

EMPLOYEE ENGAGEMENT OF COMMERCIAL BANKS IN THE LOWER NORTH OF THAILAND

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ABSTRACT

Commercial bank has been an important business sector in Thailand. As major part of the commercial banks, the bank officers play supporting role in helping the success of the bank. The purpose of this study is to set up the framework in explaining how bank officers forming their employee engagement to the bank. The proposed conceptual framework explain that salary structure of the bank, work attributes, and transformational leadership are three major influencing factors, which have impacts on employee engagement of the commercial banks. The study purpose that state-owned banks with lower salary structure compare with private commercial banks can enhance its level of employment engagement through its more flexibility level of work attributes while the private commercial banks compensate its stress works with higher salary structure. Data set is collected by in-depth interview from bank managers as 24 interviewers. The empirical result are salary structure, work attribute, and transformational leadership influence to employee engagement of the commercial banks, state-owned commercial bank's salary structure is lower than private commercial banks, its more flexibility than private commercial banks, enhance employment engagement, and private commercial banks is stress works with higher salary structure. In summary, this paper is aim to implement for academics and practitioners, and throughout the direction of future research under this criteria.

I. INTRODUCTION

Nowadays, "Human Resource Development" has been emphasized by most work organizations due to the reason of "people, as the main factor leading work organizations towards success". Among those four M's, Man, Money, Materials, Management or Method, "Man" is the most important which create value-added for organizations continuously. People, especially efficient people, become scarce and mostly needed more and more. Those good ones are usually hunted by job head hunters. This cause efficient manpower shortage problem in many organizations. In the same token, those efficient employees retention has been emphasized by good managers in the work organization. The most important indicator indicating organization success is engagement.

In details, employees engagement usually think positively or trait engagement, for examples, being conscientious, being positive about adaptability. This causes emotion engagement or state engagement. This includes satisfaction, willing to work for organizations. Finally, the behavioral work organization engagement reveals. This can be noticed that those employees work harder, devote to work harder, being a organizational behavior citizenship. [1] Kahn stated that employee engagement is part of the effort towards work. This reflects on behavior, ways of thinking, and feeling positive while working in the work site. [2] The turnover rate of the employees with engagement would be less than the rate of the ones without. [1] [2] [3] The engagement then covers

more than just satisfaction of work. It's gradually progressive as time goes by and retains consistently. This conclusion can be drawn as the most important factor binding employees towards their "Job Attributes" [2] set by their organization until the work objectives successfully achieved. And the employees stay on longer. Those employees are the ones who support and enforce other ones to devote. If not, if the employees are not satisfied with work, it may cause disengagement. The dissatisfied results will be reflected and cause work delay, disruption, discontinuity. This reflects bad reputation for the organization on stability and cause employees' dissatisfaction. This, includes the tentative applicants. In conclusion, the employees' engagement has been the problem in government-related and private organizations. The problem solvers such as first-line managers, middle managers and senior executives need to occupy appropriate leadership especially transformational leadership congruently with the work processes set within the organizations. This will then yield maximized benefit for the organization. And the problems would be lessened and this may, somehow, brings in employees' common understanding, satisfaction, and well acceptance among them. This then leads to organization engagement as a whole. [2] Although each organization is aware of its importance, many of them face to similar problems continuously. Those reflect in employees' work behavior such as work delay, non-willful-neglect, unenthusiastic, lacking of creativity, unsuccessful work results, finally, resignation. The aforementioned behaviors indicate levels of engagement the employees have. This will then reflect organization image, stability, competitive ability and the final success in the outsiders' opinions.

This research study shows the relationship of the commercial bank employees' engagement, both in the state-owned and private ones which work processes are completely different, even among the same private consortium or state-owned. Such bank beneficial return within private commercial ones set structure of salary, high rate of return, and welfare are different based on each one's Act. These indicate economic stability and cover family member's welfare. In terms of job descriptions, the private banks set up very demanding job functions and much more competitive focusing on benefits. Their main customers are entrepreneurs who want to invest in their businesses. While the state-owned banks which are less competitive and emphasize more on their government officials, farmers. In terms of the differences of the managers' leadership, it indicates different characteristics. The private banks include the ones led by all Thai managers, and foreign ones. In the state-owned banks, most of the managers include more than half of Thai, especially Thai government official. From the aforementioned circumstances, those factors reflect different work styles, service, images, including organization stability and management processes. [4] Such learning organizations like the commercial banks must face to dramatic changes all the time. The fostering of young and new generations are needed. Those new ones need to have creativity, willing to learn new things, being honest, and loyal to the organizations are the appropriate ones to step into higher leadership positions. Meanwhile the most experienced, efficient senior executives should be retained. So those can coach the following ones and work cooperatively. And most of all, they can help the organizations succeed. Although the commercial banks have been operated properly, the employees' dropout rate is still high, statistically speaking, from 4-5% up to 10% per year. From the dropout survey via calling in 5 large-size banks, in the first 6 months of 2556 BE, it was found that the highest dropout rate is from Krungsri Bank at 8.8%, secondly, Kasikhorn Bank at 8.45%, thirdly, Siam Commercial Bank at 7.02%, and fourth, Bangkok Bank at 5%. The last one with the least dropout rate is Krung Thai Bank at 1.47%. The problems of dropout and seeking for long term permanent employees is the tougher especially in this growth period of the top rate. This leads to hunting for efficient employees. [5] In conclusions: there are 4 causes of dropout rate problem; (i) changing jobs (ii) becoming entrepreneurs in business, farming (iii) stop working (iv) early retire [6]. The causes of the first problem are (i) the nature of work is not conformed with the employees' ability (ii) the assigned tasked are not what the employees' expectation (iii) insecurity (iv) work environment dissatisfaction (v) improper salary. From the above factors, the researcher is interested in studying the main factor, the employee engagement in the commercial banks operated by private and state-

owned in the northern part of Thailand relating to; (i) salary structure (ii) work attributes and (iii) transformational leadership. How all these aforementioned factors correlate with the employee engagement in commercial banks in Thailand.

II. THEORETICAL BACKGROUND

A. Employee Engagement

The concept of Engagement states from studying the employees satisfaction first. In 1958 March and Simon [7] studied about "Commitment". In 1990, Kahn, WA. studied about "Engagement". Kahn, W. A. [2] The work on "Psychological Conditions of Personal Engagement and Disengagement at work" was published in "Academy of Management Journal". The definitions of "Engagement" were categorized in 3 aspects; (i) Cognitive (ii) Emotional and (iii) Behavior. Later on the concepts were developed and more variables were studied continuously. In 2008, Macey, W.H., and Schneider, B. [1] tested the variables resulted from employee engagement. Two independent variables and supportive variables resulting engagement in 3 characteristics ; (i) Trait Engagement; positive thinking towards work life, fairness, proactive personality, the adaptability of work policies and work objectives, good intention towards the organizations (ii) Psychological State Engagement; This positive emotions leads to work motivation and, this type of feeling will then accumulate as years go by. The employees will be satisfied, feel involved, and have commitment with their organizations (iii) Behavioral Engagement; for examples, becoming a good member or organizational citizenship behavior (OCB), willing to work on special assignment, and becoming very cooperative, (iv) Transformation Leadership; the process the managers used to shift the employees' awareness and work conscientiousness so they tend to focus more on working for the organizations rather than focusing on their own selves. Those resulted directly on "Trust" which then results engagement (v) "Work Attributes" are work details such as variety of work, value, challenge and freedom of decision making.

B. Motivation

Motivation has correlation with causes and effects in responding peoples' needs. This includes corresponding and a part of engagement. In 1959 Herzberg, F. [8] proposed "Hertzberg's Two Factor Theory". Based on Herzberg's theory, there are 2 factors correlating satisfaction and dissatisfaction towards each one's work; (i) Motivation Factor; the internal factor relating directly to work , motivating employees' work satisfaction and having work passion, resulting more efficient work. The motivation factor include achievement, recognition, responsibility, work itself, advancement and growth. (ii) Hygiene Factor; an outer factor which motivate employees to work satisfactorily, otherwise, these would cause work dissatisfaction, boredomness, might lead towards dropping out and resignation finally. The causal factors could be from working conditions, relationship with others, career status, company policies, quality of supervision, job security and salary.

C. Job Satisfaction

Job satisfaction has correlation with employees' working enthusiasm and willing to work intentionally in the long run. And the same factor is part of employee engagement. [9] [10] The foundations of job satisfaction are categorized in 2 types; (i) Human Relationship Factor studied by Hawthorne in 1920 on work environment such as light which could increase work product. This is congruent with Herzberg' study in 2 types; Satisfaction Factor and Hygiene Factor (ii) Porter and Lawler [11] also studied job satisfaction. It indicated effort and successful work cause satisfaction. Rewards from job satisfaction were categorized in 2 types (1) Intrinsic Motivations include attitudes,

interests, attention, satisfaction, needs, etc (2) Extrinsic Motivation include compliments, praise, awards, compensation, etc.

D. Salary Structure

The differences of the two types of salary structures in private and state-owned banks are indicated clearly based on their payment rate and positions and tasks. The salary structure of state-owned bank set by the state enterprise labor relations committee dividing into 3 groups; (i) the state-owned approved by the board (ii) the state-owned using on their own (iii) the ones using salary tables approved by the board and finalized by the ministry cabinet with 58 levels of salary structure. The salary structure of private bank based set by the board, and base on the labor law. [12] Indicated salary structure on employees' averaged salary is based on positions. In comparison, the employees' salary rate in private banks is higher than the state-owned banks. In addition, the factors relating to salary structure of private commercial bank employees and engagement to the organization are Generation and Asset Specificity. As Generation, there are 3 types of employees:

1. Baby Boomer or Generation B: people who were born between 1946 to 1964, 52 years old up, patient, struggle and work hard.
2. Generation X: people who were born between 1965 to 1979, 37-51 years of age, highly independent, not working hard as Baby Boomer.
3. Generation Y : people who were born between 1980 to 2000 , 16-36 years of age , special ability to use technology , self-express, challenging things, different attitudes of living style and work from old generations.

From 3 different types of people, the private commercial banks specify salary and benefits to meet the needs and stimulate the employees to continue working at banks.

Asset Specificity of employees is the important asset to the bank, especially the abilities derived from the work, for example the engagement between organizations, customer base, working experiences, working period, saving money, etc., calculated as money is very high and is the cost that the organizations paid for the high rank staff. So the banks need to buy these staff and consider to present the offers that worth for their values , estimate the benefits returning that worth or not before decision to choose that influence to provide the salary structure and benefits of private commercial banks.

E. Work Attributes

Good work attributes which confirm with employees' ability definitely result employees' enthusiasm and foster their creativity. This then cause work satisfaction and readiness to self-development. [13][14] Hackman and Oldham [15] proposed the theories of work attributes explaining work motivation. The theories consist of 5 dimensions; (i) Skill Variety is the different skills and abilities to use in performance (ii) Task Identity is the style of work ability and effort in performance from the beginning until the process is complete (iii) Task Significance is the characterized of the valuable work or important to the person concerned (iv) Autonomy is the style of work for independent idea, decision, and discretion in the planning (v) Feedback is the style of work that can show the results or feedback directly and clearly about the performance. As the factors relating to work attribute and the engagement to organization of employee is Incumbent bank, Newcomer bank, and Bank Seniority. Both private and state- owned commercial banks have run business in Thailand for many years are

called Incumbent Bank. Each has strong customer base, strong work management, high experienced and competent staff. The Private commercial banks have run business recently called Newcomer Bank that need competent employees by offering high benefits alluring these staff, in addition ,they also get customer base from them. Most people from outsourcing were successful at work that involved to Bank Seniority. The banks that focus on Bank Seniority will not shuffle staff to different branches, still work in the old place. Generation is the factor influencing to work attribute for work pattern and job satisfaction. All mentioned are influenced to work attribute of private and state-owned commercial banks.

F. Transformational leadership

Part of organization success from managers with decent leadership Bass and Avolio. [16] Multifactor Leadership Questionnaire: MLQ was conducted by Bass and Avolio. Transformational leadership which was beneficial for organizations was analyzed. The four factors consisted of (i) Individualized Consideration is the executive attention, care, regardless of individual differences, provide advice at work to promote learning new things. Until the personal development at a higher level. (ii) Intellectual Stimulation is to stimulate the potentials and ability in creating something new. Encourage followers use wisdom to analyze and handle problems with new approaches. The freedom of thought and personal decisions. Executives will not be blamed if crash. (iii) Inspirational Motivation is stimulating and motivating internal cause. By challenging assignments and valuable. Motivate personnel consider the importance of goals and vision. The enthusiasm and morale. (iv) Idealized Influence is a prototype, the personnel behave acceptance. And trust by executives must behave useful one for the team. Do not use the power for personal gain. Do the right thing based on moral and ethics principles to govern.

G. Trust

To be successful in the commercial bank managers' career, the managers' characteristics consist not only efficiency, work experience, vision, creativity, trustworthy and being respected and cooperated by their colleagues and the others within their work organizations are the key characteristics. Cooperation is essential of trustworthy among managers and staff members. Luhman [17] proposed his concept of two types of trustworthy which included "interpersonal trust", meaning trust executive managers and "system trust", meaning trust the organization as a whole.

III. PROPOSED CONCEPTUAL FRAMEWORK

The researcher applied the concept of "employee engagement" clarified by Macey, W.H., and Schneider, B. [1] and motivation theory by Herzberg, F. [8] as the proposed conceptual framework for the research as shown below:

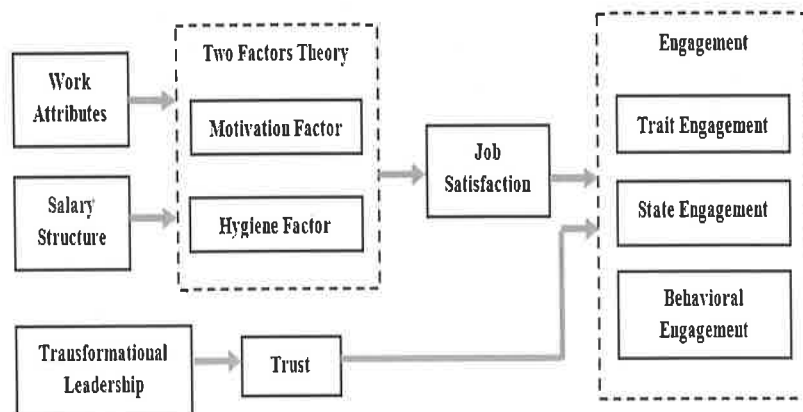


Figure 1 Proposed Conceptual Framework

Figure 1 proposed conceptual framework of this study argues that employee engagement is the result of creating motivation which is in harmony with employees' needs, especially motivation factors and hygiene factors. One important motivation, the work attribute, differs in private commercial banks and state-owned banks. Goals and work quantity create more pressures on employees in private commercial banks than state-owned banks. The salary structure, an important hygiene factor, is higher and more motivating in private commercial banks than in state-owned banks. Reasonable work attributes and salary structures will affect employees' job satisfaction. Leadership is another important factor, especially transformational leadership. The transformational leadership of executives of private commercial banks differs from that of state-owned banks, especially in the aspects of work management and bank goals. While private commercial banks focus on making profits, state-owned banks focus on giving financial support to the public according to the government's policy. Efficient leadership creates trust and job satisfaction among employees. Trust and job satisfactions give rise to employee engagement in the long run. There are three types of employee engagement including: (1) trait engagement – attitude towards the bank; (2) state engagement – happiness at workplace and commitment to work for the bank; and 3) behavioral engagement – being a good member of the bank, willing to give services to customers, defending the bank reputation and intending to maintain working for the bank and not intending to leave. This study hypothesizes that work attributes, salary structures and transformational leadership are important factors that influence employee engagement in Thai Commercial Banks.

IV. METHODOLOGY

A. Data Collection

This research aims to study in order to set a framework of the explanation of employee engagement towards commercial banks. The researcher collected data from all possible documents research literature and relating theories including in-depth interview with the commercial bank managers. The questionnaire was developed based on the results from the in-depth interview with selective senior executives, middle managers and first-line managers resuming positions in the state-owned commercial banks plus the private ones locating in the northern part of Thailand. Quota sampling was used in this qualitative research.

The samples of commercial bank managers, who were given in-depth interview, were divided based on 4 geographical regions. [18] The criteria based on lower northern region consist of 9 provinces in the proportion as follow;

1. First-line managers in private commercial banks consist of branch manager, marketing manager in 9 provinces. Each bank manager is sampled from each province, totally 9 of them.
2. First-line managers in state-owned commercial banks consist of branch manager, marketing manager in 9 provinces. Each bank manager is sampled from each province, totally 9 of them.
3. Middle managers in private commercial banks consist of 2 provincial zone managers.
4. Middle managers in state-owned commercial banks consist of 2 provincial zone managers.
5. Senior executives in private commercial banks consist of one regional bank managers.
6. Senior executives in state-owned commercial banks consist of one regional bank managers.

Total of 24 in-depth-interviewees were from all levels of managers.

TABLE 1
The samples of commercial bank managers

Provinces (Lower Northern Region)	Private Commercial Bank			State-owned Commercial Bank			Total
	Senior Executives	Middle Managers	First-line Managers	Senior Executives	Middle Managers	First-line Managers	
Kampheng Phet			1			1	
Tak			1			1	
Nakhon Sawan			1			1	
Phichit	1	2	1	1	2	1	
Phitsanulok			1			1	
Phetchabun			1			1	
Sukhothai			1			1	
Uttaradit			1			1	
Uthai Thani			1			1	
Total	1	2	9	1	2	9	24

B. Data Analysis

The researcher had In-Depth Interview from both private and state – owned commercial bank Directors in the lower North of Thailand, and brought the information to analyse and summarize for making questionnaires and conclude the engagement to organization of private and state – owned commercial bank employees that the information from the analysis of interview would be interpreted for contents.

V. RESULTS

From the In- Depth Interview from private commercial bank directors in lower North of Thailand can be summarized as details as follows :

a) Transformational Leadership

Leadership attributes have influenced to the thoughts, feelings, and decisions of bank staff because the chief as a representative of bank via visions, working concepts, organizational culture, from bank to employees, therefore, he must have leadership, especially transformational leadership to approach to employees by creditability and trust, performing work abilities, supporting staff for position promotion, making a good relationship to employees for bank benefits from work cooperation, good performance. It concluded that leadership of supervisor influence to the engagement to organization of private and state- owned commercial bank employees.

b) Work Attributes

It is not different when comparing the work attributes between private and state-owned commercial bank but the strength of target, policy ,and process of following up of each bank. The target of private commercial bank is higher and more pressure than the state-owned , including the employees in private commercial bank have more stress from work target due to strong competitiveness but not different in work power, or both work attributes influence to the engagement of their employees.

c) Salary Structure

Not much different salary structure between the private commercial bank and the state-owned, but the private commercial bank employees are still confident about more base salary and bonus than the state-owned but get less welfare and confidence to the organization. Process for paying base salary and fringe benefits of private commercial bank is KPI (Key Performance Indicator), and for the state-owned commercial bank is SEPA (State Enterprise Performance) make both employees realize in base salary and fringe benefits fairness, or both salary structures influences to the engagement of their employees.

d) Asset Specificity

Both private commercial bank and the state- owned have Asset Specificity to exchange benefits from the banks, and the banks also got Asset Specificity from them.

e) Bank Seniority

Organizational cultures of both private and state- owned commercial banks focus on bank seniority at different level. State- owned private commercial banks have policy to encourage the employees to use their own abilities to promote themselves more than bank seniority. Bangkok Bank focused on bank seniority policy, their employees would be promoted as seniority that was different from Kasikorn Bank aimed to ability of employees to push themselves higher at work.

f) Incumbent Bank and Newcomer Bank

Incumbent Bank conducts and tries to keep the employees with many incentives, the state-owned private commercial bank keeps their employees better than the private commercial bank. Newcomer bank needs many competent employees to push organization higher by offering the employees from other private commercial banks with higher salary. The employees from private commercial bank go to others for higher salary more than the ones from the state-owned.

g) Generation

There are many generations of employees from private commercial banks such as Baby boom, X and Y Generations that have many differences in behaviours, thoughts, lifestyles, social networking that influence to the living in society, sometimes have problems from work. Gen Y in private commercial banks was promoted in job faster and have more rates of quitting job than Baby Boom and Gen X, and Gen Y from the state- owned.

VI. CONCLUSION

As the study from in-depth interview with the private commercial bank directors, it summarized that the engagement of private commercial bank employees to organization depend on

transformational leadership, work attributes, and salary structure are the key factors influencing to the engagement to private and state- owned commercial banks. The result of study showed that the employees of private commercial bank have higher salary than of the state- owned. Incumbent bank and Newcomer bank, and Bank seniority, including Generations influenced to work attribute that are the key variables in Two Factors Theory about Motivation Factors. Abilities, experiences and other attributes are Asset Specificity, and generation of employees influenced to salary structure: the variable in Two Factors Theory about Hygiene factors. All factors influenced to long term satisfaction and became the engagement of employees to the banks.

This research is a qualitative study that information was collected by the interviews with private commercial bank directors in lower North in Thailand only. In the future the researcher should continue gathering the quantitative data with the questionnaires from private commercial bank directors.

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