

Decision Support Systems (DSS): DSS are computer software systems tailored to assist employers in overcoming barriers and solving problems. They frequently have a 'what if?' feature that employers can use to test interactions between different types of information and determine how the expected outcomes will vary. By gathering this kind of information, the DSS would select specific reports that could be useful in making important decisions. The system can also help in making appropriate decisions for HR planning. It has been described as an interactive system that reports information required to support decision makers and, while some DSS

are dedicated to specific dilemmas, others are used for more general goals. If the services offered by a DSS are not adequate to justify a complete DSS component, they may be tailored into a management information system (MIS) at higher cost. However, a DSS tends to be more interactive than MIS, enabling employers to communicate directly with computer programs that control the system and obtain the results of different investigations rapidly.

Expert Systems (ES): ES are considered extensions of DSS and they are computer systems that gather and integrate decisions made by experts in a particular area. The system can provide recommendations based on the decisions and rules offered by users. In other words, the system is structured to make recommendations that a human expert would recommend in a particular area. ES can provide high quality information and lower costs, avoid mistakes resulting from decision-making biases and increase efficiency by lowering the number of unskilled employees doing work that may require skilled employees. Nevertheless, ES are extremely difficult and expensive to develop. ESs are being applied in many different areas, such as employee work scheduling, identifying credit limits for credit card applicants, monitoring machinery in a plant to forecast specific problems, making mortgage loans, mineral and oil exploration, equipment fault location, pricing airline tickets and in the insurance industry (Noe *et al.*, 2007; Griffin, 2008; Bartol & Martin, 1991; Gitman & McDaniel, 2006; Orilia, 1986; Boone & Kurtz, 2010; Norton, 2006; Thompson & Cats-Baril, 2003).

Accordingly, computer software is necessary to reflect the organization's values and goals more appropriately and to offer fair assessments; for example: KnowledgePoint's Performance Impact System walks managers through documenting performance, providing coaching and feedback, managing goals, writing performance reviews, and creating development plans. Meanwhile, OneForce/Performance's Workscape employee performance management solution automates and streamlines all aspects of performance management while

enhancing the quality and frequency of performance-related interactions between employees and managers. Halogen eAppraisal offers organizations an employee performance appraisal solution that replaces time-consuming “computerized paper” appraisals with a Web-based system. (Mondy & Mondy, 2008, p.224).

According to Dessler (2011), numerous software systems allow employers to incorporate evaluations, career development, training, and succession planning. One is Kenexa CareerTracker, which assists organizations in enhancing their employees’ productivity by offering a reachable platform for continual employee performance management, succession planning and career development. One aspect in which HRIS have seen broad application is succession planning: the software development for this goal has been significant because it:

- helps to monitor and track management development;
- establishes candidate pools for inheritance;
- recognizes turnover factors among different levels of management;
- reacts to altering skills’ prerequisites;
- generates reports that provide answers to different questions about employers and their progress and
- provides a plethora of statistics in topics such as equal employment opportunity (EEO), career planning, and employee profiles (Miner & Crane, 1995).

The succession planning system is incorporated completely with other HRIS in the organization so that more information may be accessible from other sources and the outcome is a process capable of offering analyses that can match employers’ competencies with future business objectives. Hence, it is extremely difficult to rely on manual HR systems rather than computerizing HR functions and the entire organization’s tasks as the size of the organization grows and since there is a continual need for competing in a particular market or industry (Dessler, 2000). Following this line of thought, DeCenzo and

Robbins (2005), Bohlander and Snell (2004:463), Mathis and Jackson (1997:205) and Mello (2011:253) described the following HR functions and activities as presented:

Recruiting: advertising vacancies on the organization's web sites or through other job-search web sites, such as Careerbuilder.com and Monster.com, aid HR managers in amassing a large number of applicants and deciding if an applicant has acquired necessary skills in technology.

Employee selection: employing effective individuals in technology-based organizations is very challenging because they demand people with technical and professional skills.

Job descriptions and job specifications: as computer technology has developed, academics have created computerized job analysis systems that can reduce time consumption and effort required in developing job descriptions. These systems can be utilized in job evaluation and rankings that are connected with pay structures. In addition, job specifications for each job can be developed, which can enhance recruiting, selection, training and other HR functions. Blending the administrative convenience of paper and pencil with the power of computerization, one of the new approaches is the Common-Metric Questionnaire (CMQ). The CMQ system consists of a computer-scannable document that is fed into computer-based scoring and is thereby able to report thousands of pieces of information about any job.

Training and development: technology is changing HRM trends. The internet has offered great opportunities in conveying particular information needed to both employees and employers. Automated technologies require more technically trained employees who act as trouble-shooters to repair, adjust or improve existing processes. Consequently, organizations have been able to reduce and, in some cases, eliminate, layers of management and move toward flatter

organization structures with fewer levels in the hierarchy. At the same time, because these technical workers have advanced training, the power bases in many organizations have been rearranged from management to technical workers.

Benefits programmes: online programs reduce the annual open registration period for numerous benefits. One big advantage from a benefit programme online is the major cost savings in benefits administration and the system is easy and inexpensive to adapt to individual needs. Descriptions of and advertisements for a variety of benefits software programmes are readily found in HR journals such as *Workforce* and *HRMagazine*. Software programmes represent a cost-effective way to manage employee benefits programmes where employers lack the resources or expertise to manage such programmes.

Ethics and employee rights: the emergence of various surveillance software programmes resulted in many ethical quandaries and employers are being questioned about what they should and should not be able to do when monitoring their employees.

Motivating knowledge workers: decision makers usually believe that they must monitor their employees' electronic devices to save the organization's resources, to make the employees more productive and to protect the organization from illegal practices or legal lawsuits.

In short, the melding of computer technology with HR functions and activities enabled organizations to develop more inclusive and precise job descriptions, more equitable compensation systems and performance evaluations and, as such, organizations can offer data that are more accurate for various quarters than ever before. Kumar and Pandya (2012) synthesized the following benefits that have been offered to organizations through technologies:

- intra-departmental cooperation: facilities online allowed HR departments to obtain employees from diverse cultural backgrounds and in different settings.
- inexpensive: containing costs (e.g., savings in printing, and transportation costs).
- accessibility to more information: authorized employees in organizations to access certain information and on a regular basis.
- better employee interaction: online tools enhanced communication among employees and employers that resulted in reduced social distance between them in various organizations.
- quick communication: online communication programmes enabled fast communication between employees and employers, which enhanced the efficiency of operations.
- document-trail and effective documentation: documentation has become unsophisticated since organizations could store, track and modify information in different locations, departments and offices, and have a healthier scrutiny and interpretation of the information garnered.
- greater feedback: electronic gadgets enhanced workers' collaboration and allowed them to receive quick feedback from their employers.
- more focus group discussions: online mechanisms helped organizations in improving productivity and maximizing profits through electronic brainstorming and group discussions.

More precisely, there are three critical ways that IT influences HR functions. These are: (a) operational effects: automating routines tasks and lightening the administrative load; minimizing costs and enhancing productivity in the HR function itself. The most recurrent uses of IT in HR involve automating payroll processing, keeping employee data and managing benefit and compensation programmes; (b) relational effects: aside from the operational effects of IT that

accentuate efficiency and productivity enhancement within HR, IT also improves service by granting supervisory management and employees, access to HR databases, backing their HR critical decisions and improving coordination between and among departments in the organization and (c) transformational effects: the transformational effects of IT imply broadening the scope and functions of the HR department through restructuring all of the HR activities undertaken in the organization (Bohlander & Snell, 2004). Additionally, a computerized HRIS consists of computer hardware and software applications that function together to support HR decisions in the organization. Gomez-Mejia *et al.*, (2004) observed that some HRIS software applications currently accessible to organizations are:

- Employee information: a programme that is used to establish a database that gives basic information about every employee, such as age, sex and race. Other application programmes can be used to reveal data from the employee information database for more in-depth HR uses.
- Applicant tracking: this programme is used to automate activities related to the recruitment and the selection of job candidates, including storing applicants' information so that different employers can access it and evaluate the applicants' interviews or update the status of the job applicant.
- Skills inventory: this is used to monitor or keep track of the demand for particular skills and match skills required with organizational needs. This programme can particularly enhance an organization's promotion policy.
- Payroll: a payroll programme is used to compute gross pay and taxes and to make other calculations, such as paychecks for health insurance or retirement plans.
- Benefit administration: this programme is used to automate benefits record-keeping that may take a long time if done manually; it can also be used to manage different benefit programme or offer some

consultations about benefit options and provide benefits' statements for each employee annually.

Miner and Crane (1995) listed the advantages of computerized HRIS as follows: (a) *speed*: computers can be used to manage a substantial amount of information in a short period, diminish the per-unit cost of information processing, deliver information that is advanced and promptly available and monitor activities as they arise by classifying real-time information; (b) *space*: HR records and documents require a great deal of space and these data files must be secured and protected; therefore, computer memories can be used to store information more effectively than conventional filing systems and (c) *availability*: employees and employers can use computers to eliminate or remove problems, develop mathematical theories that may determine solutions and quantifying and controlling information already saved in the computer can offer new insights into critical dilemmas. Moreover, a well-developed HRIS provides the following advantages: cost reduction of accumulated information in HR; advanced speed of data processing and retrieval; minimized efforts, which lead to cost reduction; accurate and timely data about HR are accessible; healthier analyses that enhance decision making; enhanced career planning and counseling; improved quality of documents and reports; rapid interaction with and management of environmental changes; and enhanced transparency in the whole system (Bhavsar, 2011). It has also been claimed that benefits of HRIS are fast responses, better access to information and a diminished workforce; a dearth of funds and skilled employees are considered major obstacles to implementing such a system (Batool, Sajid & Raza, 2012). In conclusion, HRIS must be perceived as a strategic weapon or else the system will not be used to its full capacity (Sadiq, Khan & Ikhtlaq, 2012).

3. Technology in HRM (eHR)

The concept of eHR implies the application of managing HR issues through the use of computer technologies, including databases,

computer software and hardware, materials online and the internet as applied to all HR practices (Jackson *et al.*, 2009). Development and application of eHR can be effective and strategic in the hands of HR professionals in organizations, if applied ethically to add maximum value to the organization. Some eHR applications and developments include the following:

- Employees can research or investigate companies, industries and other stakeholders online.
- Employees can register and choose specific items in a benefit package online.
- Employees can determine answers to HR queries and access their organization's news stories.
- Employees in diverse settings around the world can work together cohesively.
- Employees who work in different subsidiaries can receive their organization's training courses simultaneously over the organization's computer network.
- Employees can use their organization's intranets to generate automated pay sheets, which are an online substitute to time cards.
- Organizations can locate skilled and talented employees regardless of their locations, through job hunters on some of the top websites.
- Organizations can publish electronic employee handbooks and newsletters and create discussion groups or forums.
- Organizations can utilize websites that might be helpful in employee self-assessment, such *CareerMaze*, which provides an evaluation of every job seeker, and his/her interests, strengths, and weaknesses or *Career-intelligence*, which is a career resource link that provides career-assessment planning information and other evaluation tools. Other services provide tools for writing CVs or cover letters and so forth.
- Organizations can make hiring decisions through a videoconference or chat programme on the internet that might save them travel costs and other expenditures.

- Organizations and chief information officers (CIOs) can use information technology in other corporations and align them with their organization's strategic goals. In addition, CIOs work closely with chief executive officers (CEOs) to improve the strategic use of computer technologies that may position the organization in a competitive place in the market.
- Organizations can develop online surveys of employee satisfaction level, which can be efficient questionnaires that are easy to complete (Noe *et al.*, 2007; Dessler, 2000; Mondy & Mondy, 2008; O'Brien & Marakas, 2006).

Since all kinds of information related to an organization's HR may be employed, a computerized system may be used for substantial objectives (Miner & Crane, 1995). For example, performance evaluation software is used to incorporate organizational goals and management competencies, build a strategy for employee career development, automate performance management workflow, create e-mail reminders and develop an employee evaluation structure (Kumar & Pandya, 2012).

Owing to the confidentiality of HR information, many organizations develop an intranet that uses internet technology to allow access to official users only (Noe *et al.*, 2007). However, organizations and HR departments are responsible for educating employees regarding how to work in this changing environment, how to cope with new trends and obtain the utmost benefits from such training, career development, performance management and other benefits. Succinctly, eHR provides useful ways to enact HR functions and achieve an organization's mission, vision and strategic plans but also poses new challenges to both employees and employers. Hence, eHR systems offer great benefits to employees and organizations, along with challenges and barriers that need to be taken into account, to obtain the desired outcome from investing in such systems.

Additionally, technology has produced three innovative issues of concern for HR and organizations. Mello (2006) thoroughly illustrated the three issues as follows:

1. *Telecommuting* is described as individuals working from home through computer-mediated systems. This has been made possible by the great progress that has been made in information processing and advances in telecommunication technologies. Telecommuting is more than a contract between employees and their bosses, it also involves a vigilant management system that shows employees how to accomplish their tasks effectively and efficiently. Telecommuting can allow employees to take several roles because of their flexible work hours; when deciding to relocate, it can help organizations in retaining their employees, who are not able to change locations; it enables organizations to access a broader potential applicant pool; it can save a great deal of expenditure for organizations and some argue that it dramatically boosts productivity and reduces absenteeism and turnover rate. Nevertheless, a lucid and comprehensive performance appraisal system that has a set of measurable outcomes is fundamental for an effective telecommuting scheme.

2. *Employee monitoring and surveillance*: there is nearly consensus among employees and employers that technology, specifically access to the Internet, has improved employee skills related to job performance. However, alternatively, it has been shown in numerous studies that a large number of employees use the organization's computers and the internet in visiting adult websites, shopping, conducting private business, chatting and playing games during their working hours. Consequently, many employers have developed electronic monitoring systems to monitor employee behaviour during the working day. In addition, many software programmes have been developed to allow employers to monitor employee e-mails, computer files, voice-mails and telephone usage. This has increased tension between employees and employers and poses serious questions concerning how far an employer can go in monitoring employees,

because many employees considered monitoring an invasion of privacy.

3. *eHR*: advances in technology have offered HR departments a plethora of opportunities to enhance organizations' strategic goals. For example, HR departments can now provide many services on the internet and perform almost all of its functions and activities online (e.g., payroll, performance evaluations, employee pensions, savings and other benefits, employee relations and grievance handling, discrimination complaints, recordkeeping and reporting, training and development, staffing, action plans, safety and health development programmes).

Strohmeier (2007) and Sadiq, Khan and Ikhlaq (2012) proclaimed that eHR is a newborn with a very humble historical foundation and occupies a thought-provoking area of analysis at the intersection of HR and IS. Yusoff, Ramayah and Ibrahim (2010:3044) found that eHR is being applied progressively by organizations in the U.S. and other nations, although "... their use is often predicated on unproven claims about their antecedents." Hence, they recommended that scholars and practitioners test various variables in HRIS, to promote the welfare of both individuals and organizations. Strohmeier (2007) thoroughly described significant implications for future developments in eHR. First, a theoretical foundation is the vital requirement of any advancement in the field and it is also necessary to focus on a small number of theories in HRM and IS to establish the most relevant approach for the future. Second, pluralism may be relevant when referring to experimental methods. Finally, future studies should openly deal with an inclusive analysis of an organization to avoid any downsides of lack of knowledge and unawareness.

4. HRIS Issues and Challenges Related to Technology

Technology has become an important part of many occupations, but how individuals of different ages learn and use technology presents a significant challenge for many organizations. According to Mathis and Jackson (2003), an HRIS supplies two central objectives and challenges in organizations. One involves administrative and operational efficiency: many HR activities can be implemented more efficiently if automated and valuable information is available whenever required. The other involves effectiveness: having reachable data assists HR planning and managerial decision making to rely on information rather than on managerial perceptions. Mondy and Mondy (2008:9) added that the world has never before seen technological changes occur as rapidly as they are today. The development of HR technology has created new roles for HR professionals but also places additional pressures on them to keep abreast of the technology. According to a survey by the Society for Human Resource Management (SHRM), a leading trend identified by the panel of experts was the expanded use of the Web for delivery and utilization of HR applications on a service basis.

The use of Web-based information systems enabled HR departments to be more efficient and to manage more HR planning and strategic issues for longer horizons. However, there are many challenges that should be taken into consideration and, therefore, Mathis and Jackson (2003) compiled and presented a web-based HRIS with the following features:

- *Bulletin boards*: information on individual policies, job advertisements and training resources can be reached by employees around the world.
- *Data access*: an extranet or intranet permits employees to access an abundance of information (e.g., benefit packages), which

saves time for HR employees who used to answer employee questions.

- *Employee self-service*: many intranets include employee self-service options where employees can update and modify their private information and enroll in employee benefits plans. In this case, maintaining security is vital.
- *Extended linkage*: integrating extranets and intranets help employers to be connected so that data can be exchanged electronically and employees can submit personnel records directly from any geographical location.

In short, DeCenzo and Robbins (2005:7) noted that “Digital electronics, optical data storage, more powerful and portable computers, and computers’ ability to communicate with each other are changing the way information is created, stored, used, and shared.” One immense challenge for HR departments is the increasing number of *virtual workers* who may undertake their tasks at home, coffee shops, hotels or wherever convenient to them (Bohlander & Snell, 2004). Organizations today must adopt new technologies or attempt to develop their own to operate more efficiently and reduce their competitive pressures. Yet, the allocation of the budget to adopt new technology must comply with significant strategic matters, particularly the strategic HR dimensions (e.g., training needs, a planned change process or hiring and recruiting new staff). Another extensive challenge for many organizations (Mello 2006, 2011) is that technological transformation leads to a more hierarchical structure that requires team building across different occupations, such as managing directors, technicians and analysts to accomplish such a project. Alternatively, technology has built more dynamic and flexible organizational structures that enhanced change resistance in the organization’s environment. If organizations desire to remain competitive in the market, advances in technology generally lead to restructuring of jobs and organizational structures, redesigns of benefits and compensation plans, rewriting of job descriptions, redesigns of employee selection and evaluation systems and new

training programmes with new techniques (Dessler, 2000; Mishra & Akman, 2010). In fact, Shaikh (2012) reported that organizations have been restructured through downsizing, rightsizing and re-engineering, which removed a large number of workers and enhanced communications; nevertheless, proper information management and communication planning are viewed as being the most crucial aspects to meet employee needs and expectations. Singh (2012) also confirmed that a successful execution of HRIS entails re-engineering of all business processes and activities, as well as effective synchronization between HR functions and the IT scheme.

Similarly, Noe *et al.* (2007) write that, given the rapidly changing pace of technology, organizations should continually modernize and refurbish their skill requirements and then select and train employees to meet those requirements. In other words, HRM has become more composite because of the increasing growth in specialized jobs, the call for promoting and training employees with high competencies and the growing multiplicity of benefit packages and programmes. Oz (2009) classified HRM into five major functions: (a) employee record management: IS ease employee record supervision for a variety of purposes, such as payroll, taxes and promotions and many HRIS are completely digitized, which minimizes the space required to store such data, the time needed to access them and the costs of both; (b) promotion and recruitment: HR managers can look for a database of job seekers and current employee profiles to choose the skilled candidates for specific jobs. Automating the employee selection task can reduce time and budget allocated for the recruitment process. Intranets also assist HR managers in advertising vacancies and urgent announcements; (c) training: training software simulates scenarios in which employees must take actions to evaluate a trainee's competencies. Advances in IT helped organizations to control training costs to a great extent; (d) evaluation: by standardizing the evaluation process among employees and across departments, evaluation software can be used to determine the most qualified candidate for promotion, can reduce any bias in the process and can make it more

subjective and consistent. In addition, software helps employers in providing systematic analysis to develop performance reviews, a checklist of performance areas and measures to exhibit how competent the employee is in each task of the job performed and (e) compensation and benefits management: IS help HR departments in analyzing weekly, monthly and hourly pay based on annual salaries and can include tax tables to help in conforming with compensation regulations. This system can generate paychecks and transfer funds from the organization's bank account to the employees electronically. Unique software helps HR departments managing benefits (e.g., health and life insurance, retirement pensions or sick and personal days). Some organizations use expert systems that specify the premium health and retirement pensions for each employee based on data (e.g., marital status, age and other factors).

Other major challenges for organizations involve the selection of hardware, software and IT services, which may require suppliers to offer some plans, according to the organization's system development. The following is a compendium of major hardware evaluation aspects and selected software evaluation factors, as O'Brien and Marakas (2006) reported: hardware evaluation factors involve: performance (i.e., efficiency and power); cost (i.e., lease, purchase, operations and maintenance costs); reliability (i.e., risks involved, maintenance prerequisites, managing errors and analytical tools); compatibility (i.e., harmony with current software and hardware, with regard to what is provided by rival suppliers); technology (i.e., what kind of technology is applied, more recent or longstanding ones); ergonomics (i.e., user friendly, safe, comfortable and easy to use); connectivity (i.e., how easy it is to link with different kinds of network technologies); scalability (i.e., how far it can handle processes, transactions and different information processing obligations); software (i.e., the availability of software applications that can best apply this hardware) and support (i.e., the ease to obtain the services required for any support or maintenance required). O'Brien and Marakas (2006) also articulated software evaluation factors, as

follows: quality (i.e., frequency of errors in the programme); efficiency (i.e., issues related to time consumption, memory requirements or disk space); flexibility (i.e., the degree of flexibility in changing some processes in the organization); security (i.e., procedures for managing errors, malfunctions and inappropriate use); connectivity (i.e., how easy it is to connect to the internet, intranets and extranets on its own or whether it should be connected with other networks); maintenance (i.e., software developers' level of competencies and capabilities to fix unexpected errors); documentation (i.e., how well the software is documented and whether it contains helpful software agents); hardware (i.e., whether the software required matches the existing hardware features) and other factors (e.g., cost, reliability, availability and support features). Other factors for IS services and the quality of support services organization users may need include: performance (i.e., their performance history with regard to their past guarantees); system development (i.e., whether websites and e-business developers are accessible and what their quality and cost are); maintenance (i.e., the availability of equipment maintenance and their quality and cost); conversion (i.e., what systems development and services will be offered in the conversion period); training (i.e., the quality and cost of training personnel and whether it can be provided or not); backup (i.e., the ease to obtain computer facilities whenever needed for backup purposes); accessibility (i.e., whether vendors provide local sites that offer sales, systems development and maintenance services); business position (i.e., whether vendors have good industry market visions); hardware (i.e., whether they provide many options of hardware tools and accessories) and software (i.e., whether they provide practical e-business software and application packages).

In brief, organizations also face substantial challenges concerning the security and privacy of HRIS records:

- Authorizing specific users to access the HRIS records and data files or even distort some data whenever required, so that they are not obvious to authorized users.
- Developing passwords and special codes to allow users to access different segments of the database and prohibit them from accessing sensitive information.
- Authorizing access to employee profiles for specific business purposes determined by decision makers.
- Revealing and communicating the organization's policies and plans to all employees concerning the use of their private information and explicitly inform them about the extent to which they can utilize this information.
- Granting employees the right to access their personal records to ensure relevancy and accuracy and take some corrective actions if necessary (Gomez-Mejia *et al.*, 2004).

In conclusion, privacy, security and controlling methods are imperative for circumventing illegal or irrelevant access and usage of the HRIS system; training those who will be working in the HRIS system is critical to the effectiveness of the system and hardware and software vendor proficiency is also of great concern in providing appropriate support and instructions to stakeholders.

5. Recommendations for Further Studies

The author of this paper wishes to stimulate further debate and research related to the following: (a) what sort of information is most sought about employees in organizations and for what purposes; (b) how will the output from this information be presented to decision makers and (c) how often is this information needed by employers? Moreover, it would be useful to discover how employers can recognize the capabilities of an HRIS and the efforts needed before and after the installment of the system. Another intriguing area of research could be related to the level and the capacity of HRIS in facing crises or natural disasters. Another gap in the existing HR and

HRIS literatures concerns the focus on the use of IT in organizations, without an analysis or an indication of whether the system is closed, open or quasi-open. An investigation of HRIS in organizations and perceptions of individuals from different cultural backgrounds (e.g., a comparative study between Eastern and Western nations or a study in a cross-cultural environment) may add to the existing studies in HR. In addition, there is little research concerning outsourcing HRIS and the effects that this might have on the organization's culture as well as HRIS effects on employee behaviour and performance under such circumstances. Ultimately, more research is needed about the privacy and security challenges confronted by an HRIS because of major concerns for HR and IT professionals in organizations; however, researchers should carefully consider a particular country's laws and constitution regarding privacy and security issues.

6. Implications for Practitioners

A large number of authors have written that organizations must highlight weaknesses encountered by HRIS, which include employee monitoring, compensation and benefits management, employee coordination with other departments and organizations and management skills. Consequently, this author has argued that several implications could be important to business operations and decision makers in organizations, the expansion of e-recruitment and e-learning; periodically assess the return on investment (ROI) for HRIS; ensure and develop the HR information privacy system; boost the outsourcing of HRIS; improve the level of management competencies; train employees how to provide information that assists employers in making appropriate decisions; the system should fit the organizational culture; scrupulously assess the organization's needs to purchase the most suitable size and type of product from vendors because not all organizations require a sophisticated system; develop harmony and a good working environment between the HR department and the IT department to work cohesively and produce the desired outcome; decision makers should encourage HR and IT individuals in

organizations to attend trade shows and regular courses in IT to update their technological skills, as well as develop connections with software and hardware vendors. In short, HR departments can be strategic and business partners by evaluating: (a) their own effectiveness in how they apply technology in every-day work and (b) how fast they can cope with new technologies to enhance productivity and the efficiency of operations. Most importantly, HR specialists should facilitate the integration of HRIS tools and HRM functions with the organization's mission and vision so as to enhance knowledge and training in IT and contribute to the development of the whole system in the organization.

7. Conclusion

Applying HRIS apparatus in HR departments and business operations helps reduce the burden of the administrative work routine, optimizes an organization's financial status, provides access to accurate and timely information, improves the efficiency of operations, develops employees and employers' individual and institutional competencies, identifies weaknesses in the organization's system overall, builds effective strategies that add value to the organization, anticipates future threats, develops sustainable growth and long-term business goals and, subsequently, maintains and retains a competitive position in the market. An HRIS system consists of several subsystems (e.g., recruiting subsystem, compensation and benefits subsystem, planning subsystem, performance evaluation subsystem, environmental reporting subsystem, employee relations subsystem, payroll subsystem and training and development subsystem); hence, organizations should optimize these subsystems to make the whole system run well. In other words, deficiencies in any subsystem within an organization may result in a feckless system overall. Above all, HR departments vary from one another and it is always critical to identify the role of the HR department in the organization; some serve as strategic and business partners; whereas, others are focused on personnel or play the role of employee advocate only.

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CONFERENCE REPORTS

IFRD Conferences in Bangkok and Durban

SIU has entered a new year of cooperation with IFRD – International Foundation for Research and Development (<http://ifrnd.org/>) – with two conferences in Bangkok in 2014 and one in Durban in South Africa. Each one of these conferences drew together academics and practitioners from around the world and gave them the opportunity to present their research and their opinions and discuss them in a friendly and hospitable environment. The first conference was held in February 2014 at the First Hotel in Bangkok. The keynote speaker was the Dean of Nursing Science at Shinawatra University, Associate Professor Puangtip Chaiphibalsaridsi, who spoke on the topic 'Nursing in a Modern Economy.'



The other speakers from SIU included Dr. Sittichai Anantarangsi, who spoke on the topic of the 'Past, Present and Future of the Japanese Economy.'



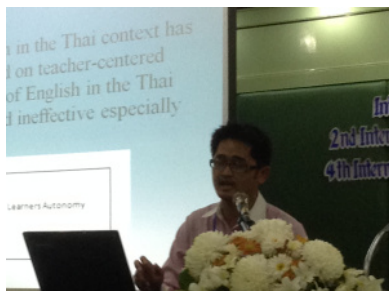
Later on during the first day, Ms. Fuangfa Ampornstira presented a paper based on her doctoral research, 'Perspectives of Investors and Consumers on Cambodia's Telecommunications Industry and Infrastructure.'



On the second day, Sunday, we had presentations from two students from the School of Liberal Arts pursuing the Master of Teaching English as an International Language (a popular course) with their advisor Aj Amporn Sa-ngiamvibool (who was not able to attend). First was Ms. Prawchompoo Kamsorn, who presented a paper entitled 'AEC News: A Linguistic Approach for Language Learning and Communication.'



Then there was Mr. Ittichai Ratanatavorn, who gave his paper entitled 'Fostering Learner Autonomy through CALL Projects in the Thai Context.'



Finally, we heard from another PhD candidate, Mr. Eric Bediako, whose paper was 'Increased Political Power in Thailand's Financial Services Industry – A Recipe for a Possible Financial Meltdown.'



At the end, I gave my own Vampire Wars paper. It was, as always, a friendly conference where people were able to interact with each other. Delegates came from South Africa, Turkey, Ghana, Iran, India, Bangladesh, Pakistan, Sweden, Britain, Thailand, Malaysia, Indonesia, Oman and no doubt others I have forgotten.

The second Bangkok conference was held at our own BBD Building in June, 2014. Here, to begin with, is Dr. Cornelis Reiman, who delivered the keynote speech.



His speech had the title 'A Tale of Two Cities.' I am happy to be able to include this speech as an invited paper in Vol.1, No.2 (June, 2014) of the *Journal of Shinawatra University*.



The first day was Saturday, June 14th and the first of our papers was delivered by Nancy Huyen Nguyen, who discussed "Thai Workforce-Ready for ASEAN Economic Community 2015?"



Next up was Sirirat Ngamsang, who spoke on the subject "China, USA and Thailand: The Impact of International Relationships on a Modern Economy."



Moving to the second day, Sunday June 15th, the first speaker was Prapti Proudya, who spoke on the subject "Job Satisfaction among Doctors Working in Hospitals in Kathmandu, Nepal."



Next up was MBA student Aye Aye Htun, who spoke on the subject "A Study of the Business Network Internationalization Process Model in Myanmar: Literature Review."



Then we had Aj. Reema Thakur, who spoke on the subject "Changing Work and Life Aspirations among Nepalese Women: A Hofstedian Approach." I also delivered some papers myself, two on behalf of presenters who were unable to attend and one on my own behalf.

Third, I travelled to Durban in South Africa, also in June, to chair the International Conference on Economics and Social Sciences and the International Conference on Education and International Management on behalf of IFRD. The event was held in conjunction with Durban University of Technology, which is an institution with a dozen or more campuses across the province of Kwa-Zulu Natal, all in urban locations and for 70% of its students, they are the first in the family

ever to have attended university. Graduate and doctoral programmes have just been launched.



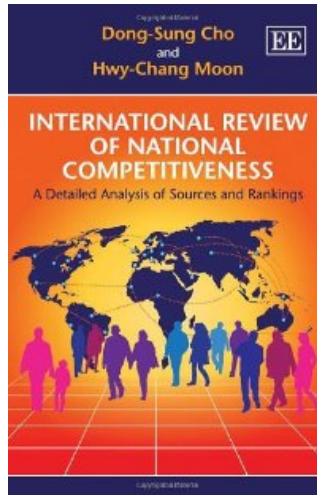
The conference was well-organized and well-attended with more than 80 papers presented. Most people who were there seemed to enjoy themselves and there was a particularly lively group of scholars from Nigeria, who were mostly involved in the education sector.

All delegates who submit full-text papers to the conference organisers will find that it not only appears in the conference proceedings (assuming that peer reviewers consider it to be of a suitable quality) but also will have it judged for publication in the four IFRD journals and the various others attached to the conference series.

IFRD conferences are notable for the presence of strong south-south networking and solution formation and I am pleased to be able to be a part of this effort.

John Walsh, Editor

BOOK REVIEWS



International Review of National Competitiveness: A Detailed Analysis of Sources and Rankings

Dong-Sung Cho and Hwy-Chong Moon

Cheltenham and Northampton, MA: Edward Elgar, 2013.

ISBN: 978-1-78254-557-6

IX + 330 pp.

Reviewed by John Walsh, Editor, *SIU Journal of Management*, School of Management, Shinawatra University, Thailand.

Many of my colleagues and friends will have become familiar with an annual ritual at the beginning of the year – filling in the national competitiveness survey (and my thanks to everyone who helped me with this). Each year, the questionnaire changed slightly and, most noticeably, in the reduction of the number of variables used. It began

with a very unwieldy affair with more than 100 variables but finally was slimmed down to around half that many. These variables were each given a score by respondents and then combined with secondary data relating to factor conditions and the researchers at the competitiveness institute at Seoul National University would use these figures to calculate various rankings relating to national level competitiveness (my name appears in the acknowledgements as a result of the contribution I organized from Thailand and, one year, from Vietnam).

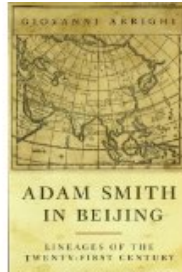
The basic model is of course that of Michael Porter (1998), whose initial work systematized and popularized the very concept of national level competitiveness and launched many illustrious academic and publishing careers as a result. Porter wrote on the basis of a diamond model of competitiveness, consisting of four sets of inter-related factors: demand conditions; factor conditions; related and supporting industries and strategy, structure and rivalry (within industry). There is also the role of government, which Porter did not include as a part of the diamond (although he might have done) but which is to be understood as providing the stable environment in which business activities take place and promoting equality of opportunity. Quite how these constructs should be defined was, in Porter's original work, slightly problematic despite the many hundreds of pages used to try to do so. That has left a gap in knowledge which authors Dong-Sung Cho and Hwuy-Chang Moon have enthusiastically sought to fill. This book details their attempts to do so and locates their work within the larger canvas of competitiveness studies (of which there are now quite a few) as a whole. As might be expected, therefore, this is a very data-rich book and the majority of the 330 pages of the main text consists of charts, tables and figures. The data are carefully prepared and presented and each of the country level studies, of which there are 60, includes a useful comparison with another country in the same income-size category to highlight the competitiveness gap observed, whether this is positive or negative.

The data are also used to help craft state-level developmental strategies, which is not surprising given that the authors are Korean and it is Korea that provides a growth trajectory for so many Asian and other countries struggling with the Factory Asia paradigm and the Middle Income Trap. The authors consider, based on the evidence accumulated, that states should progress from resource-based activities via manufacturing to the knowledge-based economy, from physical infrastructure via industrial clusters to regional integration and from cheap facilitation via support and regulations to advice. That is, just as in the rest of the analysis, physical factors and human factors are combined to provide an overall understanding of how nations act. This adds value to the central concept and appears to be a sensible extension of the data collected.

Readers interested in national competitiveness and in need of credible data will find a great deal of interest here. There is, of course, a negative aspect to the mode of analysis and this lies in the lack of fit between contemporary corporations and their reliance on any specific geographical terrain. This is evident in the case of Korea, since the means of enforcing development in the early stages of modernization there depended on the ability of the state to force corporations to cooperate by maintaining control of the sources of foreign capital and other important scarce resources and this relationship changed as the corporations become more able to fend for themselves. These days, LG, Hyundai, Samsung and the rest scarcely have any need to apply for government resources but might, if it suits them to do so, work in a partnership with the state. In any case, borders seem to matter less than they once did. Nevertheless, this remains a useful and important work.

References

Porter, Michael E, The Competitive Advantage of Nations, second revised edition (New York, NY: Palgrave Macmillan, 1998).



Adam Smith in Beijing: Lineages of the Twenty-First Century

Giovanni Arrighi

London and New York, NY: Verso, 2008.

ISBN: 978-1-84467-298-1

XIII + 418 pp.

Reviewed by John Walsh, Editor, *SIU Journal of Management*,
School of Management, Shinawatra University, Thailand.

Giovanni Arrighi, the Italian political economist, was perhaps best known for his work *The Long Twentieth Century*, which took a longitudinal view of the development of capitalism in the western world and which remains an influential work. His book *Adam Smith in Beijing* takes the analysis into the future by considering the rise of China and, to a lesser extent, India. In the previous work, Arrighi theorized that state formation and capitalist development occurred during a succession of 'long centuries' characterized by the dominance of a different hegemonic power. Changes of era, with all the crises and opportunities afforded as a result, occur when one power succeeds another. Given this premise, therefore, it is not difficult to see the banking crisis of 2008 and subsequent crisis of austerity as a point of inflection which makes the ultimate demise of

American hegemony and its replacement by China. That, at least, is the hypothesis to be examined here.

Arrighi begins his work with a re-evaluation of the work of Adam Smith, who perhaps can only be compared with Marx as the writer most quoted by people who have not read or understood his work. Smith's theory of economic development leads to an equalisation of income around the world as the recourse to 'unnatural paths' to development will eventually end in failure and crisis and a return to the 'natural path' will be required. As he explained in an interview with David Harvey:

“... there is no notion in his [Smith's] work of self-regulating markets as in the neoliberal creed. The invisible hand is that of the state, which should rule in a decentralized way, with minimal bureaucratic interference. Substantially, the action of the government in Smith is pro-labour, not pro-capital. He is quite explicit that he is not in favour of making workers compete to reduce wages, but of making capitalists compete to reduce wages to a minimum acceptable reward for their risk. Current conceptions turn him completely upside down (Arrighi & Harvey, 2009).”

This is quite significantly different an analysis than that usually ascribed to Smith, who has become the hero of free marketeers on the assumption that, as has become so often the way with right-wing thinking in the contemporary world, what was written is what the proponent would like to have been written and does not see the need to check whether this is in fact the case. Arrighi uses his line of argument, via Marx, to consider Pomeranz's outstanding work on the Great Divergence between China and the west. He then moves on, having established the theoretical basis of his work, to consider the issues of the decline of American power and the rise of China. The latter he considers to have been the long-term victor of the Bush presidency's Global War on Terror and its baleful results of the drone

killings of untold numbers of civilians or ‘militants’ as they are usually described, the radicalization of large numbers of negatively affected people and the illegal and unjustified surveillance of most of the world. Quite whether the Chinese government sees things in these terms is harder to assess. After all, the so-called Beijing consensus may or may not offer a coherent ideology for other less developed countries to follow (and thereby avoid the dangers of the Washington Consensus) but it is not a term Beijing itself uses and there is little evidence of any organized and systematic attempt to promulgate it around the world. We are, in other words, still in the midst of historical change and it may not yet be possible to identify the crucial events at the moment. Arrighi concludes that China has yet to emerge from the current situation because of its recent economic policies which have too closely followed the unsustainable western model:

“... by relying too heavily on the energy-consuming Western path, China’s rapid economic growth has not yet opened up for itself and the world an ecologically sustainable developmental path (p.389).”

This has led to a cleavage within society between those able to take advantage of changes in economic conditions and those not able to do so – this is Schumpeterian creative destruction, of course. The result has been widespread social disorder which is prompting a dramatic reorientation of state policies relating to society and economy:

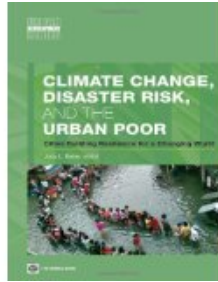
“If the reorientation succeeds in reviving and consolidating China’s traditions of self-centred market-based development, accumulation *without* dispossession, mobilization of human rather than non-human resources, and government through mass participation in shaping policies, then the chances are that China will be in a position to contribute decisively to the emergence of a commonwealth of civilisations truly respectful of cultural differences (p.389).”

This all seems a little too optimistic since there is little in China's recent actions (as distinct from its stated policies) to suggest a great deal of interest in promoting cultural differences when that can be construed as posing a threat to national security. The actions of certain Chinese investors and firms in the Greater Mekong Subregion can also be seen as accumulation with dispossession with quite a high level of efficiency. That does not of course mean that is the policy of the Chinese government but it does indicate that analyses based on a unitary and monolithic state risk losing some important details about what is actually happening. This indicates a larger issue with analyses such as those of Arrighi, which is epistemological in nature. There is not as much actual evidence in the text to convince people in fields in which a great deal of data is generated and deployed. Pomeranz, cited earlier, provides copious amounts of data and this lends substance to his argument. In any case, Arrighi was a powerful and influential figure and his thinking is certainly worthy of serious consideration.

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Climate Change, Disaster Risk, and the Urban Poor: Cities Building Resistance for a Changing World

Edited by Judy L. Baker

Washington, DC: The World Bank, 2012

ISBN_978-0-8213-8845-7

XVIII + 297 pp.

Reviewed by John Walsh, Editor, *SIU Journal of Management*, School of Management, Shinawatra University, Thailand.

Global climate change may definitely be happening but it is very difficult to predict exactly what forms it will take, where and when. One thing that does seem to be definite is that it is the poor who will suffer the most because they are obliged to live in the most vulnerable areas and they have the fewest resources and means to deal with adverse change. We are familiar with James C. Scott's image of the peasant as a person standing chin-deep in water and moving very carefully so as to avoid causing the ripple that would bring disaster. The harrowing images of the aftermath of Hurricane Katrina in New Orleans showed just how vulnerable are the urban poor even in the richest and most powerful country in the world. Generally, then:

“Poor people living in slums are at particularly high risk from the impacts of climate change and natural hazards. They live on the most vulnerable land within cities, typically areas deemed undesirable by others and thus affordable. Residents are exposed to the impacts of landslides, sea-level rise, flooding and other hazards (p.1).”

Reported events of extreme weather around the world have started to persuade city leaders, among others, of the threat posed by climate change and the need to take steps as soon as possible both to mitigate against the worst effects of such events but also to build resilience and develop systems that can help people, communities and organizations avoid becoming victims and re-establishing operations afterwards with the greatest speed possible. However, this is not possible everywhere and some cities, Bangkok for example, have been left needlessly unprotected by the flood management scheme created in the wake of the 2011 floods because of the antics of the anti-democracy movement and its allies in the establishment.

Nevertheless, the mayors of four cities did join together in a project which has culminated in the publication of this estimable book and the related activities that have taken place to try to reduce risks where possible. Case studies of the four cities concerned – Mexico City, Dar Es Salaam, Jakarta and São Paulo – are among those included in this book which, as is typical for World Bank publications, is well-organized and authoritative and includes various forms of summary and action points which can be used to convey complex information quickly and conveniently. For example, the key findings are listed on p.2:

- The urban poor are on the front line;
- City governments are the drivers for addressing risks;
- City officials build resilience by mainstreaming risk reduction into urban management;
- Significant financial support is required.

Meanwhile, the recommended actions that should be taken to build the resilience of the urban poor are summarized on pages 2-5:

- Assessing risk at city and community levels to inform decision-making and action-planning;
- Integrating policies for climate change and disaster risk reduction for the poor into urban planning and management;
- Balancing policy tradeoffs among risk reduction, urban development, and poverty reduction in decision-making;
- Strengthening institutional capacity to deliver basic services and reduce vulnerability to climate and disaster risk;
- Bridging communities and local governments to work together on local solutions;
- Opening new finance opportunities for cities to address pro-poor adaptation and risk reduction.

This is all very sensible and praiseworthy, although there is always the charge against consultant writing such as this that it dissolves the geographically-specific conditions prevalent in a local environment so that it can be generalized (with the assistance of consultants) and then must be related to the different geographically-specific conditions (with the help of other or even the same consultants). This is probably an unavoidable problem in the world as it really exists. People involved or interested in disaster management (more recently termed 'disaster governance') in urban settings will obtain a great deal from this book.

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ABOUT SHINAWATRA UNIVERSITY



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


The idea of establishing a private university to support private sector development in Thailand and the region was initiated in 1996 by Dr. Thaksin Shinawatra and Professor Dr. Purachai Piumsombun. This was followed by the design development of an environmentally friendly campus by Dr. Soontorn Boonyatikarn in 1997. A year later, the innovative plans were presented to Her Royal Highness Princess Mahachakri Sirindhorn, and then to the Ministry of Universities which granted the license for operation towards the end of 1999. The first Shinawatra University Council Meeting was held on May 19th, 2000, marking the initial milestone of the long road to becoming an accomplished private university. In September 2002, the first batch of students was admitted, and the venture of creating and nurturing a prospective university had begun.



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