

Strategies of Business Sustainability in the Banking Industry of Thailand: A Case of the Siam Commercial Bank

Boriboon Pinprayong* and Sununta Siengthai**

This paper presents a case study of the Siam Commercial Bank (SCB). Its purpose is to investigate why and how SCB implemented organizational restructuring during the volatile economic environment. The paper first gives an overview of the Thai commercial bank industry, then, presents and discusses SCB's strategy implementation in its organization during 1997-2010. This case study aims to provide some guidelines for other companies in developing and choosing strategies for their business sustainability in the global market change, and in choosing the implementation strategies of their organization restructuring for competitiveness.

1. Introduction

Back in 1997, the Thai economy faced a number of challenges arising from the global economic slowdown, political uncertainties, and Thai baht appreciation. The result directly affected the Thai financial and banking industry. The first alternative for Thai businesses operating in the turbulent economic situations with higher level of market competition was to formulate new corporate strategy to implement their business plan adjustment and organizational restructuring. In today's dynamic business environment in Thailand, it is necessary for organizations to constantly go through organizational renewal and restructuring. However, organizational restructuring always has an impact on the companies' employees in terms of job responsibilities, job positions or career prospect, compensation and benefits, etc. Moreover, the result of restructuring might cause employee's psychological stress and other related symptoms.

Thus, this study aims to investigate the SCB's business situation during 1997-2010 by focusing on corporate strategy, organizational restructuring, HRM strategy, control & measurement system and corporate performance. Motivation to study this topic includes the following: none of the previous studies investigates the linkage between strategy, restructuring and implementation on corporate performance, and very few studies have been conducted on strategy implementation in banking industry. The objectives specified to identify SCB's strategies for organizational restructuring and policies both in short term and long term for achieving their business objectives, and identify the factors which impact the Bank's corporate performance

*Doctor Candidate at AIT, School of Management, Asian Institute of Technology (AIT), Thailand,
boriboon60@gmail.com

**Associate Professor, School of Management, Asian Institute of Technology (AIT), Thailand,
s.siengthai @ait.ac.th

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1.1 Introduction: The Evolution of Banking Industry in Thailand

Before financial crisis in 1997, most commercial banks in Thailand never changed their corporate strategies because they were family businesses. During the financial crisis in 1997, Thai banks' business performance was at its worst, due to financial problems, leading to the growth of non-performance loans (NPL). In order to sustain Thai commercial bank industry and Thai economy, Thai government and Bank of Thailand (BOT) changed the regulation of Thai commercial banks' shareholders by eliminating foreign investment barriers and allowed the foreign investment groups to hold up to 100 % of Thai banks' shares. As a result, the foreign investment groups acquired five small Thai commercial banks. For example, Standard Chartered Bank acquired Nakornthon Bank in 1999, GE Capital acquired Bank of Ayudhaya in 2007, UOB acquired Radanasin Bank in 2003 and Bank of Asia in 2005 which merged both banks under the name of UOB in 2008. CIMB Bank Berhard acquired Bank Thai in 2009.

Even though, foreign investor groups acquired five small Thai commercial banks. The Ministry of Finance approved new licenses for commercial bank in Thailand, namely, Thanachart Bank, TISCO Bank, Kiatnakin Bank, and Land and House Retail Bank.

This has led to change in the Thai bank's market capital in terms of innovative products, business styles, capital, high competition, banking technologies, and human resource management. Overall, Thai commercial banking industry has high opportunity to create business performance because Thai market has large scale of retail group and the strength of the Thai economic structure can drive the Thai banking industry growth.

1.2 SCB Company Background

The Siam Commercial Bank (SCB) started in January 1906 in the reign of King Rama V as the first local commercial bank in Thailand. The Bank has been listed on the Stock Exchange of Thailand (SET) since 1976. It was one of Thai commercial banks which were hit by the financial crisis which put SCB on the verge of bankruptcy. During 1997 – present, the Bank, by top management level has continually implemented the business strategies with restructuring strategies by relating the global and the Thai economies in order to sustain its business in the economic slowdown, expand business in economic growth, and build business opportunity.

In order to explain SCB's employees to understand why SCB continued to implement its organizational restructuring, Dr. Vichit Suraphongchai, SCB's Chairman of the Executive Committee gave a speech in the SCB's Forum that:

“The change program is the project to change ourselves and the project will build the future of SCB. Someone asked whether SCB can stop this project, the answer is that we cannot stop this project. We must continue to change in order to sustain our bankChange is natural. Change is necessary. Change is our future, and we must continue to change our bank.”

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According to the result of the Bank business sustainability, SCB flourished to the highest market capitalization among Thai Financial Institutions, the leadership bank in term of number of branches, ATMs, market capitalization, and market share in banking market. In 2010, it had more than 1,000 branches and more than 8,000 ATMs in Thailand.

2. Literature Review

This section reviews the findings of previous relevant studies on corporate strategy, organizational restructuring, HRM strategy, control & measurement system, and corporate performance.

2.1 Corporate Strategy

Corporate strategy is defined as the direction an organization takes with the objective of achieving business success in the long term and short term including corporate vision, mission, goal, and SWOT analysis. The formulation of corporate strategy involves establishing the purpose and scope of the organization's activities and the nature of the business it is in, taking the environment in which it operates, its position in the marketplace, and the competition it faces into consideration. Tranfield, Denyer, and Burr, (2004), explain that corporate strategy is the blueprint of the firms' fundamental objectives and strategies for using in the business situations as in forward growth, stability, or retrenchment by seeking objective, resources, organizational structure, marketing opportunities, and other environmental influences. The role of corporate strategy is to provide business frame related to corporate situation, economy situations, external factors, internal factors, and business processes. The business frame has flexibility based on corporate situation, and to be clarity based on business goals for all business units to be implement on the next business steps. When are companies likely to change their corporate strategy? Most companies have changed their corporate strategy depending on business performance during on the decline stage, bad management, and declining business ranking. Bivainis and Tomosiunas (2004) proposed that the management of enterprises' corporate restructuring were restructured by ensuring the effective utilization of the human, financial and material resources relevant strategy property, increasing the effectiveness of the management of the enterprise independent business units.

2.2 Organizational Restructuring

Organizational restructuring has been used to eliminate weaknesses in a firm and develop a strong organization. Boeker (1989) explained that strategies of organizations are likely to change following the identification of serious problem, or in the face of declining performance. Lewis (1994) asserted that organization change related between culture, behaviour and organizational performance. Weller (1995) asserted that in the private sector, restructuring has a somewhat different connotation service, or sometimes to remain solvent and stay in business. Measures most often used are either a substantial restructuring of the organization's production system or the use of downsizing, personnel lay-offs or hiring freezes. Yeo and Ajam (2010) asserted that the result of organizational change led to a change in firm's strategy, structure, people, and performance.

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Most root cause for implementation of organizational restructuring can be classified in five factors such as 1) change in innovation in products, technology, materials, work processes, organizational structure, and organizational culture, 2) new and shifting markets, 3) action of global competitors, workforce value demand and diversity, 4) regulatory and ethical constraints from the environment, and 5) individual development and transition. Lewin and Johnston (1996) found that the firm implemented organizational restructuring focused on organization structure and management process based on technology change, global competition and the emergence of a knowledge-based economy. Lin, Lee and Gibbs (2008) argued that the intensification of change in economic conditions, the growing globalization of business, poor operating performance and stock returns, financial distress technological, informational and political factors are forcing organizations to consider new ways of organizing and responding to the competitive dynamics of the external environment.

2.3 HRM Strategy

Human Resource Management (HRM) has a very important role in creating an understanding of organizational restructuring between the employees and the company in order to minimize possible internal conflicts. It also plays a role in informing all stakeholders such as shareholders, employees, customers, suppliers, and society. In addition, the role of HRM in setting firm HRM strategies, HRM planning, HRM policies and practices related to organizational restructuring through recruitment, selection and placement, evaluation of employee performance, management compensation, benefits, services, employee development, employee discipline, HR safety and health, and labour relations. Poblos and Lytras (2008) explained that effective HRM generated a higher profitability, less rotation, higher product quality, lower cost in manufacturing, and a faster acceptance and implementation of the organizational restructuring. Conway and Monk (2010) asserted that firms developed human resource management by using organizational restructuring, and defined the role of HR to respond their employees in workplace practices, appraisal, training, development, and recruitment and selection.

2.4 Control and Measurement System

Measurement system is the basis through which it is possible to control, evaluate and improve process. In order for restructuring to achieve goals, the control & measurement system is used to evaluate and analyse the result or situation of organizational restructuring by holding key performance indicator (KPI), business best practices, world class standard such as organization performance, individual performance, customer satisfaction, and etc. Taticchi, Tonelli, and Cagnazzo (2009) proposed performance measurement system to evaluate the quality of business framework by analysing strategy, alignment, market, product, and leverages. Papakiriakopoulos and Pramataris (2010) developed management control system to measure business performance by focusing on inventory level, forecast accuracy, product availability, and imperfect orders. In finance and banking industry, the security and safety system are important for building customers reliability. They can use the same control & measurement models as industrial / manufacturing sector. From the financial crisis, the new concept for banking control and measurement included fraud control and risk management in the Bank's standard.

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2.5 Corporate Performance

Corporate performance can be evaluated, measured, and analysed of the overall efficiency of organizational restructuring which reflects in high performance organization, growth rate, revenues and profits, growth in market share and market capitalization, employee job satisfaction, employee engagement, operation cost reduction, customer satisfaction, employee engagement, leader in product innovation, business process improvement, organizational citizenship behaviour and productivity delivery. In addition, the result of corporate performance which shows bad results, feedback or complaint can give feedback to all the responsible authorities. Donnelly and Morris (2003) have Ford's successful restructuring which resulted in 1) creating a new strong management team, 2) credibility to impress market, and 3) providing necessary leadership. Ferguson and Reio (2010) asserted that companies measured their corporate performance into two perspectives – financial performance and business performance. To sum up, the corporate performance presented the efficiency and effectiveness of firms by measuring and evaluating performance in part of finance, employee, business, and organization.

2.6 Corporate Strategy and Corporate Performance

The role of corporate strategy is to provide business frame related to corporate situation, economy situations, external factors, internal factors, and business processes. The business frame has flexibility based on corporate situation, and to be clarity based on business goals for all business units to be implement on the next business steps. Mellat-Parast and Digman (2007) defined that quality management has been recognized as a comprehensive management paradigm for enhancing organizational performance and competitiveness. Since the corporate strategy is important role in firm. In order to analyse the relationship between corporate strategy and corporate performance, this study set assumption to test both variables. The following assumption was tested in this paper:

H₁: Corporate strategy differences in SCB will significantly affect corporate performance.

2.7 HRM Strategy and Corporate Performance

HRM has also an influence on the firms' business strategies and business performance. This is through activities such as employee development, employment, amount of employees planed, employees' time management, etc. On the other hand, HRM has related business strategy, organization structure, and corporate performance dependent on HRM strategy, HRM practices, and HRM policy Shih and Chiang (2005) affirmed that HRM practices could improve and support employee performance, organization growth and development, and enhance company's core competition advantage. Huang (2001) concluded that different HRM strategies were seen to have significantly different impacts on the indicators of organization morale, financial performance, and overall performance. Wang and Shyu (2008) collected several literatures to attest that business should combine its competitiveness and HRM strategy to increase operational performance. In order to investigate the relationship between corporate strategy and corporate performance, this study set assumption to test both variables. The following assumption was tested in this paper:

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H₂: HRM strategy differences in SCB will significantly affect corporate performance

2.8 Organizational Strategy and Corporate Performance

The objectives of organizational restructuring can be concluded that it could: change work process, organizational structure and organizational culture, reduce expenses, enhance competition in the business world, and develop organization in short period of time and for rapid organizational development as well as to motivate employees. Carroll and Wagar (2010) explained that organizational restructuring caused organizational engagement, business change, improving work processes and work design, employee commitment and satisfaction, employee development, and workplace performance improvement. In order to analyse the relationship between corporate strategy and corporate performance, this study set assumption to test both variables. The following assumption was tested in this paper:

H₃: Organizational restructuring differences in SCB will significantly affect corporate performance.

2.9 Control & Measurement System and Corporate Performance

Control & measurement system is used to discover the quality and quantity of the result of implementation to ensure success in corporate goals. O'mara, Hyland, and Chapman (1998) described that performance measurement is a key factor in ensuring the successful implementation of a company's strategy. Thus, when an organization implements new strategy which ensure that the appropriate set of performance measurement is in place. Amaratunga and Baldry (2003) argued that a performance measurement system may contribute to better goal attainment by an organization. It has been widely accepted that measurement could contribute to more effective control through giving insights. In order to investigate the relationship between control & measurement system and corporate performance, this study set assumption to test both variables. The following assumption was tested in this paper:

H₄: Control & measurement system differences in SCB will significantly affect corporate performance

Based on the discussion, the following is a proposed model of organization restructuring for business performance.

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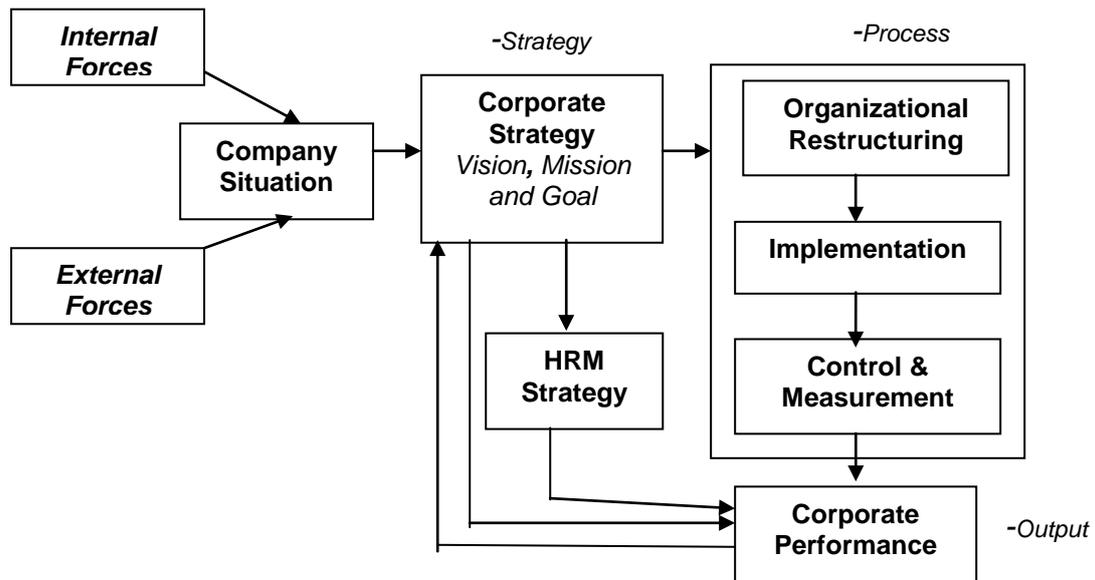


Figure 1: Organization restructuring for business performance model

3. The Methodology and Model

3.1 Research Design

This paper uses a two-stage methodology using a qualitative research, grounded theory, and quantitative research method in data collection. In-depth interview is used to collect the primary data and then a questionnaire survey is conducted with the same group of interviewees or respondents. This research collected 291 samples from SCB manager level from 108 managers at HO. and 893 branch managers by Taro Yamane' method. For interview questions, this research used six open-ended questions for in-depth interviews of SCB's managers. The following questions were included in the questionnaires as follows:

1. What is the worst economic/financial situation your bank and your unit have ever had to deal with?
2. Are there any conditions or situations in the external environment has impact on or influence the change process?
3. What internal factors, do you think, have an impact or influence on the performance of organizational restructuring in your company and your unit?
4. What do you think of the high competition in the Banking market between Thai banks and multinational banks? And what business method and strategy do you choose in a competition?
5. Do you agree that the result of organizational restructuring will help boost your business? Yes/No, why?
6. What do you think of your bank's organizational restructuring after the financial crisis in 1997?

3.2 Data Collection and Data Analysis

This paper applied grounded theory method in data collection which involved in-depth interview and open-ended questionnaire survey by scoping individual sample respondents, and analysing secondary data. The use of both in-depth interviews and questionnaires can be considered useful in maximizing the strengths and minimizing the weaknesses of both techniques to ensure that the findings are more reliability. Table 1 outlines the result of the reliability on the survey items. According to the internal consistency and reliability of the result of the survey data, this paper used Cronbach's coefficient alpha to test all data of the survey. The overall of the average of the reliability coefficient alpha of the surveys data indicate an alpha of .886

Table 1: The reliability results for each variable

Variable	N of Case	N of Term	Reliability
Corporate Strategy	291	16	.8618
HRM Strategy	291	22	.9602
Organizational Restructuring	291	34	.8888
Control & Measurement System	291	14	.8510
Corporate Performance	291	52	.8693

4. The Findings

The finding of this paper can attest confirm the objectives of study. The following paragraphs discuss the findings from the questionnaire survey, and findings from in-depth interviews and the secondary data. Furthermore, this paper assigned that corporate strategy, HRM strategy, organizational restructuring, and control and measurement system are independent variables. Corporate performance is dependent variable.

4.1 Relationship between Corporate Strategy, Organizational Restructuring, HRM Strategy, and Control & Measurement System and Corporate Performance

In order to find factors influencing SCB business performance, this paper used spearman correlation, one-way ANOVA, and $p = < 0.05$ to analyse the relationship among independent variables and dependent variable specified in the Bank's organizational restructuring of business performance.

Table 2: Correlation matrix between all variables of SCB business performance

Variables	1	2	3	4	5
1. Corporate Strategy	1.000				
2. HRM strategy	.508**	1.000			
3. Organizational Restructuring	.752**	.540**	1.000		
4. Control & Measurement System	.801**	.704**	.493**	1.000	
5. Corporate Performance	.714**	.584**	.503**	.685**	1.000

** . Correlation is significant at the 0.01 level (2-tailed)

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The result of spearman correlation testing is shown in Table 2. The independent variables and the dependent variable showed high score of the correlation coefficient, and all variables are highly correlated. It meant that corporate strategy, organizational restructuring, HRM strategy, and control & measurement system will significantly affect corporate performance. Furthermore, corporate strategy will significantly affect organizational restructuring, HRM strategy, and control & measurement system also.

Table 3: One-way ANOVA for corporate strategy, HRM strategy, organizational restructuring, and control & measurement system to corporate performance

Sources	N	Sum of Squares	df	Mean Square	F	Sig
Corporate Strategy	291	75.573	2	37.786	145.638	.000
Organizational Restructuring	291	27.393	2	13.697	41.883	.000
HRM Strategy	291	101.913	2	50.956	195.455	.000
Control & Measurement System	291	27.962	2	13.981	44.362	.000

Table 3 above showed that the Bank 's corporate strategy, organizational restructuring, HRM strategy, and control & measurement system were found to be significantly developed and changed the Bank's corporate performance by showing positive coefficients of all sources, all with $p < 0.05$. These mean that H_1 , H_2 , H_3 , and H_4 are proven valid.

Based on factors influencing SCB business performance, this paper found that SCB was able to use its corporate strategy to implement its organizational restructuring for managing its corporate performance. At the same time, the Bank must use HRM strategy together with its organizational restructuring for managing its corporate performance to ensure the effectiveness of implementation.

4.2 The Finding of SCB's Strategies of Business Sustainability

In order to clearly investigate what SCB strategies and tactics choose to retain its business in each economic situations, thus, this study decides to analyse the result of SCB's primary data and secondary data during 1997-2010.

1. The Economic Recession in 1997-1999

All Thai business industries had been affected by the Thai economic recession. Many companies closed their businesses and caused a lot of unemployment. All Thai commercial banks had serious problems caused by the increase in NPL volumes. In 1998, SCB had a lot of internal problems as cash flow problem, business performance, capital reduction, etc. In order to sustain the Bank's business, this study finds that the Bank decided to propose the early retirement program by offering pension plan which depended on the calculation on the basis of length of service and the amount of last pay received. Any employees are eligible to join this program. Weller (1995) asserted that in the private sector, a restructuring of the corporations often use of downsizing, personnel lay-offs or hiring freezes. As a consequence of SCB's financial problem due to wrong business management, most of the top management team member resigned from SCB also. Grant and Soenen (1994)

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explained that in 1979-1988, corporation restructuring emphasize asset restructuring and defined internal management changes. The wrong business management led to increased NPL and some business areas loss. As a result, the Bank closed some branches, and tried to stop the Bank's NPL. Furrer, Pandian, and Thomas. (2007) asserted that corporate strategy during the decline and turnaround stages often manifested itself in the divestment or closure of parts of the business. In addition, SCB made a mistake in investing in non-core bank business sectors such as entertainment, construction, real estate, transportation, communication, etc. Thus, the Bank emphasized cash expansion to sell all non-core banking businesses. In 1999, the Bank succeeded in participating in the Government's Tier 1 Capital Support Program and increase its new capital. Hoskission and Johnson (1992) explained that large corporations retained their businesses, and increased capital values by using divestiture strategies. As a result, the Bank had a strong capital base, and it was the first bank to meet 100 percent mandatory provisional requirement. In order to plan to operate its business in 2000, the Bank set a new corporate policy by increasing the efficiency of internal audit and control, developing the risk management system, reviewing business process, and managing NPL reduction. Meanwhile, all SCB's competitors stopped expanding their business, and stopped their services in some business areas because they had several problems, and their capital did not support the 100 percent of the loan-loss provision. As a result, in the second half of 1999, SCB started to develop its business for business expansion plan in 2000.

In brief, during this period, SCB's strategies had emphasized cost reduction strategies and developed a strong capital base by implementing several strategies, namely 1) early retirement program (lay-off strategy), 2) changes taking place at the top management level, 3) closing low profit branches or loss-making branches, 4) selling non-core businesses, 5) reducing cost operations, 6) control and manage NPL and 7) raising capital by participating in the Government's Tier 1 Capital Support Program.

In the meantime, SCB's major competitors are Bangkok Bank Public Ltd (BBL) and Kasikorn Bank Public Company Ltd (KBANK). Both are large-sized commercial banks in Thailand.

BBL chose strategies to retain its business, namely 1) no change taking place at the top management level, 2) announcing early retirement program (lay-off strategy), 3) pressuring debtors to pay a debt or acquisitive debtor's company by holding large shareholder in firm and increasing its capital, 4) closing low profit domestic branches and international branches, 5) selling non-core business, 6) delaying the expansion of its business, and 7) raising money by selling its bond.

For KBANK, it proposed strategies to rehabilitate its businesses, namely 1) no change taking place at the top management level, 2) announcing early retirement program (lay-off strategy), 3) negotiating debtors to pay a debt or used a debt haircut policy, 4) closing low profit domestic branches and international branches, 5) selling non-core business, 6) delaying to expand its business, and 7) raising money by selling its bond.

So, the difference in these two banks' strategies and those of SCB's is that for the BBL and KBANK, there is no change in the top management level whereas SCB did.

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2. The Economic Renewal in 2000-2002

During this period, the Thai economy grew 4.5 percent in 1999. In the economic renewal, SCB emphasized its organizational restructuring based on building the strength of the Bank's business. In 2000, SCB continued to rapidly expand its business because the Bank expected the Thai economy to boom again. Edwards, Woodall, and Welchman (1996) explained that corporations emphasized business recovery in crisis by restructuring organization and management led to structure and culture changed. In 2001, in order to ensure the successful implementation of organizational restructuring, SCB established a new unit under the name of "Change Program Project" to manage and control the implementation of the first phase of the organizational restructuring only. Furthermore, this new unit has developed strategy implementation and evaluated the result of restructuring. Based on business strategy, in order to implement new concept of banking service, the Bank tried to change its culture from 'customer walk-in' to access banking services to the Bank's employees approaching customers. As a result, SCB started to expand its business aiming at the new target groups by continual implementing retail distribution. Pollitt (2006) asserted that corporate culture changed was able to support the business advantages in term of strategy, competition, customer relationship, and employees' responsibility.

One of the branch managers working in Bangkok's vicinity area who were in favour of SCB's organizational restructuring strategies explained that

"Organizational restructuring is the best strategy. SCB can adapt itself in the present situation by restructuring organization and reprocessing work. The results of restructuring enable SCB success in running business in the crisis time, economic change and the future. Furthermore, the Bank can transform business threats into business opportunities. Consequently, SCB has many banking products to support customer requirement and increase customers' volumes. In addition, rewards from other financial institute given to the Bank can guarantee success in its business performance."

Meanwhile, all SCB's major competitors were still fixing their NPL problems, and stopped expanding their business. In order to develop and create new banking products and services, the Bank established new organization structure. Moreover, the Bank created a new appearance by creating SCB brand together with redesigning physical branches based on the purple colour. Douglas (2001) proposed that the strong brand was able to create a competitive advantage in marketplace, and strengthening customer loyalty. In 2002, to continually expand new retail group and volumes of loans, increase the Bank's loan-loss coverage ratio, and control its NPL volumes, SCB chose to reserve to fully accommodate any potential deterioration of Problem Classified Loans by setting aside a huge provision for loan-loss of about 24.8 billion baht. As a result, the Bank reported a net loss of 12.5 billion baht but it succeeded to expand its loans in the short-term and long-term.

This research concludes that in the economic renewal period, the Bank placed importance on its organizational restructuring by establishing new office whose main responsibility was to monitor and control the implementation of organizational restructuring strategy. Furthermore, in order to sustain SCB's business, the Bank aimed to build the strength of the Bank's business by implementing strategies,

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namely 1) developing new culture (change culture), 2) re-building SCB brand and branch redesign, 3) focusing on the retail group, 4) expanding retail distribution, 5) controlling NPL volumes, 6) controlling cost and budget, and 7) restructuring its organization. As a result, in 2000, the Bank started to sustain its business by showing its net profits, and in years later, the Bank was able to achieve its business expansion by increasing its revenues, market share, customer base, and managing its strong capital. Fu, Chang, and Wu (2001) explained that the result of organizational restructuring led to corporation performance by increasing in four dimensions - system establishment, improving efficiency, increasing profits, and employee participation.

3. The Economic Growth in 2003-2006

During 2003-2006, the Thai economy continued to grow by an average of 5.65 percent. As a result, all SCB's major competitors began to expand their businesses which led to high competition in the Banking market. Thus, the Bank emphasized its business sustainability and continual organizational restructuring to achieve business recovery and business expansion based on differentiation strategy. Chi (2010) explained that in order to increase competitiveness, corporations choose to implement differentiation strategy and/or cost leadership strategy. In 2003, SCB achieved its branch network expansion, creation of solid positioning of market share for future growth, and the revitalization of its profitability. As a result, the Bank could protect its market share and prevent its competitors' business expansion. Furthermore, the Bank quickly increased its business by expanding its business channels. In 2004, with the successful organizational restructuring in the first phase, the Bank started to implement the next phase of organizational restructuring. This is through its focus on growing its business, improving the quality, developing human resources, and implementing the premier universal bank. Furthermore, SCB replaced new core bank system to support customer volumes more than 10 million accounts. In 2005, the Bank started to change its branch services to the premier universal bank concept. Cameron (1995) asserted that the universal bank concept achieved to service customers in one branch for all financial transactions by combining financial service, banking services, securities services, leasing, and insurance service. In order to differently service customers and keep the Bank's customer service standard. The Bank implemented the one-standard of service by setting its business performance standards with respect to service quality and employee performance according to the World Class Standard, Customer Engagement (CE), and Customer Satisfaction Score (CSS). Moreover, in 2005, the Bank started to pay a dividend to shareholders, and in 2006, the Bank held the second highest market capitalization among the Thai Financial Institutions, and the third biggest banks in Thailand.

With the strong SCB's capital, the Bank investigated Asian market's potential, and found that Asian markets could grow their performance with a large scale of customers and big business gaps in markets. The Bank chose to invest its money in Asian markets such as in Cambodia by using owner strategy in 2002-2003, in Vietnam by using joint venture strategy and providing banking know-how and capital in 2004, and in the People's Republic of China by using alliance strategy in 2005 because this strategy was able to save cost investment.

It is found in this research that during the economic growth period, the successful organizational restructuring has led to the decision of the Bank to continually

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restructure based on the Bank's strategies for business recovery and business expansion. This is by implementing various strategies, namely, 1) restructuring its organization, 2) changing branch banking concept, 3) recognizing the premier universal bank, 4) expanding business to SME sector and large industry, 5) continuing the launch of new banking products, 6) increasing customer loans, 7) recruiting employees, 8) replacing and implementing new core bank system and new business process, and 9) expanding investment and service in other regions, and 10) developing human resources. As a result, the Bank continued to increase its revenue and market capitalization, and it was able to build its human capital value.

4. The Economic Decline in 2007-2010

During this period, Thai economy continued to decline due to the Thai political instability, and the global economic uncertainty. During this period, other banks quickly expanded their businesses because they believed that the Thai economy will rebound soon as some of them have already lost their market share to SCB. Especially, in 2009, the Thai economy grew -2.3 percent. This research analyses the in-depth interviews and SCB's secondary data. Again, it is found that in order to sustain SCB's business during the Thai economic decline period, the Bank has been continuously restructuring its organization based on its strategies of the business expansion and customer retention. In 2007, SCB's organizational restructuring emphasized business expansion by continuing transformation of the Bank's competitiveness and franchise values. As a result, the Bank succeeded to gain market share in the SMEs and hire-purchase businesses. During this period, the Bank's competitors quickly expanded their businesses because they believed that the Thai economy will rebound soon and they already lost their market share to SCB. Lewin and Johnston (1996) explained that the firm achieved to organizational restructuring in market competition by developing organization structure and management process.

In 2008, the Thai economy had been strongly affected from the global economic fluctuation. In order to manage its business performance and market share, the Bank chose its organizational restructuring by adjusting its business risk level and return on investment related to business situation. Regarding the Bank's solid capital base, SCB implemented BASEL II project for computing its capital adequacy ratio. As a result, in 2008, the Bank showed again its net profits at baht 21.4 billion a 23.4 percent increase. It was the highest in SCB's history. Dr. Vichit Suraphongchai, SCB's Chairman of the Executive Committee noted in annual report 2008 that:

"Some eight years ago we commenced our transformation journey through our Change Program (organizational restructuring) in order to reposition our franchise by improving our competitiveness and core profitability in a fast evolving landscape. While the journey continues, the increasing numbers of awards have been achieved by our BankThese accolades also motivate us to redouble our effort to sustain the ready world-class level of customer and employee engagement."

In the following year, 2009, the Thai economy declined again which affected the SCB's business performance. Thus, the Bank's organizational restructuring was undertaken with the emphasis on two strategies, namely, costs and budgets reduction, and business expansion. For costs and budgets reduction strategy, the

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Bank has implemented the shared service strategy for SCB's subsidiary companies by offering IT, legal, financial system, infrastructure, risk management and control system, internal audit, HR, and communication. As a result, the Bank was able to reduce its costs and budget. Moreover, the Bank has increased new customer groups, and expanded new market from SCB's subsidiary companies' customer base. Furthermore, the Bank assigned cost reduction strategies for HO offices and business expansion strategies for all branches. For business expansion strategy, the Bank aimed to maintain its customer base, and expand market share in the blue-chip, public sector segments, and mortgage. Moreover, during 2009-2010, in order to manage employees in the decline stage, SCB decided to delay employee recruitment project, and instead, it proposed employee development project. The result of the implementation of costs and budgets reduction and business expansion led to the Bank's net profits at baht 20.8 billion.

In 2010, the Thai banking market continued its fierce competition. SCB started to offer customer benefits in terms of special interest rates, credit line expansion, and long term loan agreement. As a result, SCB showed its net profit in 2010 at baht 24.2 billion.

Besides, the economic decline period had experienced a lot of unemployed people and increased NPL. In order to maintain SCB's business performance, the Bank emphasized the NPL reduction, and retained the customers' loans. The Bank proposed its business participation policy on giving consultation to customers in financial system and suggested new markets in the domestic and the international markets.

Thus, it can be concluded that in the economic decline period, the Bank emphasized its organizational restructuring to implement its business maintenance and its business expansion for business sustainability based on several activities, namely 1) maintaining the customer loyalty, 2) increasing services and banking products quality, 3) expanding new market and new customer groups, 4) maintaining employees and delaying recruitment, 5) controlling costs and budgets, 6) maintaining SCB brand, 7) implementing shared service strategy, 8) continual implementing organizational restructuring. Consequently, during 2007-2009, even though, Thailand's GDP continued to decrease, but SCB's annual reports still show its net profit growth, return on equity (ROE) growth, return on asset (ROA) growth, and NPL reduction, as shown in Appendix Table 4, and during 2007-2009, the Bank achieved the highest market capitalization among Thai Financial Institutions.

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Table 4: Comparison between SCB's performance and the GDP of the Thai Economy During 1996-2010

Item	Year														
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
%Thailand's GDP	5.9	(1.4)	(10.5)	4.5	4.8	2.2	5.3	7.1	6.3	4.5	5.1	4.8	2.6	(2.3)	7.8
Net Profit (Loss): Billion Baht	9.0	3.2	(15.6)	(48.7)	3.5	9.2	(12.5)	12.5	18.5	18.9	13.3	17.4	21.4	20.8	24.2
% of SCB's ROE	23.73	7.75	(40.6)	(79.9)	6.2	0.7	(21.9)	19.5	23.1	20.8	13.4	16.5	18.0	15.5	16.4
% of SCB's ROA	1.81	0.51	(2.2)	(5.1)	0.5	0.1	(1.8)	1.8	2.4	2.4	1.4	1.6	1.8	1.6	1.7
% of SCB's NPL	1.5	3.3	37.1	24.2	19.2	30.8	24.2	17.5	13.2	9.3	7.8	6.1	5.1	4.4	3.25

Remark: In 2002, in order to expand SCB's loan in the short-term and long-term, the Bank chose to reserve to fully accommodate any potential deterioration of Problematic Classified Loans by setting aside a huge provision for loan-loss of about 24.8 billion baht. As a result, the Bank reported a net loss of 12.5 billion baht.

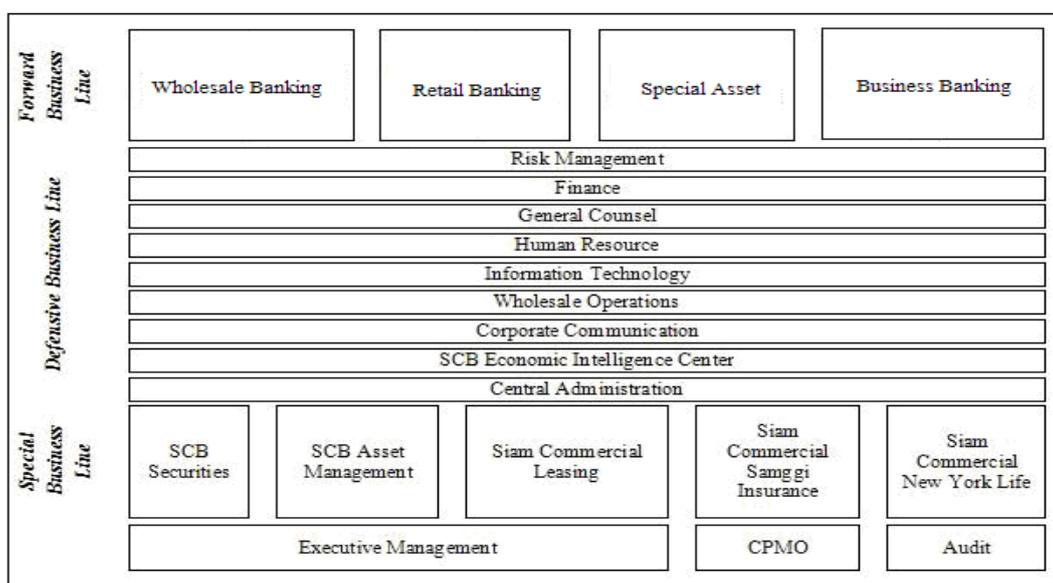
Source: From BOT, FPO, and SCB Annual report during 1996-2010

SCB Organization Structure Development

In its continual effort to sustain its businesses, SCB also developed its organization structure related to its business during the Thailand's turbulent economic markets and high market competition, as shown in [Figure 2](#). The Bank started to redesign its organization in 2001 by changing from divisional structure to conglomerate structure. In 2010, due to the Thai economy uncertainty, the Bank redesigned its organization again by proposing three main lines of business structures, namely, first, the forward business line which covers four business groups, and creates aggressive business strategy and increase business efficiency by expanding customers' base, new bank products and market share, and building customer relationship. The second line of businesses is a special business line which covers five subsidiary companies. Their business products and services are different from SCB's main businesses and outside Bank of Thailand (BOT)'s justification. The five subsidiaries provide products and services such as leasing, assurance, insurance, investment, and stock exchange. The third line of businesses is a defensive business line which covers nine business groups. The defensive business line provides the Bank's IT, legal, financial system, infrastructure, risk management and control system, internal audit, HR, and communication for SCB and SCB group subsidiaries business based on shared service strategy.

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Figure 2: SCB's Organizational Structure



Overall SCB's business sustainability has been achieved. The Bank is able to operate its business in the economic uncertainty by implementing continuously its organizational restructuring with various business strategies in order to increase its business efficiency and organizational efficiency, even though, the Bank had some employee problems.

5. Summary and Conclusions

The Bank's success in achieving its business sustainability is a result of its organizational restructuring with business expansion plan. As a consequence, the Bank had increased its business efficiency to improve its growth rates in terms of revenues and profits, market share, market capitalization, customer satisfaction, leadership of product innovation, business processes, products delivery and competitiveness. The implementation of organizational restructuring for business efficiency is undertaken in combination with the Bank's continual expansion and business development in all economic situations. As a result, the Bank had succeeded to retain its business in the economic recession and decline, and expanded its business in the economic renewal and growth. In addition, during 2003-2010, the Bank had continually generated customer benefits, and constantly approved a dividend payment starting in 2005.

Furthermore, the Bank succeeded in increasing its organizational efficiency and effectiveness by redesigning its structure based on the three main structures, namely, forward business line, defensive business line and special business line to support the Banks' strategies and business. The forward business line has created aggressive business strategy and increase business efficiency by expanding customers' base, new bank products and market share, and building customer relationship. The special business line has provided its businesses to different SCB's business and outside BOT's justification as leasing, assurance, insurance, investment, and stock exchange. Furthermore, it can develop a new customer group for SCB's business expansion. In addition, the defensive business line has provided

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the Bank's infrastructure for SCB and SCB group subsidiaries businesses expansions based on shared services strategy.

In conclusion, this paper ensured that SCB's organizational restructuring and corporate performance can be succeeded by holding the six key factors. These are namely, first; the organizational restructuring was implemented distinctly based on corporate strategy and policy. Second, the top management level is involved in the organizational restructuring program. Third, the plan of the organizational restructuring is related to the Bank's business plan. Fourth, the Bank aimed to build employees' understanding for the Bank's situation based on HRM policies and practices. Fifth, the Bank's employees have high organization commitment and loyalty, and participated in the organizational restructuring. And sixth, the Bank has set up a unit called "Change Program Management Office" to manage the organizational restructuring, and approve for restructuring of organization under "Change Program Steering Committee".

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