

**Management Control in  
a Thai-Owned Chicken Company  
in Thailand**

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A thesis submitted in fulfilment of the requirements  
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## **Abstract**

The purpose of this study is to add to our knowledge of the composition and exercise of management control systems (MCSs). The study focused on a Thai-owned chicken processing company in Thailand. Although most previous studies on MCSs have examined the use of MCSs as developed in mainly English-speaking countries in the West, there are some studies set in emerging economies in South and Southeast Asia around Thailand. These have found a variety of factors that affect the composition and exercise of MCSs. These factors include national culture, employers' and employees' demographic characteristics, ethnic tensions, political intervention, and liberalisation and privatisation.

Thailand was chosen for this study because the author is Thai and because few previous studies had been done about Thailand. Thailand has been influenced significantly by Western ideas but differs from many of its South and Southeast Asian neighbours, such as Bangladesh, Sri Lanka and Indonesia, in having maintained a much greater degree of formal political autonomy than these countries. Its national culture differs from these neighbouring places.

The researcher took an ethnographic approach to her study. Empirical materials were collected about the Saha Farms Company, a large family

business, with the cooperation of the owners, including the founder, who is still the chairman. Methods included non-participant observation, semi-structured and unstructured interviews, examination of documents, such as websites, newspapers and graduation booklets, and informal social contacts, such as conversations over a meal. The materials were interpreted to obtain an in-depth knowledge of the social life that underpins MCSs exercised in the Company.

The findings indicate that some factors from previous studies, namely national culture and demographic characteristics, are relevant to the Saha Farms Company's MCSs. They also indicate that other factors not identified in previous studies are important; for example, being a family business, competition in the markets for labour and custom, and labour laws have influenced and shaped the Company's MCSs. All of these reflect a Thai culture that is unique, unspoilt by European colonialism, and still rooted in three fundamentals, namely the nation, Buddhism and the monarchy. Conversely other factors found in previous studies, such as ethnic tensions, political intervention, and liberalisation and privatisation, seem not to be relevant in the Saha Farms Company.

The findings of this research could be extended further in future research to obtain a broader picture of MCSs in use in Thailand. For example, these findings could be compared with the MCSs in a Thai family business in

which the founder is no longer involved. A Thai non-family business and a Thai subsidiary or Thai head office of an international business could be studied; or a company based in an urban area.

# **Chapter 1**

## **Introduction**

### **1.1 Introduction**

Management control has been the subject of increasingly more research in recent decades. Management control is believed to be a key factor for company survival in uncertain environments and the highly competitive markets of global commerce (Chow, Shields, & Chan, 1991).

Although some definitions of management control system (MCS) imply a neutral, technical and benign system (e.g., Horngren et al., 2006; Simons, 1995), there is a contrasting view that management control use varies along with social phenomena and geographical contexts. This contrasting view has been promoted in qualitative research into management control practices in increasingly more countries, which vary as to culture, history, religion and so on (e.g., Efferin & Hopper, 2007; Uddin & Hopper, 2001; Wickramasinghe & Hopper, 2005). Therefore, the definition of MCS in the present study is broad, namely “a system within social, cultural, political, and economic environments used by management to align employee behaviour with organisational objectives and to manage internal interdependencies ... , and external relationships ...” (Efferin & Hopper, 2007, p. 225).

The present study adds Thailand to the list of countries in which qualitative studies have been conducted. Thailand has traditionally been an agricultural country, and it is only relatively recently that the agricultural sector has been extended into industrial activities. However, Thailand soon became one of the largest food exporters in the world (Coordinating Sub-Committee on Foreign Affairs, 2000), notably in the chicken industry in which its ranks as the world's third largest chicken meat exporter (United States Department of Agriculture, 2012). Therefore, the case study site of this thesis, the Saha Farms Company, is an interesting setting for management control research.

Saha Farms was founded in the 1960s by Dr Panya Chotitawan. Not only is it the biggest frozen chicken exporter based in Thailand but also it is owned and controlled by only one Thai family and the majority of its employees are Thai. The founder is still the head of the Company and of the family. The wealth of the family is symbolised by Baan Sukhawadee (picture and detail in 6.3), a palatial residence in Banglamung, Chonburi province. This wealth derives almost entirely from the success of Saha Farms.

The Saha Farms Company's controls include much more informality and compassion compared with those found in many other studies of the nature and use of MCSs. The owner treats his employees like family, while his

employees treat him like a father. For example, it is notable that the Saha Farms Company did not lay-off any of its employees when it was hit by the bird flu crisis in 2004, even though the Company experienced a significant loss.

The rest of this chapter discusses the nature of MCSs, research about MCSs in South and Southeast Asia, objectives of this research, the research questions, the research method and lastly the organisation of this thesis.

## **1.2 Nature of Management Control Systems**

Hornsgren, Datar and Foster (2006) explain that management control refers to gathering financial and non-financial information, from within and outside an organisation. This information is used to make plans and decisions, and to guide employees' behaviour in the organisation (more details in 2.2.1). However, it has long been established that the form that these MCSs take in practice may differ markedly from this normative definition. For example, Mellemvik, Monsen and Olson (1988) separate management accounting and its uses into: delegation of responsibility and evaluation, legitimisation, myths, power, and conflicts (more details in 2.2.2).

Furthermore, in studies that have followed MCSs from their places of origin and development in industrial countries of the Western hemisphere to emerging economies in the Eastern hemisphere, further differentiation has been identified (e.g., see Hopper, Wickramasinghe, Tsamenyi, & Uddin, 2003). This bears out intuitive expectations that in these countries, MCSs may need to be different from those in Western countries “because of the differences in their business environments, ownership structures, users of accounting information, and attitudes towards disclosure” (Redda, 2007, p. 2). People from different countries have diverse work-related national cultures, and have different attitudes toward, or reactions to, the same MCSs (Chow, Kato, & Shields, 1994). MCSs that companies use effectively in one country might be less effective in other countries, especially in emerging economies that have different historical, socio-political, cultural and economic circumstances (Hopper et al., 2003; Wickramasinghe, Hopper, & Rathnasiri, 2004).

### **1.3 Research about Management Control Systems in South and Southeast Asia**

Some research on MCSs has been carried out in South Asia and countries further east. Countries surrounding Thailand, such as Indonesia, Sri Lanka, Bangladesh and Pakistan are included (these studies will be reviewed later) but Thailand itself has been mostly neglected, and there are few studies on

MCSs in Thailand. This may be an important omission because “[i]t is difficult to treat less developed countries as a homogenous group” (Hopper et al., 2003, p. 16). Countries may be in the same region, like Thailand, Indonesia and Malaysia, but their management styles may have significant differences due to the differences in their culture (Vance, McClaine, Boje, & Stage, 1992). Nishimura (2005) suggests that “Asian countries must create a new [MCS] based on their own culture...rather than merely imitating foreign countries” (p. 35).

While Thailand resembles surrounding countries, it is different in several respects, notably for having sustained formal political autonomy (Library of Congress, 2007; O’Sullivan & Tajaroensuk, 1997; Runglertkengkrai & Engkaninan, 1987; Thailand, 2012). “Thailand is unique, not only in Asia but in the Third World as a whole, in never having suffered colonial rule by another country” (Kulick & Wilson, 1992, p. 5).

Economically, however, Thailand is host to an increasing number of foreign companies attracted by supplies of cheap labour and a population of nearly 70 million people that is increasingly active in the economy (Bank of Thailand, 2011; Boode, 2005; Niffenegger, Kulviwat, & Engchanil, 2006; Pompitakpan, 2000). Thailand is also a gateway and distribution base for the Mekong region, which also includes Cambodia, Laos and Myanmar. These have a combined population of over 140

million people (Board of Investment of Thailand, 2011b; Cambodia, 2012; Laos, 2012; Myanmar, 2012; Niffenegger et al., 2006; Thailand, 2012).

Thailand is one of the countries in the Association of Southeast Asian Nations (ASEAN), and so part of a Free Trade Area established in 2010 (Board of Investment of Thailand, 2011b). Thailand is also attractive to foreign company investment because interference from the Government of Thailand is minimal. Its foreign direct investment policies focus on liberalisation and encourage free trade (Board of Investment of Thailand, 2011a, 2011b; Hendon, 2001; Pornpitakpan, 2000).

Thailand's attractiveness for investment is recognised in the World Bank's "Ease of Doing Business" 2011 report. Thailand is rated the second easiest country in Southeast Asia in which to do businesses, behind only Singapore, and the 19<sup>th</sup> easiest in the world (Board of Investment of Thailand, 2011a; Pornpitakpan, 2000).

As a result of these key features and differences from surrounding countries, MCSs adopted and in use in Thailand would be different from those in other countries. The reasons for differences are explored in this thesis.

## **1.4 Objectives of the Research**

The present study builds on previous studies on MCSs, especially studies in emerging economies in South and Southeast Asia. These studies have found a variety of factors that could affect the implementation of MCSs. These factors include national culture; employers' and employees' demographic characteristics; ethnic tensions; political intervention; and liberalisation and privatisation (Anderson & Lanen, 1999; Ansari & Bell, 1991; Chenhall, 2003; Chow et al., 1994; Chow et al., 1991; Chow, Shields, & Wu, 1999; Efferin & Hopper, 2007; Harrison & McKinnon, 1999; Hopper et al., 2003; Hoque & Hopper, 1994, 1997; Lere & Portz, 2005; Merchant, Chow, & Wu, 1995; Nishimura, 2005; Redda, 2007; Uddin & Hopper, 2001, 2003; Vance et al., 1992; Wickramasinghe & Hopper, 2005; Wickramasinghe et al., 2004). Although the present study was approached contemplating the possibility of finding at least some of these factors, it was also anticipated that, in a Thai company, MCSs might have developed in different ways because Thailand is constituted by different key elements than its neighbours, notably its non-colonial background.

The present study about the Saha Farms Company of Thailand has sought to illuminate MCSs in use in the Company. It covers their purposes, roles, suitability, effectiveness, and so on in relation to the circumstances of the

Thai owners and employees. Not only is the research of interest in Thailand but also it should increase understanding of MCSs between Thailand and countries in which MCSs originated. The research is particularly relevant for both academic and business communities. These include those whose interest in Thailand is growing as globalisation has brought opportunities, or even the necessity, for companies to extend their operations. Knowing whether MCSs that are effective in one country can be used effectively in Thailand is likely to be beneficial; as is knowing if MCSs must be modified for use in Thailand and how. The paucity of research on MCSs in Thailand makes the empirical findings from this study even more valuable. They could be useful for companies, multinational companies in particular, to use as base information to deal with management control issues in Thailand.

### **1.5 Research Questions**

During the course of the research, certain questions were derived as a guide to conducting the research and organising the empirical materials ahead of writing this report. The questions posed were as follows:

1. How do Thai owners and employees interact with each other to organise and perform the operations that constitute MCSs?

2. How do the interactions alluded to affect the design and operation of the company's MCSs, and why?
3. Who has developed or influenced the development of the MCS in the company and has it developed differently from what is known of other companies, including in other countries?
4. What evidence is there to suggest that culture, demographics, ethnicity, politics or liberalisation and privatisation influence the development and use of MCSs?

A further source of questions for inquiry were derived from Niffenegger et al. (2006), who contrasted Thai and Western attitudes to business in six propositions. These propositions compared spiritualism to materialism; using business relationship and networks to applying regulatory procedures and agencies; avoiding lay-offs to using lay-offs; preserving low skilled jobs to relying on high-tech production methods; face-to-face business contacts to e-commerce; and a self-reliance value to a spend-thrift value (more details in 2.4). As Niffenegger et al.'s propositions were never tested by their authors, it was felt that they could usefully be examined in the present study.

## **1.6 Research Method**

To inquire into all these research questions, ethnographic methods were used. The researcher is well qualified to carry out such a study in Thailand as she is Thai, speaks Thai, could get access to the Saha Farms Company in a “Thai way” and could relate to the people at the research site in both casual conversation and more formally. She applied non-participant observation to this task. This included use of semi-structured and unstructured interviews; examination of documents, such as websites, newspapers, graduation booklets and a management accounting lecture video; and informal social contacts, such as informal conversation over coffee and lunch (more details in 4.2.2). These methods gave her an in-depth knowledge of the social constructions that constitute and are reflected in the MCSs employed in the Saha Farms Company.

The methods used were valuable because although the researcher is aware of factors from previous studies (e.g., national culture and demographic characteristics) that might be relevant to the Saha Farms Company’s MCSs, these were not brought to the attention of informants by having to ask questions using a written questionnaire; or using a formal structured interview guide. Empirical data were generated from informants and by informants with the researcher merely facilitating the surfacing of the data. There would be no reason for factors found in prior

studies (e.g., ethnicity, politics, and liberalisation and privatisation) to be included in these data and so be relevant in the Company, unless interviewees referred to these of their own volition. In addition, there was potential for some other important factors to be identified that studies elsewhere have not detected or reported.

### **1.7 Organisation of the Thesis**

The thesis contains eight chapters. This chapter has provided introductory information about considerations in choosing the research topic and the potential of research on MCSs in Thailand. It includes a brief summary of the findings of existing studies, as well as setting out the research questions, the research methods and the nature of the findings of the present study.

Chapter 2 delves further into the prior research on management control, particularly field research and research in emerging economies in the vicinity of Thailand. Previous research has found a variety of factors that could affect the implementation of MCSs. These factors include national culture, demographic characteristics, ethnic tensions, political intervention, and liberalisation and privatisation. Chapter 2 also reviews the few studies on MCSs and related issues in Thailand as well as two ways for studying cultural issues, namely emic and etic approaches.

Chapter 3 provides a background about Thailand. As anticipated when the research study was being designed and carried out, the Thailand setting and Thai culture and society are as fundamental to the present study report as the knowledge already in existence about management control. It was decided that the best way of dealing with this in writing this report was to devote an entire chapter to it early in the thesis. The chapter covers the three fundamentals of Thailand and Thai culture, namely nation, religion and monarchy. Chapter 3 also includes other important information that is related to the research findings, such as the Thai way of life, including the Thai calendar of occasions that are of national significance. Thai cultural values are classified based on Komin (1990a, 1990b), and a comparison is made between Thailand and its neighbours in terms of ethnic groups, religions, languages, government and colonial background.

Chapter 4 focuses on the ethnographic research method used in the present study. It provides details of the research site, the data collection periods and how data was collected by means of observations, interviews, documents and informal social contacts. Issues of access to the Saha Farms Company and limitations of the research are also included in Chapter 4.

Chapter 5 presents an analysis of the empirical data about MCSs in the Saha Farms Company according to its notable aspects. In order to

understand these MCSs, the Company's background from the beginning up to now is described.

Chapter 6 presents an interpretation of the analysis in Chapter 5. The ways in which national culture and demographic characteristics are relevant to the Saha Farms Company's MCSs are detailed. At the same time, the relevance in the Company of factors from previous studies, such as ethnicity, politics, and liberalisation and privatisation, are evaluated. Other factors that seem to be influential on the development and use of MCSs at the Company are identified and elaborated. These include being a family business, labour market competition, competition in the market and labour laws.

Chapter 7 discusses effects of the three fundamentals of Thailand on Thai culture and facets of Thai culture that influence the Saha Farms Company's MCSs. It elaborates how demographic characteristics, being a family business, labour market competition, competition in the market and labour laws are linked to Thai culture. The Company findings also are compared and contrasted with the findings of prior research under those management control factors. In addition, Chapter 7 examines the relationship between colonial backgrounds and ethnic tensions, politics, and liberalisation and privatisation in countries from previous studies in order to compare and contrast with Thailand.

Chapter 8 concludes the study. Its objectives and the research method are revisited and reappraised. Due to the emic research method used in the study, findings of the study are reviewed in terms of the contributions to knowledge of MCSs and to research about Thailand and Thai organisations. Chapter 8 also presents suggestions for future research.

## **Chapter 2**

### **Review of Research about Management Control**

#### **2.1 Introduction**

This chapter comprises three reviews. In the first, various definitions of management control are compared and contrasted. In the second, consideration is given to five factors that are identified from previous research as having influenced management control practices in South and Southeast Asia. In the third, the few studies about MCSs in Thailand and on areas related to MCSs are reviewed.

#### **2.2 Defining Management Control Systems**

Although the terms management accounting, management accounting system and management control system (MCS) are sometimes used interchangeably, MCS is a broader term because it includes management accounting, management accounting system and other controls (Chenhall, 2003). Two kinds of definition of MCSs can be identified, namely an instrumental or mechanical kind and a socio-political kind.

##### ***2.2.1 Instrumental Definition***

Undergraduate accounting textbooks typically define MCSs as to their function and purpose. For example, they are “a means of gathering and using information to aid and coordinate the planning and control decisions

throughout an organization” (Horngren et al., 2006, p. 760), and they serve “to increase the probability that employees make decisions and take actions which are in the organizations’ best interest” (Chow et al., 1999, p. 441). Accordingly, MCSs have both formal and informal components (Horngren et al., 2006). Formal components collect both financial and non-financial data about an organisation in accordance with “explicit rules, procedures, performance measures, and incentive plans that guide the behavior of its managers and other employees” (Horngren et al., 2006, p. 760). These formal control systems consist of several systems, such as management accounting systems, human resource systems and quality systems. Informal components collect information from both within and outside the company in accordance with “shared values, loyalties, and mutual commitments among members of the company, company culture, and the unwritten norms about acceptable behavior for managers and other employees” (Horngren et al., 2006, p. 760).

Simons (1995) says that MCSs “are the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities” (p. 5). Thus, he argues, effective strategy implementation requires a balance between the four control systems: belief, boundary, diagnostic and interactive systems. Belief systems are used to define, communicate and reinforce the basic values, purposes and direction of the organisation. Boundary systems are used to set limits and rules to be

respected. Diagnostic systems are used to motivate, monitor, and reward achievement of specified goals. Interactive systems are used to stimulate organisational learning and the emergence of new ideas and strategies of subordinates when changes happen.

### ***2.2.2 Socio-Political Definition***

In contrast to these narrow and somewhat mechanical textbook definitions, Mellemvik et al. (1988) interpret empirical materials derived from various studies to separate social functions assigned to accounting in action into the following: delegation of responsibility and evaluation; legitimization; myths; power; and conflicts. Accounting enables delegation of responsibility and evaluation because it can be used for different purposes. For example, it can be used as a map or picture of an organisation that separates an organisation from its environment and reflects various parts and activities of the organisation. Accounting can direct managers' attention to anything special that might "sound an alarm bell" and provide information for setting of organisational strategies and for control purposes. As well as being used to justify and legitimise decisions that have been made by the organisation, accounting may feature in the "myths" or stories that contribute to the formation of beliefs and expectations of people cast in the role of "stakeholders" in an organisation. Accounting may be used to exercise power because it can change individual performance and the outcomes of organisational processes. Lastly, accounting may lead to

conflicts and disagreement among the actors in an organisation about ends or goals.

### ***2.2.3 Application of Definitions in the Present Study***

These two kinds of definitions have served various purposes during the present study. At its beginning, they served as “rough ideas” of what to expect a MCS to look like, function as and so on. They were also useful in understanding previous studies of the adoption of MCSs in Western countries with which the researcher is unfamiliar. Moreover, they alerted the researcher to the possibilities that she might find in a Thailand setting.

As she found out about the way that people at the Saha Farms Company interact with each other, and so constitute the Company’s control system, she was able to compare and contrast what she was finding with other studies. Particularly interesting is the way that a management accounting system is applied and used at the Saha Farms Company, seeming to form only part of its control system. This contrasts with the impression conveyed by definitions of the instrumental kind. Therefore, the definition of MCS in the present study is broader than those two definitions. It is “a system within social, culture, political, and economic environments used by management to align employee behaviours with organisational objectives and to manage interdependencies (such as [employer-employee,] management-worker and inter-departmental relations), and

external relationships (with the state, society, customers, and suppliers) (Efferin & Hopper, 2007, p. 225).

### **2.3 Application of Management Control in Asia**

The word “application” in the heading of this section is appropriate. Management control as it is defined in each kind of definition in 2.2.1 and 2.2.2 above did not originate in modern Asia but in parts of Europe and North America (whether it has origins in the ancient worlds of the Middle East and neighbouring parts of Asia is beyond the scope of inquiry). The concept of management control originated and has continued to be developed in industrial regions of these continents (e.g., Central and Northern England, the Rhine Valley, and the North-East USA) (Hopper et al., 2003; Nishimura, 2005). As industrial firms spread their operations in seeking commodities, labour and similar, including by investing large amounts of capital, so management control has been implemented elsewhere, including in South and Southeast Asian countries.

This is reported in several previous studies, especially alongside the legacy of past colonialism and trends identified as business globalisation in the present (Hopper et al., 2003; Nishimura, 2005). For example, East India Companies of English, Dutch, Danish, Portuguese, French and Swedish origins operated during the 17<sup>th</sup> to 19<sup>th</sup> centuries (Danish East India

Company, 2012; Disney, 1977; Dutch East India Company, 2012; East India Company, 2012; French East India Company, 2012; Swedish East India Company, 2012). During the 19<sup>th</sup> and 20<sup>th</sup> centuries, colonialism became more formalised, especially involving the Governments of Great Britain and France, and exploitation of commodities and labour went on commercially hand in hand with the formal colonialism. Local and international resistance to European colonialism began to triumph during and after World War II. It was replaced by more neolibetally-minded multilateral organisations and multinational corporations keen to facilitate international investment wherever it could be profitable. This environment has seen the incidence of companies expanding internationally for the past half century or so, often under the rhetoric of globalisation. It has brought opportunities, or even the necessity, for companies to extend their operations into other countries (Boode, 2005).

MCSs originating in the West and operating elsewhere vary, including from country to country. Field studies conducted in South and Southeast Asian emerging economies show that several factors have affected the implementation of MCSs and so precipitated some of this variation. These factors include national culture; employers' and employees' demographic characteristics; ethnic tensions; socio-political circumstances; and liberalisation and privatisation. Each of these factors is reviewed in turn below.

### ***2.3.1 National Culture***

Many studies on MCSs have identified and elaborated on relationships between national culture and the preferences for, reactions to and design of particular MCSs. A national culture can affect the appropriateness and effectiveness of particular practices, which in turn can lead to the development of different MCSs (Chow et al., 1994; Chow et al., 1999; Harrison & McKinnon, 1999; Lere & Portz, 2005; Merchant et al., 1995).

A significant influence on these studies is Hofstede. His theoretical framework differentiates cultures based on four primary dimensions: power distance, individualism/ collectivism, masculinity/ femininity and uncertainty avoidance; later he added Confucian dynamism and indulgence/ restraint (G. Hofstede, Hofstede, & Minkov, 2010; G. H. Hofstede, 1991, 1997, 2001). The use of Hofstede's cultural dimensions in accounting research is criticised by Baskerville (2003). She points out an absence of sufficiency in various aspects, such as “the assumption of equating nation with culture” (p. 1), “the quantification of culture based on numeric dimensions and matrices” (p. 8), and “the status of the observer outside the culture” (p. 1). Efferin and Hopper (2007) also criticised the use of Hofstede's five cultural dimensions for management control studies. They said that “Hofstede studies, given their simple and generalised cultural dimensions, and their static and non-contextual nature, may be ineffective for extending work in this area” (p.257).

According to Tallaki and Bracci (2011), there are two schools of the cultural approach for studying the relationship between national culture and MCSs. “The first is driven by Hofstede’s model which considers the culture as a set of general values and tries to measure them to make a comparison between countries. The second … considers the specific features of each [country]” (pp. 14-15). Tallaki and Bracci (2011) believe that Hofstede’s “cultural dimensions are not able to represent the culture” because “culture [cannot] be restricted in some dimension” (p. 8). Furthermore, they suggest that future research consider “the specific characteristics of each culture [because it] will be useful to verify if and how culture affects the [MCSs]” (p. 22).

Despite various criticisms, Hofstede’s framework has been particularly influential in studies of cross-cultural MCSs using quantitative methods (Dowling, Liesch, Gray, & Hill, 2009; Lere & Portz, 2005). Examples of the results of such studies follow. Vance et al. (1992) found there were significant differences in management styles between managers in the US, Thailand, Indonesia, and Malaysia in several areas: formality of structures and controls; individual versus team performance; employee involvement in decisions related to their work; intrinsic versus extrinsic rewards; and frequency of performance evaluations. The authors attributed the differences in style to the national cultures being different in the dimensions of power distance, individualism and uncertainty

avoidance. Chow et al. (1994) found that Japanese preferred formal rules more than Americans did because the Japanese culture tended towards higher uncertainty avoidance than American culture. Chow et al. (1999) also found that Japanese, Taiwanese and US owned companies that operated in Taiwan did not differ in design of and employees' preference for MCSs. The US and Japanese companies had to modify their home-country controls to increase their Taiwanese employees' acceptance of such controls as a result of differences in the five dimensions.

In contrast to these quantitative studies using Hofstede's cultural dimensions, there are some qualitative case studies exploring the relationship between national culture and MCSs in emerging economies without using Hofstede's cultural dimensions (e.g., Efferin & Hopper, 2007; Ansari & Bell, 1991; Wickramasinghe & Hopper, 2005). Studies of this kind have also covered relationships between MCSs and such factors as demographic characteristics, ethnicity, politics, and liberalisation and privatisation. These studies suggest that the same MCSs cannot be used effectively in every emerging economy because of differences in cultural and colonial backgrounds of each. These backgrounds "have given rise to diverse ethnic, religious and cultural relations, and economic and political systems" (Hopper et al., 2003, p. 16). For example, in a longitudinal case study of a textile mill in a traditional Sinhalese village in Sri Lanka, Wickramasinghe and Hopper (2005) found that workers' cultural

preferences led them to react against the Mill's MCSs and caused the failure of MCSs in both public and private ownership periods. The workers' resistance happened because their traditional village culture had a relatively self-sufficient agricultural economy, which was non-capitalist. Work, leisure, family and community could not be distinguished in terms of time and space. As a result, the workers did not seek to work "efficiently" (Wickramasinghe & Hopper, 2005, p. 480), or to explore new methods of working; and there was a high level of workers' absenteeism and lateness from "work" as defined by the controllers.

An employer's national culture can also influence MCSs, since companies' MCSs are set based on owners' cultural preferences. For example, in a case study of Friends Company in Indonesia, Efferin and Hopper (2007) found that its Chinese Indonesian owners consistently held Confucian values in their Chinese culture, so Confucian values influenced the preferences for and design of their company's MCSs, particularly in three control areas, as follows.

In result controls, budget setting was significantly influenced by the Confucian value of honouring elders, as the owners consulted their father for setting budgets. The owners' networks were also used to check, discuss and reconfirm predictions for budgets. Their values of family-

centrism, sincerity and honesty, and trust meant that there was no hint of budgetary slack or any manipulation of budgets. The owners did not extend budget participation beyond themselves and their networks because they held consistent values of frugality and money consciousness, prudence and thinking ahead, and collective values. Because of collective values and shared risk, group-based rewards were used in areas of sales targets, production defects and scrap rates.

In action controls, accounting systems combined Confucian values and business practices (Efferin & Hopper, 2007). The owners monopolised key accounting functions, such as approving bills and purchases. An owner who was a marketing director had no authority limits for determining selling prices. The owners not only expected employees to obey, be loyal and be helpful but also employees were expected to trust the owners' abilities, show honesty by being truthful and sincere, put company interests above personal goals, and accomplish assigned duties. Thus, employees did not have written job descriptions or performance targets. The owners evaluated their employees' performance according to their Chinese values, such as loyalty and obedience, rather than efficiency and results.

In cultural controls, the Chinese owners recruited employees according to ethnicity, religion, gender, recommendations from their Chinese

networks, and perceptions of trustworthiness (Efferin & Hopper, 2007). The owners preferred Chinese employees, especially for key positions, because they believed that Chinese employees held Confucian values as well.

Over and above separate considerations in the three control areas, the Chinese Indonesian owner-managers emphasised action and cultural controls over result controls. Therefore, their MCSs had low budget participation due to: involving only the owners and their networks, centralisation, subjective controls and group-based rewards (Efferin & Hopper, 2007).

A further point arising from Efferin and Hopper (2007) is that although the company's MCS is designed based on the culture of Chinese participants, it does not necessarily mean it is going to impact the culture of non-Chinese participants. The Chinese Indonesian company's MCSs that were designed based on Confucian values were not having much impact on indigenous employees, who were mostly Javanese, and so held Javanese values. This was because the two sets of values were similar, both emphasising “paternalism”, “hierarchy”, “reputation”, “social harmony” and “social order” (Efferin & Hopper, 2007, p. 229). For example, Javanese values of a father figure focus on loyalty and obedience of servants; Confucian values of assigned duties and filial

piety comprise a whole vertical order, including masters and servants. Their cultural values meant that neither Chinese nor Javanese employees expected budget participation and formal job descriptions. The Chinese owners' values and the indigenous employees' values were "complementary" (Efferin & Hopper, 2007, p. 254).

Another example of owners' cultural preferences influencing the design of MCSs was revealed in a longitudinal case study of International Foods, an ice-cream company in Pakistan. Ansari and Bell (1991) found that the company's MCS was consistent with Pakistani cultural concepts. The owners preferred to employ someone they trusted rather than someone with qualifications, and they used trust rather than formal controls. In the company's financial controls, trust played an important role. The Western modern bureaucratic concept of checks and balances was felt to be unnecessary for the company. Personnel selection practices were also impacted by the concept of extended families, including a network of cousins and relatives. It was important to provide help and support to members of the family. Thus, members of the extended family filled several positions in the company, both at executive and lower levels (Ansari & Bell, 1991).

Ansari and Bell (1991) also pointed to there being a hierarchical structure that extends even within the family in Pakistani culture. This was

epitomised in the eldest brother being named as chairman of the board, even though he did not work for the company. Another cultural concept that played a part among family interactions in the company was that there should be no discussion or argument about one's private affairs in public, to provide an outward appearance of harmony. As a consequence, the youngest brother had to agree to a new accounting system that his middle brother's accounting team had suggested, even though he was not satisfied with the system. The system had not only created a loan to pay his middle brother's dividends but also put his middle brother in charge of the cash (Ansari & Bell, 1991).

As far as the Pakistani employees were concerned. These values deterred them "from openly stating their needs, wants or desires" (Ansari & Bell, 1991, p. 14). Some of the implications were that the company lacked formal shareholding agreements; and formal rewards and incentives were based on personal and social need not on performance (Ansari & Bell, 1991).

A further matter of relevance is how national culture is shaped by Western colonialism and, in particular, recognising the part that Western colonialism may have played in the reduction of cultural barriers and in the promotion of MCSs. Colonisers established capitalism in colonial countries, even though substantial non-capitalist systems remained in

many of these places side by side with the capitalism. This was the situation in the traditional Sinhalese village that Wickramasinghe studied (see Wickramasinghe & Hopper, 2005; Wickramasinghe et al., 2004). His and his co-authors interpretation was that the effects of colonial legacy on the national culture were a key factor in reducing other cultural barriers, and so helped to ease the way for MCSs. A further legacy was that colonialism fuelled urbanisation, stemming from people abandoning their traditional “way of life [on the land]” (Wickramasinghe & Hopper, 2005, p. 475) and moving to industrial areas to sell their labour to firms. Consequently, it created a new class in society, “employees”, who might more easily accept MCSs in return for employment emoluments. Moreover, colonialism left some lasting influences on business practices in ex-colonial cultures, such as accounting concepts and management control systems (Ansari & Bell, 1991; Nishimura, 2005; Wickramasinghe et al., 2004).

Thus, although both employers’ and employees’ national cultures can affect the company, the company will not have to modify its MCSs if their cultures complement each other. Moreover, colonialism plays a significant role in the reduction of cultural barriers and in the promotion of MCSs since colonisers establish capitalism and leave some accounting concepts and management control systems in ex-colonial cultures.

### ***2.3.2 Demographic Characteristics***

Another finding that emerges from some of the emerging economy studies reviewed already is that both employers' and employees' demographic characteristics, such as age, religion, gender, education and experience, can influence a company's MCSs. Efferin and Hopper (2007) found that age and education differences between the previous owner and current owners of the Chinese Indonesian company led to differences in the company's management control practices, even though both the previous and current owners were Chinese Indonesians. The previous owner, who was 56 years old with only a junior high school qualification, preferred management control practices that were consistent with traditional Chinese family networks; he was resistant to modern management. Thus, his controls were entirely subjective, personalised, centralised and informal. The current owners averaged 30 years of age and had university degrees and an MBA in finance from a US university. They preferred management control practices that were consistent with modern Chinese social networks and were based on modern management theories. They replaced some of the subjective, personalised, centralised and informal controls. For example, they introduced systematic salaries that depended on position, length of employment, number of subordinates and achievements. The differences in management control practices between the previous owner and the current owners were possible because the current owners' age and education exposed them to other cultures, aspirations and ways of doing business.

Their ways of thinking arose not only from their Chinese culture but also from contact with other cultures, such as Western culture (Efferin & Hopper, 2007).

Another demographic characteristic of employers that could affect a company's MCSs is the owners' experience. In strategic planning and control at International Foods, the owners' experience played an important role in the make-up of the management control (Ansari & Bell, 1991). The owners' first key strategic decision was to set up an ice cream plant outside Pakistan, as they had previously experienced loss of their assets when they had had to leave India and Bangladesh. This was based on the belief that "we should never again put all our eggs in one basket" (Ansari & Bell, 1991, p. 16). The second key strategic decision was to set up a packaging materials plant. They believed that "status and prestige comes from being an industrial family ... we need a project that will make us one of the big boys" (Ansari & Bell, 1991, p. 16). The family was one of 22 industrial families in Pakistan and intended to maintain that status by diversifying.

Experience can also work against effective MCSs, however. At International Foods, Ansari and Bell (1991) observed that the oldest brother owner had occupational experience working as a managing director of a Pakistani subsidiary of a British multinational company. He introduced a series of formal controls similar to the centralised controls that were used

by his former employer. These controls replaced the informal controls between the second brother and the youngest brother that had served the company so well in the past. However, the oldest brother's controls brought not only changes but also losses to the company. His controls created tension for people who used to work informally; the company operated at a loss for two years after his controls were implemented. To stop the losses, the owners had to revert to the informal controls that were used before (Ansari & Bell, 1991).

The impact of employees' demographic characteristics on MCSs was found by Efferin and Hopper (2007) in the recruitment in the Chinese Indonesian company. The Chinese owners paid attention to applicants' religion and gender when employing Javanese workers. The Chinese owners considered that non-Moslem Javanese were less aggressive towards Chinese than Moslems; and females were considered to be more cooperative than males (Efferin & Hopper, 2007). Corresponding findings are reported by Wickramasinghe et al. (2004) about employees' age and education in Sri Lanka Telecom. Formally qualified young workers were more likely to accept the Japanese management's MCSs and work harder to meet targets than the only informally qualified, experienced senior workers.

Thus, both employers' and employees' demographic characteristics can influence a company's MCS. The employers' demographic characteristics are shown by the way that they develop their MCSs, while the employees' demographic characteristics are shown by whether or not they accept those MCSs.

### ***2.3.3 Ethnic Tensions***

Ethnicity is also a factor that has been found to affect a company's MCSs: different ethnicity between employers and employees in some ex-colonial emerging economies has led to ethnic tensions because people in the same political jurisdiction may remain highly segregated socially (Efferin & Hopper, 2007; Worthy, 1989). Differences in ethnicity can cause resistance to employers' MCSs and other serious problems for the employers, such as employees' indiscipline, crime, strikes and riots, as reported by Efferin and Hopper (2007). They identified the history of state discrimination and wealth differentials between Chinese and Javanese as the cause of ethnic tensions that existed between the Chinese owners and Javanese employees of the Chinese Indonesian company. These tensions affected MCSs in that to control their Javanese employees the Chinese owners had to use a mediator to eliminate strikes and overcome other serious problems, and make industrial relations more harmonious. The company's recruitment practices focused on recruiting trustworthy Javanese employees, who would not exploit ethnic tensions. To do this, the owners relied on advice

from the mediator and the local Javanese community (Efferin & Hopper, 2007).

Another situation where the owner used cultural controls for dealing with ethnic tensions was in the Sinhalese textile mill (Wickramasinghe & Hopper, 2005). Sinhalese managers acted as mediators between the Sinhalese workers and the Tamil owners. However, in this case, the source of conflict was that the tight controls of the company's MCSs would not allow the Sinhalese employees to fulfil traditional village obligations.

Thus, ethnic tensions between employers and employees do not necessarily have to be a source of conflict that can affect the company's MCSs. MCSs themselves can be sources of conflict if they are not suited to employees.

#### ***2.3.4 Socio-Political Circumstances***

Social and political circumstances are an important factor that has influenced the composition of whole economies and MCSs in organisations comprising these economies. In emerging economies that derive from former European colonies, commercial organisations have often been wholly or partially publicly owned since decolonisation or as a result of events after decolonisation (e.g., a socialist revolution and collapse of a private company) (Hopper et al., 2003). Compared with industrialised Western countries, the countries with this history and

economic circumstances mostly lack a capitalist class; and so, in contrast to Western countries, “the state is a major source of capital formation, controlling a large proportion of gross domestic product and employment opportunities” (Hopper et al., 2003, p. 17). Organisations may have the formal status of companies, but they operate formally within centralised frameworks of national economic planning; and informally their environment is characterised by volatile political systems, in which checks and balances on political intervention are often weaker than in their Western country counterparts (Hoque & Hopper, 1997). Accordingly, members of the governments that own them can control, intervene and otherwise use these companies. They might do this for various personal and political reasons, such as to satisfy their electoral supporters, respond to trade union demands and meet conditions imposed by external aid agencies. In the process, they often override formal MCSs derived from Western sources (Hoque & Hopper, 1994, 1997; Uddin & Hopper, 2001; Wickramasinghe & Hopper, 2005; Wickramasinghe et al., 2004).

In the case study of management control systems in a Bangladesh jute mill, Hoque and Hopper (1994) found that the state, and external multilateral organisations and aid agencies (e.g., the World Bank, International Monetary Fund, Asian Development Bank and European Union), which provided the major sources of funds, were major influences on MCSs. The jute mill head office developed a centralised, uniform accounting system

that was consistent with the Government of Bangladesh's policies for the mills. The Government of Bangladesh was exerting control over all of the public jute mills via their head office. The external agencies used their influence over the Government's policies to influence MCSs in the jute mills.

Hoque and Hopper (1994) found that the accounting system in the jute mill was used mainly to provide external legitimacy, such as compliance with tax and companies acts. They also found that the budgeting system was created to comply with requirements of head office and the Government, but it was not used for controlling in the mill. Budgets had to be submitted to the Government for approval, but these budgets lacked participation from anyone at management level at the mill.

Head office also had control over mills' personnel management: mill management could not hire, fire, promote, demote, reward or punish anyone, without involving head office and trade union officers in the mills. The trade union influenced the mills' MCSs because it could use its political connections to ask political leaders to intervene over matters, such as bonuses, overtime and welfare. The wider political environment was characterised by instability: jute workers frequently got involved in demonstrations, strikes and work stoppages called by opposition parties. As a counterbalance, the mill managers used a variety of social and

informal controls. For example, the mill's executive director gave a large amount of money to union leaders to maintain discipline in the mill. The managers were intent on avoiding labour indiscipline and reducing the mills' huge operating losses (Hoque & Hopper, 1994).

Wickramasinghe et al.'s (2004) longitudinal case study of Sri Lanka Telecom showed that political actions could result in bureaucratic management controls being established or re-established, even though the company in question had become partially privatised. A Japanese company had provided private capital and management, and the operational results were successful based on criteria such as profit. However, Japanese work culture had been "a shock to most workers. They had to work harder and be [customer-oriented and] customer-friendly" (p. 104). Sri Lankan politicians' controlled the regulatory system through the General Treasury and the Telecom Regulatory Commission, and it was these organisations that they used to restore bureaucratic management control systems, including that the Sri Lanka Telecom annual business plan had to be evaluated and approved by the General Treasury. Although the Telecom Regulatory Commissioners could not directly intervene in operations of Sri Lanka Telecom, their decisions were important in determining the competitive environment of Sri Lanka Telecom. For example, the Commissioners did not allow Sri Lanka Telecom to increase or decrease prices, and did not allow new telephone connections to be sold at lower

prices that could affect small telecommunication companies (Wickramasinghe et al., 2004).

It has also been shown that political factors can play an important role in a fully private company's MCSs. Efferin and Hopper (2007) show that this is especially so in countries with ethnic tensions, such as Indonesia, where politics and economics are not clearly distinguished. In the Chinese Indonesian Company that they studied, budgets were decided according to the political situation and government policies. Otherwise, there could have been riots against it as a Chinese business.

Thus, although political intervention can happen in both public and private companies, the level of intervention is different since political intervention has a greater influence on a public company's MCSs than on a private company's MCSs.

### **2.3.5 *Liberalisation and Privatisation***

Within governments of many emerging economy countries, market-based development policies have occurred in the past few decades. Many governments have had “little choice” (Uddin & Hopper, 2003, p. 741) in these matters because of pressure from the World Bank, the Asian Development Bank and the International Monetary Fund, especially if they have had to depend on these financial agencies. These agencies have

attributed development failures to central state planning and claim that liberalisation and privatisation will improve efficiency of commercial organisations in those countries (Anderson & Lanen, 1999; Hopper et al., 2003; Uddin & Hopper, 2003; Wickramasinghe & Hopper, 2005). Liberalisation refers to relaxing regulations on economic and related matters in order that capital from a wide variety of sources, including foreign companies, be able to be deployed without many social and political restrictions (e.g., on where owners reside, on labour conditions, on land use conditions and on price regulations). Privatisation is the shift from government and community ownership to private ownership with the main aim being profits and capital growth (Anderson & Lanen, 1999; Hopper et al., 2003).

The effects of the liberalisation of the Indian economy after 1991 was examined by Anderson and Lanen (1999). They found a range of changes had occurred in companies' management accounting practices. These changes were intended to increase the abilities of these companies to compete in a global market. Planning and control processes became more decentralised. Employees throughout levels of the companies' hierarchies had more involvement in and understanding of the strategic plan. Budgets became more realistic and meaningful because standard procedures were used for developing budgets and employees were involved in all stages of budget setting and revision. Performance measures expanded to include

external perspectives, such as customer satisfaction and on-time delivery to customers. Companies began to evaluate cost data in more disaggregated forms, such as department costs and detailed product costs. They used them to gain new business, such as quoting, pricing and planning, and identifying process improvement opportunities. In all this, accounting was seen not only as bookkeeping and as creating data to ensure compliance with external regulations but also as providing an internal and managerial function (Anderson & Lanen, 1999).

Privatisation can “weaken political intervention and patronage, mobilise resources more efficiently, and facilitate economic development” (Hopper et al., 2003, p. 16; Wickramasinghe & Hopper, 2005). Moreover, it may bring better management control practices that can improve companies’ performance and promote development goals. This is because the new owners of a privatised company would likely be well informed, pursue profitability goals and possess higher capacity to monitor companies via management control practices than government owners would (Redda, 2007). Wickramasinghe and Hopper (2005) observed this in the Sinhalese textile mill, which increased the usage of commercial budgeting practices; and Wickramasinghe et al. (2004) observed it at Sri Lanka Telecom, in which Japanese accounting and controls replaced bureaucratic management controls, resulting in commercial success after privatisation.

However, privatisation is not always the most suitable way to improve an economy and stimulate company performance. This has been shown in ex-colonial emerging economies in particular. These are often characterised by having only a small local capitalist class. Privatisation in these circumstances may rely on elite families and friendships. This “patronage and irregular means, may promote crony capitalism rather than market-based capitalism” (Uddin & Hopper, 2001, p. 669). For example, “22 families” in Pakistan held most of the wealth of the country (Ansari & Bell, 1991). This made industrial investment “extremely difficult for others who lacked the political and economic resources of those families to start industries” (Ansari & Bell, 1991, p. 10).

In Bangladesh, the soap manufacturing company studied by Uddin and Hopper (2001) was fully privatised and became a public limited company. However, problems of privatisation arose because of the family of owners. This family brought significant changes to the company’s MCSs. Budgets were more market oriented and up to date. The owners were using them to pressure managers and workers on the need to cut costs in order to increase profitability. Financial information was processed according to requirements of the owners and was read only by the owners. This soap manufacturing company stopped publishing audited yearly accounting reports and evaded value-added tax and supplementary duties for several years. Trade union power became limited because the owners made 75

percent of workers redundant, including leaders of trade unions, and the remaining workers were afraid of losing their jobs for being involved in trade union activities. Subsequently, financial benefits for workers, such as provident contributions, bonuses and the workers' profit participation fund, were withdrawn. Labour markets were ignored because the owners largely abandoned previous recruitment, salary and welfare systems, and hired casual workers who were supplied by labour contractors (Uddin & Hopper, 2001).

Uddin and Hopper (2003) argued in their study on privatisation in Bangladesh that

privatisation has not increased returns to society: privatised companies' contributions to state revenue declined in real terms and as a proportion of value added. Transparent external reports failed to materialise as required by law and there was evidence of untoward transactions affecting minority shareholders, creditors, and tax collecting institutions. Internal controls may have become more commercial but at the cost of declining employment, wages, quality of working life, and employee rights (p. 739).

Hence, the effects of privatisation might have been only the wealth transfer from public hands to private hands, and “[t]hese cases of privatisation in

Bangladesh are not unique. It is happening again and again around the world” (Uddin & Hopper, 2003, p. 770).

Thus, although liberalisation and privatisation can bring changes to the company’s MCSs, these changes do not necessarily help the company to improve the economy and company performance because they can promote crony capitalism and reduce returns to society.

## **2.4 Management Control Systems in Thailand**

In Hofstede’s (1991) multi-country analysis, Thailand is shown to be similar to other Asian countries. It scored high on the collectivism scale and the power distance scale, and low on the individualism scale. However, when Vance et al. (1992) explored management control styles in Thailand using a survey method based on Hofstede taxonomy, they found a significant difference between their findings and Hofstede’s findings. Vance et al. (1992) found that Thailand scored high on the individualism scale, even higher than the US.

Vance et al. (1992) also found that Thai managers preferred MCSs with a high level of formal structure. These managers claimed that social justice, industrial harmony and extrinsic rewards were very important for motivating employees, and they also said that they liked to provide

frequent performance feedback. Control was based on measurable company standards and included much formal written communication. Control was focused on individual performance, rather than on group and company performance, and allowed a high degree of involvement of employees in the decision making and appraisal processes, including solicitation of ideas, suggestions and feedback from subordinates.

However, Vance et al. (1992) were criticised by Harrison and McKinnon (1999) for assuming “an excessive simplicity about the nature of cultural values and dimensions, and...neglect[ing] the greater depth, richness and complexity of culture and cultural diversity, which those dimensions cannot capture” (p. 492). Vance et al. (1992) used a survey to conduct their research, and Harrison and McKinnon went on to suggest that field research would be a better way of gaining an understanding of how MCSs are developed and used in Thailand.

Harris (1976) pointed out two ways to study cultural issues: to use either an “emic” or an “etic” approach. The emic approach, which is based on field research, “draws conclusions about cultural dynamics within a specific country by studying that particular country in depth and by describing ... culture in its own terms” (Punturaumporn, 2001, pp. 10-11). Therefore, it is based on ethnographic research in a single culture because it “does not attempt to classify cultures on the basis of universalized points of

comparison” (Punturaumporn, 2001, p. 10). In contrast, the etic approach, which is based on survey research, such as Hofstede’s cultural dimensions, assumes “certain national cultures share common values, and these values can be codified” (Punturaumporn, 2001, p. 10). Harris’s (1976) two approaches are consistent with Tallaki and Bracci (2011), who argued that there are two cultural approaches to studying the relationship between national culture and MCSs. “The first is driven by Hofstede’s model which considers the culture as a set of general values and tries to measure them to make a comparison between countries. The second ... considers the specific features of each [country]” (pp. 14-15).

Niffenegger et al. (2006) also used Hofstede’s cultural framework, but they suggested that it seemed insufficient to explain Thai culture. They note that “[c]ulture is a complex phenomenon and much cultural theory is overly general and still developing” (p. 405). This is exemplified by how Hofstede’s framework was extended from the original four cultural dimensions to the present six dimensions (Tallaki & Bracci, 2011).

Niffenegger et al. (2006) went further than Hofstede’s framework, contrasting attitudes to business in Thailand with those in the West, particularly in the US, based not only on Hofstede’s cultural theory but also on Buddhist teachings. They developed six propositions to guide future research as follows:

**Proposition 1.** There exists a conflicting cultural imperative of a tradition of spiritualism based on Buddhism (rooted mainly in the four sublime states of consciousness and the four noble truths) which is ... different from ... western culture's need for achievement and material rewards as a sign of success (pp. 407-408).

**Proposition 2.** There exists a conflicting cultural imperative in the form of building business relationship through traditional, social business networks, built over time which is ... different from western culture's need for new regulatory procedures and enforcement agencies, with modern and public reporting of data (p. 408).

**Proposition 3.** There exists a conflicting cultural imperative in the form of a need to take care of employees and avoid lay-offs ... that is ... different from western culture's need to speed up restructuring of insolvent institutions, cutting the high ratio of [non-performing loans] through implementing modern bankruptcy laws (pp. 408-409).

**Proposition 4.** There exists a conflicting cultural imperative in the form of the desire to keep the unemployment rate down by

preserving low skilled jobs in labour-intensive export industries ... which is ... different from western culture's need to see rapid progress in the restructuring of insolvent companies, lay-offs, and greater reliance on high-tech production methods (pp. 410-411).

**Proposition 5.** There exists a conflicting cultural imperative in the form of a desire for face-to-face business contacts, based on trust and confidentiality ... which is ... different from the western culture need to utilize the increased productivity of e-commerce via the Internet (p. 411).

**Proposition 6.** There exists a conflicting cultural imperative in the form of a self-reliance approach ... which is ... different from an emerging new culture of profligacy among young consumers who seek to receive more than they give (p. 412).

Although the present study does not aim to test Niffenegger et al.'s propositions, their claims will be compared to the findings in the research firm in order to add some more insights on Thai attitudes to business.

## **2.5 Conclusions**

In this chapter, three reviews are presented. The first showed two different kinds of MCS definitions, both of which are used in the present study but for different purposes. The second review raised several factors that have been found to influence MCSs in previous studies, namely national culture, demographic characteristics, ethnic tensions, political intervention, and liberalisation and privatisation. The third review calls for field research as the appropriate method to find out about management control factors in Thailand. Overall, the reviews show that although prior research has been carried out in emerging economies in the same region as Thailand, research in Thailand may raise particular issues and other factors, especially if Tallaki and Bracci's second approach and Harrison and McKinnon's emic approach are taken. The management control factors that have been found in the prior research are likely to have different effects on MCSs in Thailand or maybe do not have any effect there. Not only does Thailand have a different background from other neighbouring countries but also there are a limited numbers of studies on MCSs in Thailand. In order to identify relationships between the factors uncovered in prior research and MCSs in Thailand, a fieldwork study was considered to be an appropriate method to help to achieve deeper knowledge on MCSs in Thailand. Previous factors will also be examined as a basic framework for this study.

Because an emic approach is being taken, and specific features of Thailand are regarded as vital, the next chapter provides contextual information about Thailand and Thai people. This includes identifying and elaborating differences between Thailand and its neighbours.

## **Chapter 3**

### **Background of Thailand**

#### **3.1 Introduction**

Reiterating the points made in the Introduction Chapter and at the end of Chapter 2, fundamental to this research project are its Thailand setting in Thai culture and society. Thus, the purpose of this chapter is to provide relevant information about these matters in order to understand how people who work at the Saha Farms Company think and what they value. Since culture “is the systems of ideas, values, beliefs, knowledge and customs which are transferred from one generation to another in society” (Runglertkengkrai & Engkaninan, 1987, p. 9), this culture has influenced the way that MCSs have developed in the Saha Farms Company in Thailand.

The arrangement of the chapter is as follows. First, the Thai and Thailand are introduced. Second, the three fundamentals are dealt with in turn. Then, their effects are synthesised in a section on the Thai way of life which brings out not only the relationship between Thai people and the three fundamentals but also conveys information that is consequential to the research findings, such as Thai customs and national festivals. Then, Komin’s (1990a, 1990b) cultural values are described since they are used to classify and explain Thai culture. Finally, Thailand is compared to other

countries in Southeast Asia and other countries that appear in prior research, in terms of ethnic groups, religions, languages, government and colonial background.

### **3.2 The Thai in Thailand**

The word “Thai” means “free”, so “Thailand” means “land of the free” (Hendon, 2001; Hoare, 2004; Samnak Nayok Ratthamontri, 2000). This name was adopted in 1939, replacing Siam, the name used for centuries before (Thailand, 2012). However, Siam referred to a large area, which included land subsequently colonised. Thailand’s present border and area had come about by 1900. Previously, it was much larger with territory comprising the whole of present-day Cambodia and Laos, and the Eastern half of Myanmar (Baker & Phongpaichit, 2005; Kulick & Wilson, 1992; Samnak Nayok Ratthamontri, 2000). Then known as Siam, that kingdom was forced to concede many of its territories to Britain and France in order to preserve its independence. Indeed, its continued existence as an autonomous kingdom under King Chulalongkorn, who reigned from 1868 to 1910, was a result of settlement of British-French conflicts through treaties (Library of Congress, 2007; Samnak Nayok Ratthamontri, 2000). As Samnak Nayok Ratthamontri (2000) put it: “It was fortunate indeed for the Thai kingdom that Britain and France agreed in 1896 to keep Siam as a

‘buffer state’ between British and French territorial possessions in Southeast Asia” (p. 27).

Three fundamentals of Thailand were articulated by King Vajiravudh (also known as King Rama VI) in the 1910s. These are the nation, Buddhism and the monarchy with the nation being further separated into geography, language and people. These fundamentals are a strong part of Thai culture today (Mulder, 1990; O’Sullivan & Tjarnoensuk, 1997; F. E. Reynolds, 1977; Teachout, 2005).

Not only are Thai children taught about these three fundamentals in their schools but also every morning in their schools they have to sing the Thai national song, while the national flag (see Picture 1) is raised to the top of the flag pole (Teachout, 2005). These fundamentals are incorporated into this flag (O’Sullivan & Tjarnoensuk, 1997). Two red bands are used to represent the nation that is built and maintained by the ancestors’ blood, two white bands are used to represent the purity of religion and the blue band is used to represent the monarchy (Government Public Relations Department, n.d.-b; O’Sullivan & Tjarnoensuk, 1997). The Thai national song is also broadcast on television and radio twice a day at 8.00 a.m. and 6.00 p.m. The three fundamentals of Thai culture have influenced the way that MCSs have developed in Thailand.

### **Picture 1: Thai Flag**



(Government Public Relations Department, n.d.-b)

### **3.3 National Identity**

#### ***3.3.1 Physical, Political and Economic Geography***

Thailand is situated on the Southeast Asian mainland. It shares borders with four countries: Myanmar to the north and west; Laos to the northeast; Cambodia to the east and Malaysia to the south (see Figure 1) (Hendon, 2001; Samnak Nayok Ratthamontri, 1995, 2000). It covers an area of 513,115 square kilometers. Countries of comparable size are France and Spain (O'Sullivan & Tajaroensuk, 1997; Samnak Nayok Ratthamontri, 1995, 2000; Thailand, 2012).

Thailand's location makes it rich in national resources and suited to all year round growing. It has many rivers and canals, fertile soil that benefits from the annual flooding sediment, and a warm and humid

**Figure 1: Map of Thailand**



(Thailand, Map)

tropical climate that is influenced by the monsoon winds (Hendon, 2001; Samnak Nayok Ratthamontri, 2000; Thailand, 2012; Tourism Authority of Thailand, 1997). Traditional Thai communities were built along the rivers and canals. These are used for water for daily life, including subsistence agriculture, and as a means of transportation. Although in the past, “the Thai economy was self-sufficient and based on small-scale agriculture”

(Samnak Nayok Ratthamontri, 2000, p. 234), the agricultural sector has gradually changed and developed to become more of a commercial industry as the basis of international trade. The Saha Farms Company is one of many examples of this. Commercialising the agricultural sector has played an important role in the growth of the Thai economy (Samnak Nayok Ratthamontri, 1995, 2000; Thailand, 2012).

Although the Thai floods in 2011, the worst floods in 69 years, were a major problem for Thai people and the economy, they were a usual occurrence in the past: Thailand used to be flooded after its rainy season every year before dams were built in 1950 in order to improve flood control, produce hydroelectric power and irrigate agricultural areas (Fernquest, 2011; Kachanchon, 2011; Thailand, 2012). Therefore, Thai people used to adapt their lives to suit the environment. For example, a traditional Thai home is built on poles, not on the ground; every home used to have a boat; and farmers did not grow rice, which is both the main crop and the main export product of the country, during the flood-prone period. Moreover, when Thailand was a fully agricultural country, floods were considered beneficial to rice cultivation because of the sediment that is washed down by rivers (Thailand, 2012).

### ***Economic Trade History***

International trade with European nations started as early as in the 16<sup>th</sup> century, when the Portuguese were the first European traders to make contact with Ayutthaya City in 1511 (Baker & Phongpaichit, 2005; Ingram, 1955; Vandenberg, 2012; Williams et al., 2009; Wood, 1924). Other European traders, such as the Dutch, English and French followed in the next century. The 17<sup>th</sup> century was “the age of commerce” of Ayutthaya City. Ayutthaya was not only the major port that linked between east and west but also the major city in Southeast Asia. It was the home of various settlements, such as Chinese, Japanese, Persian, Portuguese, Dutch and French. On the fall of Ayutthaya City in 1767, international trade was halted. However, trade between Thailand and China was still active. European traders started to return in the 19<sup>th</sup> century, leading to the signing of the Bowring Treaty in 1855 (more details in 3.5) (Baker & Phongpaichit, 2005; Ingram, 1955; Vandenberg, 2012; Williams et al., 2009; Wood, 1924).

The establishment of the National Economic and Social Development Board (NESDB) in the 1950 marked the start of significant change in both the agricultural sector and the industrial sector (Office of the National Economic and Social Development Board, 2011b). The NESDB was expected to “provide the government with opinions and recommendations on national economic issues” (Office of the National Economic and Social

Development Board, 2011b, p. 3). After the Second World War, in the mid-20<sup>th</sup> century, the US played critical roles not only in Thai politics and in the military but also in the Thai economy by promoting private capitalism (Baker & Phongpaichit, 2005). Following a World Bank report on Thailand development in 1957 (Office of the National Economic and Social Development Board, 2011c; Vimolsiri, 2000), the NESDB has been in charge of the national economic and social development plans. The first national economic and social development plan was published in 1961 and incorporated the idea of a central framework for development of the country (Office of the National Economic and Social Development Board, 2011a). As a consequence of this first plan, “the agricultural sector was diversified into economic crops, horticulture, livestock, and fishery” (Samnak Nayok Ratthamontri, 2000, p. 235), and traditional agriculture was transformed into an agricultural industry (Coordinating Sub-Committee on Foreign Affairs, 2000).

In the 50 years since, Thailand has become not only the world’s largest rice exporter but also the world’s largest exporter of tapioca and tapioca products (Pratruangkrai, 2011; Thai Rice Exporters Association, 2011; United States Department of Agriculture, 2011). Apart from rice and tapioca, other significant crops are natural rubber, palm oil, maize, soybean and pineapple (Government Public Relations Department, n.d.-a). Thailand has also become one of the world’s largest exporters of fishery products,

such as shrimp - Thailand is the world's biggest shrimp exporter (Pongvutitham, 2011) - and of principal livestock products, such as chicken - Thailand is the world's third biggest chicken meat exporter, and the Saha Farms Company is the biggest chicken exporter in Thailand (United States Department of Agriculture, 2012).

The First National Economic and Social Development Plan also heralded changes to the industrial sector. All governments since then have pursued industrialisation, believing "that the more the country is industrialized, the better the income distribution will automatically be" (Phongvivat, 2002, pp. 294-295). Externally, Thailand has come to be regarded as a newly industrialised country, with positive growth of its economy every year from 1961 until 1996 the period covered by the first seven National Economic and Development Plans. Indeed, from 1987 to 1996 it was one of the world's fastest growing economies, with an average growth of 9.5 percent per year (Bank of Thailand, 2011; Chuenchoksan & Nakornthab, 2008; Kulick & Wilson, 1992; Lawler & Atmiyanandana, 2000; Phadoongsitthi, 2003; Warr, n.d.).

Alongside this economic growth, "social problems had accumulated as a result of non-sustainable development" (Prayukvong, 2005, p. 1172). This precipitated a significant change in the Eighth Plan, for the period 1997 to 2001. The growth-oriented approach was superseded by a new holistic and

integrated approach “that aimed for ‘people-centered development’, deploying economics as a tool to help people achieve greater happiness and a better quality of life” (Office of the National Economic and Social Development Board, 2007, p. 1). However, the Asian financial crisis in 1997 waylaid the Eighth Plan. Restoring economic stability and reducing the impact of the crisis became a priority (Office of the National Economic and Social Development Board, 2007; Prayukvong, 2005). This was interpreted in the Ninth Plan, 2002 to 2006 as the Sufficiency Economy Philosophy, based on minimising consumption. This philosophy was promoted by His Majesty King Bhumibol Adulyadej in order to help his people to solve the economic problems (Boyce, Prayukvong, & Puntasen, 2009; Office of the National Economic and Social Development Board, 2007).

The following is the unofficial translation of the Thai working definition, with royal approval (Boyce et al., 2009; Mongsawad, 2009, 2010; Piboolsravut, 2004):

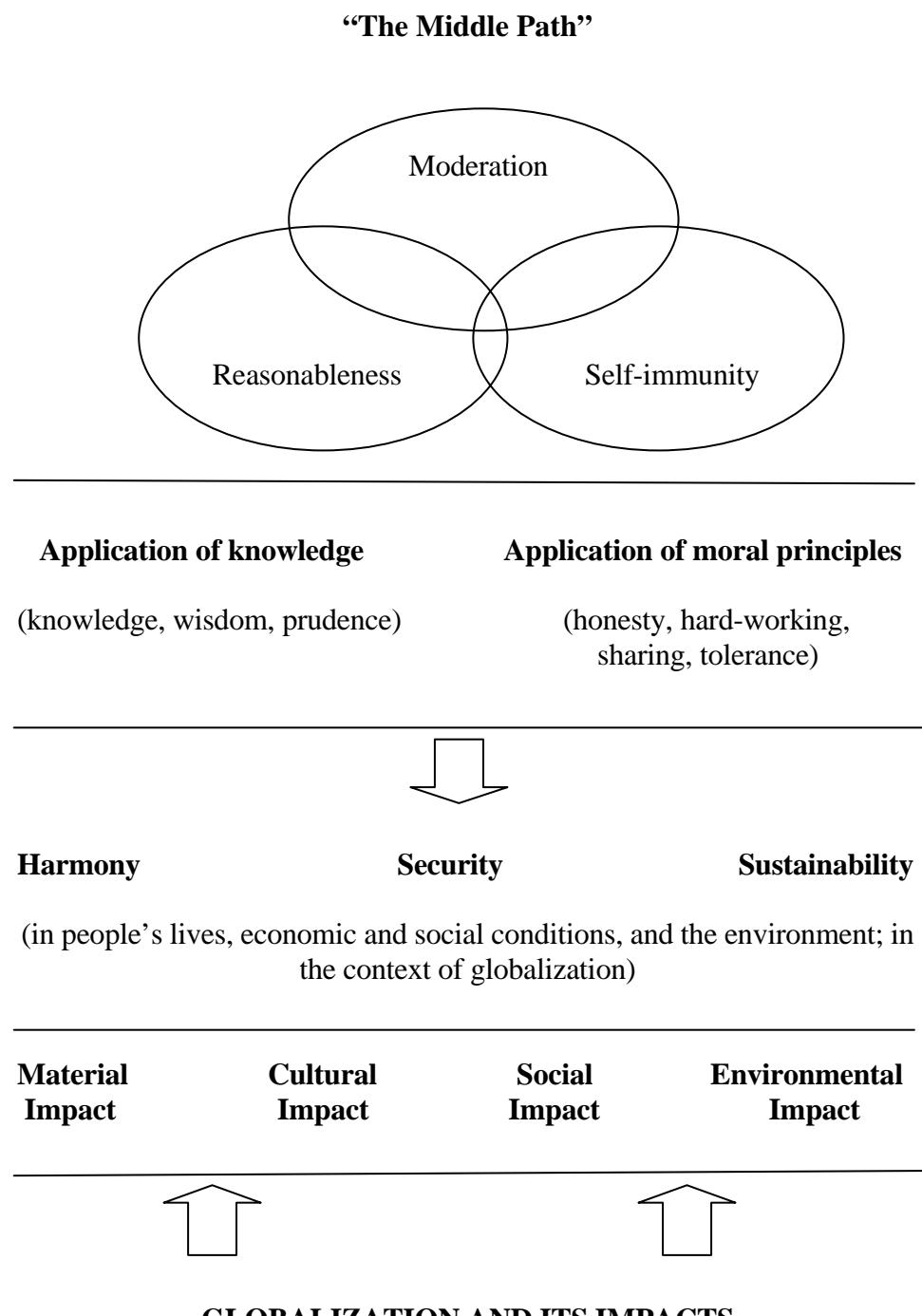
“Sufficiency Economy” is a philosophy that stresses the middle path as the overriding principle for appropriate conduct by the populace at all levels. This applies to conduct at the level of the individual, families, and communities, as well as to the choice of a balanced development strategy for the nation so as to modernize in

line with the forces of globalization while shielding against inevitable shocks and excesses that arise. “Sufficiency” means moderation and due consideration in all modes of conduct, as well as the need for sufficient protection from internal and external shocks. To achieve this, an application of knowledge with prudence is essential ... (Mongsawad, 2010, pp. 127-128).

The Sufficiency Economy Philosophy Framework is shown in Figure 2.

His Majesty the King’s Sufficiency Economy Theory has played an important role in economic and social development not only at the national level but also at the international level. The Sufficiency Economy Theory has been adopted in Thai national economic and social development plans at the national level, while the United Nations has presented the United Nations Development Programme’s Inaugural Human Development Lifetime Achievement Award to His Majesty King Bhumibol Adulyadej and encouraged other nations to adopt the King’s theory (Boyce et al., 2009; Tinsulanonda, 2001).

**Figure 2: The Sufficiency Economy Philosophy**



(Thongpakde as cited in Mongsawad, 2010, p. 129)

### **3.3.2 *Language***

Thai is the official and national language of Thailand and is spoken by almost the entire population (Samnak Nayok Ratthamontri, 2000). As Thailand has maintained its independence, Thai people have not been pressured to study another language (Worthy, 1989). Indeed, the Thai language is the essence of being Thai. To Thai people, it is a part of their identity as a people, making them feel they belong to each other (Teachout, 2005).

The Thai language is both oral and written. The written alphabet and numerals were created by King Ramkhamhaeng in 1283 (Hoare, 2004; Ministry of Education, 1998). Thai has 44 consonants and 32 traditional vowels (Library of Congress, 2007; Samnak Nayok Ratthamontri, 1995) . Most words are monosyllabic (Hoare, 2004; Samnak Nayok Ratthamontri, 2000). Thai is read and written horizontally from left to right. Its writing style has no spaces between words, but it has spaces between clusters of words. The base of the numbering system is 10, and there are characters for each number between zero and nine. (For a full list of consonants, vowels and numerals refer to 32 Vowels, n.d.; Thai Consonants and Their Transcription, 2012; Thai Numbers and Numerals, 2012; Thai Vowels, 2012.)

Therefore, the Thai language is used at the Saha Farms Company, and it is integral to the Company's MCSs because it is the only language that is used to communicate both in speaking and writing between superiors and subordinates at the Company. Although there are workers from Myanmar, they are supposed to understand the Thai language.

### ***3.3.3 People***

As noted in the introduction, the population of Thailand is approximately 67.4 million (Bank of Thailand, 2011). The largest cities are Bangkok (population 5,674,842), Nonthaburi (population 258,550) and Pakkret (population 168,763) (Bangkok Metropolitan Administration, 2011; Nonthaburi City, 2012; Pakkret City, 2008). However, about two thirds of the population live in rural areas (Library of Congress, 2007; Williams et al., 2009).

The majority of the population is ethnic Thai (75 percent), and the other significant groups are descendants of ethnic Chinese (14 percent). The rest are ethnic Malay (4 percent) and other indigenous minorities, such as Mon, Khmer and hill tribes (7 percent) (Library of Congress, 2007; Thailand, 2012). Additionally, there are more than a million recent migrant labourers from neighbouring countries, such as Myanmar, Laos and Cambodia (Office of Foreign Workers Administration, 2012.). A few thousands of these migrants work at the research field.

Although Thailand's population is constituted of many minority groups, "most of [them] have either been assimilated or live together in harmony" (Samnak Nayok Ratthamontri, 2000, p. 76), particularly ethnic Chinese. Chinese have been immigrating to Thailand for at least six centuries (Skinner, 1957), but it was not until the colonial period in the mid-19<sup>th</sup> century that the immigration of massive numbers of Chinese occurred (Mulder, 1992; Rigg, 1994). The Thai economy had changed and vast numbers of labourers were needed because Thai people had begun to grow rice for export to Europe, Hong Kong and Southeast Asian colonial territories, such as Singapore, Java and Sumatra (Kasetsiri & Sriudom, 2010; Nartsupha, Baker, & Phongpaichit, 1999; Prasertkul, 1989). Canals, railways and other elements of the modern infrastructure were built (Mulder, 1992). Another reason for Chinese coming to Thailand were issues arising there in China of political turmoil, high taxes and massive population increase (Rigg, 1994). They came to Thailand to seek a better economic, political and social environment and were able to work for money. They prospered economically and socially: "As early as 1480 ... a Chinese immigrant having been ennobled and given official position ... In the seventeenth century, scores of Chinese were appointed to high positions and offices by the Thai kings, and by the rulers of its dependent principalities" (Skinner, 1957, p. 241).

Many Chinese married ethnic Thai, took Thai names, went to Thai schools, adopted Thai citizenship, and embraced Theravada Buddhism, which blends well with Chinese Confucianism (Lewis, 2003; Pornpitakpan, 2000; Rigg, 1994; Skinner, 1957). Thai and Chinese people also prefer the same food staples, such as rice, fish and pork. As a result, people with Chinese ancestors have been fully absorbed into Thai society and consider themselves as Thai (Lewis, 2003; Pornpitakpan, 2000; Rigg, 1994; Skinner, 1957).

The Saha Farms owner and his parents are examples of these phenomena. The owner's father is a Chinese, while his mother is a Thai. He was educated in Thai schools, including Visetchaichantantiwitthayapoom School for his secondary school and the naval academy for his nursing degree (as shown in his graduation booklet). He also acknowledges himself as Thai and Buddhist.

### ***The Rural Family***

As this research is conducted in the Saha Farms Company that produces its chicken meat in a rural area (but for consumption in urban areas, mainly abroad), the Thai family style of life common in rural areas is relevant and important. Indeed, this lifestyle is also reflected in urban life, as many urban dwellers still have ties to their rural origins of recent generations. For example, many friends of this researcher were born and brought up in a

rural setting before moving to an urban area for higher education and employment.

Generally, a Thai family is an extended family of several generations living together in the same home or several homes in the same dwelling area on the family's land (Samnak Nayok Ratthamontri, 2000). A traditional Thai house is a two-storey wooden structure, built on poles; animals (e.g., fowl, cattle and buffalo) live below, and humans live above. Within the family, the father is regarded as a leader, while the mother takes care of the children and looks after the money. Children are also looked after by other family members, such as grandparents, cousins and relatives. They are taught to be aware of their positions in the family hierarchy very early. This relationship is applied both inside and outside the family. In such a way, it creates the close bonds that continue to bind the family members together. As a result, a prominent feature of the Thai concept of family is that children take care of parents in their old age.

This is not done out of mere sense of duty or with any feeling of being inconvenienced; on the contrary, their wisdom gives aged parents an honoured place in the household and their counsel is actively sought in teaching grandchildren and great-grandchildren to be responsible adults with the same traditional values (Samnak Nayok Ratthamontri, 2000, p. 78).

### **3.4 Buddhism**

Thailand is one of the strongest Buddhist countries in the world: Theravada Buddhism, which is professed by 95 percent of the population, is the national and official religion of Thailand (Bank of Thailand, 2011; Samnak Nayok Ratthamontri, 1995, 2000). Although Buddhism predominates, Thailand has absolute religious freedom, and His Majesty the King is the patron of all religions. Islam, Christianity and Hinduism are the main religions professed by the rest of the population (Bank of Thailand, 2011; Samnak Nayok Ratthamontri, 1995, 2000).

Buddhism has been in Thailand for more than a thousand years and

has made its most significant contribution to Thai culture. Besides moulding morality, providing social cohesion and offering spiritual succour, its tolerant precepts, ideally suited to the native character, have also allowed the assimilation of other beliefs and influences, and enabled it to pervade almost every aspect of life ...  
(Samnak Nayok Ratthamontri, 1995, p. 18).

The most important Buddhist ceremony for Thai men is ordination

which is regarded as an act of a great merit dedicated to his parents ... most Thai men therefore take this opportunity to express their gratitude to their parents by entering into the monkhood ... after they reach a mature age of not less than 20 years old ... the ordination ceremony is a religious event in which the entire village is drawn to take part (Chadchaidee, 2006, pp. 104-105).

Because Buddhism is fundamental, the Saha Farms Company's MCSs provide for ordination leave (more details in Chapter 5 & 6), and other activities, such as offering food to monks on Buddhist days (to be described in 5.3.5).

### **3.5 From Absolute Monarchy to Constitutional Democracy**

Formally, Thailand is a constitutional monarchy in which His Majesty the King is head of state, and the prime minister is head of government (Hoare, 2004; Library of Congress, 2007; Samnak Nayok Ratthamontri, 1995; Thailand, 2012). Thai government comprises three distinct branches. The first branch is the Legislature, which exercises its power through a bicameral National Assembly, comprising the publicly elected House of Representatives and the Senate appointed by the King. All legislative matters of national policy are approved by the National Assembly before

being signed by the King to become law. The second branch is the Executive, which exercises power through a Cabinet headed by a prime minister appointed by the King. The third branch is the Judiciary, which exercises power through the three-tier court system, namely the Court of First Instance, the Court of Appeal and the Supreme Court (Hoare, 2004; Library of Congress, 2007; Samnak Nayok Ratthamontri, 1995; Thailand, 2012).

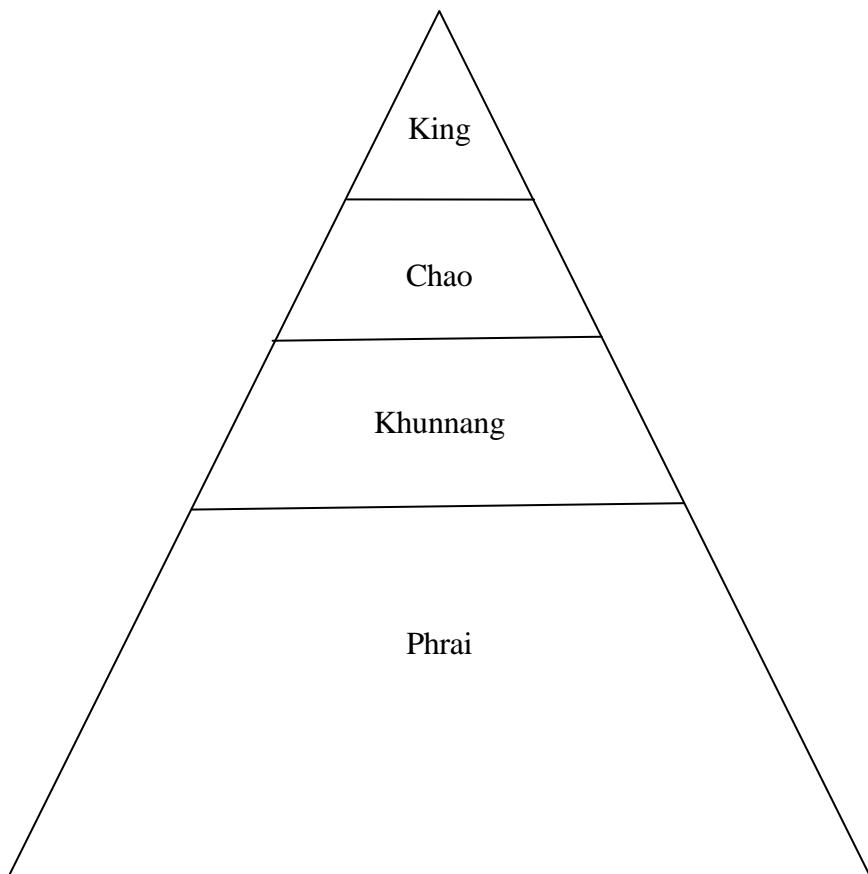
The above has been the case since 1932. However, vestiges of the previous system of government are still influential. Thailand was then an absolute monarchy, which dated back to the first Thai kingdom, known as Sukhothai from 1238-1350 (Hoare, 2004; Samnak Nayok Ratthamontri, 1995). During this period, a father-child and benevolent style of kingship was the form of rule in the kingdom (Dhiravegin, 1992; Samnak Nayok Ratthamontri, 2000). For example, King Ramkhamhaeng “had a bell hung in front of the palace gate so that any subject with a grievance could ring it and ask for justice” (Samnak Nayok Ratthamontri, 2000, p. 11).

The paternalistic and benevolent Buddhist kingship of Sukhothai changed during the city of Ayutthaya period, 1350-1767, owing to the greater size of Ayutthaya’s territory (Dhiravegin, 1992; Samnak Nayok Ratthamontri, 2000). King Trailokanat, who reigned during 1448-1488, devised a complex socio-economic and political administrative system that was

influenced by the degree of merit accumulation in Buddhism (Kuasirikun & Constable, 2010; Samnak Nayok Ratthamontri, 2000). It was a type of feudal system (“*Sakdina*”) that aimed to maximising control of manpower “which served as the foundation for economic, political and military power” (Dhiravegin, 1992, p. 22), and “evolve[d] into the modern Thai bureaucracy” (Samnak Nayok Ratthamontri, 2000, p. 15; (see also Dhiravegin, 1992; C. J. Reynolds, 1987).

The *Sakdina* system created unequal relationships in society since this system not only created a hierarchy of ranked and titled officials, a small group of people that had varying amounts of land and numbers of men under their control, but also classified the whole population of the kingdom into social classes (Dhiravegin, 1992; C. J. Reynolds, 1987; Samnak Nayok Ratthamontri, 2000). There were roughly three classes of people, with the king at the top of the structure as shown in Figure 3 (Samnak Nayok Ratthamontri, 2000). Below the king were “*Chao*” (royal family members), while below *Chao* were “*Khunnang*” (officials or nobles). The “*Phrai*” (commoners or freemen), who were the majority of people, were the bottom class of people (Samnak Nayok Ratthamontri, 2000). All males who were commoners had to register under “*Nai*” (masters), who were officials, and serve them six months a year. In return, the masters were supposed to look after the welfare of their commoners (Mead, 2004).

**Figure 3: *Sakdina* Structure**



As a result, “Thai society during the Ayutthaya period … became strictly hierarchical” (Samnak Nayok Ratthamontri, 2000, p. 15). “The French Abbe de Choisy, who came to Ayutthaya in 1685, wrote that ‘the king has absolute power. He is the only god of the Siamese: no one dares to utter his name’” (Samnak Nayok Ratthamontri, 2000, p. 16). The *Sakdina* system was passed from Ayutthaya to Thonburi (1767-1782) and then to its present location, Bangkok (1782-now), with not much fundamentally

different from the late Ayutthaya period (Samnak Nayok Ratthamontri, 2000).

An important figure whose influence comes through to the present day is King Mongkut, also known as King Rama IV (1851 to 1868). Not only did he have knowledge of Latin and English from the Western missionaries but also of western astronomy, mathematics, science, geography and culture. In order to avoid the humiliations and contend with the consequences of unequal treaties that arose from wars in the region involving China, Myanmar, Britain and France, he had to open the country to Europeans (Library of Congress, 2007; Samnak Nayok Ratthamontri, 2000).

The Bowring Treaty, signed between Siam and Britain in 1855, was the first treaty to elaborate on and liberalise trade rules and regulations in order to allow free trade (Bertrand, Johnson, Samphantharak., & Schoar, 2008; Bowring Treaty, 2012). Through the Bowring Treaty and other treaties based on the same rules as the Bowring Treaty with the US, France and other European countries, Siam was integrated into the world economy as a global commodity producer (Belton & Little, 2008; Mead, 2004).

Among the provisions of the Bowring Treaty were that Siam had to grant foreign aliens exemption from the jurisdiction of Siam authorities (Bowring Treaty, 2012; Ingram, 1955; Kasetsiri & Sriudom, 2010). British

subjects could trade freely in all seaports and could reside permanently in Bangkok. They were allowed to buy and rent property in Bangkok and travel freely. Moreover, measurement duties, calculated based on the widest part of a ship, were abolished and replaced by fixed import and export duties at three percent, and British merchants were allowed to sell to, and buy directly from, individual Siamese without interference from any third party. Although Siam still reserved its right to prohibit the export of rice, salt and fish at any time that these articles were deemed to be scarce, this treaty was claimed to be unequal for reasons, such as loss of the jurisdictional power over foreign subjects and the low rate of new import and export tariffs (Bowring Treaty, 2012; Ingram, 1955; Kasetsiri & Sriudom, 2010).

All these brought significant changes to Siam. In order for Siam to regain some of its power in relation to the Western powers, legal and administrative reforms were needed (Library of Congress, 2007). These were undertaken by King Mongkut, “the first … king to embark seriously on reform based on Western models … He employed Western experts and advisers at the court and in the administration” (Samnak Nayok Ratthamontri, 2000, p. 24). He also employed an English teacher to educate his children (Hoare, 2004). Infrastructure, such as roads, bridges and buildings were built to accommodate the extra needs of Western residents, and of businesses, such as trading houses, banks, and the

forestry, mining and engineering sectors that were starting to be established in Siam (Bertrand et al., 2008). In addition, the Siamese government had to increase the government pay because foreign employees received salaries and bonuses that were better than those of government officers (Ruangsilp, n.d.).

However, more profound reforms were carried out by King Mongkut's son, King Chulalongkorn or King Rama V (1868 to 1910) (Library of Congress, 2007; Samnak Nayok Ratthamontri, 2000). King Chulalongkorn was not only the first Thai king to have a full Western education from an English teacher in Siam (LePoer, 1987) but also the first Thai king to travel abroad (Chadchaidee, 2006; Samnak Nayok Ratthamontri, 2000). He went to Dutch and British colonial territories in Java, Malaya, Myanmar and India, and to Europe twice (Samnak Nayok Ratthamontri, 2000). “[D]uring one of his European sojourns he obtained support from Tsar Nicholas II of Russia and the German Kaiser Wilhelm II to put Siam in a stronger international position, no longer dominated by Britain and France” (Samnak Nayok Ratthamontri, 2000, p. 25). He also disguised himself and travelled within Siam because he wanted to investigate his subjects' welfare (Chadchaidee, 2006; Samnak Nayok Ratthamontri, 2000) and wanted the monarchy to play “a more visible role in society” (Samnak Nayok Ratthamontri, 2000, p. 25).

At home, King Chulalongkorn forbade prostration in the royal presence and gradually abolished both the feudal system and slavery (Chadchaidee, 2006; Library of Congress, 2007; Samnak Nayok Ratthamontri, 2000). The traditional administration was replaced by a Western system of central government (Library of Congress, 2007; Samnak Nayok Ratthamontri, 2000). Secular schools were established for the first time in order to produce educated persons to work in both public and private sectors (Chulalongkorn University, 2011; Ministry of Education, 1998; Samnak Nayok Ratthamontri, 2000). The first secular school, with an English headmaster, was founded in 1871 at the Royal Pages Barrack within the Grand Palace compound (Chulalongkorn University, 2011; Cooper & Cooper, 1991; Ministry of Education, 1998). Thai students were also sent to study in Western countries (Samnak Nayok Ratthamontri, 2000). He introduced post and telegraph services, and built a railway network (Library of Congress, 2007; Samnak Nayok Ratthamontri, 2000).

King Chulalongkorn's son, King Vajiravudh or King Rama VI (1910 to 1925), "was the first Thai king to [be] educated abroad, in his case at Harrow School and Oxford University in England" (Samnak Nayok Ratthamontri, 2000, p. 28). In 1917, he established Chulalongkorn University as Thailand's first university (Chulalongkorn University, 2011; LePoer, 1987). Furthermore, several Westerners were hired during King Chulalongkorn's reign to act as advisors to the Siamese government in

various fields. For example, the financial sector was advised by two British financial advisors, H. Rivett-Carnac and W.J.F. Williamson; and the jurisprudence area was advised by a Belgian, Rolin-Jacquemyns (Samnak Nayok Ratthamontri, 2000).

Although Siam was reformed based on Western models, the king's power was still absolute. This was until 1932 when the bloodless revolution occurred. King Prajadhipok, or King Rama VII (1925 to 1935), was the last absolute monarch (Barme, 1993; Chadchaidee, 2006). "Siam ... became a constitutional monarchy without any bloodshed or wholesale changes in its society and economy" (Samnak Nayok Ratthamontri, 2000, p. 30).

The monarchy "continues to function with extraordinary relevance and vitality [even today]" (Samnak Nayok Ratthamontri, 2000, p. 37). The current king, His Majesty King Bhumibol Adulyadej or King Rama IX, performs traditional royal duties as Head of State and Head of the Thai Armed Forces (O'Sullivan & Tajaroensuk, 1997; Samnak Nayok Ratthamontri, 1995, 2000). For example, His Majesty not only participates in numerous Buddhist merit-making ceremonies all over the country but also is regarded as the Upholder of All Religions in the country (Samnak Nayok Ratthamontri, 2000). His Majesty has brought the monarchy into direct contact with his people, as His Majesty and other members of the

Royal Family have visited every province in the country (Samnak Nayok Ratthamontri, 2000).

His Majesty has become not only the most travelled monarch in Thai history but also the best informed about a wide range of rural problems and difficulties (Samnak Nayok Ratthamontri, 2000). He has suggested and initiated over 2,000 projects to help his people in many sectors, such as agriculture, water resources, the environment, occupational promotion, public health, public welfare and communications (Samnak Nayok Ratthamontri, 2000).

The intensity of respect felt by the Thai people for their King stems in large part from the distinctive form the modern monarchy has taken under his own leadership, one that involves a remarkable degree of personal contact. At the same time, it is rooted in attitudes that can be traced to the earliest days of Thailand as a nation and in some of the past rulers who continue to serve as models of kingship (Samnak Nayok Ratthamontri, 2000, p. 37).

Accordingly, the Saha Farms Company's hierarchy of controls, as shown later in Figure 6, reflects the monarchy as one of the fundamentals in Thai culture.

### **3.6 Thai Way of Life**

The Thai way of life is rooted in the fundamentals of Thailand, which are the nation, Buddhism and the monarchy. These three fundamentals together are involved in every aspect of Thai life. Some examples of this are described here, as they will later be related to the management control findings at the Saha Farms Company.

The respect for religion and the monarchy are visible in people's homes. Pictures of the king as well as images of Lord Buddha are common in most Thai people's homes, including the Saha Farms owner's home, the research site and even the researcher's home. The three fundamentals can also be seen in the Thai calendar and Thai national and public holidays that show a sense of devotion of Thai people to the nation, Buddhism and the monarchy (Samnak Nayok Ratthamontri, 2000).

The Thai calendar has been adapted to the Western calendar, so the year is divided into days, weeks and months, but Thai names are used for these units (Library of Congress, 2007; Tourism Authority of Thailand, 2001). Lunar days and months are also noted on the Thai calendar. "Years are numbered according to the Buddhist era (BE) which commenced 543 years before the Christain era" (Tourism Authority of Thailand, 2001, p. 15). Therefore, 2012 is the year 2555 in the Buddhist era. Pictures of the royal

family members are normally seen on Thai calendars, particularly His Majesty the King's picture.

Thai national and public holidays are also related to the fundamentals of Thailand. Several of the holidays relate to events in Thai history. Other holidays are linked to religious and agricultural traditions follow the lunar calendar, so the dates of these holidays change each year (Tourism Authority of Thailand, 2001). The national public holidays in Thailand are shown in Table 1. Most of the national and public holidays are also related to the Saha Farms Company's MCSs since they are the Company's holidays as well (more detailed in 5.3.5).

Another way in which the fundamentals influence everyday life is in people's varying status, relationships and attitudes. This is evident in the Thai language usage of different vocabulary, pronouns and particles. In particular common people must use special and royal words when speaking to and speaking about monks and the monarchy (O'Sullivan & Tjajaroensuk, 1997; Punturaumporn, 2001). There are, for instance, 16 different words meaning "eat", 17 different words for the first person pronoun, 19 different words for the second person pronoun and many particles, of which "Khrap" is the most common for men and "Kha" is the most common for women (O'Sullivan & Tjajaroensuk, 1997; Punturaumporn, 2001; Samnak Nayok Ratthamontri, 1995). For example,

**Table 1: National Public Holidays in Thailand**

Holiday	Date	Fundamental
New Year's Day	January 1	the Nation
Makha Bucha Day	between February and March	Buddhism
Chakri Day	April 6	Monarchy
Songkran Day	April 13	the Nation
National Labour Day	May 1	the Nation
Coronation Day	May 5	Monarchy
Phuetcha Mongkhon Day	May	the Nation
Visakha Bucha Day	between May and June	Buddhism
Asanha Bucha Day	between July and August	Buddhism
Khao Phansa	between July and August	Buddhism
Her Majesty the Queen's Birthday	August 12	Monarchy
Chulalongkorn Day	October 23	Monarchy
His Majesty the King's Birthday	December 5	Monarchy
Constitution Day	December 10	the Nation
New Year's Eve	December 31	the Nation

(Library of Congress, 2007; Tourism Authority of Thailand, 2001)

when subordinates at the Saha Farms Company talk to their superiors, including the owners, they always put “Krap” and “Kha” at the end of

their sentences, while the superiors, including the owners, do not have to do that.

Respect is an important aspect in Thai culture. One mark of respect is the Thai “*Wai*”, a gesture that consists of the palms pressed together in a prayer like fashion. The *wai* is practiced in different ways not only among common people but also between common people and the monarchy and monks (Holmes, Tangtongtavy, & Tomizawa, 1996). Although the *wai* is a gesture used to say hello, goodbye and thank you without speaking, it is most important as a sign of respect (Cooper & Cooper, 1991; Holmes et al., 1996). For instance, the researcher had to perform *wai* many times a day when she was at the research field because she had to use *wai* to say hello, thank you and goodbye to many people, such as Grandpa (more details in 4.3.4), Uncles (more details in 4.4), managers and some interviewees who are older than the researcher (more details in 5.4).

The Thai traditional riverside lifestyle is reflected in their food (Thai Food, n.d.). Aquatic animals, plants and herbs are major ingredients (Thai Food, n.d.). Due to the Buddhist influence, meat is chopped into small chunks or shredded (Hinds, 2010; Thai Food, n.d.). Traditional Thai cooking methods are boiling and grilling. Frying was introduced by the Chinese in the 13<sup>th</sup> century, as well as a variety of noodles (Hinds, 2010; Thai Food, n.d.). In the 17<sup>th</sup> century, chilli was introduced by Portuguese missionaries, who

also introduced various Thai desserts made of egg yolks and sugar (Hinds, 2010; Thai Food, n.d.). Generally, all Thai people eat similar food and eat it with rice, but food for monks might be more special than everyday food; and food carving is a feature in the royal courts (Hinds, 2010; Samnak Nayok Ratthamontri, 2000).

### **3.7 Thai Cultural Values**

Komin's (1990a, 1990b) Thai "value orientations" were considered to be the most suitable theoretical framework for explaining the national character of Thai people. Komin (1990a, 1990b) developed this framework as she believed that a lot of things foreigners wrote about Thailand were wrong. For example, Komin (1990b) found that a "*Kreng jai*" attitude (more details later in this section) was mis-interpreted by foreign scholars since they were outsiders and did not have enough understanding of Thai cultural concepts. Although the Thai co-authors of Niffenegger et al. (2006) agreed to use Hofstede's cultural dimensions, those dimentions were probably used in order to be accepted by the Western journal. Due to a perceived insufficiency of Hofstede's cultural dimensions, Niffenegger et al. (2006) also incorporated Thai culture based on Buddhist values into their propositions. Therefore, Komin's (1990a, 1990b) value orientations are able to give better explanation of Thai values because they come from an insider's point of view and are based on the three fundamentals of Thai

culture. “As people’s values and belief systems are culturally conditioned, authors of theories are of no exception: theories reflect to some extent the cultural environment in which they are written. Thus, American theories reflect American culture, and Italian theories reflect Italian culture, etc.” (Komin, 1990a, p. 702). This is also supported by Alam, Lawrence and Nandan (2004), and Llewelyn (2003) since they argue that localised theories can give better explanations of empirical situations than grand theories that mostly come from the West.

Komin (1990b) found that the “Thai social system is first and foremost a hierarchically structured society where individualism and interpersonal relationship are of utmost importance” (p. 160). Thai society is a vertical society that is based on status, both what one is born with and what one can achieve, in comparison to many Western societies which are horizontal societies based on equality (Pornpitakpan, 2000). There is a proverb: “*Roojak Thee Soong Thee Tam*” (Know who is in higher and lower status than you) (Holmes et al., 1996). “If your position, or rank, is understood in regards to the ranks of others, you should behave in the prescribed manner, whether it be deferential to those above, or benevolent to those below” (Holmes et al., 1996, p. 29).

Moreover, Thai people have expectations that a leader should:

...not exploit...situation[s] for his own happiness, benefit or safety...;...should behave in a proper way such that politeness and humility are included...;...should be dependable in his work and loyal to his bosses, colleagues and subordinates...;...should be able to stand up to physical and mental stress...;...should be able to make firm and quick decisions without reluctance, and should have sufficient power to bring the others to follow his decisions...;...should understand and realise the feelings of others...;...should be fair to subordinates in giving rewards or punishments...;...should have a deep understanding in professional and general knowledge...[and] should be serious with respect to work and show initiative in thinking (Nakata, 1986, pp. 55-59; Runglertkengkrai & Engkaninan, 1987).

Thai people “are reluctant to challenge authority or to provide information displeasing to [superiors]” (Mabry, 1979, p. 66).

Thai society is much more hierarchical than in the West, and all parts of society have hierarchies and status rankings (Komin, 1990a, 1990b; Mabry, 1979). For example, the practices of *wai* are different between a person and another person who is younger, similar age or older. Moreover, Thai people do not usually call other people by their names, except those who are younger or of a similar age. They usually call each other

grandfather, grandmother, uncle, aunt, brother, sister, niece and nephew depending mainly on a person's age and gender, but "*Khun*" is also used. *Khun*, which means you, is a polite form of title that is put in front of a person's name.

As a result, the "*Pee-Nong*" system, which is used in a family to speak to brothers and sisters in order to show hierarchy and respect, is used beyond the family, particularly in the workplace (Niratappanasai & Asia Pacific Management Forum, 2000b). The older brother and sister are called "*Pee*", while the younger brother and sister are called "*Nong*". *Pee* and *nong* are forms of title that are put in front of a person's name in the same way as *khun*.

Komin (1990a, 1990b) grouped Thai values into nine orientations which, ranging from most to least important, are: ego; grateful relationship; smooth interpersonal relations; flexibility and adjustment; religious-psychical<sup>1</sup>; education and competence; interdependence; fun-pleasure; and task-achievement<sup>2</sup> orientations (Komin, 1990a, 1990b). Although these nine value clusters are common characteristics of Thai culture, it does not

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<sup>1</sup> Called "religion-psychical" orientation by Komin (1990a, 1990b)

<sup>2</sup> Called "achievement-task" orientation by Komin (1990a, 1990b)

mean that every person in the culture has all the characteristics and in the same order of importance since there are differences between men and women, urban and rural people, highly educated and less educated people, and so on (Komin, 1990a, 1990b). Since each orientation is related to the others, so it is difficult to make a clear distinction between them (Komin, 1990a, 1990b). However, depending on the situation, one can become more prominent than others (see Chapters 6, 7 & 8).

### ***Ego Orientation***

Thai people “have big egos and a deep sense of independence, pride and dignity. Violation of this ‘ego’ self, even a slight one, can provoke strong emotional reactions, despite the well-known description of the Thai as being gentle, ever-smiling, non-aggressive and affable” (Komin, 1990a, p. 691). As a result, there are key values, such as face-saving, criticism-avoidance and the *kreng jai* attitude (Komin, 1990a, 1990b).

“Face-saving is the first criterion to consider in any kind of evaluative or judgmental action. To make a person ‘lose face’, regardless of rank, is to be avoided at all cost, except in extreme necessity” (Komin, 1990a, p. 691). Giving face is the opposite: it is important to strengthen and smooth a relationship (Punturaumporn, 2001).

Due to face-saving, Thai people avoid criticism because it is difficult for Thai people “to separate ideas/opinions from the person holding those ideas. Therefore, criticism[,] particularly strong criticism, is usually taken personally. Criticism of whatever type is a social affront, an insult to the person. When necessary, indirect means are used” (Komin, 1990a, p. 691).

The *kreng jai* attitude means “to be considerate, to feel reluctant to impose upon another person, to take another person’s feelings (and ‘ego’) into account, or to take every measure not to cause discomfort or inconvenience for another person” (Komin, 1990b, p. 164). “This *kreng jai* attitude and behavior is a basic social rule” (Komin, 1990a, p. 691) that is observed by all Thai people, whether with superiors, equals or subordinates (Komin, 1990a, 1990b). It is found even in more intimate relationships, such as between husband and wife, and among close friends, with differences only in terms of degree of status discrepancy, familiarity, and different situations (Komin, 1990a, 1990b).

### ***Grateful Relationship Orientation***

“Reciprocity of kindness, particular the value of being [grateful] is a highly valued characteristic trait in Thai society” (Komin, 1990b, p. 168). Therefore, this orientation is characterised by “*Bunkhun*” (indebted goodness), which is where one person, “out of sheer kindness and sincerity” (Komin, 1990b, p. 168), gives help or favours to another person,

who remembers and returns the kindness (Komin, 1990a, 1990b; Niffenegger et al., 2006; Pornpitakpan, 2000). *Bunkhun* is not limited by time or distance and “should not and cannot be measured quantitatively in material terms” (Komin, 1990b, p. 168).

### ***Smooth Interpersonal Relationship Orientation***

Thai people prefer “a non-assertive, polite and humble type of personality (expressed through appearance, manners, and interpersonal approach), as well as ... a relaxed, and pleasant interaction which accounts for the ‘smiling’ and ‘friendly’ aspects of the Thai people” (Komin, 1990b, p. 174). Therefore, this orientation leads to social smoothing values, namely being “caring and considerate; kind and helpful; responsive to situations and opportunities; self-controlled, tolerant-restrained; polite and humble; calm and cautious; contented” (Komin, 1990b, p. 174).

### ***Flexibility and Adjustment Orientation***

Thai people “in general preferred to describe themselves as being ‘flexible’ [and situation-oriented] rather than ‘truly honest’ ” (Komin, 1990a, p. 692). Thus, principles, rules and policies are likely to be less important for them, and it is quite common for them to change their decisions and behaviours according to the situation. The flexibility and adjustment orientation is an important element in maintaining social smoothing values.

### ***Religious-Psychical Orientation***

Thailand is a Buddhist country, so Buddhism has either directly or indirectly “exerted a strong influence on the people’s everyday life” (Komin, 1990b, p. 208). However, Thai people in general do not have in-depth knowledge of Buddhist teachings, and they also believe in spirits, astrology and superstitious power (Komin, 1990a, 1990b). For example, as well as engaging in various types of merit making and Buddhist ceremonies, Thai people pay respect to various types of holy images and believe in lucky numbers; especially the number 9 is supposed to bring the best fortune in Thailand. The Thai word for the number 9, “*Gao*”, has special status because it sounds similar to “*Kow-nah*”, which can be translated as progress or moving forward (Niratappanasai & Asia Pacific Management Forum, 2000c).

### ***Education and Competence Orientation***

Thai people value and give importance to form, appearance and material possessions rather than content or substance. “Education has been perceived more as a ‘means’ of climbing up the social ladder, in term of higher prestige and higher salary pay, than as an end value in itself” (Komin, 1990b, p. 226). Behaviours related to form and display of material possessions are seen at all social levels (Komin, 1990b).

### ***Interdependence Orientation***

This orientation reflects the spirit of community collaboration (Komin, 1990a, 1990b). Not only ethnic Thai but also other ethnic groups co-exist and are interdependent. This orientation together with the ego, smooth interpersonal relationship, and flexible and adjustment orientations make Thailand a rare example of successful assimilation of other ethnic groups, such as the Chinese (Komin, 1990a, 1990b).

### ***Fun and Pleasure Orientation***

[M]ost Thai social interactions are pleasant, light, might be superficial, yet fun and humorous in nature. Joyful behaviors can be observed in any Thai party, which is usually characterized by small talks, gossips, jokes, teasing one another, making fun of all kinds of non-personal inconsequential things and events ... in a clever, humorous and amusing fashion (Komin, 1990b, p. 234).

This orientation is an important means to support and maintain the smooth interpersonal relationship orientation (Komin, 1990a, 1990b). Therefore, Thai people like to have “fun in all forms of interpersonal action, including work” (Mabry, 1979, p. 61).

### ***Task-Achievement Orientation***

Thai people “consider prestige and social recognition as goals for success in life, with work and relations as necessary means … it is very rare that work alone would lead one to the Thai sense of achievement” (Komin, 1990a, p. 697). Hence, the task-achievement orientation seems to be less important than other social orientations, even though Thai people are hardworking, even in tough environments (Komin, 1990b).

Since these values are based on the three fundamentals of the nation, Buddhism, and the monarchy (O’Sullivan & Tajaroensuk, 1997), they can be explained based on these three fundamentals as follows:

### ***The Nation***

Due to the geography of Thailand, Thailand is rich in resources; especially in the past there was the famous saying that “there were fish in the water and rice in the fields”. Moreover, “natural disasters like earthquakes or severe changes in seasons like snow in winter do not occur regularly in Thailand” (Niratappanasai & Asia Pacific Management Forum, 1997). Therefore, Thai people do not have to worry much about their living. This is possibly why Thai people are lovers of fun and freedom which sometimes results in their doing whatever they want without caring for regulations (Komin, 1990b; Niratappanasai & Asia Pacific Management Forum, 1999; Punturaumporn, 2001).

The emphasis on agriculture may also explain why Thai people are interdependent and fun lovers (Komin, 1990b; Punturaumporn, 2001).

Rice production requires effort and cooperation from the community. Irrigation, planting and harvesting are most efficiently accomplished with the participation of groups of families and friends. Thus, assisting each other, sharing and maintaining harmonious relationships are important in Thai society (Punturaumporn, 2001, p. 32).

Thailand's avoidance of colonisation may explain not only why "Thai people have a very big ego, a deep sense of independence, pride and dignity" (Komin, 1990b, p. 161) but also why Thai people are not xenophobic resulting in friendly interactions with foreigners (Komin, 1990b). However, a major event in Thai history was the signing of the Bowring Treaty, which has had a significant influence on the Thai socio-economy, "beginning the transformation to a free enterprise system" (Runglertkengkrai & Engkaninan, 1987, p. 8). It also brought changes to the Thai values of spiritualism and frugality that are based on Buddhism since Thai people have become more materialist, spendthrift and hard-working (Niffenegger et al., 2006). These possibly new traits may be affecting the education and competence, and task-achievement orientations in Thai culture (Komin, 1990a, 1990b). Furthermore, the people of

Thailand are relatively homogeneous because most of them are ethnic Thai, and they profess the same religion and speak the same language (O'Sullivan & Tajaroensuk, 1997). As a result, "they have a sense of unity, belonging and family" (O'Sullivan & Tajaroensuk, 1997, p. 1) that might enable the smooth interpersonal relationship and interdependence orientations (Komin, 1990a, 1990b).

### ***Buddhism***

The second fundamental of Thai culture, Buddhism, links not only to the religious-psychical orientation but also to other orientations, such as the grateful relationship, smooth interpersonal relationship, flexibility and adjustment, and interdependence orientations in Thai culture because Thai people behave based on compassion and cooperation, which are core values in the Buddhist teachings (Boyce et al., 2009; Komin, 1990b; Niffenegger et al., 2006).

Although Thai people prefer to have interpersonal relationships, they like to maintain their individuality as well (Komin, 1990a, 1990b). This is possibly because of the Buddhist teachings of the Kalama Sutta that focuses on "free inquiry" and the Law of *Kamma* (Karma) (Mabry, 1979; Soma, 2010). Karma means action, while the law of karma refers to an action that one does or any thought that one thinks generating a cause and effect relationship between good/bad action or thoughts and good/bad

consequences in terms of past life, present life and future rebirth as well as Nirvana that one can achieve individually (Bodhi, 1999; Knierim, 2011a; Komin, 1990b). There is the famous Buddhist saying: “*Tam Dee, Dai Dee; Tam Chua, Dai Chua*” (If you do good deeds, you receive good in return; if you do bad deeds, you receive bad in return). There is also another famous Buddhist saying: “*Htun Pen Tepung Hang Htun*” (You do not rely on others; you help yourself first) that helps to reinforce the individuality.

In Buddhism, life means suffering from both physical sufferings, which are birth, old age, sickness and death; and mental sufferings, which are feelings like sadness, fear, frustration, disappointment and depression. Even though health and happiness exist between those sufferings, they are not permanent (Boyce et al., 2009; Hoare, 2004; Klausner, 2002; Knierim, 2011b; Santina, 1984; Sumedho, n.d.). This might be a reason why Thai people enjoy their independence and pursue the fun-pleasure orientation (Komin, 1990a, 1990b; Mabry, 1979). “Buddhism encourages fatalism in the sense that it encourage one to accept one’s condition because it is the result of his past deeds – his past karma ...” (Komin, 1990b, p. 245). There is a proverb: “*Boon Tham Kamma Taeng*” (One’s current status is a result of one’s karma). This possibly also explains why Thai people can accept the difference and hierarchy in their society.

### ***The Monarchy***

The last fundamental of Thai culture is the monarchy, which has continuously existed since 1238 (Hoare, 2004). Over the centuries, Thailand was an absolute monarchy, so the king's power was absolute and sovereign as the “*Phra chao phaendin*” (Lord of the land) and “*Chao chevit*” (Lord of life). Therefore, “the kings of Thailand have been held in great awe and respect by their people for the wise and benevolent manner in which they have ruled” (Holmes et al., 1996, p. 28). Furthermore, the system of *Sakdina* (feudalism), which was created to assign *phrai* (men) to *nai* (leaders) in a patron-client relationship, has influenced the Thai view of social order as being a vertical ranking in which people's status is precisely determined by their position (Mabry, 1979; Samnak Nayok Ratthamontri, 2000). Although *Sakdina* was abolished by King Chulalongkorn, and Thailand changed to a constitutional monarchy in 1932, these relationships still influence Thai society (Cooper & Cooper, 1991; Hoare, 2004; Holmes et al., 1996). Therefore, Thai culture has a “relatively tight hierarchical social system with accepted existential inequality, which also strongly values ‘relationship’” (Komin, 1990b, p. 262).

This chapter has shown how the three fundamentals of Thailand influence every aspect of the Thai way of life. During its nearly thousand year history, Thailand has developed differently from its neighboring countries.

Table 2 summarises differences between Thailand and its neighbours in

Southeast Asia and nearby regions in terms of ethnic groups, religions, languages, government and colonial background.

Although Thailand is similar to the majority of countries in the table because the population of Thailand is composed of more than one ethnic group, Thailand has a minimal ethnic tension, particularly with Chinese, which is the biggest minority in Thailand. In comparison to other countries in the table in terms of religion and language, only Thailand can claim it has predominantly only one religion, which is Buddhism and only one language, which is Thai. Thailand is also different from other countries in the table in terms of its government, since the Thai government is a parliamentary democracy with a constitutional monarchy. One major difference between Thailand and other countries in the table is that Thailand has never been colonised.

### **3.8 Conclusions**

This chapter has presented the three fundamentals of Thailand, namely the nation, Buddhism, and the monarchy. Not only are Thai people rooted in these three fundamentals, but also these three fundamentals together have produced the unique Thai culture that is seen in the everyday way of life of Thai people and in the patterns of behaviour that permeate every aspect of the life of both employers and employees and that constitute their MCSs.

O'Sullivan and Tajaroensuk (1997) claim that, "If we know something about these three fundamentals, maybe we will understand Thai people better" (p. 9).

The research method of the present study is described in the next chapter.

**Table 2: Comparison of Thailand with Neighbouring Countries**

Countries	Ethnic Groups	Religions	Languages	Government	Colonial Background
Bangladesh	Bengali	Muslim	Bengali and English	Parliamentary Democracy	Independence from the UK in 1947 and from Pakistan in 1971
Brunei	Malay and Chinese	Muslim and Buddhist	Malay, English and Chinese	Constitutional Sultanate	Independence from the UK in 1984
Cambodia	Khmer	Buddhist	Khmer and French	Multiparty Democracy under a Constitutional Monarchy	Independence from France in 1953
India	Indo-Aryan and Dravidian	Hindu and Muslim	Hindi, English and 14 other official language	Federal Republic	Independence from the UK in 1947
Indonesia	Javanese, Sudanese and others	Muslim and Protestant	Bahasa Indonesia, Dutch, Javanese and local dialects	Presidential Republic	Independence from the Netherlands in 1945
Laos	Lao and over 100 other ethnic groups	Buddhist and others	Lao, French and various ethnic languages	Communist People's Democratic Republic	Independence from France in 1949

Countries	Ethnic Groups	Religions	Languages	Government	Colonial Background
Malaysia	Malay, Chinese and Indigenous	Muslim and Buddhist	Bahasa Malaysia, English and others	Federated Parliamentary Democracy and Constitutional Monarchy	Independence from the UK in 1957
Myanmar	Burmar, Shan and Karen	Buddhist and Christian	Burmese and various ethnic languages	Military Government, in transition to Constitutional Regime	Independence from the UK in 1948
Pakistan	Punjabi, Pashtun and others	Muslim	Punjabi, English and others	Federal Republic	Independence from British India in 1947
Philippines	Tagalog and others	Catholic	Filipino, English and 8 major dialects	Presidential Republic	Independence from Spain in 1898 and from the US in 1946
Singapore	Chinese and Malay	Buddhist and others	Mandarin, English, Malay, Tamil and others	Parliamentary Republic	Independence from the UK in 1957 and from Malaysian Federation in 1965
Sri Lanka	Sinhalese and Tamils	Buddhist, Hindu and Muslim	Sinhala, Tamil, English and others	Presidential Republic	Independence from the UK in 1948

Countries	Ethnic Groups	Religions	Languages	Government	Colonial Background
Taiwan	Taiwanese	Mixture of Buddhist and Taoist	Mandarin	Multiparty Democracy	Independence from Japan in 1945 and from China in 1949
<i>Thailand</i>	<i>Thai and Chinese</i>	<i>Buddhist</i>	<i>Thai</i>	<i>Parliamentary Democracy and Constitutional Monarchy</i>	<i>Never Colonised</i>
Vietnam	Viet	None	Vietnamese, French, Chinese and others	Socialist Republic	Independence from France in 1945

(Bangladesh, 2012; Brunei, 2012; Cambodia, 2012; Europa Publications Limited, 2011; India, 2012; Indonesia, 2012; Institute of Southeast Asian Studies, 2012; Laos, 2012; Library of Congress, 1989, 1990a, 1990b, 1995, 2004a, 2004b, 2005a, 2005b, 2005c, 2006a, 2006b, 2006c, 2007; Malaysia, 2012; Pakistan, 2012; Philippines, 2012; Singapore, 2012; Sri Lanka, 2012; Taiwan, 2012; Thailand, 2012; Vietnam, 2012)

## **Chapter 4**

### **Research Method**

#### **4.1 Introduction**

The objective of this research is to achieve an in-depth and systematic understanding of MCSs in Thailand and of factors that influence those MCSs. Thailand is not only different from other emerging economies in terms of non-colonial background but also it is a country that has a high level of foreign investment, as mentioned in Chapter 1.

Chapter 2 provided a review of research about MCSs, including previous studies of South and Southeast Asia, and Thailand. The possibilities of emic and etic approaches arose in that review, and it is indicated in Chapter 2 that an emic approach was favoured. This led onto dealing with Thailand as the research setting in Chapter 3. A background of Thailand and its basis on the three fundamentals of the nation, Buddhism and the monarchy was provided in order to understand the Thai context, Thai culture and Thai society.

In this chapter, reasons for the decision to take an emic approach and use ethnographic research are revisited and elaborated. Details are given of the evidence gathering methods that have been used, namely non-participant observation, formal and informal interviews, reviewing documents, and

informal social contacts. These details also include data collection periods and particulars of informants and how they were interviewed, observed, etc. Issues in finding a research site and gaining access are detailed. In the course of giving this information, an outline about the Saha Farms Company is provided to justify and elaborate the detailed methods. The chapter ends with a summary of limitations of the research.

## **4.2 Research Method**

“Different ontologies, epistemologies and models of human nature are likely to incline social scientists towards different methodologies” (Burrell & Morgan, 1992, p. 2). The researcher’s ontological belief is that “the social world external to individual cognition is made up of nothing more than names, concepts and labels which are used to structure reality” (Burrell & Morgan, 1992, p. 4). This belief determines her epistemological view: that “the social world is essentially relativistic and can only be understood from the point of view of the individuals who are directly involved in the activities which are to be studied” (Burrell & Morgan, 1992, p. 5). Her view on human nature is that human beings are “completely autonomous and free-willed” (Burrell & Morgan, 1992, p. 6). Therefore, human beings are regarded as the creators of the phenomenon (Ryan, Scapens, & Theobold, 2002).

The research questions are set out in section 1.5. As this study relates to the Thai social and cultural contexts that the Saha Farms Company is being operated within, ethnographic research was suitable for this study (Bryman & Bell, 2007; Fetterman, 1998; Myers, 2009). Ethnographic research allowed the researcher not only to spend long enough in the Saha Farms Company to perceive the unwritten rules of how things were working or how participants supposed they were working in the Company, but also to be involved in the day-to-day running of the business (Bryman & Bell, 2007; Myers, 2009). Consequently, the researcher obtained a more in-depth understanding of the Saha Farms Company than would otherwise have been possible (e.g., if surveys or only formal interviews had been conducted with brief visits). Thus, she obtained more of an insider's point of view and received detailed and intensive information (Ansari & Bell, 1991; Bryman & Bell, 2007; Fetterman, 1998; Myers, 2009).

As "human-as-instrument" in this kind of research, the researcher is well qualified for this study due to her background and knowledge (Denzin & Lincoln, 2005). She is Thai, speaks Thai and has grown up in a rural area of Thailand, so she has an ability to truly understand participants at the research site as they are from rural areas as well. Because of the researcher's gender, she gained some advantages for her data collection since she was considered harmless not only by several interviewees who allow her to interview them due to her gender but also by the other Saha

Farms employees who felt comfortable to see her around and made friends with her. Grandpa told the researcher: “ເປັນຜູ້ໜົງນະ ຈະເຫັນຈະຄຸຍກັບໄຄຣ ກໍໄມ່ມີ ໄຄຮາວັງເກີຍທຽອກ ເພຣະວ່າໄມ່ມີພິຍມີກັຍກັບໄຄຣ” (Since you are a female; people are comfortable to talk to you because you are harmless for them). Moreover, the researcher has accounting degrees and work experience both in the accounting area and other areas, such as administration and purchasing that helped her to interpret what she observed.

#### ***4.2.1 Schedule of Research Events***

The research study started in 2009. Soon after the research topic and field based research were chosen, the researcher made the first contact with a fibre company as one of her potential case companies. While she was developing her research proposal, she kept talking to friends and her ex-boss at the fibre company. By the time that she finished writing her research proposal, she knew that she was going to use ethnographic research, and she also knew the periods of her data collection. She made a formal contact by sending letters to the fibre company asking for permission to conduct the research at the company. In the meantime, while she was waiting for the fibre company's permission, she talked to a friend whose father was a managing director at an electronics company as another choice for a potential case company. In this year, the researcher not only finished writing and defending her research proposal but also her research

was approved by the Human Ethics Committee (see Appendices 1 & 2) and presented at The Third New Zealand Management Accounting Conference. In the end, the fibre and electronics companies did not allow the researcher to conduct research in their companies, but she obtained agreement to conduct her research in the Saha Farms Company (more details in 4.3).

Data collection was separated into two rounds: a period of two months for the first data collection from February to April 2010 and a period of three months for the second data collection from November 2010 to January 2011. The two periods allowed the researcher not only to collect enough data but also to have enough time to analyse the data and consult the supervisors in the middle. In between April and November 2010, the researcher transcribed interviews, wrote up the first findings, categorised factors that could influence the Saha Farms Company's MCSs, consulted her supervisors and presented her research to her department's academic staff and other PhD students on PhD Day in 2010. After February 2011 the researcher wrote up the second findings, continued to categorise factors that could influence the Saha Farms Company's MCSs, consulted her supervisors, presented her research at the Global Management Accounting Research Symposium's Colloquium and to her department's academic staff and other PhD students on PhD Day in 2011.

#### **4.2.2 *Methodology and Method***

Non-participant observations provide additional insights about phenomena and allow verification. In fact, once she had gained access to the Saha Farms Company, the researcher found that she could use the Retirees' Team office as "her" office and walk around the Company. The researcher was able to observe meetings and discussions that happened in the Retirees' Team office. The researcher also had chances to observe not only employees in their offices but also employees working in the factory through a glass window. Since the researcher could wander around by herself and had permission from the Company to take pictures, the researcher had the chance to take many pictures. Some of these pictures are in this thesis. Documents, such as websites, newspapers, internal memos, photographs, organisational charts, budgets, various production reports, graduation booklets and a management accounting lecture video were used to compare with analyses of verbal responses to increase data validity and reliability (Uddin & Hopper, 2001) and to give different perspectives on the business. However, some documents, such as organisational charts, budgets and various production reports could not be physically removed, so the researcher had to rely on notes from sightings and verbal explanations. Furthermore, informal social contacts, such as informal conversations over coffee and lunch or even during working time and joining the Saha Farms Company's activities, were used as a supplement to

fieldwork, interviews and documents to obtain a first-hand knowledge of social life at the Company (Atkinson & Shaffir, 1998).

### **4.3 Gaining Access to Saha Farms**

One of the most difficult steps for ethnographic research is gaining access to a company (Bryman & Bell, 2007). This is especially true for management control research because not only may a company not want to let a stranger wander around but also management control information is considered sensitive information that a company does not want to share. The researcher was concerned about this barrier even before starting the research, and it was a problem. Approaches were made to several companies before access to the Saha Farms Company was eventually approved.

#### ***4.3.1 First Refuser***

The first company that the researcher planned to use as the research site was a fibre manufacturing company. It has been operating in Thailand for more than 30 years. The researcher had a few reasons for selecting this company. First, the researcher had worked in this company for three years as an accounting officer and so had a good knowledge of the company. Second, she thought it would be easy for her to get permission to conduct the research because she still had a good relationship with many people,

such as co-workers, managers and a few members of the management team in this company. Third, it was convenient for the researcher to collect data in this company since it is located just five kilometers from her home.

The researcher made initial contact with the company about seven months before she planned to start her data collection. She consulted an ex-co-worker, who suggested she talk to a secretary of the management team, a Thai, who would be able to talk to the foreign bosses on her behalf. The researcher contacted the Thai secretary on the telephone and sent two letters, one to introduce herself and explain her research scope, and the other from her supervisors in support. Within a couple of days, the Thai management team secretary replied to the researcher's e-mail that her supportive letter had been sent for the final decision to an Associate Vice-President – Finance & Commercial and copied to a Joint President – Finance & Commercial. Both of these had joined the company after the researcher left the company. The researcher did not receive any proper answer from the fibre company, even though she waited for three months. However, people there kept telling her in conversations on the telephone that the company would allow her to conduct the research.

In the first week that she was in Thailand for her data-gathering, the researcher went to the fibre company to discuss permission to conduct the research with the Associate Vice-President – Finance & Commercial. He

asked her to wait for him to discuss the research with his boss in the next week. After he discussed with his boss, he would call her. While the researcher was waiting for an answer, she talked to a friend whose father is a managing director at an electronics manufacturing company, so there was potentially another choice. The fibre Associate Vice-President – Finance & Commercial never called back or sent an e-mail to the researcher, even though she sent e-mails to him a few times to explain her situation and ask for his answer during the time that she was waiting. Although the researcher went to the fibre company to see him another two times, she still did not receive any answer from him. Therefore, after she had waited for three weeks, she sent an e-mail to his boss directly. He replied within a day that he would not allow the researcher to conduct the research in the fibre company since he did not want to share management accounting information.

#### ***4.3.2 Second Refuser***

While the researcher was waiting for the answer from the fibre company, she sent her research proposal to her friend's father at the electronics company. Her friend's father had to say no to the researcher because he told her that her research needs too much information. The researcher would also have to be at the company for too long a period of time. Especially, she would like to interview workers; his position was not high enough to give her permission. However, he acted as a consultant when the

researcher had questions. For example, he helped the researcher to determine factors that have influenced the Saha Farms Company's MCSs.

#### ***4.3.3 Other Possibilities***

Getting refusals from these two companies was a blow to the researcher because they were the companies that she had high expectations of using for her research field. To identify an alternative research site, the researcher kept asking many people, such as her brother, cousins, relatives, friends and family friends to help her to find a company for her research. However, only two people were able to help. They were the researcher's father and grandfather. The researcher's grandfather introduced her to his friend's son who works for a plastic manufacturing company. She talked to him for a few times before he introduced her to his co-worker who could help her to receive permission from the company. The researcher sent some information about her research to his co-worker, and asked to talk to the managers of the company.

While the researcher was talking to the plastics company staff, her father kept talking to several companies located close to their home so that the researcher could stay at home when she did her data collection. No companies allowed the researcher to get in, although a few asked the researcher to promise to go back to work for them after she finishes her

degree. The researcher called the plastics company every week to ask about progress.

#### ***4.3.4 Approval from Saha Farms***

The researcher's father changed his mind about finding a company near their home, and he went to the Saha Farms Company in Lop Buri province. It is about 120 kilometers from her home, and it takes about 1.30 – 2 hours to get there. The researcher's father chose the Saha Farms Company because he knows a human resources director who is a good friend with the owner of Saha Farms because they come from the same hometown. The researcher's father went to see the Saha Farms human resources director a few times before he asked the researcher to prepare a letter and information sheet for the Company (see Appendices 3 & 4). After that, the researcher went to the Saha Farms Company with her father to discuss her research and gave her letter and information sheet to the human resources director, who she calls "Grandpa". Grandpa told the researcher that he cannot give her the permission to do her research without the owner's permission. Therefore, he sent the researcher's letter and information sheet to the owner at the Saha Farms head office in Bangkok and asked her to wait.

Her father called the Saha Farms Company every week to ask about progress. After the researcher waited for about five weeks, Grandpa at

Saha Farms told them that the owner's wife had already signed the permission letter for her to do the research at the Saha Farms Company, but the letter was still at the head office in Bangkok. Therefore, the researcher had to wait for another few days to make sure that the permission letter was sent to the Saha Farms operations site in Lop Buri province. At the same time, the researcher cancelled the plastics company on good terms before it went too far. When the permission letter arrived at the Saha Farms operations site, Grandpa issued the permission letter for the researcher to give to the Human Ethics Committee (see Appendix 5), and the researcher started her data collection.

#### **4.4 Research in Saha Farms**

Saha Farms is a company that consists of many operations sites which are in different locations. For example, it has several sites in Lop Buri province, the head office in Bangkok, a silo in Ayutthaya province and other operations sites in Phetchabun province.

Due to the size of the Saha Farms Company, the researcher chose to do the research at one of the Company's operations sites in a rural area of Lop Buri province as shown in Picture 2. This site is on an area of about 400 hectares, and it is the location for the Processing Plant, the Further Processing Plant, the Transport Division, the Sample Product Laboratory,

the Disease Control Laboratory and the Company's offices that consist of the Accounting Division, the Human Resources (HR) Division, the Information Technology (IT) Division and the Retirees' Team.

**Picture 2: The Research Site**



As the research methodology requires that the researcher should be a part of a company, she chose to conduct the research mainly at the offices and the Processing Plant as shown in Picture 3, with about 4,000 employees, because the human resources director who she knew personally and called "Grandpa" has his office there. As a result, the researcher could get in and out of the Saha Farms Company quite easily, and she could be at the Company at any time just by informing him.

The researcher spent an average of 6 hours per day at the research site for about 45 days of her data collection period. The research site is far from the researcher's home, so she had to stay at a hotel near the research site.

**Picture 3: The Processing Plant**



Therefore, the researcher's father came with her to be her companion and navigator. Normally, the researcher went to the research site on Monday or Tuesday in the early morning and went back home on Thursday or Friday in the late afternoon, unless she had an appointment to interview on Saturday. The good relationship between the researcher's father and Grandpa led not only to her father being allowed to be with her all the

time, but also their being allowed to share the office with Grandpa and another two specialists both of whom the researcher calls “Uncle”.

The first few weeks of the data collection were quite formal because the researcher had to stop and talk to the security guards at the Saha Farms Company entrance each time to answer questions, such as why she was there and who she would like to see. Moreover, the researcher could not wander around by herself since she had to come with Grandpa. However, within a few weeks they became familiar with her, and so she could pass the security guards at the Company entrance without any questions, and could wander around by herself.

Data came from semi-structured and unstructured interviews, non-participant observation, documents and informal social contacts, such as joining the Saha Farms Company’s activities, the latter being employed to obtain an in-depth knowledge of the social life that underpins MCSs used in the Saha Farms Company. Semi-structured and unstructured interviews were used to gain rich data from interviewees who came from different levels and divisions. Open-ended questions were asked to help interviewees respond freely and to avoid predefinition of issues (Uddin & Hopper, 2001).

Before the researcher started every interview, she introduced herself to interviewees by telling them her name, the research purpose, the security of data, the right of cancellation, and that interviews would be recorded by a digital recorder (see Appendix 6). As the interviews were semi-structured, there were questions that the researcher always asked; for example, What is your name? How old are you? What is your highest education? Where are you from? How long have you been working for the company? What is your position? Why did you choose to work with the company? How would you describe your job? How does your boss evaluate and reward you? How do you know if the company is successful? How do you set the budget? How does the company impress you? and How does your boss communicate with you? After that questions were developed based on each interviewee's knowledge and interest in order to get the most out of interviewees.

Snowball sampling was also employed to identify interviewees (Bryman & Bell, 2007). There were 65 interviews with three members of the Retirees' Team, four vice-directors, two assistant directors, three division managers, one assistant division manager, four department managers, one assistant department manager, eleven heads of department, 20 staff and 15 workers. The interviews, which were recorded by a digital-recorder, took from ten minutes to two and a half hours, and some of the interviewees were interviewed more than one time. Apart from those proper interviews, the

researcher always had casual conversations with the interviewees and other employees when she was at the research site. Furthermore, the researcher had conversations with the owner and the foreign financial advisor. All of the interviews and conversations were held in Thai, except the conversation with the foreign financial advisor which was held in English. Field notes were written during or immediately after the interviews, conversations and observations, and all of the recordings were transcribed as soon as possible by the researcher.

The researcher carried out data collection and data analysis simultaneously, but without using any data analysis software. She started her data analysis by comparing and crosschecking data from each source. If she found any difference both between interviews themselves, and between interviews, observations and documents, she collected more data since her data analysis overlapped with her data collection. Sometimes the differences were interesting, so they were noted. Otherwise, she consulted Grandpa and went with what he considered to be the most reliable source, depending on who the interviewee was and the interviewee's position, what kind of a document was being examined or what the researcher had observed. At the beginning the analysis consisted of coding interview transcripts and notes on documents and observations into many categories according to their contexts. Later these categories were grouped together

under themes in a similar way to grounded theory (Glaser & Strauss, 1967).

Although the interaction among people at the Saha Farms Company includes the interaction between employers and employees, superiors and subordinates, and among employees themselves, this research focuses more on the interaction between the owner and the owner's family, and their employees since the owner treats his employees like family, while his employees treat him like a father which leads to an effective control system.

Grandpa not only acted as an information source but also helped the researcher to organise interviewees. It would have been really hard for the researcher to arrange interviews by herself since people would not have wanted to "waste their time" to talk to her. Therefore, at the beginning of every day, Grandpa asked the researcher whom she wanted to interview. He also called and asked the interviewees to come to his office for the researcher to interview them. If they could not come, she would go to their offices. Grandpa had to come with the researcher to introduce her to interviewees at their offices in the first few weeks; after that she could go by herself, and she was free to talk to anyone. The researcher's favorite places were the Retirees' Team office already mentioned, a lawyer's office and a reception desk, where she became good friends with the employees

there. A constant feature of the time spent in the Saha Farms Company was that the researcher always had lunch with Grandpa, the Uncles who share his office and another vice-director, if they were at the Company. The researcher also took opportunities to have lunch with other staff and top managers from one of Saha Farms' subsidiary companies. During these occasions, the researcher could ask them many questions and listen to them talking about their job and personal stories. These data gathering tactics extended beyond lunch to their office hours. Sometimes the researcher had lunch with other staff or had afternoon tea at the Company café to observe and talk to employees who worked at the café, and employees who came to the café.

Grandpa was a useful and supportive person because not only could he help the researcher as a research assistant to question the interviewees, explain the interviewees' answers and encourage interviewees to answer in more detail but also he could connect the researcher with the interviewees since these interviewees trust and respect him. Although Grandpa is a human resources director, he does not manage anything or evaluate any employee. His position does not affect the employees. Rather, he does social work to support the Company and take care of the employees. For example, one of his jobs is to represent Saha Farms at employees' funeral ceremonies. Therefore, Grandpa's involvement helped the researcher to get very good responses from the interviewees; they were friendly and willing

to talk to her more. For instance, some interviewees complained about their pay when Grandpa was there and asked him to help. They were also keen to have another interview.

Grandpa not only showed the researcher the Saha Farms Company offices and factory but also showed her the fish farms that belong to the Company, the water treatment area, the waste area, and the dam and the reservoir that supply water to the Company. He also allowed the researcher to be with him when he went out to contact the local sub-district government. In addition, the researcher had a chance to join one Uncle's son's ordination party at his home with Grandpa, another Uncle, other Saha Farms employees and employees from a subsidiary of Saha Farms. The researcher also had a chance to attend a Kathin Ceremony<sup>3</sup> at the temple, where the Saha Farms Company was one of companies that came to offer free food to people who joined the Kathin Ceremony. Although the researcher had many problems in finding a company for her research at the beginning, the Saha Farms Company's warm welcome made her feel much better.

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<sup>3</sup> A Kathin Ceremony is a robe offering ceremony at the End of Buddhist Lent on the fifteenth day of the waxing moon in the eleventh lunar month which is usually in October. It is the time that monks are free to move from place to place and eligible to receive new robes (Chadchaidee, 2006).

#### **4.5 Limitations of the Research**

This research has the methodological limitations affecting the validity and reliability of many field studies. According to McKinnon (1988), there are four main types of these limitations. First, observer-caused effects: a researcher's presence in a company may cause participants to change their behaviour and conversations, so a researcher is not observing a natural phenomenon. Second, observer bias: a researcher may distort what is really there to fit the researcher's selective perception and interpretation. Third, data access limitations: a researcher has a limited period of time to carry out research and access to data may be restricted. In addition, a phenomenon could be exaggerated or be abnormal in the period of time that the researcher is in the field. Fourth, complexities and limitations of the human mind: a researcher may receive statements that might not be able to be taken at face value because subjects may mislead the researcher. Although sometimes they do not do it on purpose, it can happen because people forget or misunderstand things (McKinnon, 1988).

To overcome these potential limitations, the researcher spent a substantial amount of time, approximately five months, in the field because, as McKinnon (1988) puts it, "the longer the period to be spent in the field, the more the researcher can concentrate, negotiate and access data" (p. 40). Therefore, one of vice-directors said to the researcher when he met the

researcher at the research site during her data collection: “ຂ້າງເກີບຂໍ້ອມລວມຢ່ອືກຫົວໜ້ວ  
ນີ້ ເຄີຍວິກໄດ້ຂໍ້ອມລວມພວ ໄນໄດ້ນັ້ນທີ່ຍິນແຫມ່ອນກັບຄົນອື່ນເຫຼາຫຮອກ” (Are you still collecting  
the data? You are going to have enough information, and you will not have  
a chance to use your imagination as other researchers do). Evidence was  
collected from interviews, non-participant observation, documents and  
informal social contacts. In addition, tactics, such as note taking and asking  
probing questions were used as these are widely regarded as increasing  
one's ability to access and understand data (McKinnon, 1988). With the  
owner's permission to conduct the research and the personal relationship  
between the researcher and the “gatekeeper” that is, the human resources  
director, Grandpa, the researcher accessed and collected rich and reliable  
data. The researcher could interview every interviewee who was important  
for her research because Grandpa was able to ask them for interviews. If  
they were not able to give an interview for any reason, Grandpa could ask  
them who had equal knowledge to them, and Grandpa could find another  
person for the researcher to interview. Although Grandpa was not at the  
research field all the time that the researcher was there, Grandpa asked the  
two Uncles to help the researcher on his behalf. These two Uncles not only  
helped the researcher to have interviewees but also helped to explain things  
at the Saha Farms Company to her. Grandpa acted as an informant for the  
researcher, and if he did not know something, he could ask someone for  
her. Grandpa also acted as a research assistant since he helped the

researcher ask questions and encouraged interviewees to answer deeper and wider in many interviews.

The similarity in the language and nationality between the researcher and the participants, and the researcher's background and working experience with a few companies in different positions, enabled the researcher to explain clearly to informants why she was there, and to understand the way informants think and express themselves, in words and gestures. Due to the researcher's gender, she also had some advantages in her data collection since several interviewees preferred to give interviews only to a female researcher. Furthermore, they permitted the researcher to be a part of their social relationships. For example, one of the staff said: “มาทุกวันเหมือนกับเป็นพนักงานที่นี่เลย” (You [the researcher] come to the company like you are a Saha Farms employee). Another employee asked the researcher to stay at her home during the data collection time. Accordingly, the researcher was able to reduce the potential limitations of validity and reliability that were imposed by observer-caused effects, observer bias, data access limitations and human mind effects.

Some might say that a major limitation of this study is the small sample size. This is sometimes seen as a limitation inherent in a case study because it focuses on data from only one company or similar domain. One criticism

is that the findings of such a research design lack external validity (Bryman, 1988; Bryman & Bell, 2007; Merchant et al., 1995; Myers, 2009). In defence, the researcher argues that “[g]eneralizations are impossible since phenomena are neither time - nor context - free” (Guba & Lincoln, 1982, p. 238). Therefore, she “rejects generalization as a goal and never aims to draw randomly selected samples of human experience” (Morgan, 1983, p. 133). Rather, the rich data that was able to be obtained through immersing herself in one organisation enables the researcher to contribute to the research literature on MCSs.

#### **4.6 Conclusions**

The conceptual framework of this study benefits from former studies. Harrison and McKinnon (1999) suggested that field research would be a better way to carry out MCS research, while Tallaki and Bracci (2011) Efferin and Hopper (2007), Niffenegger et al. (2006), and Baskerville (2003) criticised Hofstede’s cultural theory for excessively generalising and “[failing] to see culture as a dynamic product of interactions between subcultures and sub-units in organisations, families, ethnic groups and stratification systems as traditional non-capitalist cultures change into modern, capitalist forms” (Hopper et al., 2003, p. 18). Tallaki and Bracci (2011) not only argue that “culture dimensions are not able to represent the culture” (p. 8) but also suggest that future research consider “the specific

characteristics of each culture” (p. 8). Therefore, the emic approach based on ethnographic research with non-participant observation, interviews, perusal of documents and informal social contacts was considered appropriate for studying MCSs in Thai culture. The findings of this research method are detailed in the next chapter.

## **Chapter 5**

### **Management Control at Saha Farms**

#### **5.1 Introduction**

The materials in this chapter are derived from the researcher's inquiries by using the research method that is explained in Chapter 4. The chapter starts by providing details about the Saha Farms Company and historical background from the beginning up to now. This includes the Company's functions and structure, in order to understand the way that the Saha Farms Company's MCSs have developed. Then, the empirical data on the Saha Farms Company's MCSs are analysed and interpreted. These data grouped around several notable aspects of the company's MCSs. These are its being a family business; the Retirees' Team; the owner's network; the business structure, process and symbols; the business practice; and communication methods. The interactions among owner family members, managers, and employees based on Thai culture are also explored since they can help to clarify management control practices in the Saha Farms Company.

#### **5.2 Saha Farms**

Saha Farms Co., Ltd. is a private company. It was founded in 1969 by Dr Panya Chotitawan. He continues to be the owner. Before establishing the business, Dr Panya Chotitawan was a government official. He had trained as a nurse and was a sanitation officer. He came from a humble

background, his parents having been small farmers. The business became extremely successful, and apart from wealth, that success has resulted in Dr Panya Chotitawan receiving honorary doctorates from several universities in Thailand (as shown in his graduation booklet).

### ***5.2.1 In the Beginning***

Dr Panya Chotitawan built up his chicken business because he wanted to create additional income apart from his salary as a government official. At the same time, he wanted to be rich. Dr Panya Chotitawan chose the chicken business owing to his agricultural experience when he was young. In the early stages of the chicken business, the owner and his family helped each other to run their business of raising, processing and selling chickens.

Dr Panya Chotitawan began his business with 5,000 baht in capital and used it to raise 500 white chickens per week in suburban Bangkok (The Saha Farms Head Office is located on this land now). White chickens can be raised in a bigger flock than native chickens. However, when the business started, white chickens were not popular among Thai people; they preferred native chickens. The owner found that he could not easily sell his chickens, so he rented a shop.

His experience from being a nurse in the navy and a sanitation officer in the sanitation department in a government office resulted in his knowing

how to raise and process chickens hygienically. Therefore, while waiting to sell them, he kept the chickens in a refrigerator instead of in the open air as is the normal practice in Thailand. This measure attracted foreign customers living in the area near the shop and further afield. One foreign customer was a Japanese. One thing led to another and eventually this customer helped Dr Panya Chotitawan to export chickens to Japan. Other export business followed and the chicken business grew to become the Saha Farms Company.

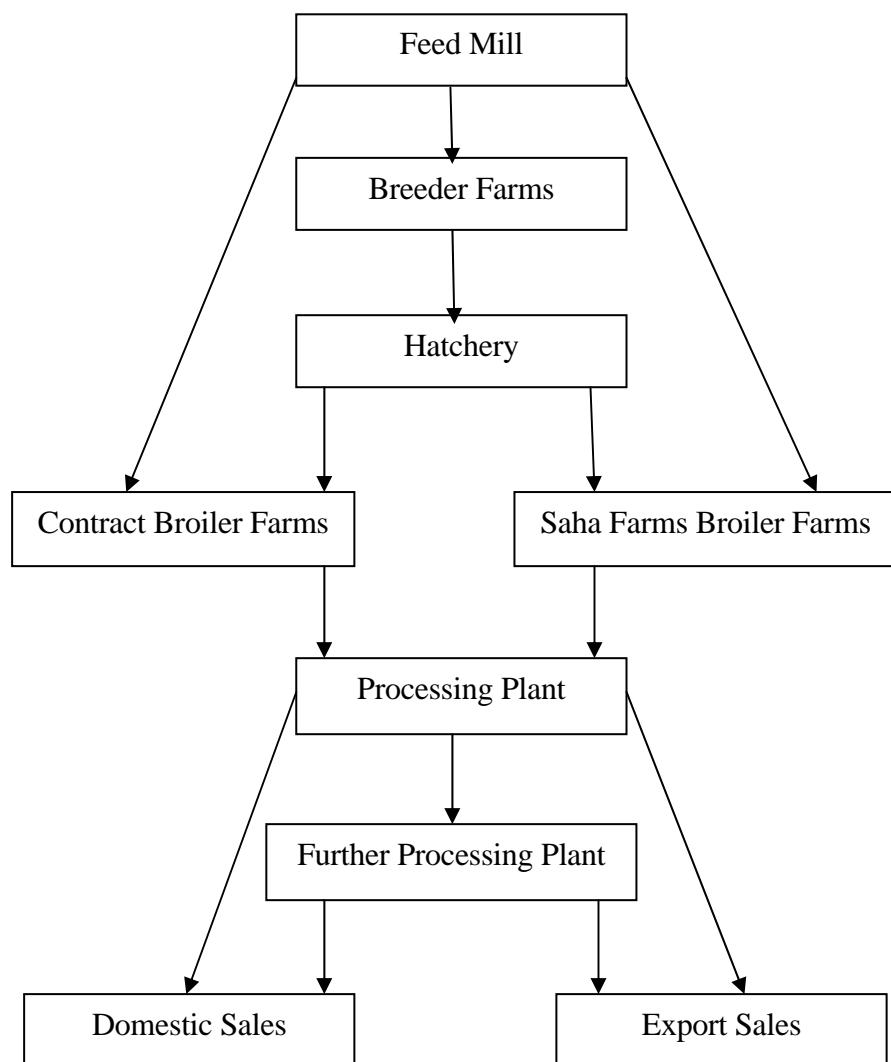
### ***5.2.2 Functions and Structure Today***

After over 40 years in the chicken business, Saha Farms has become not only a company name but also a business group name. It is an integrated operation that covers the complete chicken product chain, ranging from feed mill, breeder farms, hatchery, broiler farm, processing plant and further processing plant as shown in Figure 4. The Group also has animal medicine, and research and development units.

The Group now has more than 10 subsidiary companies, employs more than 25,000 employees and generates more than 40 billion Thai baht (approximately 1,300 million USD) per year (Pratruangkrai, 2011; Rungfapaisarn, 2010). The Saha Farms Group is also the biggest frozen chicken exporter in Thailand with 22 percent of the total market share (Saha Farms, n.d.), while Thailand is ranked at the third biggest chicken

meat exporter in the world (United States Department of Agriculture, 2012).

**Figure 4: Saha Farms Group Production Process**

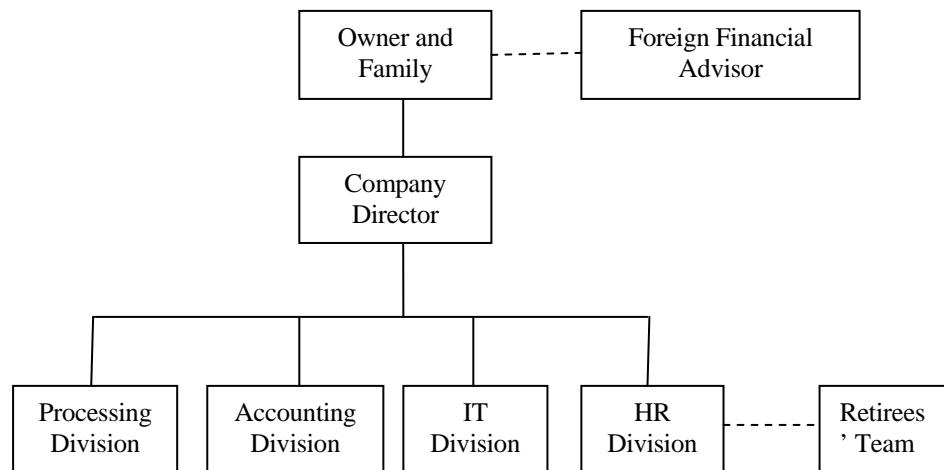


Adapted from Lawler and Atmijanandana (2000)

### **5.3 Management Control at Saha Farms**

Although Saha Farms Group is massive, it is still a family business. That is, it is owned and controlled by only the founder's extended family, comprising his wife, ex-wife, children and grandchildren. The management control elements at the Saha Farms Company are a mixture of three kinds: family business, including networks of trusted expertise; structure and process; and business practice. These are explained in sections 5.3.1 to 5.3.7. The interactions based on Thai culture between family owners, managers and other employees are explained in section 5.4. Figure 5 shows how the various elements fit into the structure of the business.

**Figure 5: Saha Farms Organisational Structure**



### ***5.3.1 Family Business***

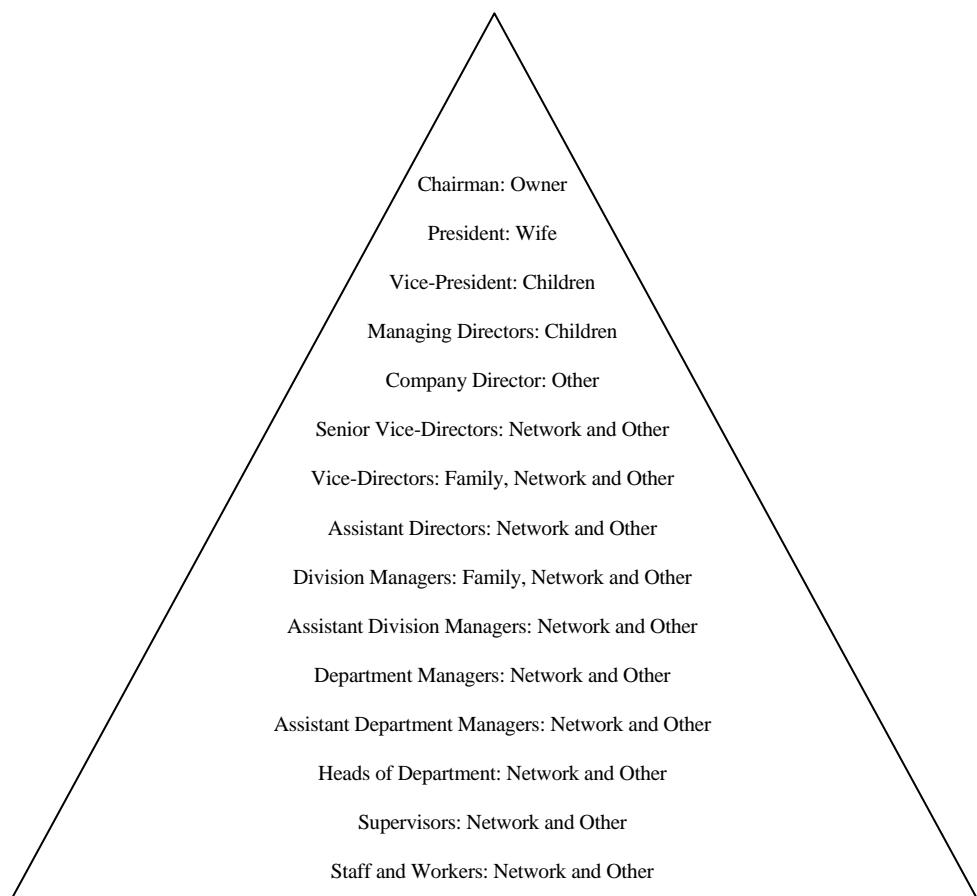
Not only is the Saha Farms Company a family business but also the MCS at the Company reflects a family control style. The owner, his family members, and people in his networks (e.g., in-laws, cousins, relatives, friends, acquaintances and people who come from the same hometown as the owner) work in various positions at the Saha Farms Company. As shown in Figure 6, the owner is the chairman, his wife is the president, his son is a vice-president and other people in the owner's family and network work in different positions, ranging from senior vice-directors to workers.

### ***5.3.2 Retirees' Team***

The Retirees' Team is one example of people in the owner's network of trusted experts/family friends who work at the Saha Farms Company. The team's position in the organisational structure is shown in Figure 5. It comprises five retired government officers, namely a retired primary school principal, a retired sanitation officer, a retired navy man, a retired policeman and a retired labour inspector from the Ministry of Labour. They are the owner's friends or ex-subordinates. They were invited by the owner to come to work at the Company after they retired from their jobs. The main responsibility of the Retirees' Team is to support the Saha Farms Company in their areas of expertise and do anything that the owner and his

family ask them to do, whether it is company business or their personal business.

**Figure 6: Saha Farms Hierarchy of Controls**



The retired primary school principal, who is the owner's friend, is the Human Resources Director (Grandpa). He works to support the Human Resources Division jobs. His position title is an additional position that has been created and named by the owner. He does not actually direct the

Human Resources Division, so his position title is not included in the organisation chart. The retired sanitation officer is responsible for the sanitary systems, such as the wastewater treatment process, the waste land, the garbage furnace and recycling. The retired navy man is responsible for the irrigation system to bring the water from various sources, such as the Pasak Jolasit Dam and the Huai Hin Reservoir to the Saha Farms Company. The retired policeman is responsible for any problem that necessitates dealing with the police, and he is also a company investigator. The retired labour inspector is responsible for tackling any problems about labour and welfare.

### ***5.3.3 Owner's Network***

As shown in Figure 6, the owner's network is extensive and represents a wide range of personal relationships. Moreover, among the most important reasons why people choose to work with the Saha Farms Company are these personal relationships. They exist between the employees and the Company since their fathers, mothers, brothers, sisters or friends have been working at the Company or have introduced the Company to them. Therefore, not only people from the owner's network and the employees' networks are prioritised for employee recruitment under the Saha Farms Company's control system but also there is no labour union at the Company.

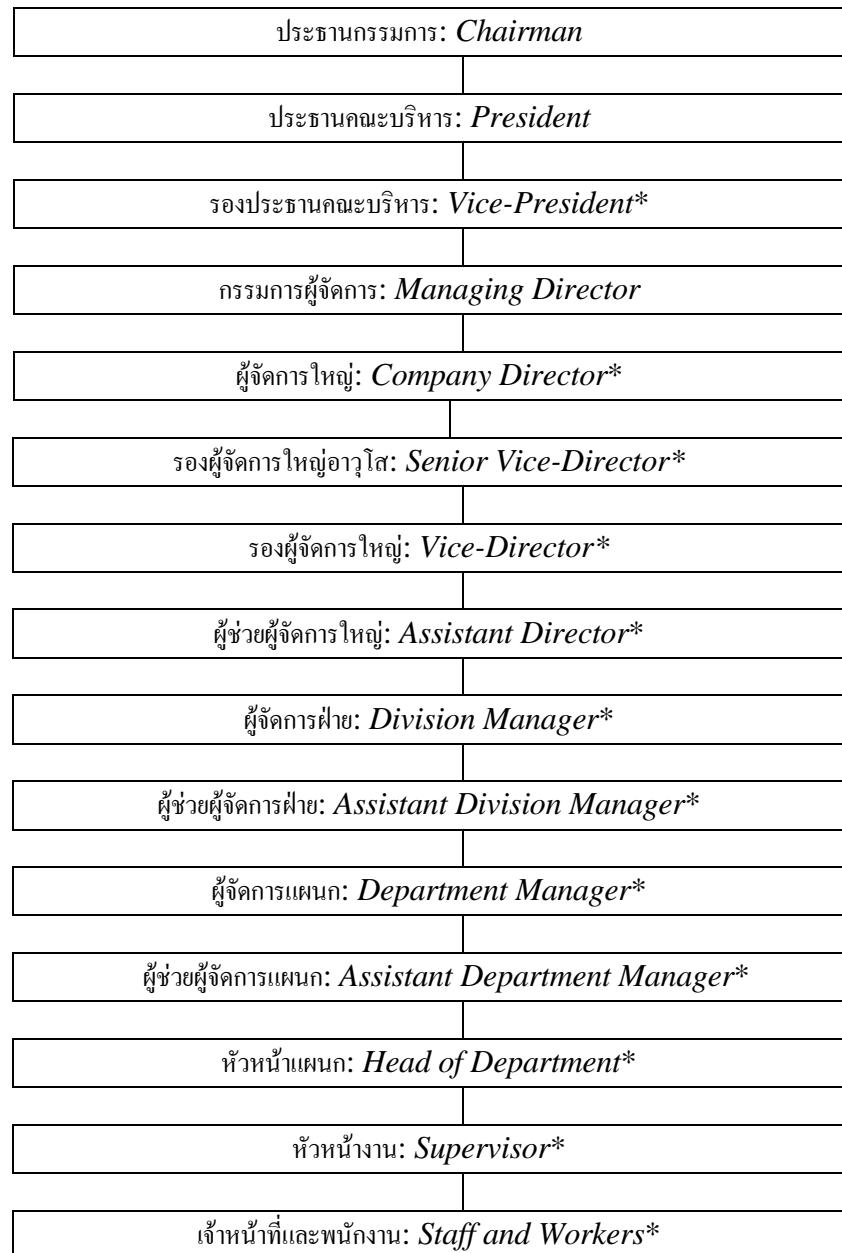
For example, the human resources director told a story about a man who applied for a driver position at the Company. This man comes from the same town as the director. When one of the human resources staff asked this man: “ຮູ້ຈັກຜູ້ອຳນວຍການຝ່າຍບຸຄຄລ່າໄມ່” (Do you know the human resources director?), he said: “ຮູ້ຈັກ” (Yes), and so he got the job. Moreover, employees from Ang Thong province are favoured and prioritised since they come from the same province as the owner. Therefore, the family control style at the Saha Farms Company is reinforced not only by people in the owner’s network but also by people in the employees’ networks.

#### ***5.3.4 Business Structure, Process and Symbols***

As is indicated in Figures 5 and 6, the Saha Farms Company administration is separated into divisions and has hierarchies of authority. Authority tends to be exercised from the top downwards, the owner having full authority over decision making. This is exemplified in company annual planning. For the 2011 plan, the owner set the target of producing 240 million chickens. The employees had to try their best to reach that target. However, they did not know how that target was chosen.

The Saha Farms Company has an organisation chart by position titles and levels of authority for each division. Positions are designed to fit with functions, size, and needs for control. The example shown in Figure 7 is

**Figure 7: Saha Farms Position Titles for the Processing Division**



English translations for job titles are from the Company website where given and otherwise they are translations of the researcher (i.e., \*).

for the Processing Division. These charts are relevant to the Company's control structure. They are decided only by the owner and his family members. The important, company-wide positions, such as chairman, president, vice-president and managing directors are filled only by the owner and his family members. Positions which range from senior vice-directors to staff and workers are filled by members of the owner's network. However, professionals are also employed to fill a variety of positions from company director to staff and workers.

Although most divisions do not have all of the positions shown on the organisation chart for the Processing Division, every division has administrative positions ranging from a senior vice-director downwards. Moreover, some divisions have different position titles that are related to their functions. For example, the Law Division's organisation chart has positions, such as a "*Pooamnuaykarn*" (Director) and a "*Rong Pooamnuaykarn*" (Vice-director), and they report directly to the "*Patankammakarn*" (Chairman) (as shown in the Law Division's organisation chart). Although the standing of the different position titles that people have may seem unclear to outsiders, the employees seem to know who else is on the same "level" as them and who is above and below them.

The Saha Farms Company not only provides various types of administrative position title but also allows more than one employee to hold the same position title in the same division. For example, the Processing Plant, which is the biggest division in the Company, has two assistant directors, three factory managers and four factory assistant managers to take care of different production lines.

One of the vice-directors said that the Saha Farms Company uses these administrative positions in its control system to get the employees' attention and keep them at the Company. This is supported by most of the interviewees since they prefer a number of administrative positions. They said that it increases their opportunities to get promotion and earn more money, since employees who work in administrative positions receive money that is related to these administrative positions. However, there are some employees who think the Saha Farms Company has too many administrative positions. For example, one of the vice-directors, one of the managers and one of the staff said that the Company has so many administrative positions that it is difficult to make a clear difference between each position's responsibilities. This can lead to confusion and cause ineffective results.

### ***Beliefs and Symbols***

Not only is the Saha Farms Company a family business but also the owner controls the Company by himself. The owner's personal beliefs are practiced at the Company. For example, the owner believes in lucky numbers. Therefore, both the Saha Farms Company in Lop Buri province and the Saha Farms Subsidiary in Petchaboon province have the same house number which is 99. Lucky numbers are also used to name the main operations sites. For instance, the Head Office is called 44, and the Saha Farms Company in Lop Buri province is called 88. The owner's unlucky numbers are 3 and 7, so he tries to avoid these numbers. Lucky numbers help to support the Saha Farms Company's control system because they provide an easy and convenient way for both superiors and subordinates to refer to different companies and different operations sites, and at the same time are thought to bring good luck.

Apart from the lucky numbers, the owner believes in holy images which are believed to bring good luck and fortune to one who respects them. At his home, there are several holy images, such as the Goddess of Mercy, King Taksin the Great, King Chulalongkorn the Great and Krom Luang Chumphon Khet Udomsak, who is the father of the Royal Thai Navy. At the research site, there are also several holy images, such as the Brahma, the Saha Farms' Pillar Shine and the God of Tolerance as shown in Picture 4. These holy images are a part of the Saha Farms Company's control in

terms of moral support because Thai people believe in them and would like to have a place to show their respect to them.

**Picture 4: The Brahma, The Pillar Shine and The God of Tolerance**



Moreover, near the entrance to the site, there is a chicken statue (see Picture 5) which has chicken skeletons inside it. It was built as a remembrance of the gratefulness of everyone at the Saha Farms Company to the chickens since these chickens have sacrificed themselves to create jobs, money and everything for people at the Company. A chicken statue ceremony is an activity that is arranged by the Saha Farms Company as a result of the *bunkhun* relationship between the Company as a taker and

chickens as givers. It is an annual ceremony which is held on 3 May. Both the employees and the owners join the ceremony. The owner and his family lead in putting wreaths at the chicken statue and offer food to monks to make merit and virtue to the chicken.

**Picture 5: The Chicken Statue**



#### ***5.3.5 Business Practice***

Business practice at the Saha Farms Company relates to five matters: customers; recruitment, benefits and employees' entitlements; performance evaluation and improvement; self-sufficiency or self-reliance; and social and welfare activities. Each of these is dealt with in turn in this section.

### ***Customers***

The Saha Farms Company's controls focus on customers to ensure products meet customer needs. For example, the Company hires Japanese to design products for the Japanese market. The Saha Farms Company also allows its customers to visit the Company at any time. There is at least one group of customers visiting the Processing Plant each week. The customers may also stay at the Company to view the processing of the products that they order. The Company provides free accommodation and food for them.

Moreover, the Saha Farms Company tries to satisfy its customers by quality systems, such as ISO (International Organisation for Standardisation) 9001: 2000, GMP (Good Manufacturing Practice), HACCP (Hazard Analysis and Critical Control Point) and Halal from Malaysia, which is a Muslim country, so its Halal standard is widely accepted (Pratruangkrai, 2010). There is a quality system department to deal with all matters to do with these quality systems. Owing to ISO9001: 2000, job descriptions have appeared at the Company. Although there are job descriptions, they seem to be used only as guidelines as staff will do some things differently from their job descriptions, while workers tended to know nothing about their job descriptions because they work according to their superiors' word.

Apart from the Saha Farms Company's management control practices that are required by the customers above, the Company has not only invested in climate controlled housing that can prevent external contamination from reaching the chickens but it also has a "compartment", which comprises many chicken houses in the same closed environment area to prevent germs from spreading. The Saha Farms Company also pays attention to animal welfare, so the Company puts only 12 broiler chickens per square metre, while English chicken farms put 20 chickens in that space (Brooks, 2012). Moreover, an air chilling system is installed at the Processing Plant in order to increase the biosecurity.

#### ***Recruitment, Benefits and Employees' Entitlements***

Not only can anyone aged between 18 and 50 be a worker at the Saha Farms Company, because the Company's MCSs are not based on gender and education, but also the Company provides benefits and welfare to them. Apart from basic salaries and wages, the Company's MCSs offer overtime, incentives, bonuses and patient fees which are amounts of money that are given to some positions that have to do tough jobs, such as working with the conveyor or working in extreme conditions, such as in the freezer room. The Saha Farms Company's MCSs also do not put any cap on salaries and wages, so employees' salaries or wages can be increased all the time that they work with the Company.

Apart from various pay types in the Saha Farms Company's MCSs, the Company also provides other benefits, such as free transportation, free accommodation, free uniform and free medical checks. Although the Company provides free transportation, the Company does not have its own vehicle and does not hire any particular company to transport its employees. The Saha Farms Company hires any person who can find and fill their vehicles with workers on the Company's behalf. Some vehicle owners are also the Saha Farms Company's employees and drivers. The vehicle owners are responsible for maintaining the number of workers who come with their vehicles: if they pick up less workers than the Company's standard, they will get fined or their service will be terminated by the Company.

Moreover, the Saha Farms Company provides quality food to its employees. Free food is provided to the employees who hold the position titles from supervisor to company director, and the employees who work night shift. Quality food at a reasonable price is provided to the rest of the employees. The Company also provides free snacks to the workers who work at the Processing Plant in the evening. To help new workers, the Company provides cash advances of 50 baht per day to them.

The Saha Farms Company's control system has to comply with labour laws and other related laws in order to give the employees minimum rights,

such as working hours, working days, holidays, various types of leave and minimum wages. Due to these laws, employees work eight hours per day and six days a week. If the Company would like their employees to work longer than these times, the Company has to pay overtime rates. Therefore, working hours and working days among employees at the Saha Farms Company are different because the Company operates for longer than eight hours per day and for seven days a week. For example, staff who work in offices usually work from 8.00 a.m. to 5.00 p.m. and take a lunch break from 12.00 noon to 1.00 p.m. They usually work from Monday to Saturday and have their holiday on Sunday. However, staff whose work relates to the factory have a variety of different working hours, working days and weekly holidays, depending on their jobs.

For instance, the bird department, which is the first department in the production line in the Processing Plant, starts work at 5.00 a.m., while the other departments start later. They work until they can finish all of the birds, and so their working hours vary, ranging from less than eight hours to longer than eight hours. If they work longer than eight hours, they receive overtime pay, but when they work less than eight hours, they get paid for eight hours. Since the Processing Plant operates seven days a week, workers can choose one day in the week to be their day off, or they can choose to work and receive overtime pay for working on their day off.

Due to laws, the Saha Farms Company also has to provide another 13 traditional holidays, such as New Year's Day, Makha Bucha Day and Songkran Day, on the national and public holidays (see 3.6). In addition, the Company has to provide various types of leave, such as sick leave, annual leave and leave for necessary business. A further type of leave provided by the Company is ordination leave, which is not compulsory by any law.

Apart from holidays and leave, the Saha Farms Company also has to comply with a minimum wage and overtime rates. Although bonuses are not compulsory by law, they are provided by the Company.

On top of those benefits, there is no dismissal in the Saha Farms Company's control system even if some employees are "deadwood" or make mistakes that cause the Company to lose money. They just get transferred from their original divisions to other divisions or other subsidiaries in order to "punish" them. For example, a farm employee who was reckless until all of the chickens in his run died just got transferred from a farm to another division. Termination is used only if employees steal or cheat the Company. For instance, a truck driver of the Company was fired because he stole chicken meat. Moreover, the Saha Farms Company's MCSs allow its employees to work after retirement.

The highlight of the Saha Farms Company's control may be the policy of no termination because this policy not only makes the employees feel safe and comfortable working at the Company but also impresses employees, particularly staff, resulting in their continuing to work in the Company.

### ***Performance Evaluation and Improvement***

As part of the Saha Farms Company's control system, employees' performance is evaluated twice a year, for the periods January to June and July to December. The performance appraisal forms are different for management, staff and workers. The employee performance evaluation is a grading system that is linked to reward outcomes, such as pay raises. The final grade comes from an average score of two performance evaluation scores. There are three grades, which are A, B and C, and any grade results in an increase in pay, but of different amounts.

Most of the employees consider that the performance evaluation and the grading system are acceptable. However, one of the heads of department said that the performance evaluation and grading system is not acceptable in her department because she claims that another head of department gives better appraisals than employees deserve in order to help them get a higher pay raise. Therefore, the performance evaluation and grading system does not motivate those employees to work hard because, in the end, they are going to receive similar results.

Employees also agree that the performance evaluation twice per year is acceptable, even though one of the vice-directors said that Thai employees do not like frequent performance evaluation. The same vice-director also claimed that performance evaluation could be used as a management tool to stimulate the employees to work harder if performance were evaluated every month. Others answered similarly when they were asked a way to improve employees' performance.

Although most of the employees would like to know their grades, the majority of their superiors do not reveal their performance evaluation results. There is also usually no discussion between the superiors who evaluate and the subordinates who are evaluated. However, some superiors said that they have a discussion but only with their subordinates who have the poorest performance. Therefore, most of employees will only know their grades when they receive their salaries or wage increase. This attitude to performance evaluation is to respect superiors' decisions and try not to disturb them. Subordinates also believe in their superiors' wisdom. Hence, some of the interviewees said that superiors already know which grade each of their subordinates deserves.

Whether or not pay raises or bonuses in the Saha Farms Company's MCSs are granted, and their amounts, depend on the Company's turnover and the owner's agreement/decision. Although the employees would like to see

certainty over pay raises and bonuses in the Company's control system, they do not expect them if the Company's turnover is poor or the Company has a problem like the bird flu. For instance, one of the staff said: “เราต้องช่วยเหลือกันและกัน เพราะว่าเราเป็นครอบครัวเดียวกัน” (We have to help each other since we are the family). A few managers also said: “เราต้องช่วยเหลือบริษัท” (We have to help the company).

The Saha Farms Company's control system also gives opportunities and support to any employee with ability – they may be promoted to upper positions, even though they might not have the educational qualifications. For instance, one of the managers who has been working with the Saha Farms Company for 24 years only has a higher vocational certificate, while his subordinates have bachelor degrees. Another example is that two heads of department who work in the same department have significantly different qualifications, even though they work in the same position and do the same job: one holds a master degree, while the other holds only a graduate diploma, but she has been working with the Company for a long time.

Furthermore, the Saha Farms Company's MCSs support the development of employees' knowledge and skills. The Company has established a school in the factory to support any employee who would like to pursue

their education at high school and high vocational levels. For the high school level, the Saha Farms Company contracts a non-formal education centre to open a classroom in the Company on Sunday for three hours. The teachers comprise some of the Company's staff, who are voluntary and certified by the non-formal education centre. The school is responsible for reporting class attendance, homework and examinations, which are worth 60 percent of the total assessment. For the other 40 percent, students have to sit final examinations at the non-formal education centre.

For the high vocational level, the Saha Farms Company provides dual vocational training, which combines employment in the Company with vocational education at Lop Buri Vocational College in one course. The Company provides not only classrooms but also transportation for outside teachers. The Saha Farms Company also provides opportunities to its employees at a director level to pursue a Master of Business Administration (MBA) at the National Institute of Development Administration, with whom the Company has an agreement that allows its employees from a managerial level to get in without any entrance examination. There are also training opportunities for the employees, both in-house training and outside training, including observer programmes both in Thailand and in other countries, such as the US, Japan and Germany.

In addition, the Saha Farms Company provides scholarships to graduates who have outstanding performance and would like to continue their study at master's level in specific areas, such as food engineering, at universities, such as Maejo University, King Mongkut's University of Technology Thonburi, Chulalongkorn University and Kasetsart University since these universities have contacts with the Company. Those graduates who receive the Saha Farms Company's scholarships have to sign agreements with the Company that after they finish their master's degree, they will work for Saha Farms Group. Each scholarship is worth about 500,000 baht.

### ***Self-sufficiency***

The owner believes in self-sufficiency and self-reliance. He says, "All of us have to stand on our own feet. If we have to depend on other people, one day when they do not want to take care of us, we will have troubles". Therefore, not only is the Saha Farms Company a self-sufficient chicken processor but also its MCSs are self-sufficient, since everyone in the process from egg to final product is under the Company's control, all being company employees. This vertical integration enables the Company to do things quicker and more effectively because the Company can control and supervise the employees directly without a middle person like a subcontractor.

For example, the Saha Farms Company took less than a year to build the factory building at the research field and took just two weeks to build a chicken run, jobs which would have taken an outside constructor a lot longer. Furthermore, the Saha Farms Company's security guards are considered more effective than outside security guards because they are not only the Company's employees but they are also people who live near the Company, and so they know people and problems in the area. Theft levels are really low. To improve the Company's self-sufficient MCSs, the Saha Farms Company has established a walking catfish farm to dispose of offal in order to deal with the uncertainty of selling it.

The Saha Farms Company also has its own cafeteria department to be responsible for the employees' food. Most of the food is prepared by using raw materials from the Company's Processing Plant and the walking catfish farm. Some cooked foods are provided by the Further Processing Plant, while some fresh vegetables are provided by the Company's garden department, which is one of the departments in the Human Resources Division. Only a few raw materials and ingredients are bought from outside contractors.

The employee welfare store, which is another of the departments in the Human Resources Division, was established not only to service the employees and visitors but also to reduce the need for employees to go out

to pay their bills. The employee welfare store consists of a restaurant, a café and a minimart. The minimart has branches located at different places in the Company sites, such as cafeterias and the employee accommodation, to service the employees. The employees also can buy on credit at the cash price at the minimart. The employee welfare store is open outside the Processing Plant's working hours, since the majority of employees work at the Processing Plant. The Saha Farms Company also has its own accommodation for the employees. The Sai Jai Saha Farms Fund (more details later in this section), which was established by the Company with the aim of helping its employees, is another example of the Company's self-reliance.

The Saha Farms Company's MCSs also try to minimise consumption by focusing on getting the most out of things and recycling. For example, the Company will only discard things, such as office equipment, when they cannot be used or fixed. The Company also recycles materials, such as plastic bags and paper boxes by reusing within the business or selling to scrap yards.

### ***Social and Welfare Activities***

The Sai Jai Saha Farms Fund, which is a part of the Saha Farms Company's control system, is another benefit that is provided to the employees and their families. The Sai Jai Saha Farms Fund was established

by the Company with the aim of helping employees and their families when the employees or their family members die, when the employees have accidents and when the employees have difficulties, such as a national disaster like floods. Twenty baht per month is deducted from the employees' pay to contribute to the fund. The amount of the benefit payout ranges from 20,000 baht to more than 100,000 baht to their family if the person who dies is an employee, depending on how long that employee has been working with the Company. If the person who dies is an employee's father, mother, spouse or child, the Company pays at least 2,000 baht for each of them, also depending on how long that employee has been working with the Company. On top of that, the Company gives another 1,000 baht which is used for the offering to the monks at the funeral ceremony.

The Saha Farms Company also arranges many activities for the employees to participate in as a part of its control system. These activities can be separated into several types. The first type is activities set by the Saha Farms Company. There are clubs, such as various sports clubs and the singing club at the Company. The Company also arranges an in-house sports competition and trips both inside and outside Thailand for the employees. The highlight of the Saha Farms Company's activities is the chicken statue ceremony as described in a previous section.

The second type of activity is those outside the Saha Farms Company that the Company employees participate in. For example, To Be Number One Project, which was set to fight drug problems by encouraging members to do activities, such as music, sport and art together and take care of each other, was introduced and is supported by Her Royal Highness Princess Ubol Ratana, who is His Majesty King Bhumibol Adulyadej and Her Majesty Queen Sirikit's oldest child. The Company is a provincial winner in the To Be Number One competition.

The third type is activities that are recommended by the Ministry of Labour. For instance, there is a safety week that is used to encourage the employees to help keep themselves safe at work. It includes a urine test to find out if employees are using drugs.

The fourth type is activities that are related to the royal family. The Saha Farms Company focuses on the King's Birthday, which is a national holiday on December 5 and the Queen's Birthday, which is a national holiday on August 12. The Company arranges a place for the king's or the queen's pictures along with other decorations, such as the king's or the queen's flags, lights, flowers, bouquets and garlands and a place for the employees to sign their names and make wishes to the King and the Queen as shown in Picture 6.

**Picture 6: The King's Picture for His Majesty's Birthday**



The fifth type is activities that are related to Buddhism. For example, the Saha Farms Company invites monks to the Company to give an opportunity to the employees who live at the Company to offer food to monks on Buddhist sacred days, such as Asanha Puja Day<sup>4</sup> and Buddhist Lent Day<sup>5</sup>.

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<sup>4</sup> This was the day that Lord Buddha delivered the First Sermon to his first five disciples. It is celebrated on the fifteenth day of the waxing moon in the eighth lunar month which is usually in between July and August (Chadchaidee, 2006).

<sup>5</sup> This is also known as the annual Rains Retreat, which starts one day after Asanha Puja Day and lasts for three months. Monks have to stay in the same temple for this period (Chadchaidee, 2006).

The last type is activities that are related to festivals. For instance, for the New Year Festival, with public holidays on December 31 and January 1, the Saha Farms Company arranges a New Year party for the employees to celebrate and exchange presents. For Songkran Festival<sup>6</sup>, with public holidays on April 13-15, an in-house sports tournament is held, and then the Company representatives go to see the owners to pay respect to them by pouring scented water over the palms of their hands and to receive wishes from them. For Loi Krathong Festival<sup>7</sup>, which is not a holiday, the Saha Farms Company arranges many activities, such as a Noppamas Queen Contest, a tug of war and a dart game.

### ***5.3.6 Accounting and Finance***

Reflecting that the Saha Farms Company is a family business and control lies with the owner's close family, the Company's accounting and financial controls are fully controlled by a daughter of the owner, who is a managing director. All bills have to be approved by her. Although standard procedures are used for developing a budget, and the Company uses a budget to measure performance, only top management employees are involved in all stages of budget setting and revision. The budget also tends

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<sup>6</sup> This is the Thai traditional new year and water festival. It is also an occasion for family reunion since April 14 is regarded as Family Day (Chadchaidee, 2006).

<sup>7</sup> On this day, lotus-shaped vessels containing one candle, three joss-sticks, some flowers and coins are floated on rivers to express gratitude to Mae Khongkha, who is the Mother of Waters, and to pay respect to the Lord Buddha's footprint beside the mythical Narmada River, which is on the fifteenth day of the waxing moon in the twelfth lunar month which is usually in November (Chadchaidee, 2006).

to be adaptable and can be changed at any time if it is deemed necessary and there are appropriate reasons. For example, when a box supplier could not supply boxes on time, the daughter allowed the cost of the plastic bags that were used to keep products in, and labour that was used to repack products, to go over the monthly budgets. Moreover, any piece of company property that needs to be taken out of the Company grounds can be approved only by one of the owner's family members in order to pass the security guards.

Apart from budgeting, other management accounting techniques, such as cost accounting, variance analysis, yield analysis and detailed analysis are applied to the Saha Farms Company's management accounting by a foreign financial advisor. This foreign financial advisor is not only qualified as an Associate of the Chartered Institute of Management Accounting (CIMA) in the UK but also has held senior financial management positions in various businesses including in the chicken industry. He has been working with the Company for many years. He has knowledge about both finances and the chicken industry. He also knows a lot about Thailand and Thai culture, since his wife is Thai and they live in Thailand. Although he cannot speak Thai, he is able to understand it.

The foreign financial advisor is in charge of the management accounting information, preparing management accounting information, and providing

it to the owner and his family members for their decision making.

Although the Saha Farms Company does not use management accounting tools such as activity based costing and the balanced scorecard, and uses its own management accounting information system, the foreign financial advisor said that “the company is one of the companies that have the best management accounting. Due to cheap labour to do data collection, the company has plenty of information to support its management accounting”.

For example, the production information department was established to collect daily information about production and report to the accounting department and the foreign financial advisor. The Information Technology Division also helps the Company to have up to date and accurate management accounting information because it helps to develop programs that support the data collection in a way that is easier, faster and more accurate. Moreover, the Accounting Division which mainly functions to comply with the law, including accounting standards, also provides information that is requested by management and the foreign financial advisor.

Although the Saha Farms Company employees are responsible for collecting both financial and non-financial data, and providing these data to the foreign financial advisor, they have limited knowledge about what those data are used for since they seem to know only what data they have

to collect and when those data need to be sent. However, they still feel comfortable with their jobs and do not really want to know what these data will be used for. As a consequence, what the researcher was told about the percentages of chicken yield that are used for the cost calculation differed depending on who the researcher asked: the foreign financial advisor or the Company employees.

Since the management accounting information is provided only to the owner and his family members, few people are aware of the foreign financial advisor's existence and his job. One of the vice-directors said that the foreign financial advisor's job is not related to the Accounting Division because his job is related to the Processing Plant. Another vice-director said that the foreign financial advisor has never been to his division. If he has any issues, he will let the owner and the owner's family members know. After that they will send someone to his division.

### ***5.3.7 Communication Methods***

Another business practice deserving of comment is communication at the Company. Face-to-face conversation including meetings is the main way to communicate in the Saha Farms Company's control system, even though other communication media, such as telephone, two-way radio and computer mediated communications are also used. Face-to-face conversation is the most effective medium for a few reasons. First, face-to-

face conversation allows the parties to notice other people's feelings from their faces and their voices. Secondly, face-to-face conversation allows people to create relationships. Thirdly, face-to-face conversation is "one stop" communication because people can discuss any problems immediately. Face-to-face conversation is the only way to communicate with the workers, who are the majority of the employees, because they work on production lines.

The preference for face-to-face communication means that when the superiors would like to tell their subordinates about what they have to do, the superiors will go to see their subordinates at their place of work or ask their subordinates to come to see them. The managing directors, the Company director and the senior vice-directors have a meeting with each division at the operational site at least once a month to determine the division's progress. The relationships between superiors, peers and subordinates are close since they talk to each other not only about their jobs but also about their personal stories, such as, their feelings about their jobs, their families and so on.

Although the Internet is used for communication in the Saha Farms Company's control system, only authorised staff, such as staff in administrative positions and staff who have to contact outsiders, can have their own company e-mail address. The rest of the staff in each department

shares an e-mail address and mainly use e-mail for sending data, information and documents. Some staff use their personal e-mail addresses to communicate at the Company. However, e-mail is not widely used at the Saha Farms Company because it is not suitable for employees who do not work in front of computers, and some areas, such as inside the factory, cannot have computers because it is too humid. Other employees pointed out that they work close each other, so e-mail is not necessary. E-mail is considered less important than other media, such as face-to-face conversation and telephone calls. Moreover, it is considered to be impolite, particularly when subordinates would like to contact their superiors; they will make telephone calls to their superiors or go to see them after they send an e-mail.

#### **5.4 Thai Culture and Saha Farms Interactions**

Reflecting that the Saha Farms Company is a family business and uses family control, two of the owner's children are based at the research site and the owner's other children come regularly at least once per month to this operations site to have meetings in which they set targets, pursue progress, acknowledge problems and find solutions. Furthermore, the owner and his family members allow the employees who are in critical positions that need their final decisions to make direct calls to them, even though these employees are ordinary employees. For instance, one of the

managers said that when he needs a final decision he can make a call directly to the managing director. Therefore, not only are problems quickly solved but also the employees are familiar with the owner and his family members.

The owner's and his family members' beliefs and practices indicate the Company's family control style: the owner says that the employees are like family. One of the assistant directors who comes from the same hometown

as the owner agreed and said: “ເທົ່ອນທ່ານປະຈານເປັນພໍ່ ... ອຍ່າງມີປຶກຫາວະໄຮ ທ່ານປະຈານຄົງມາອຸ້ນ ເກມືອນຄວາມເປັນຄຣອບຄວ້າວະໄຮອ່າງນີ້” (The owner is like a father:

when we have problems, he will come to solve those problems because we are like a family). The owner also passes on his belief that the employees are like family to his family members and management since they are the people who take control at the Company.

Moreover, the owner believes in the phrase: “We Care, We Share, We Grow”, and he also said that even if he is going through a hard time, he does not abandon his employees (as shown in his graduation booklet). Adherence to this motto is a key feature of the Saha Farms Company's control system since not only is there no termination at the Company but also the owner tries his best in order to keep his employees at any cost. For example, the Saha Farms Company did not lay-off employees even when

the Company suffered seriously from the bird flu crisis, which was first detected in Thailand in 2004 (Fernquest, 2009; Keeratipipatpong, 2009).

Up to that time, the Saha farms Company had focused on raw meat rather than cooked products. During the bird flu epidemic, Japan and the European Union, which were the two biggest markets for the Saha Farms Company, imposed import bans on fresh or raw chicken meat. The Company chicken exports dropped from 100,000 tonnes per year and 20 billion baht in income to almost nothing (Fernquest, 2009; Keeratipipatpong, 2009). The Saha Farms Company got through the bird flu crisis since the owner's system of control believes in team work based on the phrase: "Beanstalk-Bean Vein". Every employee is important; they are different only in their responsibilities. The Bean Pod is not the most important thing, as it cannot exist without the Bean Flower. There is no Beanstalk without a Bean Stem and Bean Leaves. There is no Bean Root without a Beanstalk (Graduation booklet).

For the control system, the owner says that the followers must believe in and follow their leaders. The Saha Farms Company did not lay-off any employees, but the employees had to follow the Company instructions. The employees had to be transferred from their original divisions or departments to other divisions or departments to balance the number of employees with the number of jobs. The employees did not have to stop

working even for a while, and they still received their salaries and wages on time. Also, their salaries and wages were not reduced, except money that was related to position titles from supervisor to company director were not paid for about two years. However, the Company paid that amount of money back to the employees when business started to improve and has started to pay money related to position titles again.

During the bird flu crisis, many employees from the cafeteria and human resources departments went out to help the Saha Farms Company sell the chicken products at different market fairs and weekend markets. The rest of the employees tried their best to help the Company. For instance, employees at the sanitation department made coconut brooms for themselves to use in order to help the Company to save money. At the end, people at the Saha Farms Company said that due to good leaders and good followers, Saha Farms has been successful up till now (Graduation booklet).

Apart from no lay-offs during the bird flu crisis, there are many examples of application of the motto: “We Care, We Share, We Grow” in the Saha Farms Company’s control system. For instance, one of the managers told how a Managing Director, who is the owner’s daughter, always comes to meetings at his department with a lot of food for the employees. She also questions him: “Why don’t your subordinates finish their food? Do you

care about food for your subordinates? Do your subordinates have their meals?” She is concerned not only about food but also about employees’ money. If she considers that the employees do not get enough money, she gives extra money to them. One of the vice-directors also said: “គុណ ...

សេចក្តីថា មានអ្នកដែលជាអ្នករបស់ខ្លួន និងអ្នករបស់ខ្លួន ដែលជាបានស្រួល និងស្រួលជាផ្លូវការ និងស្រួលជាបានស្រួល” (This managing director is kind and concerned about the employees; she is a good person).

The *Pee-Nong* system is also used at the Saha Farms Company as a part of its control. In general, the superiors are older than the subordinates. The superiors are called *pee*, while the subordinates are called by their name or *nong*. The *Pee-Nong* system is used not only between the employees themselves but also between the employees and the owner’s family members. For instance, employees call the owner’s daughter who is a Managing Director *pee*. Apart from *pee-nong*, “*Por*” which means father is also used in talking to the human resources director.

In terms of communication and interaction of people under the Saha Farms Company’s control, they like to call each other by their nicknames both between the owners and the employees and among the employees themselves, and they tend to use an indirect way, a soft way or a quiet way to talk or communicate to each other. Although subordinates might have to be more careful in how they communicate with their superiors than

superiors with their subordinates, superiors still feel they need to soften or use an indirect way when they would like to communicate a negative message. This negative message is also told personally. For instance, one of the workers said that even if her work was not good enough, her boss who is a manager did not say anything that hurt her feelings, but he gave her suggestions personally.

“*Hai kiat*” (respect, honour and giving face) is also a part of the Saha Farms Company’s control and is practiced by both superiors, including the owners, and by subordinates. This could be seen when the owner’s son who is responsible for the research field came to pick up a clerk who is the human resources manager’s subordinate. The son informed the human resources manager, even though the human resources manager is just one of his employees.

Another example of *hai kiat* is that the owner’s son comes to *wai* and have a conversation with the human resources director every time that he comes to the research site since the human resources director is his father’s friend. Moreover, the human resources director calls a housekeeper *pee*, even though the housekeeper is his subordinate and a lot younger than him. In trying to *hai kiat* superiors, apart from *pee*, a word like *khun* is used on some occasions to show respect.

Another word which is relevant to the Saha Farms Company's control is *bunkhun* (indebted goodness) since employees from different levels said:

“ຜົມເປັນອະໄຣທ໌ໃນແນມເລຍ ເຂົ້າມານະ ໄນມືອະໄຣເລຍ ອື່ນມີຄວາມຮູ້ນາອ່າງເດືອກ ທີ່ວຽກຮະເປົ້າມາໃນເດືອກ ຜົມ

ນາໄດ້ຈາກບຣິຫັກນາກ ມີ້ນໍາໄດ້ກ່ຽວຂ້ອງກ່ຽວຂ້ອງ ສ້າງຮູ້ນະໄດ້ ຈາກທີ່ເຮົາໄນ່ເຄຍມືອະໄຣເລຍ ເຮັດວຽກ ແລ້ວ

ກີ່ມື້ນຄງ” (When I first came to the company I had nothing, except knowledge.

Because of the company, I can have a warm family and build up a fortune.

From nothing to having everything that is also stable). Another employee

said: “ທຸກວັນນີ້ອູ້ໄດ້ ມີກ່ຽວຂ້ອງກ່ຽວ ມີຊີວິຕໍທີ່ຈີ່ນ ກີ່ພෙරະສຫຼຸພາບັນ ລູກໄດ້ເຮັດວຽກ ປະລິບຸດ ໂຮງຮຽນດີ່າ

ກີ່ພෙරະສຫຼຸພາບັນ” (I can have a good life and family because of Saha Farms. I

can afford to send my daughter to study a bachelor's degree at a good university because of Saha Farms).

Therefore, these employees have really high loyalty to the Company which helps to support the Saha Farms Company's control because they never leave the Company and try their best to serve the Company. For example, one of the managers who has been working with the Saha Farms Company for more than 17 years not only remained with the Company during the bird flu crisis but also went to every province in Thailand for about four years in order to help the Company to sell chickens. He used his talents to sing and perform, even though it was not his job. Another example is one of the assistant managers who has been working with the Saha Farms

Company for more than 24 years. He said: “คุณสาวพมพาเรียนนิติศาสตร์ ปัจจุบันอยู่ใน  
สาขาที่เป็นฝ่ายกฎหมาย ที่คุณแผลประโภชน์ของ Sahafarm” (My daughter is studying law. I  
would like to see her work for the company's law division when she  
graduates in order to help Saha Farms to benefit).

“*Hen jai*” (sympathy) and “*Nam jai*” (generous) are also concepts incorporated into the Saha Farms Company's control since the employees like to mention these two words when talking about the Company. Generally, *hen jai* (sympathy) and *nam jai* (generous) come together. For example, a salary worker told how when his father or mother got sick and needed him to take care of them for a period of time, he just made a call to his superior to explain his situation. The superior understood (*hen jai*) and let him take leave; when he came back, he could continue his job (*nam jai*). The employees also like to show *nam jai* among themselves. For example, the lawyer provides free consultations (*nam jai*) to any of the Company's employees who have a problem which is related to her expertise, even though it is not on her job description.

Another concept from Thai culture seen in the Saha Farms Company was “*Mai pen rai*” (nothing really matters). The employees like to say this word when they have problems. For instance, one of the workers who is a cook said that sometimes she has not ordered enough seasoning for her

weekly use. On the last day of the week, she has not had enough seasoning, and she has had to buy it herself. She said: “ไม่เป็นไร แค่วันเดียว ซื้อเองได้” (*Mai pen rai*, just one day, I can buy it myself). Furthermore, the employees said that they prefer to be “*Sabai sabai*” (relaxed) at work. One of the workers who worked on the chicken conveyor belt said that he always has a conversation with his friends when he is doing his job. The employees who work in offices also tend to eat, chat and talk on their cell phones during their working time. Some of them also do not like to wear a uniform so they do not. If they need to leave the Company during working time, they just inform their superiors that they are going. For instance, one of the heads of department said that she asked permission from her superior to go to the bank and then to her child’s school to pay the tuition fee, while another head of department said that he asked permission from his superior to go to the garage to get a flat tyre repaired. On the other hand, these employees said that they worked longer hours to make up the time or worked harder to finish their jobs.

Due to Thai culture’s focus on the relationship between people, another important part of the Saha Farms Company’s control is that superiors including the owner and his family members, subordinates and workmates not only know about each other’s jobs and positions at the Company but also know about each other’s families and background, and participate in

important ceremonies with each other. For example, when the employees or their family members, such as parents, spouse or children, pass away, a company representative attends the funeral ceremony. The Thai Buddhist funeral ceremony is a feast that is organised to honour the deceased person. The body is kept for 3-7 days at home or at a temple before the cremation. The coffin is decorated by lights, flowers and wreaths. The deceased person's photograph is also put in front of the coffin. Four monks come and pray for about 30 minutes each night. The deceased person's family has to prepare drinks, such as water, soft drink and juice, and envelopes with banknotes to offer to the monks every night. Guests, who usually wear dark, black or white clothes, also come to listen to the monks every night. When the monks' prayers are over, food is offered to every guest.

As a part of the Saha Farms Company's control system, the Company's representatives join in for at least one night with a wreath and some money to give to the monks. Both the monks and the guests join the cremation ceremony at the crematorium. The guests give the deceased person's family some money. The Saha Farms Company's representatives will also attend the cremation with some money to give to employees or their families. The rest of the employees who know the deceased person or the deceased person's family join the funeral ceremony without any invitation both at the night time prayers and at the cremation, even though the cremation time is held during work hours, because the Company's control

system allows them to attend and provides the transportation. Seven days and one hundred days after the death, Buddhist monks are also invited to perform prayers. Only some people from the Company that are close to the deceased person's family will join these later ceremonies since these ceremonies are less important than the night and cremation ceremonies, a cremation ceremony in particular. For example, Grandpa said that the owner attended his wife's cremation ceremony.

Superiors including the owner and his family members, subordinates and workmates also join in at wedding ceremonies, monkhood ceremonies and so on. For example, the employees attended the owner's and his wife's honorary doctoral graduation ceremonies and their birthday parties. The Company provides a vehicle. That is, the control system includes taking care of the welfare of employees if the employees who would like to attend those ceremonies request transportation. For example, when a member of the Retirees' Team had a monkhood party for his son in Bangkok, the employees at the research field who were invited went to the monkhood party in the Company's van. Moreover, they visit each other when they are seriously ill and have to go to the hospital.

As a result of the Saha Farms Company's MCSs above, when employees were asked how the Company's system of control has impressed them, it was common for them to say: “ລັດຍຈະບຣີ້ຢັກທີ່ນີ້ຈະເໜືອນອູ່ກັນແບບຄຣອບຄວ້າ ແມ່ນອຸ່ນປີ່

“ເທົ່ອນນ້ອງ” (We work together as a family, a brother and a sister in this company). “ເຈົ້າຍໃຫ້ຄວາມເປັນຫ່ວງ ຄືອດີໄມ້ໃຊ່ແກ່ເຈົ້າຍອ່າງເຖິງເຖິງ ຄື່ອເພື່ອນຮ່ວມງານດ້ວຍ ມັນກີ່ ເລີຍໃຫ້ຄວາມອນອຸ່ນ” (Both my superiors and my co-workers have given me good care. It makes me feel warm to work here). “ທີ່ນີ້ໄມ້ມີການ lay-off ກຳ ໃຫ້ຄວາມຮູ້ສຶກ ມັນຄອງປຼອດກັບໃນການທຳມານ” (We feel safe to work for the company since the company does not terminate the employees). “ມີຄວາມສຸຂໃນການທຳມານ ເຈົ້າຍໃຈເຖິງ ໄນຈຸກຄົກ” (I am happy to work; my boss is kind, and he is not bossy). “ມີຄວາມ ເປັນອີສະະໃນການທຳມານ” (I have freedom to work). “ຂອບເຈົ້າຍ ຂອບເພື່ອນຮ່ວມງານ” (I like my bosses and my workmates).

Although some of the employees are not necessarily satisfied with no salary and wage structures in the Saha Farms Company's MCSs and even are not necessarily satisfied with their pay, they keep working at the Company because they compromise between those things and their satisfaction with the Company's control systems which are informal and flexible, have no termination and are like working in a family atmosphere. For example, employees can ask to change their jobs, such as employees who find that work inside the factory is too cold: they can ask to work outside. A daily wage worker told how when he feels tired, he takes days off. For instance, he might work for two days and take a day off. He said

that if he did this at another company, he would have to have a medical certificate when he came back to work or would be fired. Furthermore, the Saha Farms Company's control is designed to allow workers to keep leaving and rejoining the Company not only if they leave temporarily because their labour is needed at home during the growing and the harvest seasons but also if they leave for another company and another job.

Another important reason for the employees to compromise with the Saha Farms Company's MCSs is that the Company is located near their homes and this is the most important reason for them to work with the Company. Employees can either stay at their homes or stay at the Company during the week and go back home during the weekend to take care of their parents since “[o]bligation to one’s parents is a cultural and moral imperative in Thai society. One cannot transfer such responsibility to impersonal institutions” (Klausner, 1983, p. 271; C. J. Reynolds, 2002). Therefore, not only various benefits in term of money, such as wages, bonuses and overtime pay, but also other benefits, such as transportation and accommodation, are important factors in the Saha Farms Company's control system. They can be used to attract and keep the employees working for the Company since public transport is not available, and personal cars tend to be unaffordable for most of the employees, especially workers.

However, the employees do not know the Saha Farms Company's exact performance, not only because the Company's control system does not let everyone know, but also because they are not so interested in it; particularly, workers said that they do not want to know. Therefore, only employees from top levels to director levels know exactly about the Company's performance since they are the policy makers. One of the vice-directors also said: “ພມໄໝໄດ້ບອກລູກນ້ອງທຸກອ່າງທຮອກນະ ເບາຮູ້ໃນສ່ວນທີ່ເຂົາຄວະຕ້ອງຊື່” (I do not tell my subordinates everything; they know what they need to know). The employees have a range of knowledge about things at the Saha Farms Company. For example, many interviewees do not know how often their performance is evaluated, and they also do not know whether the Further Processing Plant is a stand-alone company or one of the divisions in the Saha Farms Company.

## 5.5 Conclusions

From the above empirical data on the Saha Farms Company's MCSs, it can be concluded that not only is the Company a family business but also the Company employs a family control style that focuses on informal, flexible and friendly relationships between subordinates, workmates and superiors, including the owner and his family members, and this family style is a key feature of the MCSs in the Saha Farms Company. Due to this style of control, superiors and subordinates have their own particular roles.

Superiors, the owner in particular, are people who show leadership, and are knowledgeable and kind, while subordinates are people who believe in, trust and respect their superiors, particularly the owner. The next chapter is the interpretation of the Saha Farms Company's empirical data to identify factors that influence the Company's MCSs.

## **Chapter 6**

### **Interpretation of Empirical Materials: Management Control at Saha Farms**

#### **6.1 Introduction**

In this chapter, the materials that formed the basis of the analysis in Chapter 5 are interpreted, focusing in particular on factors that have constituted the Saha Farms Company's MCSs. In order to identify these factors, consideration was given to factors mentioned in previous studies reviewed in Chapter 2. These previous studies find a variety of factors that could affect the implementation of MCSs, namely national culture, employers' and employees' demographic characteristics, ethnic tensions, political intervention, and liberalisation and privatisation. After looking for these factors in turn at the Saha Farms Company, only some of these factors from previous studies were found to be relevant to the Saha Farms Company's MCSs, namely the Thai national culture and demographic characteristics. In addition, four factors are found in the present study but are not in previous studies. These are being a family business, labour market competition, competition in the market and labour laws. These six factors that are relevant to the Saha Farms Company's MCSs are considered one by one in this chapter, and related to the characteristics of Thai culture. Several factors found in previous studies but considered to be

irrelevant to Saha Farms will also be discussed and be shown to be products of colonialism in the next chapter.

## **6.2 Thai Culture**

The major factor affecting the development and use of MCSs at the Saha Farm Company is the Thai culture. As reviewed in Chapter 3, Thai culture can be explained using Komin's (1990a, 1990b) Thai cultural values. She argues that the "Thai social system is first and foremost a hierarchically structured society where individualism and interpersonal relationship are of utmost importance" (p. 160). She also groups Thai cultural values into nine orientations which are ego, grateful relationship, smooth interpersonal relations, flexibility and adjustment, religious-psychical, education and competence, independence, fun-pleasure and task-achievement orientations. The hierarchical structure of Thai culture and the various orientations have affected the MCSs at the Saha Farms Company as will be shown in sections 6.2.1 to 6.2.11, and also the orientations in Thai culture are inextricably linked to the other influential factors identified above which will be considered in sections 6.3 to 6.7.

Niffenegger et al. (2006) developed six propositions contrasting Thai cultural values based on Buddhism with Western values. Although the present study did not aim to test Niffenegger et al.'s propositions per se,

the comparison between Thai and Western attitudes to business are useful in order to expand knowledge on MCSs in Thailand. Therefore, each proposition is dealt with one by one in sections 6.2.12 to 6.2.17.

### ***6.2.1 Hierarchy***

The Saha Farms Company's management control practices that feature hierarchy include the *Pee-Nong* system. This is used to show respect between the superiors, including the owners, and the subordinates. Moreover, the employees do not really know much about the Company. For example, they do not know where the yearly production target that is set by the owner comes from, the Company's exact performance, the budgets, the frequency of their performance evaluations, their grades, and so on. This is because of the hierarchy in Thai culture in which people are not equally important and superiors are supposed to know more than subordinates, particularly in the company's control system.

### ***6.2.2 Individuality***

The Saha Farms Company's management control practices that feature individuality are self-sufficiency and self-reliance practices. For instance, the Company is a self-sufficient chicken processor, in which all of the workers are Company employees. The Company also has established the walking catfish farm to dispose of offal and the employee welfare store to

service its employees. Furthermore, the Company tries to minimise consumption by focusing on getting the most out of things and recycling.

Apart from these management control practices, the Company has developed its own management accounting information system, without using management accounting tools such as activity based costing and the balanced scorecard.

### ***6.2.3 Ego Orientation***

The Saha Farms Company's management control practices that show the face-saving, criticism-avoidance and *kreng jai* values based on the ego orientation are that the employees are reluctant to challenge and provide information displeasing to their superiors. For example, the employees do not ask about their grades, even though they would like to know. The management and control systems tend to be one way: from the top down. The employees are not encouraged to think for themselves because it is a bureaucratic management system that has no place for individual thinkers, and following the Company line is prevalent (Niratappanasai & Asia Pacific Management Forum, 2000a). Laws that involve both employers and employees and are compulsory at the Company are enacted as a result of this value. Apart from possible punishments under these laws, this value also results in the Company complying with the laws and regulations because breaking the laws can make the Company lose its reputation.

According to Komin (1990b), the ego is very important for Thai people, so they have an “‘avoidance mechanism’ to fend off unnecessary clashe[s]” (p. 162). Therefore, face-saving, criticism-avoidance and *kreng jai* values are not only values that the Company’s subordinates keep in their mind but also values that their superiors keep in their mind as well because “preserving one another’s ‘ego’ is the basic rule of all Thai interactions” (Komin, 1990b, p. 162). These superiors “would also observe not to intrude too much … [into their] subordinates’ ego” (Komin, 1990b, p. 162). Therefore, they “would usually find the indirect ways to soften the negative message” and “avoid public confrontation” (Komin, 1990b, p. 164). Apart from those three values, there is *hai kiat* (respect, honour and giving face), which is also a value that is based on the ego orientation.

#### ***6.2.4 Grateful Relationship Orientation***

One of the Saha Farms Company’s management control practices that shows *bunkhun* (indebted goodness) is the transportation system because the employees would like to stay at their homes to take care of their parents. The ordination leave is also due to parents’ *bunkhun* since every male at some point in his life is by Thai tradition expected to become a monk for a period of time from a few days to usually the three months of the Rains Retreat to repay their parents’ *bunkhun* (Chadchaidee, 2006). Apart from parents’ *bunkhun*, there is the Company’s *bunkhun*, which is an important reason why some employees keep working and trying their best

to serve the Company, which helps to support the Company's control. In addition, there is the chickens' *bunkhun* that leads to the yearly ceremony, and customers' *bunkhun* that leads to various practices in the Company's MCSs in order to satisfy its customers.

#### ***6.2.5 Smooth Interpersonal Relationship Orientation***

The Saha Farms Company's management control practices that show it is "caring and considerate; kind and helpful; responsive to situations and opportunities; self-controlled, tolerant-restrained; polite and humble; calm and cautious; contented" (Komin, 1990b, p. 174) are all benefits that the Company gives to the employees and their families. Due to "We Care, We Share, We Grow", the highlights of these benefits are no termination, no lay-offs and working after retirement. Words like *hen jai* (sympathy) and *nam jai* (generous) that are used when the employees talked about the Company's control are also a result of this value. The Company shows this value not only to its employees but also to its customers. Therefore, the Company not only focuses on customers but also allows its customers to visit and stay at the Company as well as employing various quality systems that are required by its customers.

#### ***6.2.6 Flexibility and Adjustment Orientation***

The Saha Farms Company's management control practices that show the flexibility and adjustment value are various working hours, working days and holidays to suit its business, and the job descriptions that are used only as guidelines for the employees. Moreover, there are uncertain pay raises and bonuses, adaptable budgets, and adaptation of Western management accounting. Other practices that show this value are not wearing the uniform, leaving the Company during working time for personal business, calling each other by nicknames and substituting management control practices that they do not like with others that they like, all of which have resulted in employees' continuing to work at the Company. Words like *sabai sabai* (relaxed) and *mai pen rai* (nothing really matters) that are used when the employees talked about the Company's control is also a result of this value.

#### ***6.2.7 Religious-Psychical Orientation***

One of the Saha Farms Company's management control practices that show the Buddhist values are the granting of ordination leave, even though it is not required by any law. The Company also invites monks to the Company to give an opportunity to the employees to offer food to monks on Buddhist sacred days. In addition, the Company's hierarchy of control that reflects the unequal rights not only between the owners and employees

but also between the superiors and subordinates reflects the fatalism in Buddhism.

Apart from Buddhism, there are other concepts and beliefs, such as routines of village life, magic and astrology that have played their parts in Thai culture (Komin, 1990a, 1990b; O'Sullivan & Tajaroensuk, 1997). This explains why lucky numbers, holy images and the chicken statue are part of the Company's control system.

#### ***6.2.8 Education and Competence Orientation***

The Saha Farms Company's management control practices that show the materialistic value are a variety of and a large number of position titles that are employed at the Company. Moreover, the Company's various projects, such as the school in the factory, the MBA for the employees at the director level and the master's degree scholarships are a result of this value as well.

#### ***6.2.9 Interdependence Orientation***

One example of the Saha Farms Company's management control practices that show the interdependence value is the way that the owner and the employees helped each other during the bird flu crisis. Due to this value, Thai people are much more relationship-oriented than task-oriented , so

they consider people are very important; if there are no people involved, it is meaningless for them (Komin, 1990a, 1990b; Runglertkengkrai & Engkaninan, 1987). This explains why superiors including the owner and his family members, subordinates and workmates at the Company not only know about each other's jobs and positions at the Company but also know about each other's families and background, and participate in important ceremonies for their superiors, workmates and subordinates. Apart from the interdependent relationship between the Company and the employees, there is the interdependent relationship between the Company and the customers since the Company focuses on producing products that meet the customers' needs and it has implemented various quality systems that have been requested by its customers since they have to depend on each other in order to continue their businesses.

#### ***6.2.10 Fun and Pleasure Orientation***

The Saha Farms Company's management control practices that show the fun and pleasure value are the various activities, such as the sport clubs and activities that are related to the festivals, namely the New Year, Songkran and Loi Krathong Festivals that the Company arranges for the employees. Another illustration of this value is the way that employees like to eat, chat and talk on their cell phones during their working time.

### ***6.2.11 Task-Achievement Orientation***

The task-achievement value is clearly seen in the factory workers who have to work in tough conditions, such as in the cold and standing all the time. The employees also work hard to reach the owner's yearly production target. Although the employees like to be relaxed and flexible, they work harder or work after working hours to finish their jobs on time if they would like to leave the Company during their working time.

### ***6.2.12 Spiritualism versus Materialism***

Niffenegger et al. (2006) claim that Thai Buddhist spiritualism contrasts with the need in the West for material rewards as a sign of success. This proposition can be both supported and questioned at the same time. “*Ariyasaj Siī*” (the Four Noble Truths), which are at the heart of Buddhism, teach that both mental and physical suffering comes from craving for pleasant experiences, material things, eternal life and eternal death (Boyce et al., 2009; Hoare, 2004; Klausner, 2002; Knierim, 2011b; Santina, 1984; Sumedho, n.d.). Nirvana, which is the ultimate goal of all Buddhists (Boyce et al., 2009; Niffenegger et al., 2006), is the total, absolute and permanent cessation of suffering (Chadchaidee, 2006; Mabry, 1979; Niffenegger et al., 2006; Samnak Nayok Ratthamonti, 2000). The way to reach this state of Nirvana is to follow the Noble Eightfold Path, which is also known as “*Majjhima Patipada*” (The Middle Path)

between the two extremes of self-indulgence and self-denial as shown in Table 3 (Bodhi, 1999; Boyce et al., 2009; Hoare, 2004; Knierim, 2011a; Mabry, 1979; Thailand, 1987).

**Table 3: The Noble Eightfold Path**

Right View	Wisdom
Right Intention	
Right Speech	Ethical Conduct
Right Action	
Right Livelihood	
Right Effort	
Right Mindfulness	Mental Development
Right Concentration	

(Knierim, 2011a, The Noble Eightfold Path)

The Right View is “the intuitive insight that all beings are subject to suffering” (Knierim, 2011a, Right view) and an understanding that good achievements and thoughts have good consequences in the present life and in future rebirth. Right Intention means freedom from attachment, material pleasures, and feelings of anger and aversion, and thinking or acting with compassion rather than cruelty, violence, and aggression. Right Speech refers to abstaining from “lying, gossiping, harsh language and vain talk” (Thailand, 1987, Buddhist doctrine and popular religion, ¶3). Right Action refers to the abstention from bad actions, such as harming, killing, stealing, sexual misconduct, lying and intoxicating consumption. Right Livelihood refers to a way of living and wealth that should be earned legally and peacefully. Right Effort is mental development that aims to prevent new bad states arising, to abandon existing bad states, to arouse new good states and to maintain and perfect existing good states. Right Mindfulness is focused on the body, feeling, mind and phenomena to see things as they are, with clear consciousness. Right Concentration refers to the practice of meditation (Bodhi, 1999; Boyce et al., 2009; Hoare, 2004; Knierim, 2011a; Mabry, 1979; Thailand, 1987).

Buddhism uses the mind and thought processes in the search for knowledge and truth (Boyce et al., 2009; Payutto, 1993). Although conventional Western economic activities of production, distribution and consumption that are undertaken to achieve wellbeing are broadly accepted

in Buddhism, wellbeing is not assessed through monetary or material manifestations (Boyce et al., 2009). However, wealth is accepted in Buddhism as long as wealthy people do not keep wealth just for themselves, but distribute their wealth to society and other people (Rajavaramuni as cited in Boyce et al., 2009).

Although Buddhist teachings support Niffenegger et al.'s proposition that materialism is not necessary for feeling successful, “[d]ifferences in doctrinal interpretation and modes of practice are a common phenomenon in every major religion, including Buddhism” (Plamintr, 2003, Different interpretations of the teaching, ¶1). Also, Buddhism in Thailand has been shaped by the Thai way of living and society, and has also been influenced by Hinduism (Hoare, 2004; O'Sullivan & Tajaroensuk, 1997; Runglertkengkrai & Engkaninan, 1987). Therefore, it cannot be expected that all Thai Buddhists, including people at the Saha Farms Company, have a deep understanding of these Buddhist principles and achieve the same level of spiritual development because there is evidence of different understandings and practices among Thai Buddhists (Boyce et al., 2009; Komin, 1990b; Plamintr, 2003). For example, many Thai Buddhists only experience Buddhism when attending Buddhist ceremonies (Boyce et al., 2009). As a result, one cannot generalise that all Thai Buddhists subscribe to the traditional values of spiritualism and are not materialists.

Moreover, economic and social changes have led to declining of Buddhist influence because traditional Thai cultural values have been influenced not only by Western values but also by Chinese values since Chinese are the biggest minority group in Thailand (Deyo, 1975; Mabry, 1979; Morita, n.d.; O'Sullivan & Tajaroensuk, 1997). Although Chinese comprise only about 14 percent of the Thai population, they play important roles in most businesses in Thailand (Library of Congress, 2007; O'Sullivan & Tajaroensuk, 1997; Suehiro & Wailerdsak, 2004). Skinner and Coughlin (as cited in Deyo, 1975) pointed out that the Chinese are more “diligent, ambitious and materialistic [than Thai people]” (p. 995). In contrast, Thai people are more “passive and fatalistic, less materialistic and less ... disciplined or sustained [in their] commitment to others [than the Chinese]” (p. 995). Furthermore, the values emphasised by the Chinese are competence, saving, developing relationships with powerful people and pursuing a career in business (Smuckarn as cited in Runglertkengkrai & Engkaninan, 1987). However, Thai cultural values have also influenced Chinese cultural values (Tong & Chan, 2001). Generally, Chinese and Thai people can get along very well because Chinese practice Mahayana Buddhism alongside Taoism and Confucianism, so religion is not a barrier (Lawler & Atmiyanandana, 2000; Morita, n.d.). Many Chinese people go to Thai temples, participate in the monkhood and use the Thai death practices of cremation, even though the Chinese death practice is burial (Morita, n.d.).

Although Thai and Chinese cultural values have influenced each other, both Thai and Chinese culture values have become more alike through a process of Westernisation and modernisation that has brought with it Western values, such as consumerism, materialism, capitalism, discipline, saving for investment and fulfilment (Deyo, 1975; Klausner, 2002; Morita, n.d.; Smuckarn as cited in Runglertkengkrai & Engkaninan, 1987) rather than the traditional values of “personalism, [being] fun-loving, present-time consumption, merit accumulation, the middle way of life and individualism” (Runglertkengkrai & Engkaninan, 1987, pp. 10-11).

Over thirty years ago, Mabry (1979) noted that “[m]aterialism does appear to be on the rise ... Peasants move to the city to accept paid employment which in earlier times would have been rejected because of the low status of commerce and industry” (p. 62). Mabry (1979) also suggested that urban people appear to have a lesser commitment to temples and to priesthood, so materialism seems to be a stronger motive among them as well. Moreover, one of Thai value clusters that Komin (1990a, 1990b) found in her study is the education and competence orientation since Thai people value and give importance to form and appearance more than content or substance. Therefore, brand name goods, degrees, decorations, materials things and so on are important to show one's high status in a society. This can be seen through the Saha Farms Company's various education projects.

Mulder (1992) claims that materialism has rapidly increased in Thailand, particularly in Bangkok, and Pornpitakpan (2000) agrees. She found that Thai people are moderately materialistic if compared to the US because they judge other people by the way they dress and what they own, “especially the middle-class Bangkokians, are into conspicuous consumption of expensive cars, imported apparel, alcohol, cigarettes, and the like” (p. 66). Hoare (2004), too, pointed out that Thai people are tending to become more consumerist and materialist, especially in Bangkok, where the logos of branded goods, such as Mercedes Benz, Rolex and Gucci are spreading. However, Komin (1990a, 1990b) claims that urban society is changing more in this regard than rural society. This is supported by the research findings since many of people at the Saha Farms Company, particularly workers, have not become very materialist.

Thus, the traditional culture of spiritualism has been changing to a culture of materialism, although the degree of change varies not only between people in the same society but also between urban and rural societies. The following research findings also support that claim, showing that Thai people are basically materialistic with some accommodating aspects.

The organisational chart in Figure 7 shows the conflict between old traditional values, which are based on Buddhism and hold spiritualism as a sign of success, and new transitional values, which are seen in the Western

values of achievement and materialism, as typified in the Saha Farms Company's control system which has a lot of administrative positions that reflect status. However, owing to the flexibility and adjustment orientation, it is possible to conclude based on the research findings that, although the employees tend to be materialistic, they can compromise in their demands.

#### ***6.2.13 Traditional Networks versus Rules***

Niffenegger et al. (2006) claim that Thai people build business relationships over time through traditional, social networks. This proposition is supported not only in Komin's (1990a, 1990b) various social relationship orientations, such as grateful relationship and smooth interpersonal relationship orientations but also in the way that Thai people like to be part of close-knit groups, especially their families and their social networks (Lawler & Atmiyanandana, 2000). This is seen in the research site: the owner has chosen to build up his chicken business with his family. At the early stage of their chicken business, the owner and his family members helped each other to run and manage their business. Although the chicken business has grown until it has become a large company, it is still owned and managed day to day by the owner and his family members.

Trust plays an important role in the control process both inside the family, and outside the family between people in the network. The owner trusts

people in his network more than all other people. For example, the Retirees' Team, which is referred to in the previous chapter, comprises retired people in the owner's network.

#### ***6.2.14 Avoiding Lay-Offs versus Restructuring***

Komin's (1990a, 1990b) social relationship orientations, such as grateful relationship, smooth interpersonal relationship and interdependence orientations link with the Thai cultural concept of "*Ruam Hau Jom Tai*", which means sharing gain and loss together from the beginning until the end. Thai employers feel responsible for their employees, so their controls try to avoid lay-offs, especially in family-owned businesses (Niffenegger et al., 2006). This proposition is supported by the research findings, for example, in the way that the Saha Farms Company dealt with the bird flu crisis. During the bird flu crisis, the Thai cultural concept of "*Ruam Hau Jom Tai*" was not only shown by the owner but also by the employees since they tried their best to help the Company in many ways, even though they were not in their job descriptions.

#### ***6.2.15 Labour versus Technology***

Niffenegger et al. (2006) contrast the Thai practice of keeping "the unemployment rate down by preserving low skilled jobs in labour-intensive export industries [with the western] greater reliance on high-tech

production methods” (pp. 410-411). This proposition is supported by the research findings due to social relationship orientations, such as smooth interpersonal relationship and interdependence orientations. The Saha Farms Company has a number of workers who have on average only primary schooling. The Company’s MCSs do not discriminate based on education or gender: anyone aged between 18 and 50 can be a worker at the Company, especially at the Processing Plant, which is the work place for the majority of workers with low skill requirements. Moreover, Thai chicken companies have low levels of automation at their processing plants in comparison to US chicken companies: a mid-sized Thai processing plant that can process about 0.6 million birds per week has on average five times more employees than a similar processing plant in the US (MacKinsey Global Institute, 2002).

Although this proposition is supported by the research findings, another reason for the finding is that this vertically integrated chicken processing operation is in a labour-intensive industry with low skill requirements (Lawler & Atmiyanandana, 2000). In particular, the Saha Farms Company focuses on customers, so almost all of the Company’s products are made-to-order. As a result, the Company’s products include a high proportion of special or smaller cut pieces that are labour-intensive to prepare. Moreover, Thailand has relatively low wages which is

considered a competitive advantage (Burgos et al., 2008; MacKinsey Global Institute, 2002).

#### ***6.2.16 Face-to-Face versus Internet***

Niffenegger et al. (2006) propose that Thai people will prefer “face-to-face business contacts, based on trust and confidentiality” (p. 411) rather than a reliance on the Internet and e-commerce. Owing to social relationship orientations, such as ego and smooth interpersonal relationship orientations, this proposition is supported by the research findings: the Saha Farms Company’s website is only used to advertise the Company; it is not used for e-commerce. Although the Company uses electronic mail to communicate with their customers, face-to-face contact is still used, especially at the beginning of the relationship. “Business relationship building and maintenance … is one of the cornerstones of Thai society” (Pimpa, 2008, p. 236) (see also Holmes et al., 1996). Therefore, the Saha Farms Company’s MCSs also allow its customers to visit and stay at the Company at any time.

#### ***6.2.17 Self-Reliance versus Profligacy***

Niffenegger et al. (2006) contrast the traditional Thai self-reliance with “an emerging new culture of profligacy among young consumers who seek to receive more than they give” (p. 412). The main objective of consumption

according to Buddhism is not to maximise pleasure or utility but to maintain basic needs for life, such as food, clothing, shelter and medicine (Boyce et al., 2009). Moreover, the Buddhist teachings suggest Buddhists divide their income into four parts (Hewavitharana, 2010; Peoples, 2011; Sirikanchana, 2010). One part is for themselves and their dependants to spend on consumption. Two parts are for investment to generate income over time to sustain economic security. The last part is for saving for emergencies and future needs because one type of happiness in Buddhism is being free from any debt, so one should try to be happy by managing one's earnings in such a way that one's expenses do not exceed one's income (Hewavitharana, 2010; Peoples, 2011; Sirikanchana, 2010). There is also a famous Buddhist saying: "*Htun Pen Tepung Hang Htun*" (You do not rely on others; you help yourself first).

Daniels (2003) and Boyce et al. (2009) claim that this Buddhist moderate consumption has not only resulted in less human demand on natural resources but has also created a more peaceful and compassionate social system that can help to improve everyone's quality of life through reduced levels of stress, fear, conflict, crime and social gaps. Furthermore, this Buddhist concept of self-reliance is consistent with the long-term orientation of Confucianism, which also focuses on moderate consumption and economisation (G. H. Hofstede, 2001; Niffenegger et al., 2006).

Traditionally, Thailand was a subsistence economy based primarily on agriculture (Ministry of Culture, 2010; Nartsupha et al., 1999). People produced what was necessary for their own living, so working more than they needed to or accumulating wealth did not make sense in those days. Members of the community shared and exchanged products for their basic needs. Neighbours helped each other in the rice field, to build a new house, or in other ways. Money was valueless and there was very little currency in circulation. Although there were wealthy and poor people in a community, their enjoyment of life was nearly on the same level because they not only worked and helped each other in a time of need but also enjoyed their life together, socialising and entertaining. Moreover, wealthy people would share their wealth with their communities by supplying things like money, materials, food and drink for the construction of public utilities, such as building roads, bridges and temples, while poor people would contribute their labour (Ministry of Culture, 2010; Nartsupha et al., 1999).

The Thai economy had been self-reliant and self-sustaining for a long period of time until the Bowring Treaty in 1855 (Belton & Little, 2008; Bertrand et al., 2008; Runglertkengkrai & Engkaninan, 1987). Western businesses under the Treaty started to enter Thailand, and Thai education changed from Buddhist temple schools to Western-type schools (Bertrand et al., 2008; Ministry of Education, 1998). Consequently, the treaty not only reduced the king's monopoly power over international trade and

lowered the tariff on exports and imports but also changed the Thai economy and society significantly from agricultural self-reliance and self-sustainability to the partial dependence on other countries that has lasted until now (Bertrand et al., 2008; Runglertkengkrai & Engkaninan, 1987). Also, Thailand has pursued a policy of industrialisation since the government formulated and introduced the first national economic and social development plan in 1961 (Phongvivat, 2002).

Those changes have brought not only economic changes to Thailand but also cultural adaptations of the Thai people (Runglertkengkrai & Engkaninan, 1987). Thai people have become more materialistic and a culture of extravagance and conspicuous consumption has emerged in Thailand (Boyce et al., 2009). For example, Komin (1990b) found in her education and competence orientation that “[f]rugality is not one of the high values of the Thai. ‘Spending beyond one’s means’ is a common syndrome” (p. 229). Waldman and Shere (1997) agreed that urban Thai people were among the world’s most greedy consumers since they spent four times their amount of monthly credit card spending during 1991 to 1997 on buying alcohol, borrowing money and purchasing luxury imports from branded T-shirts to Mercedes Benz cars.

Due to the Asian financial crisis in 1997, the King and the Government of Thailand became concerned about the vulnerability of Thailand’s

economic foundation as a result of the heavy reliance on foreign investment, technology and markets (Boyce et al., 2009; Mongsawad, 2010; Piboolsravut, 2004; Tinsulanonda, 2001; Warr, n.d.) . His Majesty King Bhumibol Adulyadej of Thailand promoted the Sufficiency Economy Theory, based on the Buddhist teachings of self-reliance and a moderate life. His Majesty promoted the theory to his people as a means not only to solve the economic problems of the country but also to help prevent another economic collapse and move the country forward (Boyce et al., 2009; Peoples, 2011; Sirikanchana, 2010).

Although Sufficiency Economy thinking has increased in importance, many Thai people are still embedded in the culture of over-spending because “some wrong habits cannot be broken [and] face is so important in Thailand … even if you are destitute you cannot let anyone know” (Waldman & Shere, 1997, p. 1) (see also Boyce et al., 2009). Therefore, since 1997 the growth of Thai household debt has been greater than the growth of Thai household deposit, especially credit card debts that have resulted from reckless overspending (Tapasanan, n.d.; Yuthamanop, 2010). It is difficult to say whether this proposition of Niffenegger et al. (2006) is supported or refuted because it is clear that there is a mixture of self-reliant and profligate values in Thai society. The research findings also support that mixture of values. The owner clearly believes in self-reliance. Not only did he say, “We have to stand on our own feet” but also he has chosen

to get into a business for which he has knowledge and experience: his agricultural experience with his parents when he was young and his health experience from being a nurse in the navy and a sanitation officer in a government department. He also started from a small business that could be carried out by himself and his family members. In addition, the owner sends his children to study at universities not only in Thailand and in other countries, such as New Zealand, Australia, the UK, the US and Japan but also in different areas, such as Accounting, Finance, Marketing and MBA, to bring back knowledge that can help them to manage the Company without outsiders. Moreover, The Saha Farms Company has become a self-sufficient chicken processor, with every single employee being a company employee; establishing a walking catfish farm; having its own cafeteria department and the employee welfare store; establishing the Sai Jai Saha Farms Fund; and focusing on getting the most out of things and recycling. However, there are conflicts between the traditional values and new values in every sphere of Thai society (Klausner, 2002). Therefore, the Saha Farms Company has borrowed money from banks in order to expand its business since that has become a normal business practice in Thailand.

### **6.3 Demographic Characteristics**

Demographic characteristics are important for the Saha Farms Company's MCSs: many of the Company's MCSs reflect both the owner's and the

employees' demographic characteristics. The owner, who is 80 years old, was born and grew up in an agricultural family in rural Ang Thong province. He has a nursing degree and work experience in nursing in the navy for 11 years and in sanitation at the sanitation department in a government office for 12 years (Sukhawadee, 2008b). His last position was as head of sanitation in Samsen district (Sukhawadee, 2008b). Therefore, the owner has knowledge of food safety issues that are crucial for the business's success and being able to market chicken as safe to eat. Moreover, his work experience is reflected in the bureaucratic control at the Company as well as the modern management, such as costing and budgeting systems, employed at the Company. The owner also hires foreign consultants to work at the Company, such as the foreign consultant who helps with the Saha Farms Company's management accounting system.

The owner is not only a person who has a vision but also he believes in power of thought as "the key to success" (Sukhawadee, 2008a, About us, ¶1). There are many examples of his vision and forethought. For example, at the beginning, he chose to raise white chickens instead of Thai native chickens because Thai native chickens cannot be bred into as big a flock as white chickens. Furthermore, he kept the processed chickens in a refrigerator instead of in the open air, which became a selling point. He also chose to establish his business as a self-sufficient chicken processor.

The management accounting information system is another area that the Saha Farms Company has developed from its own knowledge without using Western management accounting tools, such as activity based costing and the balanced scorecard. When he chose a location for expanding his company, he chose the countryside and far away from any community locations that he and management did not agree on. All of the operational sites have proved the owner's decisions were right, as those locations are not flooded, they are located near raw material sources for producing chicken food, and they have a suitable temperature and environment to raise chickens.

Apart from those successes, Saha Farms is also the first company in Thailand to produce an antibiotic free chicken and a chicken teriyaki skewer (as shown in the owner's and his wife's graduation booklets). Moreover, Saha Farms is the first company in Asia to use an air chilling system, and its "compartment" is the biggest in the world. One compartment can be used to raise up to 20 million chickens at a time (as shown in the owner's wife graduation booklet).

Since the owner believes in the phrase: "We Care, We Share, We Grow", the Saha Farms Company's MCSs not only have no termination and no lay-off but also allow working after retirement. Baan Sukhawadee, as shown in Picture 7, which is privately owned by the owner, is a massive

house on more than 80 rais of land (about 13 hectares) in Pattaya, Chonburi province. It was built in 2000, as a reaction against the 1997 financial crisis in Thailand when many Thai companies were taken over by international companies. The owner said, “I built the house to prove to the world what the Thai people can achieve”. He called the mansion “a Thai farmer’s home” (Graduation booklet).

**Picture 7: Baan Sukhawadee**



(Sukhawadee, 2008a)

The colours used in the buildings have meaning and express the owner's wishes. For example,

Pink stands for love ... We need to be able to love and be loved  
... Blue stands for water. Water is the beginning of many lives. It  
can adjust its shape with any surrounding. If we can adjust our-  
selves with all the changes occurring in the world, we will be  
able to live happily in this society (Sukhawadee, 2008a, About  
us, ¶3).

The religious objects and art works in the house are intended to motivate  
viewers to achieve their goals as the owner has (Sukhawadee, 2008a).  
The owner said:

Power of thought is the key to success. It can bring you your most  
desirable dream if you can bring the thoughts into action [like] the  
owner who never gives up nor surrenders to poverty as a limitation  
of life's targets (Sukhawadee, 2008a, About us, ¶1 & 2).

Baan Sukhawadee is also another way to show the ideal, "We care, We  
share, We grow", as part of the Saha Farms Company's control system.  
The owner said that he has to have a place that is big enough for his  
employees to get together when they have important events, such as the  
owner's birthday party, since he likes to meet employees from every level.  
He said: "Anything that I say, it does not mean the management employees

can understand all or understand as deep as I want. Therefore, I have to explain it myself to ensure that even the employees at the lowest level can have the deepest understanding since their understanding will bring benefits to our companies” (as shown in his wife’s graduation booklet) . In addition, Baan Sukhawadee is not only privately used by Saha Farms Group but can be used by outsiders if they ask.

Not only the owner’s demographic characteristics but also the employees’ demographic characteristics can influence the Saha Farms Company’s MCSs since education levels and gender affect the choice of where to work. Workers who only have primary schooling are more likely to work near their homes than staff who have a university education. Furthermore, female employees are more likely to choose to work near their home than male employees because in Thai family culture, women are expected to look after their parents (Morita, n.d.). After a daughter is married, she and her husband are expected to stay in or at least near her parents’ home to take care of her parents. In particular, the youngest daughter is expected to inherit the parents’ home and take care of her parents until they die (C. J. Reynolds, 2002). Even after he has moved into his wife’s family, a son should visit his parents regularly, help them with their work or send them money. After his parents’ death, he should visit the temple regularly to make merit for them (C. J. Reynolds, 2002).

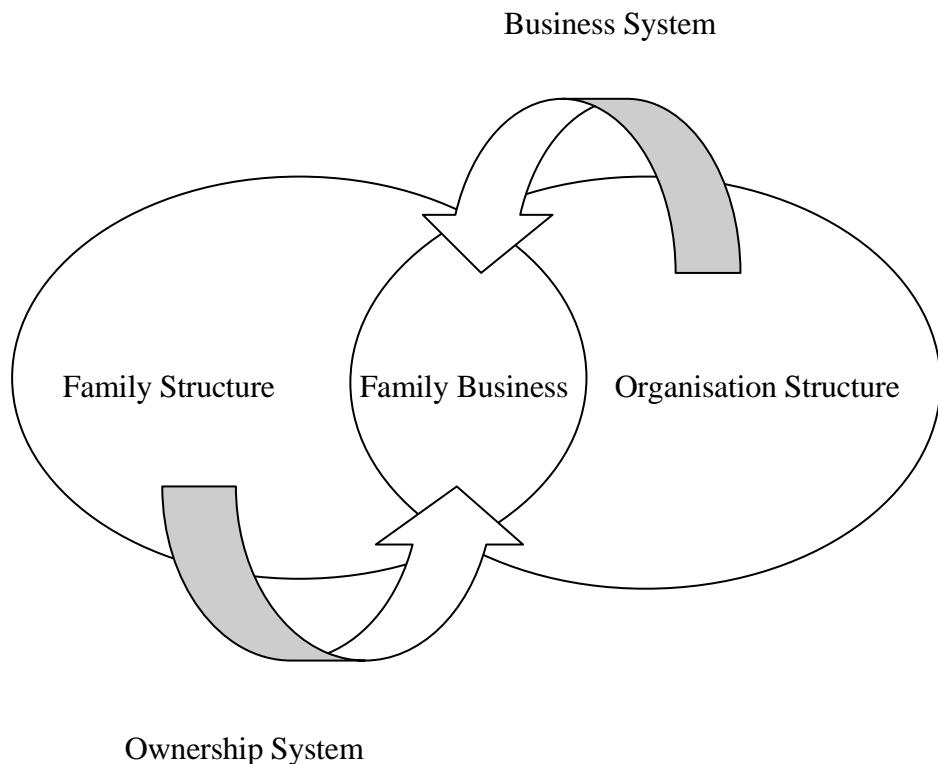
Apart from education and gender, religion is an important demographic characteristic of employees who kill chickens. Due to Halal, all of the employees in the killing process have to be Muslims. Also, one of the Buddhist teachings is that it is mandatory for every Buddhist to abstain from harming or killing living beings.

#### **6.4 Being a Family Business**

Since the Saha Farms Company is a family business, the Company ownership and the Company's control and management characteristics can be explained through sociological perspectives and Thai cultural perspectives. One sociological viewpoint is “the principle of kinship” which means exclusive family control over stock ownership (Hamilton, 1996; Suehiro, 1993). This is similar to Thai culture since Thai people have the characteristic feature or motivation of family capitalism as the preservation of the fortunes of the family (Suehiro, 1993). Moreover, the cultural concept of trust “which is often highlighted as a factor underpinning the informal and socializing accountability relationships in non-western societies” (Jayasinghe & Soobaroyen, 2009, p. 1014) plays an important role since the owner trusts only his family members to manage his fortunes. For example, a daughter of the owner is in charge of the Saha Farms Company’s accounting and financial controls. Also, the owner and his family like to maintain real control over day to day management of the

Company. Therefore, “a family business is different from other business as it consists of ownership and business systems within a single business” (p. 18) that lead to overlaps between the owner family structure and the company organisational structure as shown in Figure 8 (Rodutti & Makayathorn, 2005).

**Figure 8: Family Business Relationship**



(Rodutti & Makayathorn, 2005, p. 18)

Under the principle of kinship, not only does the owner's family retain ultimate ownership and control over the Saha Farms Company but also

there is a concentration of authority over decision making in one certain individual who is both in the family and in the Company “because the business is also considered as a family activity” (Hamilton, 1996, p. 138; Suehiro, 1993). As a result, the Saha Farms Company has a pyramidal ownership structure that puts more emphasis on the vertical management aspects than the horizontal management aspects (Suehiro, 1993). This is also a feature of the Thai family culture; a father is regarded as a family leader, while a mother plays a significant role in every matter about money (Samnak Nayok Ratthamontri, 2000).

Moreover, due to the hierarchy and ego orientation in Thai culture, the owner and his family members tend to make decisions and take risks in management control processes by themselves (Komin, 1990a, 1990b; Thanasankit & Corbitt, 2002). Management accounting information plays an important role in their decision making processes as mentioned in Section 5.3.6. Unlike Western and Japanese companies, whose decision making is commonly undertaken in a team approach, in Thailand, subordinates believe that since superiors are qualified for the top positions, they possess certain knowledge, wisdom or experience which the subordinates do not have (Thanasankit & Corbitt, 2002). Subordinates also tend not to get involved in decision making processes to avoid confrontation with their superiors because Thai people try to avoid conflicts and criticisms at all times, because making another person “lose

face” means that person is being insulted: he or she will take those conflicts and criticisms personally rather than as criticisms of the ideas themselves (Komin, 1990a, 1990b; Thanasankit & Corbitt, 2002). Therefore, the decision making system at the Saha Farms Company is top-down with subordinates believing that without the superiors’ directions and guidance, effectiveness may be reduced within the organisation (Thanasankit & Corbitt, 2002).

The sociological principle of kinship is also a good match with the client-patron relationship in the Thai culture that is influenced by the monarchy system. Thai people expect a leader to demonstrate a blend of authoritarianism and benevolence, while they are deferential and have a high tolerance for an unequal distribution of power within society (Barnes, 2008; Boode, 2005). For example, one of the vice-directors said: “มันเป็นเรื่องธรรมดា ... มันไม่เท่ากันอยู่แล้ว เพราะว่าเขามีคุณในครอบครัว มีอะไรอย่างนี้ อันนี้เรานำข้าใจได้อยู่แล้ว” (Although an outsider and a family member work in the same position, we get different pay. It is acceptable, and I can understand). At the same time, the owner is very likely to be a father figure who commands awe and respect, and expects to be obeyed. Although he will consult with his family members and subordinates, he still has the authority, strength and wisdom to make his own decisions (Thanasankit & Corbitt, 2002). For instance,

although they have a meeting for setting the yearly target, the final number still comes from the owner.

Many positions in the Saha Farms Company's control system are filled not only by the owner and his immediate family members, but also by people in the owner's networks as mentioned in Chapter 5. Another sociological viewpoint, "the affiliation network model", which is a looser business coalition than the principle of kinship, will be used to explain the situation (Clegg, Redding, & Cartner, 1990; Suehiro, 1993). The affiliation network model explains family business expansion not only in terms of kinship and marriage, but also through a wide range of interpersonal relationships based on similar ancestry, similar place of birth, similar academic background as well as friendship (Suehiro, 1993). This can be seen in Thai culture since the cultural concept of trust can play an important role not only inside a family but also outside a family between people in the network. The owner is the same as most Thai people since he trusts people inside his network more than all other people (Barnes, 2008).

Although there is no separation between ownership and control, a combination of talented members of the owner's family with people in their inner circle and employed professionals can help them to become successful in promoting their innovations. Trust relationships between not only family members but also their inner circle can serve to solve agency

problems between owners and outside managers (Bertrand et al., 2008). The owner has never had to depend on salaried managers from outside, but has prepared his family members to serve as professionals through investments in education and on the job training at his companies (Suehiro & Wailerdsak, 2004). The owner therefore has no difficulties in recruiting able persons from among his own family members and extended family, since they are well educated from universities both in Thailand and abroad and have long-term training in their own business (Suehiro & Wailerdsak, 2004). The family members also have a strong commitment to the Company since they work for their own fortunes.

According to Rodsutti and Makayathorn (2005), the Saha Farms Company's MCS has a few advantages. The first advantage is that it is first generation. A founder can make changes happen in a family business easier than a later generation because a founder is likely to have gained more respect from employees and has more power over employees than a later generation owing to his success in building the business. The second advantage is that the Saha Farms Company is owned and managed by one person, the founder. An owner will try his best to make any changes necessary to generate more profit. The last advantage is the family structure. A family business that is owned by only one simple family structure will manage any change easily because it has less conflict, and the Company's direction is clear.

## **6.5 Labour Market Competition**

To be successful in the labour market competition, the Saha Farms Company's MCSs have to pay attention not only to how to attract people to choose to be the Company's employees or to keep the employees at the Company and encourage them to work effectively but also how to make people leave their agricultural pursuits to become the Company's employees, especially the workers since the Company needs a large number of these. Although rural people no longer have predominantly agricultural livelihoods, their other work is still intertwined with agricultural pursuits. For example, some workers leave the Company during the growing and harvest seasons since their families need their labour. Moreover, the Company has to compete with other companies that are located in the same area to attract their possible employees.

Therefore, anyone aged between 18 and 50 can be a worker at the Saha Farms Company, and the Company's MCSs provide benefits and welfare to them. Apart from basic salaries and wages, the Company offers overtime, incentives, bonuses and patient fees. The Saha Farms Company's MCSs not only evaluate the employees' performance to reward good outcomes, for example, with pay raises, but also the Company does not put any cap on salaries and wages, so employees' salaries or wages can be increased all the time that they work with the Company.

Apart from various pay types in the Saha Farm Company's MCSs, the Company provides free transportation, free accommodation, free uniform, free medical checks, free food and free snacks. To help new workers to start working for the Company, the Company provides cash advances to them. Due to having many position titles in the Saha Farms Company's control system, the Company can use these position titles to attract and keep the employees since the employees earn both prestige from the position titles and the money related to their position titles. The Company also gives opportunities and support to any employee with ability – they may be promoted to upper positions, even though they might not be educationally qualified. Moreover, the Saha Farms Company's control system provides opportunities not only to any workers who would like to pursue their education at high school and high vocational levels but also to any employees from a director level who would like to pursue a MBA. The Company's control system also provides training opportunities, both in-house training and outside training, including observer programmes both in Thailand and in other countries. Furthermore, the Company provides scholarships to graduates who would like to continue their study at master's level to make sure that after they finish their degrees, they will work for the Company.

Other benefits that the Saha Farms Company's MCSs give to the employees are the Sai Jai Saha Farms Fund and various activity types,

namely activities inside the Company, outside the Company, activities recommended by the Ministry of Labour , and activities related to the royal family, to Buddhism and to festivals.

On top of the above benefits, the Saha Farms Company provides not only no termination but also working after retirement to make the employees feel safe and comfortable working at the Company.

## **6.6 Competition in the Market**

Globalisation has not only given the Saha Farms Company opportunities to expand its business but also it has increased the competition in its markets, particularly in the European Union and Japanese markets since the majority of the Company's products are exported to these two markets. Chicken producers in Brazil and the US are also important competitors (Leitner, 2012; Rungfapaisarn, 2010; United States Department of Agriculture, 2012). Brazil has competitive advantages in low labour and raw material costs, while the US has competitive advantages in technology and innovation (Leitner, 2012; Rungfapaisarn, 2010). As a result, the Saha Farms Company's control focuses on customers to ensure its products meet customer needs. Almost all of the Company's products are made-to-order since Thailand has competitive advantages in low labour cost and skilled labour (Leitner, 2012; Rungfapaisarn, 2010). The Company is also good at

hospitality because it welcomes the customers to visit and even stay at the Company in order to supervise their production lines. Moreover, the Saha Farms Company tries to satisfy its customers by quality systems, such as ISO 9001: 2000, GMP, HACCP and Halal.

The Saha Farms Company's investment in the air chilling system, climate controlled housing and compartmentalisation are also competitive advantages because they help to increase its biosecurity level to be equal to or even better than in the West and anywhere else (Brooks, 2012). Another practice that can help the Company gains a competitive advantage is that the Saha Farms Company gives more space to the chickens. Thus, the Company not only shows it cares about animal welfare but also it can minimise the use of antibiotics (Brooks, 2012).

Management accounting also plays an important role in helping the Saha Farms Company to compete in its market. Apart from cost accounting and budgeting, other management accounting techniques, such as variance analysis, yield analysis and detailed analysis are applied to find a way to reduce the cost and improve the effectiveness in order to increase the Company's ability to compete in the market.

## **6.7 Labour Laws**

The Saha Farms Company complies with the laws to provide minimum rights to the employees. The Labour Protection Act B.E. 2541 (1998) and the Civil and Commercial Code are primarily the main laws for administering labour protection in Thailand (Civil and Commercial Code, 1928; Department of Labour Protection and Welfare, 1998). Therefore, rights and duties of employers and employees are governed by these laws. Other applicable laws include the Labour Relations Act B.E. 2518 (1975), the Social Security Act B.E. 2533 (1980) and the Workmen's Compensation Act B.E. 2537 (1994) that are concerned with protection, welfare and benefits of employers and employees at the Company (Department of Labour Protection and Welfare, 1975; Social Security Office, 2533, 2537). The Minister of Labour, via the Department of Labour Protection and Welfare, administers the laws as well as the rights in regard to labour issues. Moreover, the Minister of Labour possesses the right to appoint labour inspectors as well as to issue ministerial regulations and notifications. The punishments for not complying with the laws vary from fines to jail sentences or both.

Therefore, the labour laws play important roles in the Saha Farms Company's MCSs because not only does the Company have to set up its MCSs to give employees minimum rights in order to comply with the

Labour Protection Act and other related laws but also these rights cover almost every aspect of employment. For example, the labour laws determine: the minimum age of employees; working hours; working days; holidays including a weekly holiday, traditional holidays and annual holidays; leave including sick leave, leave for sterilisation, leave for necessary business, leave for military service, leave for training or knowledge and skill development, maternity leave; the minimum wage rate, wages for a working day, overtime work, overtime pay, holiday pay, holiday overtime pay, severance pay, contributions, employment of women, employment of young workers; welfare, employee welfare fund, employee termination, remuneration, employee social security, and so on. However, the Saha Farms Company goes further than these requirements in terms of both pay rates and other benefits since the Company has to compete in the labour market.

## **6.8 Conclusions**

It can be concluded from the findings that Thai culture, encompassing the nation, Buddhism and the monarchy, plays a very important role in management control practices in the Saha Farms Company. Only culture and demographic characteristics, which were key influences on MCSs in prior studies, have influence on the Company's MCSs. However, some other new factors have emerged which influence the MCSs at the Saha

Farms Company, namely being a family business, labour market competition, competition in the market and labour laws. Moreover, some management control factors that were found to be important in prior studies, namely ethnic tensions, political intervention, and liberalisation and privatisation have not been found to be relevant to the Saha Farms Company's MCSs. The next chapter discusses the research findings to show how and why the present study is different from previous studies.

## **Chapter 7**

### **Discussion**

#### **7.1 Introduction**

This chapter compares findings about management control in the Saha Farms Company and the findings of previous research on management control. There are similarities in two factors, namely national culture and demographic characteristics. Four factors at the Saha Farms Company, namely being a family business, labour market competition, competition in the market and labour laws are new. Factors over which this study contrasts with findings of other studies include ethnic tensions, political intervention, and liberalisation and privatisation. Firstly the section on Thai culture discusses the influence of Thai culture on the Saha Farms Company's MCSs. Then the other management control factors that are relevant and irrelevant to the Saha Farms Company's MCSs are discussed. The relevant factors are discussed in relation to Thai culture, whereas the irrelevant factors are presented as being related to colonialism. Lastly, the interconnections of management control factors are discussed.

#### **7.2 Factors Relevant to Saha Farms**

In addition to national culture and demographic characteristics that have been found in previous studies, some new important factors, namely being a family business, labour market competition, competition in the

market and labour laws, have emerged as factors that influence the Saha Farms Company's MCSs. A further point is that these influences are interconnected, mostly because of the ascendancy of Thai culture.

### ***7.2.1 Thai Culture***

As is shown in Chapter 3, Thai culture is different from other cultures because of its basis on the three fundamentals and because of its unique history. Thai culture differs particularly from the cultures of countries in the region in which previous management control studies have been conducted, as those cultures have been affected by the imposition of colonialism. Thai culture has been a major influence on the Saha Farms Company's MCSs. The control at the Company tends to be partly autocratic, partly paternalistic and partly bureaucratic. The owner, who is seen as the father, not only has total authority over the Company matters but also feels obligated to take care of his employees. Correspondingly, the Saha Farms Company's control systems appear to be relaxed, flexible, joyful and familiar. Although some Western MCSs, such as budgeting and costing are adopted at the Company by the owner, they are applied to coincide with Thai culture, and they tend to be important only in the management accounting area, while Thai culture is important to human, social and cultural control. The foreign financial advisor concedes that only some of his advice, mainly on management accounting, will be acted on because some of his advice might not make sense in Thai culture.

‘Absenteeism’ is an example of this. In the case study of a textile mill in a traditional Sinhalese village, workers’ absenteeism to fulfil their traditional agricultural culture was blamed for causing the mill’s conventional MCSs to fail (Wickramasinghe & Hopper, 2005). In contrast, at the Saha Farms Company, although absenteeism occurs during the growing and harvest seasons, and this causes problems for the Company, the Company accepts and understands workers not coming to the factory as to do so would be detrimental to the traditional way of life of the rural people. The owner and many in top management come from rural areas, so they have an understanding of these seasonal priorities of their workers. Therefore, instead of using tight control as in the textile mill, the Saha Farms Company uses flexible control to allow workers to leave the Company during those periods and come back to work again afterwards. The same applies to participating in ceremonies, such as funerals, during their work-hours. At the same time, however, the Company uses its MCSs, in terms of various types of money and welfare (as mentioned in 5.3.5), to motivate its workers to work with the Company and reduce absenteeism.

It is clear that Thai culture is different from other cultures, not only in the way it has developed by itself but also because it has not been influenced by colonisation. Therefore, the Saha Farms Company’s MCSs, which are based on Thai culture, are different from MCSs that have been found in previous studies in South and Southeast Asia. However, there are still some

similar management control practices between the Saha Farms Company and other companies in the prior studies in South and Southeast Asia due to similarities in their national cultures. For instance, they prefer to build their businesses in their families and work with people in their networks, the owners have unlimited power over their companies, and there is a hierarchical structure in their companies. These features can be seen not only in the Saha Farms Company but also in the ice-cream company in Pakistan and the Chinese Indonesian company reviewed in Chapter 2 (Ansari & Bell, 1991; Efferin & Hopper, 2007).

This study is not the first to have pointed to the influence of Thai culture on management control practices: that distinction belongs to Niffenegger et al. (2006). However, their propositions are not exactly about MCSs and their propositions are developed based only on Buddhism, which is only one of the three fundamentals of Thai culture. This study of the Saha Farms Company finds that the Thai Buddhist attitudes to business in Niffenegger et al.'s propositions can help to explain various aspects of the Thai business practices and values at the Saha Farms Company. According to their propositions, the Saha Farms Company prefers to build its business relationships based on its networks, avoid lay-offs, keep low skilled labour and have face-to-face business contacts. However, due to their omission of some transitional points in Thai culture and Komin's Thai cultural values, and basing their propositions regarding Thai culture only on Buddhism,

some of their propositions are not fully supported by the research findings.

In particular, their propositions contrasting spiritualism and materialism, and comparing a self-reliance value, and a profligacy value hold less in the Saha Farms Company and possibly in Thailand, particularly in urban areas.

### ***7.2.2 Demographic Characteristics***

Management control practices at the Saha Farms Company are still rooted in the values of the owner as the founder and the most significant leader of the Company (G. H. Hofstede, 1997). This coincides with the demographic characteristics that have been found in previous studies also influencing the Saha Farms Company MCSs. However, as Thai culture and society have developed in different ways from other countries, Thai values (see 3.7) are different from others as well. As a result, the particular demographic characteristics that are prominent at the Saha Farms Company are different from previous studies. For example, Efferin and Hopper (2007) found that the previous owner of the Chinese Indonesian company, who was 56 years old with a junior high school qualification, preferred management control practices that were consistent with traditional Chinese family networks, and he was resistant to modern management. In contrast, the Saha Farms Company owner, who is 80 years old with a nursing degree and working experience with nursing and sanitary issues, has adopted and adapted not only modern management control practices and bureaucratic control but also uses foreign consultants. Furthermore, the Chinese owners in

Indonesia preferred to recruit non-Moslem and female Javanese workers, since they were considered less aggressive and more cooperative in accepting control (Efferin & Hopper, 2007). In contrast, the Saha Farms Company does not give precedence to applicants according to such aspects as religion and gender. Ansari and Bell (1991) report that International Foods set up an ice cream plant outside Pakistan because the owners had experienced the loss of their assets when they had to leave India and Bangladesh. Saha Farms' owner does not plan to set up his company outside Thailand as there is no threat of disruption from departure of colonisers.

Another finding on demographic characteristics that is not seen in previous studies but that can be seen in this study is that the Saha Farms owner adheres to the motto “We care, We share, We grow”. This has been exemplified in there having been no dismissals and lay-offs in the Saha Farms Company. The Saha Farms Company also allows its employees to work at the Company after retirement. This is because the owner feels a need and responsibility to take care of his employees as a result of Buddhist teachings that are rooted in the value of showing empathy to others (Niffenegger et al., 2006), and because of the smooth interpersonal relationship orientation (Komin, 1990a, 1990b). Baan Sukhawadee is also another thing that shows this motto and this value. The employees, particularly women and factory workers, like to work at the Company

because it is located near their homes. This is because of the grateful relationship orientation to their parents. Transportation has become a priority for the Saha Farms Company since the employees want to continue residing at their homes, and personal cars are unaffordable and public transport non-existent.

### ***7.2.3 Being a Family Business***

Being a family business has emerged as being an important influence on management control in the present study. This factor is seen in prior studies as well, such as in the Chinese Indonesian company and the ice-cream company in Pakistan (Ansari & Bell, 1991; Efferin & Hopper, 2007). However, definitions of “family”, in terms of ownership, differ between the Saha Farms Company and the companies in those previous studies. They count friends and brothers as family, while the Saha Farms Company considers only immediate family (father, mother, children).

Being a family business is rooted too in traditional Thai family culture, in which it is normal for several generations to stay together. The owner and his family members not only have the motivation of family capitalism, and accumulation and conservation of a family fortune, but also they trust each other and reserve a great deal of authority to themselves. A father is regarded as a leader, while a mother takes care of the family finances and instruction of the children (Samnak Nayok Ratthamontri, 2000). In the case

of the Saha Farms Company, the mother helps the father in managing the Company, and a daughter of the owner, who has earned accounting and MBA degrees, is in charge of the Saha Farms Company's finance and accounting. This is reflected in the Saha Farms Company's MCSs, where the owner's daughter is in charge of any matters to do with the Company's money. In order to take any of the Company's property out of the Company grounds, the signature of the owner's or one of his family members is required.

Although the owner has absolute power over the Saha Farms Company's control, this power lies in his roles both as head of the family and as leader of the Company, and brings with it a need to care for the employees as for his family based on various Thai cultural values that were found by Komin (1990a, 1990b). Therefore, the paternalistic style of control seen in the Saha Farms' MCS reflects Thai family culture.

#### ***7.2.4 Labour Market Competition***

Labour market competition is another factor to have emerged as important in this study but it has not been identified in previous studies. This factor is rooted in Thai feudalism, which precipitated patron-client relationships in Thai society; and it also reflects the smooth interpersonal relationship, education and competence, and fun and pleasure values (Chachavalpongwan, 2005; Komin, 1990a, 1990b; Mead, 2004). As

related in previous sections, the owner is expected to look after the welfare of employees working for the Company. His employees expect to be treated fairly (Niffenegger et al., 2006). This is reflected not only in the various types of pay that are part of the Saha Farms Company's MCSs but also in other benefits, including transportation, accommodation, food, issue of uniforms, medical checks, education projects, scholarships, administrative positions and various types of activities. All these are provided to the employees in order to attract people to become the Company employees and to retain these employees in the face of strong competition in the labour market, workers in particular. Not only does the Company need workers but also Thailand as a whole confronts a shortage of workers that has led to employment of migrant labour from neighbouring countries as mentioned in Chapter 3.

These measures to provide support to employees in order to recruit and retain them are also in keeping with the interdependence orientation in Thai culture. A vital Thai cultural value is captured in the saying: “*Nam Phung Ruea Suea Phung Pa*” (Water relies on boat; tigers rely on jungles). People are aware that they depend on each other. A Thai has to help others so that when he/she needs help, those others will help him or her in return (Komin, 1990a, 1990b; Niffenegger et al., 2006; Pornpitakpan, 2000). This interdependence, reliance on each other and reciprocity is evident in the Saha Farms Company's MCSs. Moreover,

the Company's *bunkhun*, which is a result of the grateful relationship orientation, helps to strengthen the Saha Farms Company's MCSs. Because of this value, some employees not only try their best to serve the Company but also have never left the Company (Komin, 1990a, 1990b).

#### **7.2.5 Competition in the Market**

Just as there is competition for labour, so there is competition for customers. The patron-client relationship, the smooth interpersonal relationship value, the Thai cultural concepts of *bunkhun* (or the grateful relationship orientation) and “*Nam Phung Ruea Suea Phung Pa*” (or the interdependence orientation) also influence this competition and so is another new factor found in this study. Particular *bunkhun* and “*Nam Phung Ruea Suea Phung Pa*” “are considered important building blocks for Thai people and businessmen alike” (Niffenegger et al., 2006, p. 408; Komin, 1990a, 1990b). Therefore, animal welfare, various biosecurity types of investment, such as the compartment and the air chilling system as well as various standards like ISO, GMP, HACCP and Halal have been applied at the Company and become part of the Saha Farms Company's MCSs in order to receive customers' continued business, as both are mutually beneficial (Girling, 1996; Komin, 1990a, 1990b; Mongabay, n.d.). Apart from those issues, the Saha Farms Company allows its customers to visit and even stay at the Company.

Moreover, the Saha Farms Company has the ability to learn and *lien baep*, which means to imitate or copy, demonstrating the flexibility and adjustment orientation (Komin, 1990a, 1990b; Mabry, 1979). This is seen in the adaptations of Western management accounting knowledge to the Saha Farms Company's MCSs in order to help the owners to improve their business and make decisions on competitive pricing in the market. Although management accounting information is becoming important in decision-making as a result of globalisation, "just copying Western management accounting is not good enough to support firms' operational effectiveness due to, for instance, dissimilar environment and lack of knowledge on the part of local practitioners" (Phadoongsitthi, 2003, p. 19). Therefore, Western management accounting has been modified to fit Thai culture.

#### **7.2.6 Labour Laws**

Various labour laws have been enacted to set the obligations which Thai society requires of employers (Mabry, 1979). Those various labour laws also play an important role in the Saha Farms Company's MCSs because not only do they cover almost every aspect of employment, such as working hours and days; holidays and leave; the minimum wage rate and overtime pay; and other benefits and welfare, but also the Saha Farms Company's MCSs have to comply with these laws not only because of the threat of punishment but also because of the ego orientation (Komin,

1990a, 1990b). Thai society is characterised by the hierarchy and the ego orientation as reviewed in Chapter 3, from childhood Thai people are taught to be aware of their positions in society: this makes them reluctant to oppose or confront a superior (Komin, 1990a, 1990b; Samnak Nayok Ratthamontri, 2000). As a result, subordinates not only defer to their superiors but also pay respect to their superiors (Mabry, 1979). They prefer to avoid face-to-face conflict, to challenge authority or to provide information that might displease their superiors (Mabry, 1979). An example of this in the Saha Farms Company came from one of the vice-directors. He was reluctant to ask his superiors in the Company for any benefit (e.g., pay raises and bonuses), but he would like to see the company provide benefits to him and indeed expects that it will. However, some employees feel that labour laws offer them and other employees protection and entitlements that otherwise might be absent. These are built into the Saha Farms management control because of the labour laws.

### **7.3 Factors Irrelevant to Saha Farms**

In previous studies, ethnic tensions, political intervention, and liberalisation and privatisation have been found to have influenced management control. These are dealt with in turn below. However, it seems relevant to preface discussion of these factors and why they are

irrelevant to the Saha Farms Company with a discussion of the significance of colonialism, or lack of it, in Thailand. The point is that although previous research has found a relationship between national culture and the preferences for, reactions to and design of particular MCSs (Chow et al., 1994; Chow et al., 1999; Harrison & McKinnon, 1999; Lere & Portz, 2005; Merchant et al., 1995), it has also found that colonialism has been a key factor in the way MCSs were introduced and have developed. They have also found that local cultures overridden in their influence by capitalism being imported on the back of colonialism. Colonial activities, both to administer colonies and to exploit resources available in a colony, led to urbanisation and similar changes, taking peoples away from their traditional ways of life. Even after a colonial power left, business practices, such as accounting concepts and management controls usually remained (Ansari & Bell, 1991; Nishimura, 2005; Wickramasinghe & Hopper, 2005; Wickramasinghe et al., 2004). Indeed, formal colonialism has often been superseded deal by informal colonialism (e.g., through multi-national companies and agencies, multilateral organisations and religious organisations). These colonial bodies have usually promoted liberalisation and privatisation.

These circumstances apply in all the countries in which previous studies have been conducted. The key issue in the history of Thailand is that Thailand has never lost its political autonomy to imperial powers, such as

Britain, France, the Netherlands, Portugal, Germany, the US or Japan (Library of Congress, 2007; Runglertkengkrai & Engkaninan, 1987; Thailand, 2012). Thus, Thailand not only has “experienced neither the pressure nor the pain that is associated with colonial status” (Runglertkengkrai & Engkaninan, 1987, p. 9). Thai society has been allowed to “undergo the buffeting of Western ideas without interrupting the authority of its own institutions. Westernization and modernization were taken on board voluntarily, with no loss of self-confidence” (Kulick & Wilson, 1992, p. 5). Therefore, not only is Thai culture unique (Mabry, 1979) but also some factors from previous studies, namely ethnic tensions, political intervention, and liberalisation and privatisation, seem to be not relevant to the Saha Farms Company’s MCSs. In the sections below, influences are drawn that this is because Thailand has been constituted by different key elements and history than other countries that are found in previous studies like Indonesia, Sri Lanka and Bangladesh.

A colonial background has left both negative and positive effects in ex-colonial countries (Rigg, 1994; Worthy, 1989). The colonial powers argued that they brought positive changes which helped to incorporate their colonies into a modern and civilised world (Rigg, 1994).

The construction of a modern infrastructure, the provision of schooling and health facilities, the extension of Western concepts

of justice, and the termination of local conflicts were, and are, highlighted as evidence of the benefits of the colonial period. These benefits are also felt to have aided the progress and development ... since the colonial era (Rigg, 1994, pp. 22-23).

People in colonies have some advantages in languages because they can speak not only their own language but also the coloniser's language (Worthy, 1989). On the other hand, people have argued that the colonial powers "engendered the process of dependency, undermined local subsistence production, eroded traditional structures, and alienated the populations from their own countries" (Rigg, 1994, p. 23). Therefore, the effects of colonialism which have influenced MCSs include: ethnic tensions, political intervention, and liberalisation and privatisation.

### ***7.3.1 Ethnic Tensions***

The colonial development imposed by colonial powers often caused ethnic tensions. The capitalist economy they created depended on Western technology and capital, the transformation of natives within a colony into labour, further immigrant labour if there were shortages or if local labour was not compliant, and import inputs to sell to the export markets (Rigg, 1994). As a result, some colonial countries comprised a large number of, for example, Chinese and Indian immigrants who were indispensable because they not only filled the roles of commercial

intermediaries but also provided cheap labour (Rigg, 1994). Although foreign borders and foreign immigrants interacted with one another, they did not combine (Rigg, 1994). In this way, the colonial period left its mark on these countries because

[t]he migration of large numbers of Chinese and Indians introduced an entirely new cultural element. The plural societies that resulted have confronted the governments of the region with heightened ethnic tensions and the task of assimilating (or at least accommodating) immigrant communities (Rigg, 1994, p. 32).

Previous studies carried out in ex-colonial countries have shown ethnic tensions as one of the factors that could influence MCSs. For example, Efferin and Hopper (2007) found this to be a factor in Indonesia. Rigg (1994) shows that Chinese immigration to Indonesia increased once Europeans colonised Southeast Asia. The ethnic tension between Chinese and Javanese in Indonesia is partly because they are recent immigrants (during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries), and partly because intermarriage and assimilation into a Muslim society is more difficult than in a Buddhist society as in other countries in Southeast Asia (Anwar, Bouvier, Smith, & Tol, 2005). For example, Muslims do not consume pork and alcohol, and they do not allow marrying a non-Muslim before that person has become a Muslim. Moreover, not only the colonial state

but also the post-colony sovereign nation state may adopt a policy against Chinese due to their fear of Chinese economic strength (Anwar et al., 2005). The ethnic problem that was found in the Chinese Indonesian Company led to political problems since the company's budgets were decided according to the political situation and government policies to avoid riots against the company as a Chinese business.

It is different for Thailand. Thailand has minimal ethnic tension, even though the population of Thailand not only consists of the ethnic Thai but also the ethnic Chinese, which is the biggest minority in Thailand and the largest Chinese population in Southeast Asia (Mongabay, n.d.; Rigg, 1994). Anwar et al. (2005) describe the Thai assimilation model as "unique", saying it appears to have been successful in solving the ethnic issue. Also, Rigg (1994) points out that the plurality is not absolute because other ethnic groups have been variously assimilated into the Thai culture over time. That can happen because "Buddhism easily adapts to different cultures because its truths are not dogmatically taught" (Irwin, 1996, p. 119). Mulder (1992) also said that

[what] some Southeast Asian countries still have not yet succeeded in accomplishing had already happened in Thailand, almost without anybody noticing it: the Chinese, who still in the 1950s were highly visible as a separate ethnic group, were in the

process of disappearing as such, and had begun to identify themselves as Thais (p. 126).

Chinese economic power is no longer seen as a problem in Thailand (Anwar et al., 2005). Apart from those things, Buddhism and the Thai language, which is spoken as the first language by nearly 100 percent of the Thai population, help to enhance national consciousness (Anwar et al., 2005; O’Sullivan & Tajaroensuk, 1997; Samnak Nayok Ratthamontri, 2000). As a result, ethnic tension is not a factor that affects MCSs at the Saha Farms Company.

### ***7.3.2 Political Intervention, and Liberalisation and Privatisation***

Political intervention, which could have a significant influence on MCSs, is another issue that is a result of colonialism in countries like Bangladesh and Sri Lanka. These countries lack a capitalist class; and so, “the state is a major source of capital formation, controlling a large proportion of gross domestic product and employment opportunities” (Hopper et al., 2003, p. 17). After these countries became independent, companies in these countries became wholly or partially publicly owned as, due to a lack of people in the capitalist class, the government had to become the major source of capital (Hopper et al., 2003). By the nature of government in 1950s-1970s, companies have had to operate within centralised frameworks of national economic planning and within less

stable political systems that reduce checks and balances on political intervention (Hoque & Hopper, 1997). Accordingly, there are opportunities for governments to control, intervene and give patronage to certain companies in order to keep their voters, respond to trade union requests, and meet accounting conditions of external aid agencies (Hoque & Hopper, 1994; Uddin & Hopper, 2001; Wickramasinghe & Hopper, 2005; Wickramasinghe et al., 2004).

The situation is very different in Thailand.

[D]ue to a long tradition in Thai culture of the government as boss, providing regulations and laws, while the private sector is seen as subordinate and, many times, as those who think only in terms of benefits and via a monetary orientation, the line that separates the governmental sector and the private sector is quite clear because [they] do not have positive attitudes about each other ... Essentially, the government is characterized as thinking that the private sector focuses only on the profits that can be achieved by cheating others, while the private sector sees government as corrupt, and dealing with them usually involves a lot of bureaucratic procedures and red tape (Punturaumporn, 2001, pp. 121-122).

Therefore, there is not much cooperation between the government and the private sector in Thailand (Punturaumporn, 2001). Although their cooperation seems to be increasing now, most businesses in Thailand, including the Saha Farms Company, do not rely on government assistance. “Instead, they rely on their business associates, personal relationships, and connections” (Punturaumporn, 2001, p. 121).

In some countries, political intervention has resulted in failure of central state development. Therefore, many ex-colonial emerging economies, such as India, Sri Lanka and Bangladesh, have tried market-based development (Hopper et al., 2003; Wickramasinghe & Hopper, 2005). Countries that have had to depend on financial agencies, such as the World Bank and the International Monetary Fund have had “little choice” because liberalisation and privatisation have been expected to improve companies’ efficiency in those countries (Anderson & Lanen, 1999; Hopper et al., 2003; Uddin & Hopper, 2003; Wickramasinghe & Hopper, 2005).

This is also different in Thailand in that market-based development was voluntary and started many years ago. The Bowring Treaty in 1855 promoted liberalisation and privatisation in Thailand and changed the Thai economy from agricultural self-reliance and self-sustainability to becoming partially dependent on international trade and resources

(Runglertkengkrai & Engkaninan, 1987). Moreover, Thailand has been actively pursuing a policy of industrialisation since the government formulated and introduced the first national economic and social development plan in 1961 (Phongvivat, 2002). The Thai government has minimal interference in business and economic affairs, and it focuses on foreign direct investment policies that encourage liberalisation and free trade (Porntipakpan, 2000). Political intervention, and liberalisation and privatisation, which have been found to affect companies' MCSs in other countries, are not really factors that influence the Saha Farms Company's MCSs.

#### **7.4 Interconnections of Factors**

The Saha Farms Company's MCSs have been influenced significantly by Thai culture. Thai Culture is based on the three fundamentals of the nation, Buddhism and the monarchy, and it has developed the values listed by Komin (1990a, 1990b). These values have influenced Saha Farms' MCSs. Although each of Komin's values is related to the others, some are more prominent than others depending on the situation. The grateful relationship and smooth interpersonal relationship values are seen in the demographic characteristics of employers and employees. Being a family business is rooted both in Komin's cultural values and also in Thai family culture. Labour market competition and competition in the market are based mainly

on the same values, which are the grateful relationship, smooth interpersonal relationship and interdependence values because there are the Thai ways of dealing with others people. The labour laws have been developed because of the hierarchy and the ego value in Thai society.

Thailand has minimal ethnic tensions, even though Thailand comprises large numbers of other ethnic groups. The interdependence value particularly, as well as the ego, smooth interpersonal relationship, and flexible and adjustment values, have helped Thailand to successfully assimilate other ethnic groups (Komin, 1990a, 1990b). Since Thailand has never lost its political autonomy, Thai culture and society have developed in different ways from ex-colonial cultures and societies. Therefore, political intervention has little influence in Thailand, and Thailand has a long history of liberalisation and privatisation. This is seen in the Saha Farms Company since it is a private company that is built by the owner “who never gives up nor surrenders to poverty as a limitation of life’s targets” (Sukhawadee, 2008a, About us, ¶1 & 2); this quote also reflects the owner’s task-achievement value.

## **7.5 Conclusions**

This chapter has discussed reasons why only two factors found in previous studies, namely national culture and demographic characteristics, have

affected the Saha Farms Company's controls, while ethnic tensions, political intervention, and liberalisation and privatisation have had no effect. A colonial background seems to be a significant factor in the development of MCSs, and colonialism can leave its marks on former colonial countries that lead to some barriers affecting the implementation of management control practices. Partly due to Thailand's political autonomy, Thai culture has had the greatest influence on the controls in the Saha Farms Company which are based on the three fundamentals of nation, Buddhism and monarchy. The next chapter concludes this study, showing its contributions to management control research and indicating areas for future research.

## **Chapter 8**

### **Conclusions**

#### **8.1 Introduction**

This chapter starts with summarising the present study's objectives and research method. Then, the main findings and their implications, and contributions to management control research are revealed. Due to the emic approach, the present study can make a significant contribution to management control research since it not only adds four new management control factors that have resulted from Thai culture but also shows the differences between the demographic characteristics in Thailand, as a result of Thai culture, and those in other countries. Thai culture itself is also different from other national cultures because of its fundamentals, and the non-colonial background in particular. Opportunities for future studies are also suggested in this chapter.

#### **8.2 Objectives and Research Method**

The purpose of this study was to illuminate MCSs adopted and in use in a private company in Thailand, covering: the way that the employers and the employees interact with each other to constitute MCSs; the way that their interactions affect the design and operation of the company's MCSs; the way that the MCSs have developed in comparison to other companies and other countries; and the way that culture, demographics, ethnicity, politics

and economics influence the development and use of MCSs in relation to the circumstances of Thai employers and Thai employees. Ethnographic research, with non-participant observation, interviews, documents and informal social contacts, was used to collect data at the Saha Farms Company in Thailand. Interviews were transcribed immediately, and each data source was compared, so the researcher could look for themes and adapt questions to what she was finding in her ongoing analysis.

### **8.3 Implications of the Research**

The findings show that, as chairman of the Saha Farms Company, the founder and owner is a key person who has led the Company to becoming extremely successful. The MCSs that are effective in the Saha Farms Company have developed out of the Thai culture. The owner is regarded as the leader and a father figure who commands respect and expects to be obeyed, while the employees not only believe in the owner's ability but also expect the owner to demonstrate a combination of absolute power with kindness and generosity (Barnes, 2008). Therefore, both formal and informal controls are used, and the owner not only has total power over the Company but also tends to take care of his employees as his family members, resulting in no dismissal, no lay-offs and working after retirement being part of the Saha Farms Company's MCSs.

Both Western management accounting and foreign advisors are incorporated into the Saha Farms Company's MCSs. However, although the Company uses Western MCSs like budgeting and costing systems, they are applied to fit Thai culture and have not had much effect on "home-grown" MCSs. For example, the owner's daughter is in charge of the Accounting and the Financial Division. Thus, budgets tend to be adaptable and can be changed at any time if it is deemed necessary, and there are appropriate reasons. Also, management accounting information requested and processed by the foreign financial advisor is provided only to the owner and his family members as they are the Company owners and controllers. Although the employees are responsible for collecting and providing data to the foreign financial advisor, they seem to have limited knowledge about what those data are used for. However, they still feel comfortable with their jobs and do not really want to know what these data will be used for because superiors are supposed to know more than subordinates in Thai culture. As a result, management accounting information tends to be important only in the management accounting area, while Thai culture is the most important in the control area.

Moreover, Thai culture itself not only influences MCSs but is also a fundamental of all the factors that influence MCSs at the Saha Farms Company. When the owner said: "We care, We share, We grow", and that the employees are like family, he demonstrated a characteristic of Thai

culture: the smooth interpersonal relationship orientation (Komin, 1990a, 1990b). Another example is the way the employees, particularly workers and women like to work at the Saha Farms Company because they can stay at their home to take care of their parents which is highly valued because of the grateful relationship orientation (Komin, 1990a, 1990b).

Due to close bonds in Thai family culture, the Saha Farms Company is still a family business with not only the owner and his family members but also their networks in charge. The motivation is more than merely family capitalism for the preservation of their fortunes; they trust and provide for not only each other but also people in their networks. As a result of the patron-client relationship and the smooth interpersonal relationship value, the Saha Farms Company offers not only various types of pay but also other benefits, such as transportation, accommodation and food to the employees in order to attract people to become Saha Farms employees and keep the employees in the face of labour market competition (Komin, 1990a, 1990b).

Owing to competition in the market, various standards like ISO, GMP, HACCP and Halal have been applied at the Saha Farms Company because the Company seeks to please its customers. Both the Company and the customers gain benefits from each other as a result of the patron-client relationship, and the grateful relationship, the smooth interpersonal

relationship and interdependence values. Because of the hierarchy in Thai society and the ego orientation, employees are reluctant to oppose or confront their superiors or employers, so various labour laws have been enacted to set obligations for employers (Komin, 1990a, 1990b).

It can be concluded that management control practices cannot be simply lifted from one culture and transferred into another since each emerging economy is constituted by different key elements. Hopper et al. (2003) suggested that “[they] have poverty in common, but its degree and distribution may fluctuate greatly. Varied colonial and cultural histories have given rise to diverse ethnic, religious and cultural relations, and economic and political systems” (p. 16). Some factors found in prior studies, such as ethnic tensions, political intervention, and liberalisation and privatisation, seem not to be relevant in the Saha Farms Company’s MCSs because Thailand has maintained her independence. In order to do business in Thailand effectively or conduct relationships with Thai counterparts successfully, companies need to be aware of and understand not only those factors that can affect MCSs but also how the three fundamentals of Thai culture and its non-colonial background influence Thai business practices that are still rooted in Thai culture and values. Another important point that is raised in the present study is that MCSs that are developed by the Company can be effective even though they differ from those used in other countries or cultures.

#### **8.4 Suggestions for Future Research**

There are a limited number of studies on MCSs in emerging economies, and Southeast Asian countries in particular, both in term of the number of countries and the number of studies. Therefore, in future, management accounting researchers could conduct more field studies on MCSs in emerging countries, particularly Southeast Asian countries. This region not only is of economic importance because of its products, resources and population but also has global strategic importance because it links between the Indian and Pacific oceans and “controls vital sea-lanes that give China, Japan and the US Pacific Coast access to the Middle East and the eastern coasts of Africa” (Association of Southeast Asian Nations, 2009).

The findings of this research could be used as a basic conceptual framework for future studies. For example, a management control study in Thailand could look at a family business in which the person in power is not the founder, because differences in demographic characteristics between the founder and other generations may result in different management control practices. Similar research could be done in a non-family business because management control practices might be different between a family business and a non-family business. A family business

company may hold Thai cultural values and practices more seriously than a non-family business company.

Due to the relationship between national culture and the preferences for, reactions to and design of particular MCSs (Chow et al., 1994; Chow et al., 1999; Harrison & McKinnon, 1999; Merchant et al., 1995), another possibility is research in an international company in Thailand. If Thai culture can affect the appropriateness and effectiveness of the management control practices, the MCSs in an international company operating in Thailand and with Thai employees should be similar to a Thai company. Moreover, future research might consider conducting research in an urban setting because previous studies have found different levels of cultural influence between rural and urban Thai people.

## **8.5 Conclusions**

This research has shown that Western management accounting systems at the Saha Farms Company are similar to those used in other countries. The Saha Farms foreign financial advisor said that “management accounting is management accounting. It is the same everywhere in the world”. Moreover, Hopper et al. (2003) suggested that “we haven’t found an effective MAS [management accounting system] in any LDC [less developed country] with a formal design that’s substantially different

from those derived from mainstream research in richer countries" (pp. 16-17). On the other hand, although management accounting systems are not different by themselves, they are different when they are linked to control systems because the way that they are implemented and the way that they are used are different, as a result of factors that are rooted in the culture, as shown in this research.

Therefore, this research has shown that in order to have effective MCSs, owners and managers of companies should understand the national culture in which the company is rooted. In order to understand the national culture, all the fundamentals of that culture need to be considered, because not only each fundamental can influence culture in different ways but also those fundamentals can influence each other. In the case of Thailand, Thai culture is based upon three fundamentals, which are the nation, including geography, language and people; Buddhism; and the monarchy. Although Thai culture is "unspoiled" by any colonial master, it has gradually changed due to its own development and choices. As a result, the culture of Thailand not only is different from others and cannot be imitated by others but also has greater influence on the Saha Farms Company's MCSs than other cultures. Therefore, factors that influence the management control practices in Thailand are different from other countries, which can help to expand knowledge on

management control research, especially on MCSs in countries without a colonial background.

## Appendix I

### First Human Ethics Committee Letter



Human Ethics Committee  
Tel: +64 3 364 2241, Fax: +64 3 364 2856, Email: [human-ethics@canterbury.ac.nz](mailto:human-ethics@canterbury.ac.nz)

Ref: HEC 2009/159

17 November 2009

Piyarat Dokkularb  
Department of Accounting and Information Systems  
UNIVERSITY OF CANTERBURY

Dear Piyarat

The Human Ethics Committee advises that your research proposal "Management accounting and control (MAC) in Thailand" has been considered and approved.

Please note that this approval is subject to the incorporation of the amendments you have provided in your email of 8 November 2009.

Also please ensure that the HEC is provided with a copy of the company confirmation obtained by the researcher when on the ground in Thailand.

Best wishes for your project.

Yours sincerely

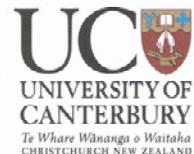
A handwritten signature in blue ink, appearing to read 'Michael Grimshaw'.

Dr Michael Grimshaw  
*Chair, Human Ethics Committee*

## Appendix II

### Second Human Ethics Committee Letter

Human Ethics Committee  
Tel: +64 3 364 2241, Fax: +64 3 364 2856, Email: [human-ethics@canterbury.ac.nz](mailto:human-ethics@canterbury.ac.nz)



Ref: HEC 2009/159

26 April 2010

Dr Piyarat Dokkularb  
Department of Accounting and Information Systems  
UNIVERSITY OF CANTERBURY

Dear Piyarat

Thank you for your request for an amendment to your research proposal "Management accounting and control (MAC) in Thailand".

I am pleased to advise that this request has been considered and approved by the Human Ethics Committee.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'PP JGM Grimshaw'.  
Dr Michael Grimshaw  
*Chair, Human Ethics Committee*

## **Appendix III**

### **Letter for Saha Farms**

#### **College of Business and Economics**

Department of Accounting and Information Systems  
University of Canterbury  
Christchurch 8140  
New Zealand

4 January 2010

Dear Dr Panya Chotitawan

My name is Piyarat Dokkularb. I am currently studying for the Degree of Doctor of Philosophy at the University of Canterbury, New Zealand. As part of my thesis research, I would like to kindly request your permission to carry out research on management accounting and controls in your company.

The purpose of this study is to explore management accounting and control in Thailand. I would like to be able to talk to people, watch how things are done, especially in the accounting department, and with those who use and control management accounting and control information, reports, etc. If possible, I would like to be at your company approximately six months, one-two days per week over a period of time as convenient to you.

Please note that complete confidentiality will be assured for each individual participating and your company, as interviewee names will not be used. Also, I am not so much interested in the figures in the control system (such as costing and accounting information) but more in what type of information is used, how information flows to various people, etc. If you are interested in receiving a complementary report on the results of this research, please let me know.

Your assistance is highly valued and vital to the completion of my research. If you have any question, please feel free to contact me at [pdo46@student.canterbury.ac.nz](mailto:pdo46@student.canterbury.ac.nz) or my supervisors, Associate Professor Beverley Lord: [beverley.lord@canterbury.ac.nz](mailto:beverley.lord@canterbury.ac.nz) and Dr Keith Dixon: [keith.dixon@canterbury.ac.nz](mailto:keith.dixon@canterbury.ac.nz)

Thank you for your considering my request.  
Yours sincerely,

Piyarat Dokkularb  
PhD Candidate  
Department of Accounting and Information Systems  
University of Canterbury

## **Appendix IV**

### **Information Sheet for Saha Farms**

#### **College of Business and Economics**

Department of Accounting & Information Systems  
University of Canterbury  
Private Bag 4800  
Christchurch 8140  
New Zealand

#### **INFORMATION**

Your company is invited to participate in the research project “Management Accounting and Control (MAC) in Thailand”.

The aim of this project is to investigate management accounting and controls in Thailand and to identify management accounting and controls that are perceived to be suitable and effective for Thai employees.

Your involvement in this project will be to provide information about the management accounting and control practices applied in your company by way of interviews and each interview will take place at a time and venue convenient to each participant. Therefore, a participant might be interviewed more than one time. You have the right to withdraw from the project at any time, including withdrawal of any information provided.

As a follow-up to this investigation, a copy of relevant parts of the thesis and any subsequent conference and academic journal articles will be given to the company to check for sensitive information. Moreover, one of the theses will be given to the company.

Further, please grant permission to conduct interviews with selected employees from all divisions and the levels of the company according to requirements of the study. Snow-ball sampling method will be used to conduct interviews; that is, interviewees will be asked to recommend other people in the firm who are likely to be knowledgeable about the topic. However, no one will be informed by whom they were introduced nor will later interviewees be told who gave earlier information.

In the performance of the tasks and application of the procedures there is no foreseen risk.

The PhD thesis will be publicly available at the library of University of Canterbury and the results of the project may be published in academic conferences and journals, but you may be assured of the complete confidentiality of data gathered in this investigation: your company’s identity will not be made public without your company’s consent. To ensure confidentiality, your information will be kept in a secure place, and only the researcher will have access. The data will be stored for a period of 3 years i.e. until the end of research. At the end of the project all identifying information will be destroyed. However, data with no identifying information will be securely stored for publication purposes in future.

The research is being carried out as part of the thesis research for the Degree of Doctor of Philosophy by the researcher, Piyarat Dokkularb (pdo46@student.canterbury.ac.nz), under the supervision of Associate Professor Beverley Lord (+64 3 364 2620 ext 6620; beverley.lord@canterbury.ac.nz) and Dr Keith Dixon (+64 3 364 2987 ext 3681; keith.dixon@canterbury.ac.nz). They will be pleased to discuss any concerns you may have about participation in the project.

The project has been reviewed ***and approved*** by the University of Canterbury Human Ethics Committee.

## Appendix V

### Approval Letter from Saha Farms



### บริษัท สหฟาร์ม จำกัด SAHA FARMS CO., LTD

สหฟาร์ม

สำนักงานใหญ่ : 44/4 หมู่ 4 ถนนบ้านเมือง หมู่ 4 บ้านเมือง ตำบลเมือง อำเภอเมือง จังหวัดลพบุรี 15130 โทร. (02) 5100051 แฟกซ์. (02) 5105727

โรงงาน : 9 หมู่ 9 ถนนธัญชัย-บุรี-เมือง ตำบลเมือง อำเภอเมือง จังหวัดลพบุรี 15130 โทร. (026) 643222 แฟกซ์. (026) 643146

18 February 2010

College of Business and Economics  
Department of Accounting & Information Systems  
University of Canterbury  
Private Bag 4800  
Christchurch 8140  
New Zealand

To Whom It May Concern

Please note that Ms.Piyarat Dokkularb, UC PhD student, has the permission of the  
Saha Farms Co., Ltd. to conduct her research at our Lopbury factory for her study,  
“Management Accounting and Control in Thailand”

Piyarat will be allowed to visit the company at anytime and will be allowed to  
interview employees from different levels and departments. Moreover, she will have  
access to interview employees both during their working day and after  
hours at a convenient time and place.

If there are any questions, please contact me

Kind Regards,

  
Mr.Bunteang Sabauthong  
Human Resources Director

## **Appendix VI**

### **Information Sheet for Interviewees**

#### **College of Business and Economics**

Department of Accounting and Information Systems  
University of Canterbury  
Private Bag 4800  
Christchurch 8140  
New Zealand

#### **INFORMATION**

You are invited to participate as a subject in the research project “Management Accounting and Control (MAC) in Thailand”.

The aim of this project is to investigate management accounting and controls in Thailand and to identify management accounting and controls that are perceived to be suitable and effective for Thai employees.

Your involvement in this project will be to provide information about the management accounting practices applied in your company by way of interviews and each interview will take place at a time and venue convenient to you. Therefore, you might be interviewed more than one time. You have the right to withdraw from the project at any time, including withdrawal of any information provided.

As a follow-up to this investigation, a copy of relevant parts of the thesis and any subsequent conference and academic journal articles will be given to the company to check for sensitive information. Moreover, one of the theses will be given to the company.

In the performance of the tasks and application of the procedures there is no a foreseen risk.

The PhD thesis will be publicly available at the library of University of Canterbury and the results of the project may be published in academic conferences and journals, but you may be assured of the complete confidentiality of data gathered in this investigation: your identity will not be made public without your consent. To ensure confidentiality, your name will not be identified as a respondent in anyway, and your information will be kept in a secure place, and only the researcher will have access. The data will be stored for a period of 3 years i.e. until the end of research. At the end of the project all identifying information will be destroyed. However, data with no identifying information will be securely stored for publication purposes in future.

The research is being carried out as part of the thesis research for the Degree of Doctor of Philosophy by the researcher, Piyarat Dokkularb ([pdo46@student.canterbury.ac.nz](mailto:pdo46@student.canterbury.ac.nz)), under the supervision of Associate Professor Beverley Lord (+64 3 364 2620 ext 6620; [beverley.lord@canterbury.ac.nz](mailto:beverley.lord@canterbury.ac.nz)) and Dr Keith Dixon (+64 3 364 2987 ext 3681; [keith.dixon@canterbury.ac.nz](mailto:keith.dixon@canterbury.ac.nz)). They will be pleased to discuss any concerns you may have about participation in the project.

The project has been reviewed **and approved** by the University of Canterbury Human Ethics Committee.

## References

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