

CHAPTER 3 THE STATUS OF THAI BUSINESS MANAGEMENT

Thailand is known as the “country of the Golden Axe”. It is rich in land, especially rich in resources, and it is highly soluble in the consumer market. Not only its products are strong in the international market. Competitiveness has attracted a large number of international investors to invest. However, with the transition from extensive business models to modern business management models, many problems have emerged and become more acute. Enterprises seeking sustainable development must, on the one hand, master the changes in the external environment, and on the other hand, must grasp the crux of the problems that affect the operation and management of enterprises, adjust their strategies, continuously improve the efficiency of enterprise management, and steadily move toward a higher level of development.

3.1 The basic situation of Thai business management

3.1.1 Thai Governance and Political Characteristics

Thailand is a constitutional monarchy. The administrative system adopts the parliamentary democracy. It is also called the constitutional monarchy under the democratic system. In the current constitution, chapter 18 (established by the Thai Buddhist calendar year 2550 that is the Gregorian calendar 2007) Thailand is a business. In countries where there is full freedom of trade, as described in Chapter 3, Part 6 of the Thai Constitution, and Article 43 of the Freelance Profession, “Everyone has the power to operate freely and compete freely. The government must be free and fair, and it cannot Limiting people’s freedom, in addition to safeguarding national security and economic stability, protecting people’s public utilities, safeguarding people’s peace, public order, and good morality, handling social employment order, protecting consumer interests, and protecting natural resources and the environment And people's welfare, prevent monopoly, eliminate unfair competition." Although Thailand promotes free operation, because of the existence of a mixed ownership system, the government still has control and ownership in important public infrastructure industries such as electricity, water power, or banking. In terms of trade, the government, for the sake of national security and protection of the rights and interests of investors, conducts appropriate supervision in some areas, such as the intervention of agricultural product prices and the provision of interest on loans. In the past decade, Thailand has experienced political instability. The turmoil in the situation has made Thailand’s political image negatively affected by investors. Although the government’s focus is still on handling international relations and maintaining regional stability, the government is still trying to promote long-term and short-term economic development in policy formulation. At the macro level, ASEAN promotes investment policies; at the micro level, such as populism, the focus is on stimulating household consumption and increasing currency circulation. The government also provides comprehensive consulting services for private companies, such as product production,

financial consulting, and employee training. Outstanding entrepreneurs in various industries will also receive corresponding incentives. In addition, the country also provides assistance for the development of domestic and international markets, such as the establishment of the Ministry of Industry, the SME Promotion Bureau, the Export Promotion Department, the Ministry of Commerce, and the Thai Industrial Standards Authority. There are also Thai banks as intermediary agencies, responsible for the formulation of monetary policy, through the control of currency and interest fluctuations in the appropriate interest rates to ensure stable economic growth.

3.1.2 Economic Characteristics of Thailand

Thailand's economic system is a hybrid model, a mix of a completely free economy and a planned economy. According to the report of Thailand's office of the national economic and social development board, in 2012, Thailand's GDP reached US\$38.73 billion, inflation was 3.02%, and Thailand's GDP was ranked 29th in the world. The GDP ranks the 24th in the world in terms of purchasing power. Thailand's economy grew 2.9% in 2012, with household consumption accounting for 54.4%, government spending 13.8%, and fixed-asset investment 26.7%. Due to its sustained and stable economic growth, Thailand was rated as an emerging industrialized country.

Thailand's GDP is dominated by industrial and service industries. Industry accounted for 39.2% of GDP; agriculture accounted for 8.4% of GDP; transport, trade, and communications accounted for 13.4% and 9.8%, respectively. Construction and minerals accounted for 4.3% of GDP; other aspects accounted for 24.9% of GDP (including finance, education, hotels and catering). In terms of unemployment rate, the unemployment rate in Thailand is relatively low, showing a declining trend year by year. From 2.5% in 2001 to 0.7% in 2013, this is a low percentage compared to other countries in the world. Thailand's economic structure is mainly export-oriented. In 2013, Thailand's total value of exports was US\$ 229.518 billion, ranking 24th in the world, with a total value of US\$ 247.590 billion, ranking 23rd in the world. The trade deficit was 18.071 billion U.S. dollars. Major trading partners include China, Japan, the United States, Malaysia, Singapore, Indonesia, West Asia, United Arab Emirates, Australia, Hong Kong and South Korea. The main export products of Thailand are automobiles and parts, computer equipment, refined oil, precious stones, plastic pellets and agricultural products. The main imports are in order of value: crude oil, machinery and components, motors and components, chemicals and iron. Thailand's overall economic strength ranks second in Southeast Asia, second only to Indonesia. Per capita GDP in 2012 was low, averaging only US\$ 7,188 per person. Compared with other Southeast Asian member countries, it ranked second behind Singapore, Brunei, and Malaysia. In addition, Thailand is the second largest country in terms of foreign trade volume among East Asian countries, second only to Singapore. The World Bank adjusted the situation in Thailand from middle-income countries to high-income countries. Since 2010, the Thai government has

continued to adhere to the implementation of a major policy that addresses poverty and the distribution of people's income. From the fifth edition of the National Economic and Social Development Plan (1982-1986) to the current version, the number of poor people in the country has dropped significantly, from 42.3% in 1988 to 7.75% in 2010, and the per capita income of the population (GDP Per capita) reached 14,000 US dollars. Unemployment rate in Thailand is lower than the global figure, which only accounts for 0.7% of the national population. According to the prediction of the International Labor Organization, the unemployment rate by 2020 is only 1% of the population. In terms of infrastructure construction, the government continues to increase investment, especially in the transport sector, and plans to spread the economy from the cities to the countryside. For example, the development of dual-track railway systems, the improvement of deep-water ports, and the connection of multiple economic road projects to China, Myanmar, Thailand, Laos, Vietnam, etc.

3.1.3 Thai Social and Cultural Characteristics.

According to the Statistics Department of Thailand, Thailand had a population of 67.10 million in 2013. It is a multi-ethnic country, including Thais, Thai Laos, Thai Vietnamese, Thai Cambodians, Thai-Chinese, and Thai Malay. People and Thais in various mountain races. Compared with neighboring countries, Thailand has less ethnicity and supports the independence and freedom of all ethnic groups. According to a survey conducted by the Dias (2009), there are 1.8 million foreign workers in Thailand, of whom at least twice the number has not yet been registered. It may seem that Thailand is a multi-ethnic country, but because of the strong adaptability and open acceptance of the national habits, all ethnic groups have been harmoniously coexistence and development. Thai society is based on agriculture, making people like to live like a big family, value the elderly, be happy and love each other. Even with the continuous advancement of science and technology and the constant erosion of modern capitalism, it has failed to change the unpretentious features that exist in Thai people. In terms of religious beliefs, about 94.6% of Thais believe in Buddhism and are considered to be the state religion in Thailand. Secondly, 4.6% of people believe in Islam (mostly in southern Thailand), 0.7% believe in Christianity, and other religions and non-religious believers account for 0.1% (Thailand Statistical Institute, 2012). In terms of language exchange, apart from Thai, there are also minority languages spoken in Thailand, such as Chaozhou in China, Lao in northeastern Thailand, and Malay in the south. English teaching is used in many schools and universities, but there are relatively few people who can use English fluently in Thailand. From the 17 Asian countries where English proficiency tests were applied, Thai English skills were ranked 14th, with priority being given only to Laos, Japan and Cambodia (Thailand's office of education council, 2013). However, the globalization of the economy, the rapid development of the Internet, and the rapid spread of information have, to a certain extent, spread the values and culture of the West to Thailand, which has changed the people's beliefs, values, and consumer behavior. Such as the popularity of Western

food, fast food, the consumption of brand-name goods.

3.2 Key Issues and Factors in the Development of Thailand's Business Management

Thai companies are affected by many factors in the course of business management, including factors from outside the company (such as political conflicts, relative legal lag, tax redundancy, and lax enforcement, etc.) and internal factors. (For example, the internal management system of the company is not perfect, the cost control is not perfect, the source of funds is narrow, etc.). The author believes that the key issues affecting the development of Thai business management include the following:

3.2.1 Unstable political situation

According to the findings of the "World Economic Forum", the unstable political situation of the government has become the most important issue affecting the development of Thailand, and its proportion has reached 20.2% of all influencing factors. In the past decade, due to changes and fluctuations in the political environment in the country, the lack of continuity in the implementation and implementation of economic policies has directly led to the emergence of conflicts between the public sector and the public. As a result, many domestic parades and turmoil have not only damaged the national image also affects the investment climate and investment confidence of foreign private companies.

Table 3-1: Problems affecting the development of Thailand

Problems	%
Unstable government	20.2
Discontinuous State Policy	16.5
Corruption	13.5
Bureaucratic inefficiencies	13.4
Potential lack of innovation	7.5

3.2.2 Thai companies attach low importance to research and development

In 2013, Thai technology research and development expenditure was only 3.1 billion baht, accounting for only 0.26% of GDP. In contrast, Singapore's investment in scientific research has reached 3% of GDP (Siam Commercial Bank, 2014). Researchers are also very limited, with 8.6 R&D personnel per 10,000 population. From the data of recent years, Thailand's scientific and technological development is faced with low R&D investment, insufficient human resources for science and technology, lack of enthusiasm

for independent R&D and participation in R&D by companies. This directly leads to slower new technology upgrades, lower product technology content, lack of product competitiveness, and restricts corporate development.

Table 3-2: R & D spending as a percentage of GDP in Thai

Year	R & D spending(billion thai baht)	R & D spending as a percentage of GDP (%)
2009	23	0.25
2010	24	0.24
2011	26	0.25
2012	29	0.25
2013	31	0.26

(Source : Economic Intelligence Center- Siam Commercial Bank data of NESDB and NRCT)

3.2.3 The complexity and repetition of the tax system

According to the "2013 Global Business Index of Convenience Index" compiled by the World Bank, it can be seen that in terms of taxation, compared with other countries, the repeatability of taxation in Thailand has a great influence on investors' investment decisions. That is, a company that pays taxes in Thailand accounts for about 26.9% of profits, which is higher than Brunei, Singapore, and Cambodia.

Table 3-3: Entity tax

Taxes and mandatory contributions	Statutory tax rate	Tax base	Total tax rate
corporate income tax	20%	Taxable profit	17.89%
Employers pay social security	4%	Total salary	4.12%
Business-specific tax	3.3%	Taxable profit	2%

Taxes and mandatory contributions	Statutory tax rate	Tax base	Total tax rate
Property transfer tax	2%	Selling price	1.21%
Property Tax	12.5%	Assess property value	1.08%
Advertising Tax	2%	Service cost	0.35%
Employers pay workers compensation	0.2%~! %	Total salary	0.23%
Vehicle Tax	THB3600	Fix cost	0.04%
Interest Tax	1%	Interest income	0.03%
Check transaction tax	THB3 / check		0.01%
Fuel tax			0
VAT	7%	Added vaule	0
Total			26.9%

3.2.4 The internal management system of the enterprise is incomplete

Fan (2014) Thai SMEs account for 80% of the total number, and most of them are family-owned enterprises. The management staff is composed of one person or the same group of people. Management and decision-making cannot be efficient because of limited thinking and ability. The phenomenon of inbreeding in family businesses is also very serious, and "private relations" often appear along with promotion and promotion. According to previous studies, it is found that the use of "close relatives" by Thai companies to hire employees is based on the advantage of mutual trust, but it ignores a series of problems such as the inefficient implementation of the "close relatives" and the lack of capacity. What followed was the destruction of corporate organizational climate, the erosion of corporate culture, the reduced level of employee dedication, the impediments to the promotion of outstanding and talented people, and the eventual reduction in the competitiveness of enterprises.

3.2.5 Serious Infringement of Intellectual Property Rights

Although Thailand has a long history of implementing the intellectual property system, the types of intellectual property laws currently in force in Thailand are complete, including copyright law, patent law, trademark law, protection of integrated circuit layout design law, trade secret law, and geographical indication protection law. Department of

law, but the phenomenon of the sale of pirated products is still widespread. From a legal point of view, the existing legal system is still incomplete and unmatched with respect to the extremely rich knowledge and inexhaustible knowledge and human inexhaustible ability to innovate. From an administrative point of view, there are laws in the field of intellectual property that do not comply with laws and regulations, and law enforcement is not strictly enforced. From an economic point of view, the market has not generally established an operating mechanism for the survival of the fittest and the interests of the lawful operations are often meagre, while piracy and infringement are highly profitable.

3.2.6 Serious bribery and corruption problems

Hazen (2014) As we all know, bribery is an unethical behavior in commercial society. However, in Thailand, companies are trapped in this form. In order to obtain monopolistic production and services, 85.9% of entrepreneurs need to pay extra funds or pay bribes to politicians and government officials. The development of a healthy business community needs to rely on the optimal matching of resources, and it needs to rely on market mechanisms. However, the long-standing existence of bribery and corruption that is deeply rooted in Thai society and various industries has long been closely linked to people's lifestyles or has become a part of culture. In the domestic market, bribery has distorted market mechanisms, reduced the efficiency of social resources, and increased the cost of social resources. In the international competitive market, Thailand is gradually facing a decline in its credit rating, and international financial transactions are becoming more difficult. The lack of reliability directly affects the overall development of Thailand. Although the Thai government has been trying to prevent and solve it, it seems that corruption has not been fundamentally solved. According to data from the Global Integrity Index 2013, Thailand ranks 102nd among 177 countries. Compared with the ten ASEAN countries, Thailand ranks fifth. Although the corruption index in Asia is generally lower than the global standard, overall data show that, with the exception of the trend of increasing corruption in Thailand, indicators in other countries have improved to varying degrees.

3.2.7 Aging problem

At present, the aging population in Thailand is increasing year by year in the same direction as the development of the world population structure, and Thailand has gradually entered an aging society. According to the population survey, in 2014, the population of the elderly population was 19.1 million, accounting for 14.9% of the total population, which was double the number of 1997 statistics. In addition, the estimation of the Thai population by the National Economic and Social Development Bureau shows that in 2025 Thai old people will increase to 14.5 million, accounting for 20% of the total population.

Table 3-4: Total number of elderly & Percentage of population

Year	Total number of elderly	Percentage of population
1997	4,011,854	6.8
2002	5,969,030	9.4
2007	7,020,959	10.7
2011	8,266,304	12.2
2014	10,010,699	14.9

(Source:Thailand’s Office of the National Economic and Social Development Board)

The aging of the population has begun to have a negative impact on the sustainable development of social and economic enterprises. The problem of population aging will lead to a decline in the quantity and quality of the labor force in the future. In particular, the decrease in the number of manual workers will weaken the ability of enterprises and society to innovate and sustain development. Therefore, some labor-intensive industries either shift their research and development to technology-intensive industries. Otherwise, they will need to introduce a large number of foreign workers to solve the "labour shortage" that has occurred in Thailand.