

## ปัจจัยในการกำหนดค่าตอบแทนของผู้บริหารของรัฐวิสาหกิจในประเทศไทย

กรณีศึกษา : รัฐวิสาหกิจกลุ่ม A ในประเทศไทย

### Compensation Determination Factors for the Executive Personnel Groups

#### of State Enterprises in Thailand : A Case Study of Group A

#### State Enterprises in Thailand

กรกฤต สาครเสถียร (Gornkrit Sakornsatiean)

หลักสูตรรัฐประศาสนศาสตรดุษฎีบัณฑิต คณะรัฐประศาสนศาสตร์ สถาบันบัณฑิตพัฒนบริหารศาสตร์

Graduate School of Public Administration National Institute of Development Administration

E-mail : Gornkrit.s@gmail.com

Received: 6 September 2019

Revised: 10 October 2019

Accepted: 16 October 2019

#### Abstract

การวิจัยครั้งนี้มีวัตถุประสงค์ เพื่อหาปัจจัยของลักษณะส่วนบุคคลในบุคลากรกลุ่มบริหารที่นำไปสู่การกำหนดค่าตอบแทนที่แตกต่างกัน โดยการพิจารณาลักษณะขององค์การประกอบ ซึ่งผู้วิจัยได้เพิ่มปัจจัยทางด้านความสัมพันธ์ทางการเมืองในการร่วมพิจารณา โดยผู้วิจัยได้ใช้การวิจัยแบบผสมผสาน ซึ่งใช้การสัมภาษณ์เชิงลึก จากบุคลากรที่มีส่วนเกี่ยวข้องในกระบวนการกำหนดค่าตอบแทนสำหรับบุคลากรกลุ่มจำนวน 25 คน และใช้แบบสอบถามในการเก็บข้อมูลจากบุคลากรภายในรัฐวิสาหกิจตั้งแต่ระดับ 5 หรือผู้ช่วยหัวหน้าแผนกขึ้นไป จำนวน 374 คน ผลการวิจัย พบว่า 1) รัฐวิสาหกิจ A อยู่ในอุตสาหกรรมที่มีคู่แข่งน้อยกว่า รูปแบบของอุตสาหกรรมมีลักษณะของการกระจุกตัว โดยสภาพแวดล้อมทางการแข่งขันในอุตสาหกรรมเป็นการแข่งขันของผู้เล่นรายใหญ่เพียงไม่กี่ราย ในขณะที่รัฐวิสาหกิจ B อยู่ในธุรกิจที่มีการผูกขาดจากลักษณะของธุรกิจ ซึ่งการเข้าสู่ตลาดของผู้เล่นรายใหม่เพื่อเป็นคู่แข่งกับรัฐวิสาหกิจทั้งสองแห่งทำได้ยาก 2) ความสามารถในการเข้าถึงทรัพยากร ( $\beta = -.327$ ) การกำหนดค่าตอบแทนจากผู้เล่นในตลาด ( $\beta = .224$ ) ประสิทธิภาพในการบริหาร ( $\beta = .224$ ) และความสามารถในการสร้างความเปลี่ยนแปลง ( $\beta = .135$ ) คือปัจจัยที่นำไปสู่การกำหนดค่าตอบแทนที่แตกต่างกันของบุคลากรกลุ่มบริหารในรัฐวิสาหกิจ A

## กรกฎต ศาครเสถียร

โดยตัวแปรทั้งหมดมีประสิทธิภาพในการพยากรณ์ร้อยละ 30 (Adjusted  $R^2 = .300$ ) ในขณะที่ บอร์ดบริหาร ( $\beta = -.296$ ) การกำหนดค่าตอบแทนจากผู้เล่นในตลาด ( $\beta = -.292$ ) ประสบการณ์ทางด้านบริหาร ( $\beta = -.249$ ) และความสามารถในการสร้างความเปลี่ยนแปลง ( $\beta = .216$ ) คือปัจจัยที่นำสู่การกำหนดค่าตอบแทนที่แตกต่างกันของบุคลากรกลุ่มบริหารในรัฐวิสาหกิจ B โดยตัวแปรทั้งหมดมีประสิทธิภาพในการพยากรณ์ร้อยละ 28 (Adjusted  $R^2 = .280$ ) -3) ปัจจัยทางด้านความสัมพันธ์ทางการเมืองมีผลในการคัดเลือก มากกว่าการกำหนดค่าตอบแทนที่แตกต่างกันสำหรับบุคลากรกลุ่มบริหาร

**คำสำคัญ :** กลุ่มผู้บริหารในรัฐวิสาหกิจ, การบริหารค่าตอบแทน, ลักษณะขององค์กร, ความสัมพันธ์ด้านการเมือง

## Abstract

This research aims to find personal characteristic factors of the executive personnel groups (EPGs), by considering the characteristics of an organization, which leads to different compensation determination. The researcher also adds political relationship factor into consideration. The researcher uses the mixed-method research by in-depth interviews with 25 personnel who involve with the compensation determination process of the target group. Questionnaires were used to collect information from 347 employees in state enterprises from level 5 or assistant director level of a department onward. The result shows that 1) State enterprise A is in an industry with a low number of competitors. The form of this industry is considered to be concentrated. The environment of competitiveness for this industry consists of only a handful of big players. At the same time, State enterprise B is in a monopolized business. It is difficult for a new player to enter the market and be competitive with both state enterprises. 2) Accessibility to resources ( $\beta = -.327$ ), determined compensation from other players in the market ( $\beta = .224$ ), management experience ( $\beta = .224$ ), and ability to create changes ( $\beta = .135$ ), are the factors that determine compensation differences of the EPGs in State enterprise A. All variables have 30% of predictive efficacy (Adjusted  $R^2 = .300$ ). While executive board ( $\beta = -.296$ ), determined compensation from other players in the market ( $\beta = -.292$ ), management experience ( $\beta = -.249$ ), and ability to create changes ( $\beta = .216$ ), are the factors that determine compensation differences of the EPGs in State enterprise B. All variables have 28% of predictive efficacy (Adjusted  $R^2 = .280$ ). 3) Political relationship factors are more influential in recruitment than determined compensation for the EPGs.

**Keywords :** Executive groups in state enterprises, Compensation Management, Organizational Characteristics, Political Relationship

### Introduction

Compensation management of the executive personnel groups (EPGs) is an important process for motivating personnel to create changes in an organization. Because the EPGs are considered as a group of personnel who has important roles to create performance and drive the organization to a set goal. Compensation determination for the EPGs uses different criteria than other groups of employees in the organization. In general, the criteria (Finkelstein Hambrick and Cannella, 2009) consist of 1) context differences in each organization, e.g. size of the organization, complexity, and nature of the industry. 2) differences in personal characteristics, e.g. knowledge and skill, management experience, expertise in the targeted industry, ability to access resources or social capital. However, political ties are also brought into personal characteristic consideration for an executive position in case the organization involves the power or mechanisms of the state.

The concepts of bringing political factors and organization contexts into the recruitment and selection of an executive include 1) Market Transition (Nee, 1989; Nee and Cao, 2005) which considers an executive who is able to increase competitiveness for the organization. The organization is in the context that uses the market mechanism and free-market competition to compete with other organizations in the same industry. Compensation is determined from job complexity, organizational characteristics such as size, type of industry, competitiveness considering the human capital factor of an executive. 2) Power Conversion (Walder, 2003) considers political power, social status or the ability of an executive to approach the elite or state authority who involves the organization. For the qualification of an executive, political characteristics have to be taken into consideration as well. Because an executive who is able to approach state authorities will gain more advantages than other organizations. This type of organization involves state power or shares benefit with state authorities which, in turn, allows the organization to access resources and create sustainability (Pfeffer & Salancik, 1978). For organizations being competitive by the market's mechanism will not value the political characteristics of an executive as much. Because the ability to access resources is the way to increase competitiveness and, due to market mechanisms, the organization does not need to access the power of the state for resources (Nee & Opper,

2010). While organizations with the power ideology have to consider the political characteristics of an executive because the person has the ability to connect with the elite who has power. This is considered as being able to access resources and create certainty for the organization. Furthermore, executives with political skills tend to recognize ways to influence the government's policies to create advantages for their organization (Broadsgaard, 2012).

From the above reasons, the researcher is interested to study factors for compensation determination of the EPGs in group A state enterprises of Thailand. Political factors will be included as well due to state enterprises are considered to be semi-government organizations. These organizations have to operate as flexible as private organizations. They also have to serve policies of the government and involve the mechanism of the government. For this research, the researcher collected data from 2 state enterprises in group A (which will be called State Enterprise A - SEA and State Enterprise B - SEB from now on) by in-depth interviews, document analysis, and questionnaires. The data is used to analyze whether the following factors are influential in the determination of the EPGs, 1) organizational factors including the task environment by considering product differences, resource acquisition, and struggling with the pressure from the institutions, and, internal organization by considering the complexity and the culture of the organization. 2) personal factors which consist of the ability to access resources, management experience, risk management skills, ability to create changes, education history, good reputation in the industry, business connection, and political factors. The research questions are 1) how differences in the environment of state enterprises are influential in compensation determination for the EPGs, 2) what the factor differences in compensation determination of the EPGs in each state enterprise are 3) how political factors are influential in personnel recruitment for an executive position.

### **Terms used in this research**

1) Organization Performance is the performance being used for the consideration of incentive pay of the EPGs in a state enterprise.

2) Executive Personnel Groups (EPGs) are the personnel in the executive groups from level 7 or the level of assistant director of a department and the board of state enterprise.

3) Compensation Management is the level of base salary and incentive pay for the EPGs.

4) Characteristics of the EPGs mean personal characters of an executive in the EPGs which lead to differences in compensation.

5) Organizational Contexts are goals, industry's competition, size, and the complexity of different organizations.

6) Political ties are experience related to work or management that involves the power or mechanism of the state.

### Literature Review

The concept of compensation for the executive personnel groups (EPGs)

The EPGs are important personnel groups that will lead the organization to a set goal. There are 2 similar characteristics of the EPGs (Senasu, 2013)

1) The EPGs tend to be important for the company's strategies. If the work of people in these groups is failed, it will affect the overall success of the organization

2) Being in the position tends to create conflict from different opinions. This conflict arises from different needs of the group's members

In this research, the concepts of EPGs qualification consideration for different compensation determination include 1) consideration of differences in the organization's context. For this, the researcher uses 2 main aspects. First, the market transition (Nee, 1989, Nee and Cao, 2005) and second, the power conversion (Walder, 2003) which creates advantages and ability to access resources for the organization from marketing and power of political ties perspectives. Organizations running their business through marketing tend to have fewer ties with politics. While organizations running their business through power tend to have more ties with politics.

Moreover, consideration of an organization's contexts must include 1) task environment and 2) internal organization. Task environment can be considered from ( 1) Product and organizational differentiability (Barney & Hesterly, 2006) (2) Industry competition (Porter, 1985) (3) Legal constraints, which are described in the "New Institutionalism Theory (Meyer & Rowan, 1977)" (4) Ability to battle with powerful outside force. And, Internal organization can be considered from ( 1) Organizational complexity (Levy, 2000). Lorsuwannarat (2015) proposed the dimensions of consideration for organizational complexity factors including 1) organization's environment, 2) technology used in the industry, 3) organizational culture, 4) power and 5) organization's structure with different size and complexity.

Today, consideration for different contexts of state enterprises in Thailand is being used to define indicators and target values in the assessment of state enterprises. The contexts comprise the type of products and services, important characteristics of organizational culture, the overall character of personnel, technology and important equipment used in the operation, and, rules and regulations the state enterprise has to be compliant with (State Enterprise Performance Office, 2018).

#### Differences in personal characteristic

Differences in personal characteristic can be described under the Resource-Based View Theory, RBV (Penrose, 1959). The concept of this theory is to create advantages for the organization by emphasizing the “Black Box”, meaning the secrecy that can create advantages for the organization. To describe differences in personal characteristics under RBV, it sees that human resources have resource heterogeneity between organizations. It is different from the strategic management concepts from the past which see no difference in human resources between organizations. There are 2 focuses on human resources under RBV (Flamholtz & Lacey, 1981),

1) Focusing on knowledge, skill, and abilities (KSAs). An organization has to explore or identify the performance related to “KSAs” of personnel in the organization.

2) Focusing on employee behaviors that can increase the value of the organization.

In general, studies on the differences of EPGs focus on the use of human and social capital to create advantages for an organization especially the ability to access resources of EPGs such as CEOs or executive board. Accessing resources brings advantages to the organization (Hillman & Dalziel, 2003) even though this view is argued that executive board and CEOs should play roles in the check and balance of power for good corporate governance (Chancharat, Krishnamurti & Tian, 2008). Characteristics of the human capital of EPGs consist of personal expertise, experience, knowledge, skill, and good reputation (Becker, 1964). The social capital of EPGs means the ability to access resources within a network or through personal relationships. This personal capital opens special channels to access resources for the organization’s needs (Haynes & Hillman, 2010). The characteristics of human and social capital are considered to be different for each EPG.

A study of the factors on compensation determination for the EPGs in state enterprises of China which considers only personal characteristics found that there are 2 important factors related to different compensations. The factors are international experience, due to the lack of this experience for the executive in both state and private segments, and political ties due to resource control being centralized at

the government and the communist party. Therefore, the ability to access resources is an important factor for an executive (Peng, Sun, and Markoczy, 2015)

Considering differences in the context of organizations and differences in personal characteristics lead to different compensation for the EPGs. In general, compensation payment for EPGs is classified as a general payment, consists of ( 1) Salary ( 2) Bonuses ( 3) Long-term incentive pay (4) Executive benefits (5) Perks (Milkovic and Newman, 2005)

### **Compensation determination for the EPGs of state enterprises in Thailand**

Currently, Compensation determination for the EPGs of state enterprises in Thailand is divided into 2 categories, the group of state enterprise's executive board has an equal base salary excepts 10-25% higher for the board's chairman, and incentive pays are determined by the number of meeting attendant and the profit gained by each state enterprise. For CEOs, vice presidents and office directors, the compensation depends on negotiation between the employee and the compensation determination committee in a state enterprise. This committee is responsible for determining rules, process and salary structure including salary consideration for the personnel in executive positions and propose it to the committee for approval. Therefore, compensation for each EPG is different.

However, the determination of compensation structure and the rate of incentive pay of state enterprises in Thailand are related to how state enterprises are classified. Currently, state enterprises in Thailand are classified into 4 categories which are A, BA, BB, and C. The classification uses the State Enterprise Performance Appraisal, assessed by the State Enterprise Policy Office (SEPO), as the measurement for state enterprise assessment. In case a state enterprise is classified in group A, it can determine its own compensational structure and incentive pays for personnel in the organization if approved by the board of each state enterprise. For state enterprises in group BA, BB and CC, they have to use 58 levels of compensational structure of state enterprises. For the determination of incentive pays, it is based on the Incentive Assessment System (by the cabinet resolution of June 20, 1995, on the approval of the incentive system according to work performance).

### Related theories on the EPGs

In general, considering the EPGs characteristics under the organizational theory is done by the Resource Dependence Theory which emphasizes the ability of an organization and the EPGs to manage and access resources (Pfeffer & Salancik, 1978). There are 3 essences of the resource dependence theory (Pfeffer, 2003), 1) ability to obtain and maintain resources for the operation of an organization which is an important factor for the survival of the organization. Organizations rely on each other to obtain or guarantee the availability of resources, 2) An organization is able to adjust and manage resources. The important persons for the task are the EPGs. 3) Accessibility to power and social power is important for obtaining and guarantee the availability of resources. For obtaining resources to create sustainability of an organization under the resource dependence theory, the EPGs have important roles to determine the strategy for obtaining resources depending on the level of concentration and the difficulty to access resources. In case the resources are concentrated and difficult to find, the strategy tends to be aggressive. The aggressiveness has the same trend as the level of resource-dependent (Oliver, 1991) as follow:

**Table 1** Aggressive level of strategy for environmental management

Low		←————→					High		
Negotiation		Escaping		Challenging		Cooperation		Controlling	
	Buffering		Dismissing		Attacking		Influences		
<b>Strategies</b>									

**Source:** Lorsuwannarat, 2015.

### Methodology

#### Conceptual framework

The conceptual framework of this study starts from 2 main concepts, 1) power transition, and 2) market transition. Both concepts are used to consider the suitability of organizational characteristics and the personal characteristics of an executive. The research uses the mixed-method approach. The conceptual framework for the qualitative research is to study for explaining and comparing the working environment, internal organization and political factors of both state enterprises. The conceptual

framework for quantitative research is to study the factors that affect the differences in compensation determination for the EPGs. The researcher defines 10 factors as independent variables for the human capital characteristics of the EPGs, and, compensation for the EPGs by considering only the base salary and incentive pays as dependent variables. The influence of state enterprise’s board and organizational performance factors, which are assessed by SEPO, will be used in both qualitative and quantitative research. The result from both state enterprises will be compared to find similarities and differences in important matters.

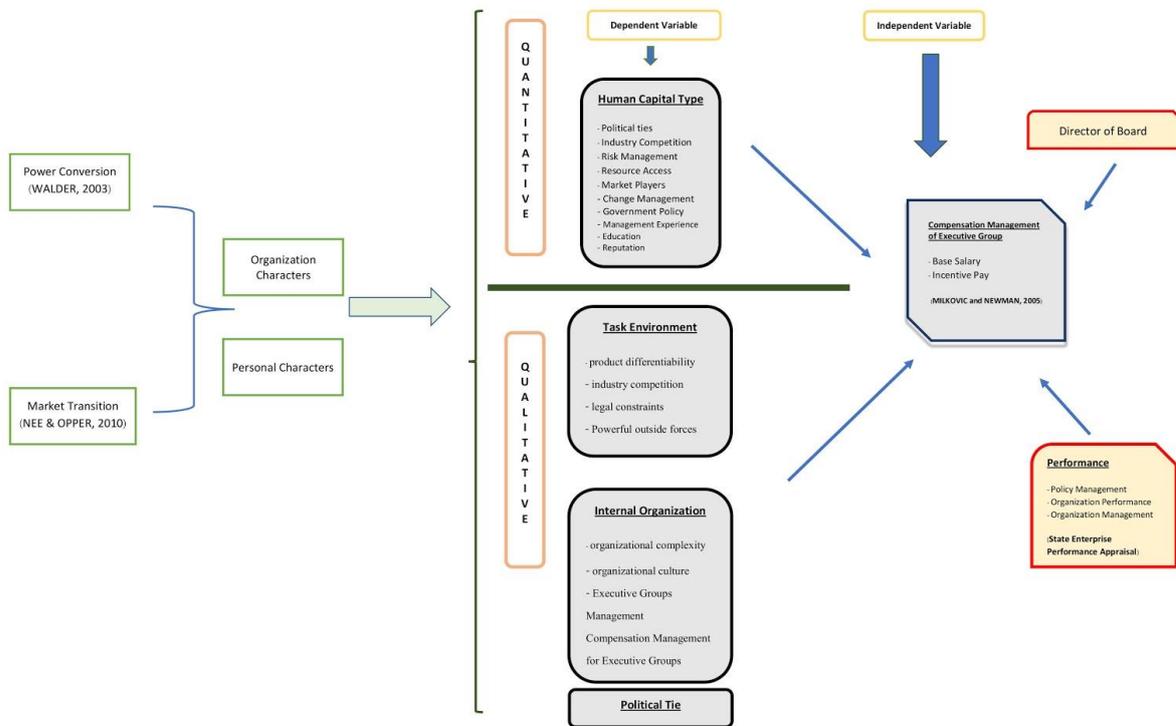


Figure 1: Conceptual framework

## Research procedures

### 1) Process and procedure for sample selection

For the selection of organizations in this study, the researcher chooses 2 state enterprises in group A consist of State Enterprise A (SEA) and State Enterprise B (SEB). SEA has similar organization management to a private company but involving and being controlled by rules and regulations from the government. At the same time, this organization has to also responses to the government's policies. Moreover, SEA can determine its own compensational structure and incentive pay rates so that it is competitive to the private sector.

In sample selection for qualitative research, the researcher uses in-depth interviews with personnel who involve with the compensation consideration process for the EPGs of both companies. It consists of groups of state enterprise executives, human resources managers, representatives from SEPO, 25 presidents or members of the state enterprise union.

In sample selection for quantitative research, the researcher uses questionnaires. The samples are selected by purposive sampling from both state enterprises at the position level 5 or the assistant director of a department onward (ministry announcement regarding position's equivalent No. Gor Kor 0409.7/Wor, 2005). For this research, there are 5,690 potential sample populations, 2,010 from SEA and 3,680 from SEB. To calculate the number of sample populations, the researcher set the deviation level from the sample group to 0.05 by Yamane formula. The number of samples is 373.72 or 374.

### 2) Tools used in the research

For the tool used in qualitative research, the research uses in-depth interviews and divided questions into 3 groups, 1) questions related to the environment of the organization, 2) questions related to factors for executive recruitment and, 3) questions related to compensational management of the EPGs. The questions are also framed into 4 categories in each question group, 1) throw questions, 2) essential questions, 3) extra questions, and 4) probing questions.

For the tool used in this quantitative research, the researcher uses questionnaires by studying documents and related research on compensation management for the EPGs as the guideline to create the questionnaires. The draft questionnaire is then prepared according to the defined subjects. The content must cover the conceptual framework and research questions. Cronbach's alpha coefficient is then calculated (Cronbach, 1970). The questionnaires have the alpha of 0.96 and the researcher uses open-ended questionnaires.

### 3) Data analysis

For data analysis from the interviews, the researcher starts with data analysis of the studied documents on the subjects of policy, environment, management approach of the EPGs, compensation management approach of the EPGs, to analyze the overall environment of each state enterprise. The interviews were then performed to collect data from people who involve with the determination and management of compensation for the EPTs through prepared questions. The data is analyzed with the inductive technique. The output is then processed and interpreted according to the conceptual framework to show the detail of the working environment, internal organization and political factors of both state enterprises.

For data analysis from the questionnaires, the researcher uses statistics for data analysis. The questionnaires were verified for correctness and completeness. SPSS is then used as a tool to process and format the result of the study. The statistics information includes frequency, percentage and mean are used to analyze and describe the demography. The statistics are also used to define the ranges for interpretation of the average score from the collected opinion level. The multiple regression is also used in the analysis. The study of variable relationships is done by incorporating all factors in the study including personal and organizational characteristics to test the hypothesis.

## Result

1) For the analysis of the environment and the compensation determination of the EPGs in state enterprises and the analysis of the state enterprise's environment, the researcher analyzed the working environment of internal organization, the summary of important aspects are as follow:

### (1) The environment of competitiveness within the industry

For the environment of competitiveness within the industry of SEA which is currently in the energy and retail industry, it is found that there are 6 big players in this industry with a market share of around 75%. The industry formation is concentrated. It is difficult for a new player to enter the business due to the high cost for basic infrastructure investment of the business and the difficulty in accessing important resources for the organization. However, the non-oil business tends to have higher competitiveness due to changes in customers. There are more activities in the gas station rather than fuel

## กรรณสูต สารเสถียร

refill and it creates a high-profit margin. The current strategy of players in the market focuses on the development of the “non-oil” business to increase the margin.

“Retail businesses in a gas station are the products with the highest sell. The income proportion is around 48% or 957,946.56 million baht from 1,995,722 million baht of total income. This is the business group that creates the highest income. When considering the non-oil products, it is found that the sell proportion is as high as 70%” (Mrs. Jiraporn (an alias), interviewed on January 17, 2019)

For the environment of competitiveness in the industry of SEB which is currently in the airport management business, it is found that there are only 3 players in the market, one competition from the government and another from the private sector. All 3 players have different business goals. The competitiveness of SEB’s industry is considered to be a monopoly from the lack of direct competition of the players and the characteristics of the business. Apart from that, entering the business for a new player is difficult due to a long period of time on the study of business suitability, specialized in knowledge and skill of the industry, and various considerations on business operation due to tight regulations. SEB is currently the contractor for managing the first 5 most dense-passengers airports in Thailand.

### (2) Factors on compensation determination for the EPGs

The analysis of in-depth interviews on the factors of compensation determination for the EPGs shows that SEA uses the “Skill Mix” guideline in the compensation determination for the EPGs. It consists of core skills, e.g. risk and crisis management, economics and finance, management skill & corporate governance, and, specific skills, e.g. industry knowledge, organization change & development and international market. The performance groups emphasized by SEA in the compensation determination are 1) group of skills related to management and administration or supervision departments in the stock market, and 2) performance on motivating the creation of energy innovation in the organization

Result from the statistical analysis of the factors that affect the compensation determination for the EPGs of SEA shows that the ability to access resources, the determined compensation from other players in the market, management experience and the ability to create changes affect the differences in compensation determination of the EPGs with a statistical significance of .05 in the same direction.

At the same time, all independent variables have a predictive efficacy for the dependent variables of 30.0% (Adjusted  $R^2 = .300$ ) meaning that if the average causal factor (the independent variables of the framework of this study) is known, it is able to explain the overall affected factors of compensation determination for the EPGs at 30.0%

**Table 2** The overall factor analysis result of compensation determination for the EPGs of SEA.

Factors	b	Std.Error	Beta	t	Sig.
Constant	2.437	3.197		3.004	.003
Resource Access	-2.025	.405	-.327	-5.001	.000
Management Experience	1.524	.438	.224	3.447	.001
Market Players	-1.325	.416	-.025	-3.187	.002
Change Management	1.273	.616	.135	2.065	.040
R = .465 R <sup>2</sup> = .316 Adjusted R <sup>2</sup> = .300 F = 13.169 p = .000					

Data analysis from the in-depth interviews on factors for compensation determination of the EPGs shows that SEB focuses on considering the experience within the industry related to airport management as the main criteria for the difference in compensation determination of the EPGs.

“Consideration of qualification for compensation focuses on experience and knowledge within the industry. As our organization is a business that requires expertise in the industry, eg. experience on airport management, understanding of airport standards, managing the network of aviation organizations, and the international market for aviation business.” (Mrs. Ajchara (an alias), interviewed on April 21, 2019)

Statistical analysis result related to the factors which affect the compensation determination in SEB shows that executive board, determined compensation from other players in the market, management experience, and ability to create changes affect the compensation determination of the EPGs with statistical significance of .05 in the same direction.

### กรรณฤต สากรเสถียร

All independent variables have predictive efficacy of 28.0% (Adjusted  $R^2 = .280$ ) meaning that if the average causal factor (the independent variables of the framework of this study) is known, it is able to explain the overall affected factors of compensation determination for the EPGs at 28.0%

**Table 3** The factor analysis result of compensation determination for the EPGs of SEB

Factors	b	Std.Error	Beta	t	Sig.
Constant	11.156	1.578		7.070	.000
Board Company	-.980	.215	-.296	-4.560	.000
Market Players	-1.191	.267	-.292	-4.465	.000
Management Experience	-.879	.230	-.249	-3.817	.000
Change Management	.895	.261	.216	3.427	.001
$R = .544$ $R^2 = .296$ Adjusted $R^2 = .280$ $F = 18.984$ $p = .000$					

### (3) Political factors and selection of the EPGs to create advantages

Today, SEA and SEB are considered to be semi-government and private organizations with 2 roles. For the role in the private segment, both organizations are in the stock market of Thailand. While the role as government organizations, they have to operate according to policies of the government and involve the operation and mechanism of many government entities. From this characteristic, state enterprises can use their privilege from being semi-government organizations, e.g. they can borrow money from many sources and is guaranteed by the Ministry of Finance. When there is a dispute with a court trial, the attorney general will organize all the defenses. When a legal issue arises, the office of the Council of State will be an advisor. The benefits as semi-private organizations include relenting from multiple rules and regulations from the Ministry of Finance so that they can be competitive with the

private segment, and, many investment benefits from the Board of Investment (BOI, Wannateapsakul, 2015). However, considering the benefit from the government's policies, it is found that SEA was beneficial by a government's policy which allows the organization to access resources while SEB benefits directly from the government's policies, e.g. the policy on tourism promotion which directly impacts the number of users in airports. However, when analyzing data from in-depth interviews, it is found that political factors affect the selection of personnel in the executive position more than the differences in compensation factors. Executive positions in a state enterprise mean being a member of the executive board. If the executive board is considered, SEA has 8 out of 15 members of the board who held a position or manage organizations that involve politics in the past and the present, while SEB has 10 out of 15.

Analytic result of the questionnaires to analyze political factors shows that personnel in SEA has a moderate level of opinion that the EPGs need to have political ties to create advantages while SEB also has the same moderate level of this aspect. The personnel in SEA think that having experience in politics or manage an organization involves politics is less essence for personnel selection while SEB has the same opinion. The analytic result in qualitative and quantitative data is inconsistent.

#### (4) Strategy of compensation management for the EPGs

The analysis of in-depth interview data related to strategy of compensation management for the EPGs shows state enterprises layout the strategy for base salary closed to other players in the same industry and closed to the market when compared to companies in the stock market of Thailand or, it can be said that the compensation payment is closed to the P50 line. The difference in compensation rate of the EPGs and general employee is high (39:1). While SEB layouts the strategy for base salary closed to other players in the same industry but the base compensation payment according to the market compared to companies within the stock market group, it can be said the base payment rate is lower than the P50 line. While data from the analysis of the questionnaires from both state enterprises show a high level of personnel in SEA expresses their opinion that the strategy for compensation payment for the EPGs by leading the market. While SEB expresses their opinion on a moderate level. The result from the analysis of qualitative and quantitative data from SEA is not consistent while SEB is.

For the strategy of incentive pay, it is found that SEA and SEB are considered as the highest incentive pay in Thailand. Especially, incentive pay in the form of bonuses. In 2018, the bonus rate for the EPGs and general employees is at 7.75 folds of the base payment. SEB used to pay a bonus for personnel

at the rate of 11. Therefore, the strategy for incentive pays is the main payment to motivate employees in the executive group to reach a set goal for both SEA and SEB. For SEA.

## Result's discussion

The researcher divides the discussion of the compensation management factors for the EPGs of group A state enterprises in Thailand into 3 categories, 1) competition in the industry, 2) strategy of compensation management for the EPGs, and 3) political factors which are discussed below

### 1) Competition in the industry

The qualitative and quantitative analyses in the competition of the industry show data consistency. SEA is in an industry with low market players while SEB is in a monopoly business. When considering a new player, it is found the difficulty in both industries from the limitation in rules, accessing resources and the budget for investment. However, when considering SEA, the business group with high competitiveness is the gas station business. The big players in the market focus on developing the station for better performance by developing the non-oil businesses within a gas station. Because these businesses have a higher profit margin than selling the fuel. The profit proportion is as high as 70% of total profit and draws more customers to the gas station.

However, in the researcher's opinion, while both state enterprises are in low competition industries and the SEA has more flexibility for management due to a lower control from rules and regulations, has advantages on accessing resources and has the right to manage their basic infrastructure, these are not advantages in the management and create efficiency within the organization if the organization can not develop their employees and unable to recruit skilled EPGs to work for the organization. For example, Thai Airway public company limited used to be a state enterprise in a low number of player market and entering the industry requires a tremendous amount of investment. But today, Thai Airway is recovering its business with a continuously accumulated loss. Or the State railway of Thailand which is a state enterprise managing the basic infrastructure of the country. In the past, this organization used to be the leader in railway system in Asia and is classified in the monopoly industry group in Thailand. Today, the State Railway of Thailand is another state enterprise in recovery with an accumulated debt of 140,000 million baht.

### 2) The strategy of compensation management for EPGs

## CHAPTER 8

The result of qualitative and quantitative data analysis for the strategy of base compensation payment for EPGs in SEA shows a low consistency. Due to the compensation payment rate of EPGs is comparable to others in the group of the energy industry which has high payment rate compared to other industries. Thus, the general consensus assumes that the compensation payment rate is leading in the market. While, in reality, the payment rate is considered to be closed to the industry. However, SEA has structured the compensation rate to be very different between general employees and the EPGs (39:1). This structure can be described by the “Tournament Theory” which states that the highly different compensation rate for different personnel will be a motivation for the personnel to perform at their best capability so that they are promoted to a higher position with a worthwhile compensation. But if the difference in compensation rate between personnel to personnel is low, they will not be motivated to perform and get to a higher position (Lazear & Rosen, 1981).

However, when considering the incentive pays of both state enterprises, it is found that the result from qualitative and quantitative data analysis is consistent. The opinion of personnel in both state enterprises see that the organization layout the strategy for incentive pay at a high rate so that the employees can perform according to a set goal. It is consistent with the data from in-depth interviews which shows both state enterprises are the group of organizations with the highest incentive payment rate in Thailand. When considering the factors which affect the compensation determination for EPGs, it is found that SEA emphasizes management skills, the ability to create changes and elevate the organization level to be competitive in the international market by prioritizing the factors of management experience, the ability to create change, risk management and the understanding of the industry which is similar to private organizations. For SEB, apart from emphasizing management experience, it also prioritizes knowledge, experience and airport management skill which is a specialized skill related to the characteristic of the business. However, in the researcher’s opinion, an interesting factor for different compensation considerations for SEB is the factor on the executive board. From the interviewed data, it is found that the difference in compensation consideration for EPGs depends on negotiating with the compensation consideration board and this will be classified.

### 3) Political factors

In this study, the researcher has set the framework for political factors according to the power conversion concept (Walder, 2003). It is used to consider political qualification, social status or the ability of the executive to approach the elite which owns resources or state authority who involves the

## กรรณสูต ศาครเสถียร

mechanisms of the state to obtain resources or lead to policies that create advantages for the organization. For a state enterprise, it is considered as an organization which involves many government entities. Therefore, the consideration of an employee in the executive position is necessary to take political factors into the equation (Nee & Opper, 2010).

For the study of political factors in both state enterprises, the researcher sees that the data collection and analysis tend to have a high inconsistency between quantitative data collection, data from the interviews and data from document analysis. Because, in general, personnel in an organization believe they are using the most effective management guideline to elevate the organization without considering political factors as a competitive- advantage. However, for an organization involves the mechanisms or power of the state, an executive with political relationship has a higher chance to be selected to an executive position than the difference in compensation determination factor. In fact, each state enterprise selects an employee with political factors to be a member of the state enterprise's board instead of promoting them to a middle or upper executive position in the organization.

### 4) Suggestion for the future studies

(1) The research on compensation determination for EPGs can be done with quantitative methodology by increasing the number of organization and set a group of industry the researcher interested to find factors that determine different compensation for EPGs. This will show the characteristics of executive each industry demands.

(2) Defining political factors or differences in compensation determination for EPGs selection can be a distinctive comparison for state enterprises in different level. Political factors or different compensation determination tend to be the variable of selection. Therefore, the future researchs can study political factors in state enterprises group B and C for a more distinctive comparison.

## References

- Barney, J. B., & Hesterly, W. S. (2006). *Strategic management and competitive advantage: Concepts and cases*. Pearson: Harlow.
- Becker, G. S. (1964). *Human capital: A theoretical and empirical analysis, with special reference to education*. New York: Columbia University Press.
- Broadsgaard, K. E. (2012). Politics and business group formation in China: The party control. *China Quarterly*, 211, 624-648.
- Cronbach, L. J. (1970). *Essentials of Psychological Testing* (3<sup>rd</sup> ed.). New York: Harper & Row.
- Chancharat, N., Krishnamurti, C., & Tian, G. G., (2008). *When the going gets tough: Board capital and survival of new economy IPO firms*. Retrieved September 7, 2020, from <http://ssrn.com/abstract=1253171>
- Finkelstein, S., Hambrick., D. C., & Cannella A. A. (2009). *Strategic leadership: Theory and research on executives, top management teams, and boards*. New York: Oxford University Press.
- Flamholtz, E., & Lacey, J. (1981). *Personal management: Human capital theory and human resource accounting*. Los Angeles. CA: Institute of Industrial Relations, UCLA.
- Haynes, K. T., & Hillman, A. (2010). The effect of board capital and CEO power on strategic change. *Strategic Management Journal*, 39, 575-606.
- Hillman, A. J., & Dalziel, T. (2003). Board of directors and the firm performance: Integrating agency and resource dependence perspectives. *Academy of Management Review*, 28(3), 383-396.
- Lazear, P. E., & Rosen. S. (1981). Rank-Order Tournaments as Optimum Labor Contracts. *American Economic Review*, 76(4), 701-705.
- Levy, D. L. (2000). Application and limitations of complexity in organization theory and strategy. In *handbook of strategic management*. Rabin, J., Miller, G.J., & Hildreth, W.B. (Eds.) New York: Oxford University Press.
- Lorsuwannarat, T. (2015). *Organizational theory: Multi-paradigm perspective*. Bangkok: Chatfour Printing.
- Mrs. Jiraporn (an alias). (January 17, 2019). interviewed.
- Mrs. Ajchara (an alias). (April 21, 2019). interviewed.

## กรรณิการ สาคกรเสถียร

- Oliver, C. (1991). Strategic responses to institutional processes. *The Academy of Management Review*, 16(1), 145-179.
- Peng, M. W., Sun, S. L., & Markoczy, L. (2015). Human capital and CEO compensation during institutional transitions. *Journal of Management Studies*, 52, 117-147.
- Penrose, E. T. (1959). *The theory of the growth of the firm*. New York: Wiley.
- Pfeffer, J. (2003). Introduction to the classic edition. In Pfeffer, J. & Salancik, G. R., *The external control of organizations: A resource dependence perspective* (Classic edition). Stanford, CA: Stanford University Press.
- Pfeffer, J. & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective*. Stanford, CA: Stanford University Press.
- Porter, M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
- Meyer, J., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83, 340-363.
- Milkovich, G. T., & Newman, J. M.. (2005). *Compensation* (8<sup>th</sup> ed.). New York: McGraw-Hill.
- Nee, V. (1989). A theory of market transition: from redistribution to market in state socialism. *American Sociological Review*, 54, 63-81.
- Nee, V., & Cao, Y. (2005). Market transition and the firm: institutional change and income inequality in urban China. *Management and Organization Review*, 1(1), 23-56.
- Nee, V., & Opper, S. (2010). Political capital in a market economy. *Social Forces*, 88, 2105-2132.
- Senasu, K., (2013). *Strategic compensation management* (2<sup>nd</sup> ed.). Bangkok: National Institute of Development Administration.
- State Enterprise Performance Office. (2018). *Criterion for state enterprise performance appraisal*. Bangkok: State Enterprise Performance Office
- Walder, A. G. (2003). Elite opportunity in transitional economies. *American Sociological Review*, 68, 899-916.
- Wannateapsakul, N. (2015). *Half state enterprise – Half business unit: Power and influencing for expanding in petroleum industry*. Bangkok: Chulalongkorn University Press.