Localization: An Adaptive Transitional Process for Leadership Capability Development in a Multi-local company

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Abstract

This paper explores leadership theories and cultural dimensions for local leadership development in Multi Nationals Companies (MNCs) in Thailand. It focuses on cultural differences between Thailand and Germany as the subject of discussion related to Siemens Limited Thailand only. The cultural studies range from Thai history that shapes the Thai culture and the education development in the country that have direct impact on local leadership styles and capabilities. The MNCs have to develop themselves to be more localized by understanding local cultures that have rooted in each local individual to develop leaders for the organization, which is now perceived more as Multi Local Companies (MLCs) than MNCs. This paper suggests that when cultural synergies are utilized and a specific local leadership development plan is prepared, a higher success rate of foreign companies investing in Thailand in both business and social perspectives is ensured.

Keywords Culture, Leadership, Multi –local company, Thailand

Introduction

The global expansion of recent decades has made Multinational Companies (MNCs) rethink their business strategies to realize larger opportunities for business growth, higher visibility and greater profitability outside their home countries. MNCs have been striving over the   years to locate the operation in focus countries where to best achieve their business goals. However, entering foreign countries without a good understanding of the different cultures of the host countries has become a problem for the MNCs. These differences are based on national culture more than organizational culture (Hofstede, 1980). Such limitation can lead to major obstructions to attaining business success.

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June
2014

The development of highly capable human resources is one of the major challenges that MNCs encounter while scouting for international locations. Finding successful local employees is the most important factor in doing global business and is at the top of the agenda of all MNCs. Due to the fact that several local issues such as language, culture, network and connection, law and tax are of significance for business success, the MNCs need to find local human resources to rise to business challenges in foreign countries.

This study focuses on one of the subsidiary company of Siemens AG, located in Bangkok Thailand under the registered name of Siemens Limited Thailand. Siemens AG has always interested itself in global expansion and has established its subsidiary companies in 190 countries (as of 2011). Siemens Limited Thailand has faced problems in finding the right local candidates to build up local business in Thailand. The company supported this study to find out the local leadership capability development to be in line with Siemens Leadership Framework (SLF), which is a specifically designed management assessment tool used to align the desired leadership capabilities in Siemens worldwide. This study explored the differences of cultural aspects between Thailand and Germany to have a basic understanding of the cultural dimensions of the two countries. It also gave an insight on the Thailand's development in terms of leadership and education that fosters the success of local businesses.

According to Rugman (1981), Buckley and Casson (1985) the theory of internationalization exists by replacing market-type contractual arrangements with transactions within a single organization to minimize cost. The MNCs serve more customers in more locations. Not all these customers have the same needs, desires, or preferences especially when coming from diverse cultural backgrounds. Local knowledge thus confers a significant advantage in satisfying consumers (Quelch and Jocz , 2012). Siemens AG had realized this importance and has expanded itself aggressively in the past 10 years. Siemens AG originally employed the expatriates, mostly Germans to manage business outside home country and later realized that the success of the local business is closely link to local organization and thus the thrust towards local leadership. The CEO of Siemens AG, Mr. Peter Loescher introduced the new concept of Multi local companies

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

that act like local while maintaining the competitive innovation as well as the high technology standard of the global company.

In Thailand, Siemens Limited was established over 100 years ago and positioned itself as a serious player in its own right, offering an entire range of products, systems, solutions and services with a current workforce of 1,188 employees (as of January 2011) and abusiness volume of approximately 8.5 Billion Thai Baht. It also puts emphasis on the Thai economy and local competence as key success factors. Its vision is to become a leading and trusted partner for the Thai economy in the areas of infrastructure, automation, energy and health care through leveraging our local and global competencies. Although the business in Thailand has been successful so far, the company is still looking for further opportunities to enhance business success by mean of cost optimization and increasing of local market share. The company has been developing its local management team that gradually replaces expatriates who have proven to be less effective and costly.

The cultural dimensions of Hofstede

The study of cross cultures in particular for differences between Thai and German cultures has been conducted using the cultural dimension framework of Hofstede. These differences are mainly based on national culture rather than organizational culture (Hofstede, 1980), especially because the Thais and the Germans behave quite differently in several aspects, such as power distance and individualism/collectivism.

The following comparison of cultural differences between Thailand and Germany are found in the website http://www.geert-hofstede.com (accessed on 29/1/2010):

- Power Distance Index (PDI) is the extent to which the less powerful members of organizations and institutions accept and expect that power be distributed unequally. Power and inequality are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others'. Thailand has a high Power Distance Index (PDI) of 64 and indicates the high level of inequality of power and wealth within the society. This condition is not necessarily forced upon the population, but rather accepted by the society as a part of their cultural heritage. The ranking of 64 is slightly lower than the Asian average of 71. Germany, in contrary has PDI scores of 35, as German people are well known as direct communicators and have no strict hierarchy. In the workplace, the supervisor and

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June 2014

the subordinate have more equality and both parties can equally participate in the discussions. The PDI scores show direct conflict between the two cultures when the Thais perceived their German colleagues as rude, insensitive whereas the Germans perceived their Thais colleagues as naïve and irresponsive.

- Individualism (IDV) on the one side versus its opposite, collectivism; is the degree to which individuals are integrated into groups. The societies of the individualists are loosely tied where everyone is expected to look after oneself and only their immediate family. In contrast to the collectivist societies where one finds oneself closely integrated from birth onwards into strong, cohesive in-groups, often extended families that continue protecting them in exchange for unquestioning loyalty. Thailand has the lowest Dimension in Individualism at 20 indicates the society is Collectivist as compared to Individualist. This is manifested in a close long-term commitment to the member "group", whether that is a family, extended family, or extended relationships. Loyalty in a collectivist culture is paramount, and over-rides most other societal rules and regulations. The society fosters strong relationships where everyone takes responsibility for fellow members of their groups. German's IDV scores are rated at 67 indicate high level of individualistic. The working group therefore is not always well-perceived as an effective way to move the company forward. It is more important for them to be successful early in life than to have more colleagues in the workplace. The big differences in IDV scores can lead to unnecessary misunderstanding between the two cultures.

- Masculinity (MAS) versus its opposite, femininity; refers to the distribution of roles between the genders whereas masculine represent assertive and competitive society and feminine represent modest and caring society. Thailand has the lowest MAS ranking among the Asian countries listed at 34, compared to an Asian average of 53 and the World average of 50. This lower level is indicative of a society with less assertiveness and competitiveness, as compared to one where these values are considered more important and significant. This situation also reinforces more traditional male and female roles within the populations. Germany has very high MAS score of 66 indicates high assertiveness as well as high competitive environment. These differences make the Thais perceive their German peers as assertive or even aggressive in some instances whereas the Thais are perceived as lazy and laid back.

- Uncertainty Avoidance Index (UAI) is a society's tolerance level for uncertainty and ambiguity. It indicates to what extent a member in one culture feel either uncomfortable or comfortable in unstructured or unknown situations. Uncertainty avoiding cultures try to minimize the possibility of the unknown situation by implementing strict laws, guidelines and rules to govern all members in the society so that members may feel safe and secure. People in uncertainty avoiding countries are also more emotional and motivated by inner nervous energy. The

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

opposite type, uncertainty accepting cultures are more tolerant to different opinions. They try to have as few rules as possible to move around. People within these cultures are more unemotional and they are not supposed to express their emotions in public. Thais and Germans have almost equally high ranking of 64 and 65 respectively in UAI indicates the society's low level of tolerance for uncertainty. The ultimate goal of this population is to control everything in order to eliminate or avoid the unexpected. As a result of this high Uncertainty Avoidance characteristic, the society does not readily accept change and is very risk adverse. Both are resistant to change; they both want to have high certainty in what they do, i.e. job security, clear policies in workplace, written rules and regulations to follow. Since this index is similar, there is no cultural adaption necessary for both sides.

- Long-Term Orientation (LTO) stands for the fostering of virtues oriented towards future rewards, in particular perseverance and thrift. Thais' cultures are more long term oriented than Germans' who have shorter-term orientation. The Germans stand for the fostering of virtues related to the past and present, in particular, respect for tradition, preservation of 'face' and fulfilling social obligations. German people prefer to look for respect and value in society but are not attached to any organization or community, as it is more valuable for the people to seek success rather than loyalty.

Table 1: Comparison of cultural dimension differences between Thailand and Germany

Country	PDI	IDV	MAS	UAI	LTO
Thailand	64	20	34	64	31
Germany	35	67	66	65	56

Improper judging of cultural differences can lead to inappropriate, offensive, racist, sexist, ethnocentric attitudes and behaviors (Adler, 1997), it is therefore important to understand these differences and adapt them for higher synergies. The company has a mixture of different cultures, which can lead to unnecessary misperceptions between organizations and people within organizations. The differences can be minimized through better understanding and by heightened sensitivity to other cultures.

Leadership capabilities at Siemens Limited Thailand

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June 2014

Understanding the foundation of cultures and local society is the key step to developing local leadership within the organization, not only at the top level but also for the other leading functions in the company. This gains them advantages of lower cost structure and higher business access to larger opportunities. The study aims to give a better understanding of social structure in Thailand so that the MNCs are able to use this information as a supporting tool in selecting the local candidates for management positions by shortening the selection process to successfully hire a prospect that is well accepted in the society with good networking capability and relationship management as well as profound educational background and international experiences. Due to the importance of the social structure which permits the development of relationship based on the small world problem study (Milgram, 1967), it is vital for the company to select the right "connector" with high social connectivity in the management level.

In Thailand, over the past decades, the leadership styles have been perceived as evolving from a directive style to a supporting style but not quite yet a delegating style. The fact is Thais like to have more responsibilities to prove their existence and importance in the organization. It is common to see a Thai manager keeping the decision-making step for himself. Participation of the employees is more observed than in previous decades however, it is more on the operational level than the management level as the society is still considered having a very high hierarchy level. The drawback of employees' participation in the Thai business society is related to the high context communication culture (E.T., Hall, 1976) where the non-verbal and implicit communication is frequently used. The Thais' collectivism culture shows that they do not like to take individual credit for any achievement.

Harrison Trice and Janice Beyer (1993) proposed that leadership can create, change, embody, or integrate the cultures of organizations whereas Warner Burke and George Litwin (1992) proposed a casual model of organizational performance and change that suggests how leadership and culture influence each other to affect the ultimate performance of organizations and individuals. The two transformational factors, which are "leadership and culture", were the strongest indicators of the organizational performances. Therefore, the effectiveness of the leader relies on his or her ability to create a culture that supports business activities and objectives. It is assumed that the

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June 2014

leader who lacks cultural insight cannot lead effectively. This conclusion coincides with the study of Scarborough (1998) that even in the developing countries with high standard of living and more systematic approach, cultures and values are still the key elements that they adhered to and have embraced for decades. Therefore, instead of having Multi National Companies (MNCs), it is better to create the Multi Local Companies (MLCs) where local leaders can continue to lead in their own ways that reflect their cultures and values and still being part of a global organization.

In responding to the study of Thai culture and organizational behavior of the Thais, the use of star model analysis of Kates and Galbraith (2007) can help illustrate the connection of key activities i.e. strategy, capabilities, structure, processes, rewards and people in an easy to understand model. This recommendation model as per below in Figure 1 can be used in any organizations in Thailand including Siemens Limited Thailand.

- Business Growth double GDP
- Localization to gain market access

Strate

Capabili
- Technology leader
- High know how

- Recruit the right candidates
- Train and retain strategy

People

Struct
- Hierarchy of multiple dimensions (Matrix)

- Define monetary and Non-monetary rewards.
- Systematic MBO target.

Rewar   **Processes**
- Balancing of power
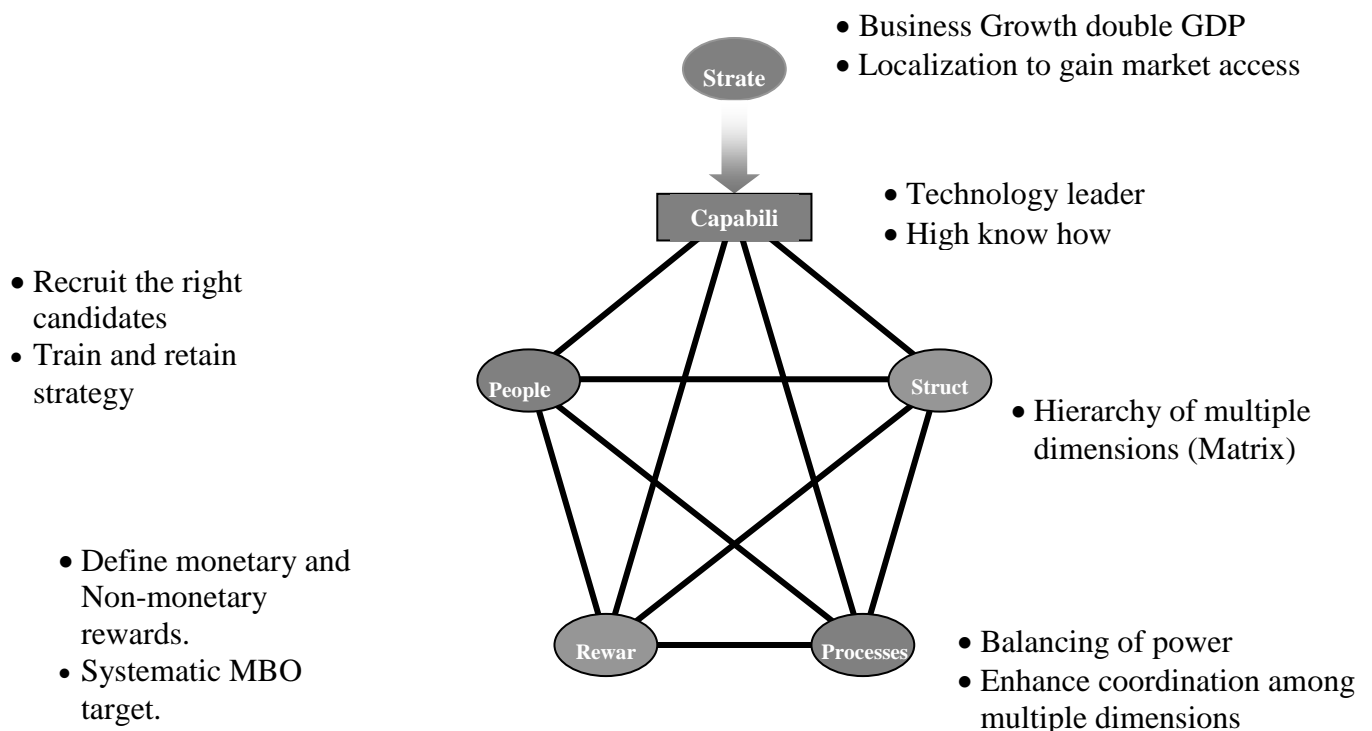- Enhance coordination among multiple dimensions

Figure 1. Galbraith (Kates and Galbraith, 2007)'s star model analysis and recommendation for Siemens Limited Thailand

- **Strategy:** In outlining the company strategy, the organization should consider both cultural differences to create the strategy that remains the key component of the mother company's vision and mission but also adopts the local requirement for

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1   Issue 1

January-June 2014

local customers and employees. The strategy shall live for a certain period of time i.e. 3-5 years to allow people in the organization to understand and be able to adopt such strategy with full support and commitment. Common strategy shall be clearly set forth in a straightforward manner i.e. strategy to become number one in a selected market. However, other coherent strategies shall be cascaded down to different groups of people to make it easier for them to understand and execute.

- **Structure**: Thais place a high value on hierarchy as it represents the importance of a person's status in the organization. In order to have a successful structure, the organization must consider soft values such as seniority, group acceptance (staff capabilities), clear role (no-overlapping tasks), and a clear line of command. Thais will not overrule others from different divisions or levels as the Thai culture promotes the "compromise" concept when there are different opinions. Thais show their respects to the manager in command line and will strictly follow the instruction of own supervisors. Thais tend to be passive and therefore the command shall be clear and be made in writing to eliminate any ambiguities.

- **People**: social class and local networking are very important, as Thais do not share much of information if you do not belong to the same "group". There are several types of groups and sub-groups that can be formed in different stages in life. Starting from as early as secondary schools and universities or in any forms of social clubs or associations i.e. university alumni, sport clubs, and professional associations. Other groups include the regions or provinces where one came from. Each of the regions in Thailand has its own dialect that only can be understood by local people in such region. Thais tend to prefer to connect themselves with the people from the same "hometown" than others. This particular knowledge is very important to be used as a sensible criteria when recruiting employees to fit into certain assignments within the organization. For example, the job that requires high contacts with other customer i.e. sales representatives should consider employees with large networking skills and experiences to enable them to connect to the customers effectively. It is important to have a sales management team who graduated from the same universities or even secondary school with major customers to be more easily connected. If not, the next possibilities are to send the sales managers to attend short management courses or associations that have large alumni connections i.e. Harvard Business School's executive program or locally arranged management course for high level management in the country by well-known local universities. Additionally, there are many associations, which are considered to be very beneficial for business connection such as The Thai Chamber of Commerce, Thai Management Associations (TMA), Thai Institute of Directors (IOD), Capital Market Academy (CMA), etc. There are many specific associations for certain business or industry such Chemical Business Association of Thailand, Sugar Industry Trade Associations, etc.

- **Rewards**: the way to reward Thai people is different from one group to another. For the working level staff, a monetary reward is the most powerful motivation

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June 2014

system. Rewards in other forms of benefits such as medical and life insurance coverage for self and family, staff recognition awards, group dining and company outings are also very common in Thailand. However, for management levels, there are several reward aspects apart from monetary scheme that can be considered such as job title on the business card. Thais prefer position rather than function names i.e. the title of Vice President is more preferable than Financial Controllers, even though the job identification is the same. Other fringe benefits that can be seen by others are also important and role-related such as a company car and driver. The Thais prefer luxury cars like Mercedes or BMW cars even though the employees must pay extra rental fee from their own pocket, they still prefer this choice over the fully paid Japanese car. Larger office space especially with window and dedicated personal assistant are also preferred benefits. Whereas stock option can be a good retaining tool in western countries, Thais are not so keen on this benefit due to complication of process and long-term commitment. On the other hand the immediate monetary benefit such as sales commission or performance incentive is considered as an effective tool to attract managers, as it is a good way to prove their capabilities that can be easily measured. The remuneration package is a very strong indicator of the culture and the behavior expected and can be used to encourage cooperation or competition, information sharing or information hoarding, and risk-taking or conservatism. (Schneider and Barsoux, 2003)

- **Process:** Thais are well-known to have less discipline than Germans, therefore the company process must be laid down very clearly in writing with easy to understand flowcharts or check lists. Periodic checks on process follow up is recommended and there should be consequences of violating the defined process in order to ensure seamless execution. It is rather difficult to get a consensus from Thais who normally do not discuss issues in meetings but rather in informal settings thereafter.

Transitional leadership in Thai way

Thailand has long been a strong state with absolute monarchy leadership, highly masculine and military influenced system until the year 1932 when absolute monarchy was overthrown in a revolution (Baker and Phongpaichit, 2009). However, the strong tradition of seniority, the elite and social class still remains. Even though the power distance has been reduced due to the social structure changes in the country with higher number of white collar workforce and middle class population, the power distance in Thailand is still considered large when compared to other western countries. From history, Thailand has been an independent nation since 1238 AD and is the only country in South East Asia that has never been colonized by a foreign power.   Nevertheless, in

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

the traditional framework, the relations that structured the state were all personal ties. Personal connections and family networks remained important both inside and outside the new bureaucracy (Baker and Phongpaichit, 2009). Thais are classified into different invisible social classes that they were born into.

The highest class is the royal family and the holder of royal titles that still remain the only visible class until today. The next level is a group of elites or nobles who are granted particular status by the kings. This group of people have well known last names, which are still inherited until today. The examples of well-known family names in Thailand are Bunnag, Krairuek, Phenjati, Sanitwongse, Dhephasadin, etc. The other influential class is the Chinese immigrants who became "jao sua" or new rich from trades who built their own network of mutual cooperation. In the early 1900s, the "Big Five" families were "Wanglee", "Lamsam", "Bulakun", "Bulasuk" and "Iamsuri". Later, there were many more Chinese families that grew their business successfully and are seen as another class of Thais. They are not considered elite but are well accepted in the society due to their capital resources and business network. The largest social class group is peasantry who originally are farmers but with education and social development they became the largest workforce in the country forming important middle class families with specialty professions like teachers, doctors, carpenters, merchants etc.

The social classes gradually became less visible as the King promoted equality for all the people. However, the access to education and wealth is still subject to opportunity and connection. The government officials are still considered as having higher status than normal people and the opportunity to get good education or good job is limited to a certain group of people, typically the wealthy or well-connected ones. There are strong group identification, formality and hierarchy whereas the reaction of courtesy and modesty is also maintained especially when dealing with others higher in power, seniority or social class. These prevailing values can be observed in the corporate culture as high loyalty attitude, compromising and accommodating behaviors and honoring authority as well as hierarchy.

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

Indicators of the invisible social class

Each Thai person is trained to behave properly in society and learn early in life to know what rank he or she holds and how to treat others according to their respective ranks (Holmes, Tangtongtavy et al., 1997). The social class is still in existence and understood by Thai people. However, it is invisible for foreigners who are not familiar with the country. There are several indicators that show how one can determine the social class that each person belongs to and can be accepted into; general determination includes family name, educational institution and the language used. The recent development in education system is the popularity of newly established international schools. The wealthy families started to send their children to well-founded international schools in Thailand as they foresee that English is getting more important in business life, most trade transactions are done in international markets than domestic market. The tuition fee of international schools is more than triple than that of average good local schools. In the undergraduate level, the Thais are also very keen in selecting only top universities to ensure a future with job opportunities and supports from the alumni. The top universities are mostly founded by the King such as the Chulalongkorn University, Mahidol University, King Mongkut Institution of Technology, and Prince Songkla University. Other well-known government universities include Thammasart University, Kasetsart University and other provincial universities like the Chiangmai University in the northern region and the Khon Kaen University in the northeastern region. The recent developments in the Thai university education system is the opening of international undergraduate programs for higher income families, mainly in Bangkok. The tuition fee of these universities is between 5-10 times higher than a local program. The first international university in Thailand , the Assumption University is also very well-known for high quality education taught in English since 1969. The university is opened for applicants who must pass the entrance examination and acquire prerequisite qualifications.

When applying for a job, the most important question asked is the names of the school and university where one graduated from. It is therefore important to select the place for education in early childhood carefully and the student need to study hard to obtain good academic scores as an assurance towards a successful future.

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June 2014

In recent years, taking up higher education beyond a Bachelor's degree has been becoming more popular, especially the business education in master degree level such as Master of Business Administration (M.B.A.), Professional Management Certificate (Mini M.B.A.), Master of Science (M.S.), Master of Marketing (M.M.). The well-known higher education institutions are SASIN Graduate Institute of Business Administration of Chulalongkorn University, National Institute of Development Administration (NIDA), Mahidol University, Kasetsart University, Assumption University (ABAC), etc. These higher education programs serve 2 purposes, one is to have continuing knowledge and the other is for networking purpose. The non-academic classes are also available for executives in order to build connections among business people and government officials. These institutions include National Defense College of Thailand (NDC) and King Prajadhipok Institute's Society (KPIS).   Once accepted, it is certain to have greater networking opportunities in the higher Thai Society. The Alumni or group recognition is very strong among these types of educational classes and peer supports are guaranteed to be helpful, provided that the individual is well behaved and is well accepted among the group members.

The Thai social system along with the practice of building a favor reciprocity cycle (building and repaying goodwill and social supports or in Thai word "boonkun") have strong roots in Thais' mindsets. Superior and subordinate relationships are maintained on the basis of favor reciprocity and mutual support (Smuckarn, 1979). It is observed that the Thais focus on "personal-ism" that can be categorized into two dimensions: individualism and permissiveness. Individualism leads to the lack of disciplined behavior. Permissiveness implies a lack of questioning, reflecting indifferences, avoidance of risk and a fear of being criticized in public. Because of early guidance and educational system in a vertical society, where seniority and harmonious relationships must be respected and maintained, these behaviors are to be understood and accepted by any MNCs doing business in Thailand.

Country politics are also based on personal relationships rather than the ideals or principles associated with building a strong, effective system. Thai people learn to be adaptable and flexible to the changing environment, especially in accordance with the superior's directions. The use of individual networks of friends is more favorable than of

the country's principles or laws. Many references were observed in the Thai society as "double" or "unequal" standards. Thai personality can be adjusted to a social system that maximizes dependence and friendly relations and, at the same time, minimizes hostile and prematurely independent relationships (Hanks and Phillips, 1961). Thais have prestige and social recognition as defining success in life while work and personal relationships are the necessary means to the end. Social recognition is an underlying motive for success; consequently, achievement in Thailand is more social and interpersonally related (Komin, 1990).

Due to the fact that the Thai community is capital centric and 90% of business is based in Bangkok, the degree of separation is rather small than world average of six as refer to the theory of Dr. Stanley Milgram (1967). A group of psychologists at the University of Utah (Werner, C. and P. Parmelee,1979) also found that people tend to associate with other people who occupy the same small, physical spaces or have similar activities. The same concept was further elaborated in the New York Times best sellers book "The Tipping Point" by Malcolm Gladwell (2000) with his sociological research to find out that the six degrees phenomenon is dependent on a few extraordinary people whom he called "connectors" with large networks of contacts and friends. These people help mediate the connections between the vast majority individuals who are weakly connected. The connectors are in most case people in upper class level with good education background and perceive as having high social status. These qualities can come from family history, schools and universities they were in or the job experiences they had in the past. The said study is in line with the finding in Thailand that most successful business people are well connected and everybody knows everybody when one had reached a certain social status in the Thai community.

As a result of the Thai hierarchy social system and strong emphasis on relationships, Thai employees can be motivated to work devotedly for a leader they like and respect. Managers are advised that a benevolent, paternalistic leadership style is preferred while a soft, polite approach usually ensures cooperation. Management styles observed in Western countries that reflect impersonal, straightforward, ambitious and aggressive personalities is not well-accepted in the Thai society or even offensive.

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

Leadership competencies at Siemens

Siemens is one of many MNCs that spend a great deal in developing its leaders both in the Headquarters and in the other countries where their affiliated companies are located. Siemens has an initiative to diversify its workforce by means of introducing a larger mix of employees, be it gender, nationality , and age group. Siemens has supported the localization concepts in many countries by setting up local offices and employing local staff whenever possible in order to optimize its own costs as well as to achieve a high performance culture. The company introduced the "Siemens Leadership Framework" (SLF) in 2010 as its platform to develop leaders globally . It has received good feedback on its well- structured and easy to understand model. Since Siemens is represented in more than 190 countries and has a combined workforce of almost 500,000 people, it is important to align human resources strategy for people development on the same platform that reflects the need of the company and the employees for long term mutual benefits . It is important that the company has the right type of leaders to fulfill the challenging tasks and the employees have a chance to be developed to utilize personal potential to the fullest extent with high loyalty and commitment to the company.

Figure 2: The Siemens leadership framework coverage

ABAC ODI JOURNAL Vision. Action. Outcome. Volume 1 Issue 1

January-June 2014

The leadership framework was used as an assessment tool for all employees worldwide by using nine key capabilities as a scale for behavior indicators, which are the following:

1. Business Results Orientation

2. Strategic-Innovative Orientation

3. Customer orientation

4. Change Management

5. Collaboration and Influencing

6. Intercultural Sensibility

7. Leadership

8. Team Development

9. Value Orientation

There are potential assessments, which can be determined by three potential-defining components, which are the following:

1. Ability to learn (key components are people and analytical skill)

2. Capability capacity (key components are business results orientation, change management, and strategic-innovative orientation).

3. Ambition (key components are life choices/values and motivation).

The assessment procedure that involved the supervisor, peers as well as subordinates is in line with recent research which confirmed the increasing necessity of assessing structures for leadership development (Perren and Burgoyne, 2001), (Rodgers, Frearson et al., 2003).

Shinn (2003) expressed his views regarding the individual, shared or distributed leadership where traditionally leadership is seen as the hero who is intelligent, is supposed to know everything and is infallible. However, in the present world, the shared leadership means the ability to interact with others, walk the talk, and have a good orientation towards others, which is perceived to be more important than the earlier. The one-man show era is over and the rise of team working is getting more focus as it commonly known as "Nobody is perfect but the team can be".

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

**January-June
2014**

Theoretical framework

Knowing now that the company has very well- structured development plan for employees, the missing piece is to plug-in local cultures to align it with corporate cultures in order to have a meaningful development plan fit for local company they operate in. There should be no fixed rules in leadership development steps as each country might have individual demands that are different from other countries. For example, support on education and seminar for affiliated companies in USA (knowledge building purpose) will be for sure different in Thailand (network building purpose). The framework has been developed to combine the aspects of leadership theories, cultural dimensions as well as networking capability enhancement together as guidance for successful local leadership development.

Leadership Theories:

+Traits theory

+Behaviorist theory

+Situational theory

Cultural dimensions:

+National culture

**Networking
Capabilities**

**Leadership
Development
in
Multi-locals
company**
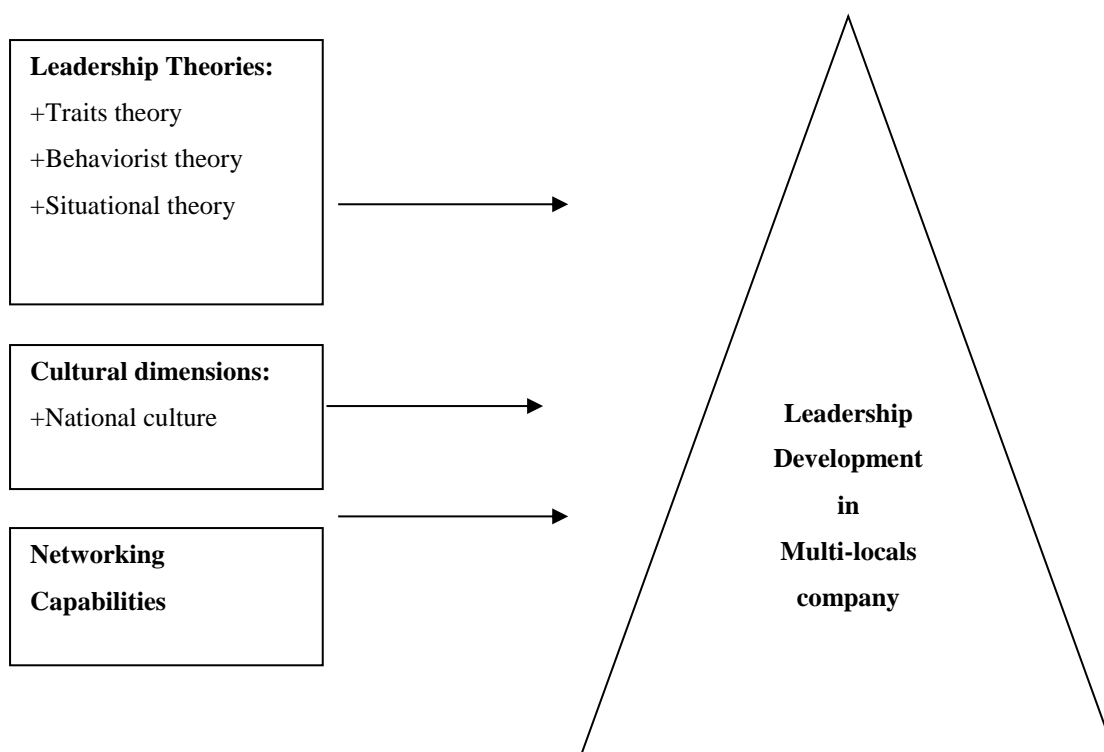
Figure 3. Theoretical framework

Over the past decades, there were leadership theories, which have been addressed by Katz, Maccoby and Morse (1950), Fleishman (1953), McGregor (1960), Blake & Mouton

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

(1964), Adair (1973), Stogdill (1974), Burns (1978), Blanchard and Hersey (1982), Kotter (1990), Yukl (1990), and Avolio & Bass (1994) in defining the best leadership theory to be adopted in the organization. Additionally, there are cultural dimension issues, which were mainly addressed by Hofstede and Adler (2001) that dealt with different national cultures. Particularly, the Thai cultural studies by Holmes and Tangtongtavy (1997), Chantarnvong, and Komin (1990) confirmed the importance of cultural differences between Thailand and the Western countries.

Conceptual and Research Framework

This research summarized the situational problem especially in the MNCs located in Thailand and particularly a German-based company- Siemens AG's affiliated company in Thailand – Siemens Limited Thailand. The SWOT analysis confirmed the need to develop local leadership to tap larger business opportunities by increasing awareness of local cultures and social structure.

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June 2014

Figure 4. SWOT analysis

The research consideration in deploying Organization Development Intervention (ODI) in leadership on actual scenarios between local and Expatriate leaders is to analyze the potential gaps of local management and to suggest the filling of the said gaps for higher success potential in selecting local management that benefits both the employer and the employee.

Conceptually, the design of ODI has 3 main focus areas for improvement targets, which are: (1) leadership capability according to Siemens Leadership Framework (SLF); (2) networking skills and capabilities; and (3) the business results. Under the current environment with high competitiveness in the market and the meltdown of the global economy, it requires any company to optimize their own cost. At the same time , the company must drive its market shares upward in the shrinking marketplace while enhancing corporate visibility in the local community to achieve target results. Since local leadership is within the circulation of national culture context as well as organizational context, the local leaders have to have a high awareness of both national cultures and corporate cultures, which include the subcultures within. The new era leaders are no longer focused only on business result orientation but more on Triple Bottom Line (Elkington, 1994), which are profit, people and planet.

**ABAC ODI JOURNAL Vision. Action. Outcome.
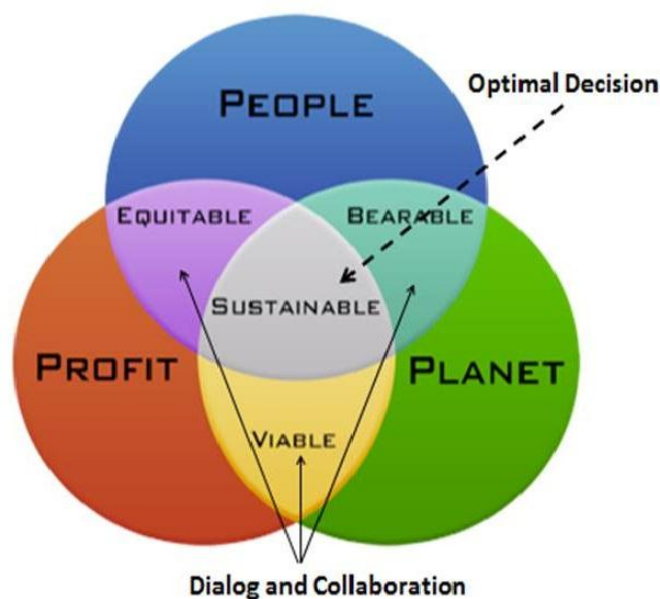Volume 1 Issue 1**

**January-June
2014**

Figure 5. Triple Bottom Line

In the context of the new business world, the triple bottom line result means the combination of success in three areas that will lead to the long-term success. The company has to care equally for their people, their planet (or in smaller context as in their community) and their profit to realize sustainable results. With this consideration, local leaders can contribute greatly because they are familiar with the local cultures and local community they are in.
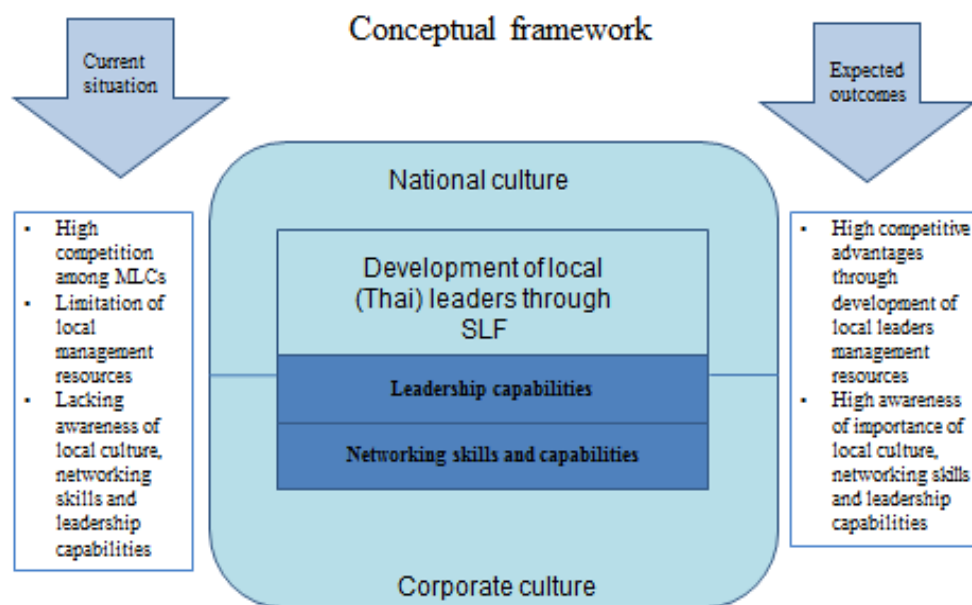
Figure 6. Conceptual Framework

 The research design of the intervention is based on the practical observations as well as interviews to get feedback from employees, co-workers and customers . The data gathered was analyzed to see if the localization of the leader is appropriate and can ensure the improvement of the three targets mentioned above. The improvement potentials were studied and recommended as per the objective of ODI that consists of activities resulting from the process of diagnosis and feedback by consultants aimed at solving the organization's problem (French, 1969).

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June
2014

OD interventions seek to change specific features or parts of organization (Cummings and Worley, 2008). Particularly in this research, the aim is to seek for changes in local leaders by mean of the candidates' selection that fits both the national culture and organizational culture as well as the desired leadership capability of Siemens AG.

There are three levels of changes that were expected in this intervention, which are at the individual , group, and organizational levels. The individual level is the change in a person who will lead (from expatriate leader to local leader) whereas the group means the team that the leader has to lead (the related department- or in Siemens Limited Thailand, it is referred to as "Division"). Lastly, for the organizational level, which consists of several departments with several leaders and where the target leader is considered as part of it.

The ODI framework illustrates the target to improve the three areas within the organization, including leadership capabilities based on the Thai culture context, the networking skills and capabilities in the Thai society, and the financial results in the absolute term of business volume and profitability. The following ODI activities were conducted, namely: (1) company-arranged trainings for management such as Siemens internal management learning courses available in different levels; (2) the peer-to-peer cooperation between leaders and sub-group leaders such as "Siemens One" account team that combined the sales representatives from different divisions within Siemens Limited Thailand to work as a common team for the selected customer account such as Siam Cement Group (SCG) , the largest conglomerate in Thailand - in order to avoid task duplications and to enhance customer relationship; (3) for the business community connection to become a business enabler for better company visibility in the local communities - the company supported the local Corporate Social Responsibility (CSR) such as "Widen the Little Program" that builds local libraries for remote schools, caring hands project, participation in panel discussions of business and education related subjects such as compliance program with the European ASEAN Business Center (EABC); (4) and the knowledge exchange with universities such as King Mongkut Institute of Technology (KMIT). Siemens Limited Thailand also has become a member in

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June
2014

many more institutions such as the "Private Sector Collective Action Coalition Against Corruption".

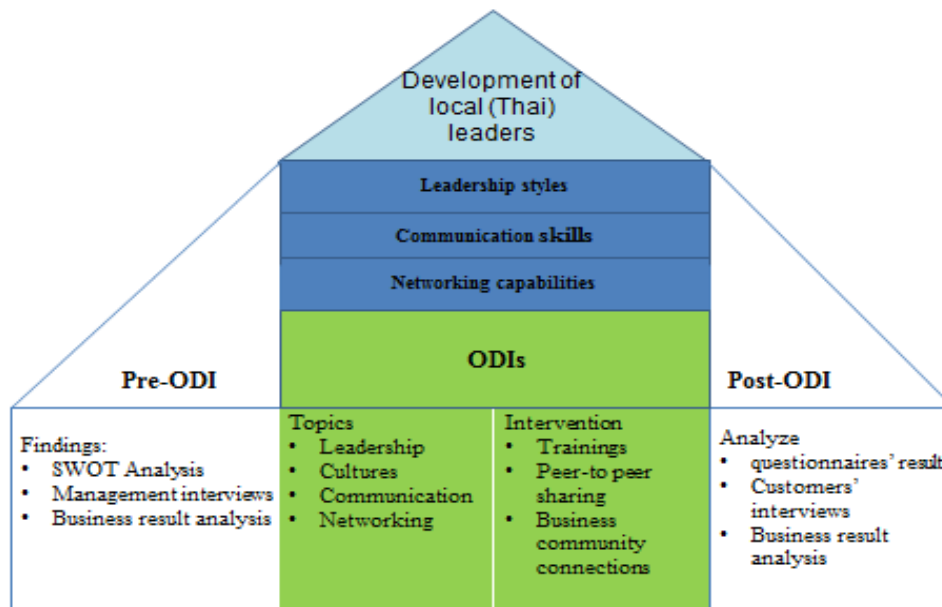Figure 7. Action Research Framework

Results and Discussions

In identifying the steps to develop the local managers in the international company, the development plans have to be laid down in the early stage from recruiting the right candidates, developing methodology as well as into the retaining plan. Three processes were developed during ODI to ensure that there was a systematic measure in place to prove that the process is well-managed.

- Process 1: Recruiting the right candidates

Various authors emphasized high-level   management team to seek for "who", then "what". "Who" refers to the right candidate(s) who shall be selected as part of the superior executive team, and then the team can figure out the best path to greatness. The selection of the right candidate is therefore the most important part of the local business success. In considering the right candidate in Thai context, the most important criteria are the educational background, overseas and leadership experiences.

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June
2014

The Thai history shows that education is not equally available to all the people. Before the liberation in 1905, education was available only for the elite families or for families who could afford it , like the Chinese well-to-do families and new rich groups. The statistics published by the Ministry of Education's website (retrieved December 22nd, 2011) showed better development of Thai education in the past 9 years with increased number of students in undergraduate level and higher.   However, the quality of the institutions that provide education are not the same in standards and can differentiate the capabilities of students in large scale. The well-known educational institutes therefore play important role in developing the leaders. Parents have to invest in their children's education in sending them to the best school both to obtain best education and to build up social networks. The education background help narrow down the selection of candidates, which can increase the chance of success in their corporate life. The top 20 high schools and universities are published on an annual basis by the Ministry of Education and can be viewed by the public. Overseas experience is another important factor as the Thai society values it as additional privilege for those who have a chance to study or work overseas. This is due to the history when such overseas experiences are limited only to intelligent or well-to-do families. The Government encouraged overseas education for Thai people in the form of scholarships both from government agencies and private companies after World War II. Countries like United States of America supported young educators by providing chances to continue their education overseas , a privileged which used to be available only for the elite . Over the years, there are more and more students abroad and the increase in the use of English improved drastically. In the past, it might be difficult to find suitable candidates who had overseas experiences or who can speak perfect English (or other languages such as German, French, Japanese, Spanish, etc.) but it is now vastly available in the job market. Students have more access to overseas studies either in form of short-term courses or long-term school arrangement overseas. This change led Thailand to have competitive advantages with its neighboring countries. The Thai people with overseas experiences have larger vision and understanding of globalization, cultural differences and importance of communication and management skills and the leadership experiences that play an important role in personality shaping for individual. As the Thai culture has high power distance, it is common to see limited leadership qualities in Thai people . This is a result of the long history of Thailand under

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

absolute monarchy and feudal system which has categorized majority of the Thai people as "followers" for hundreds of years. In theory, the Thai people shall have equal access to public services i.e. education, healthcare system, and job offers but in practice it is still an invisible social class that dictates the leadership opportunities for the people. The company can either look for candidates who had leadership experiences from their previous jobs or develop leadership plans on their own. Since Siemens is considered a well-established company with its own leadership development plan available, the company can provide several training classes, both virtual classrooms and on-site trainings, available in different levels of management and length of program time. This is to ensure that each selected candidate is well-developed to fit the requirements of the company to ensure the business success in longer terms.

- Process 2: Developing the high potential leader

Once the candidates are identified, the development plan has to be rolled-out to help support the candidates to become successful in each career step and eventually become successful leaders . Development plans include hard and soft skill-sets of trainings. Candidates have to go through adaptive courses based on individual needs such as general skills development which includes communication skills, language skills, social skills and presentation skills. Other specific knowledge related to own business area is also vital since Siemens has several business sectors i.e. energy; industry; healthcare and infrastructure and cities sectors.   It is important for the leaders to have good understanding of the business area under their responsibility. The tailor-made program has to be made available for the candidate to understand deeply the business portfolio by visiting the headquarters to get to know the product, solution and services portfolios as well as to get to know the key management and personnel that can be contacted in case business supports are required. Management skills is the other area that the candidate must be trained to have management quality in terms of people management; time management; stress management; decision making skills and deep business understanding in own area such as important Key Performance Indicator (KPI) that are widely used for measuring business achievements.

ABAC ODI JOURNAL Vision. Action. Outcome. Volume 1 Issue 1

January-June 2014

- Process 3: Retention plan

The highest asset value in the company is human asset, especially when the company had invested in developing a person to become a successful leader of the organization. Therefore the strategy to retain them is also of great importance. It is quite common in Asia that the employees tend to change their jobs every few years or shorter in order to climb corporate ladder faster and to earn better income. However, the salary is not the most important issue, the Thais are concerned with other fringe benefits such as provident funds scheme, number of vacation days, health insurance, office space, and other non-monetary values such as respect and recognition.

The findings of the study after the OD intervention period are as follows:

1. Leadership capabilities – from the research and information presented, the leadership capabilities required in each job are different and depending on the situation and followers. However, in order to be qualified as leader according to Siemens Leadership Framework (SLF). the evaluation for each leader has to be performed on a yearly basis with development plan prepared for each individual leader that might need different supports to strengthen their capabilities. It is understood that leadership is a universal subject, thus the capability does not change based on a person's nationality. In comparing the leader across global organization, it is more subjective to evaluate a person's capabilities against the intended target profile rather than to compare one leader to the others. Therefore, the leader, no matter what nationality, must possess key capabilities to lead in Siemens. If the selected leader is still lacking behind in some capabilities, it is the task of his or her supervisor or mentor to find the right way to develop him or her to match the target profile or higher if the potential of the person fits the availability of the assignment. The company has outlined the management trainings plan to serve the capability development of local leaders. From interviews with trained managers, they confirmed that trainings gave them more insight in business issues and leadership as well as motivations.

2. Networking skills and capabilities in 2 dimensions:

   2.1 Internal networking: Since Siemens is considered a large organization that employs almost half a million people worldwide, it is difficult to connect in the large group of population. However, according to the assumption that it normally takes 6 steps to connect two random people together, the networking skills can be enhanced by regular utilizing internal resources effectively through internal meetings and trainings; webinars; share point; social media and sub-group such as C4C or Center for Competence. The

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

combination of internal network can be done in both formal and informal forms such as joint lunches, head office visit, attending business conference, etc. The soft skills trainings such as personality development, communication skills and socialization skills can also build confidence for public appearance.

2.2 External networking: the regular visit to other leaders and customers in the Thai society help increase the company's visibility and business awareness. By joining several activities with the Thai communities by becoming members in business associations, participating in educational institutions' programs, supporting the communities through CSR and donations to the needy such as flood victims also open the forum for local leaders in different levels in the company to be part of the larger community outside Siemens. The peer-to-peer connection is one of the key effective instruments which connects two or more people who have never met before. According to the Thai culture, informal meetings for Thais are ideal for making contacts provided that there is a "connector" who is well known in the society to make an introduction to the others.

3. Business results

The business result report of one specific Division in the fiscal year 2011 and 2012 confirmed improvement in terms of business volume, selling and general administration (SG&A) cost and profit. Although one can argue that the business results were merely contributed by the leader , it can be said that the team that has a good leader tends to perform better than the others. However, the SG&A comparison is more valid as cost components are from actual bookings regardless if the leaders are locals or not. Therefore, the comparison of profit between two fiscal years is also valid as reference indicator. In the questionnaires from the randomly selected sample of 100 employees and the interviews with key customers as well as observations includes the behavior, verbal and non-verbal communication between leaders and subordinates; leaders and external parties i.e. customers, consultants; leaders and managers of the leader; and vice versa made through :

- Internal meeting within the same department

- Internal meeting with other departments

- External meeting with customers

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June
2014

- Informal evening events

- Formal evening events

- Company functions

From the observations, it was noted that the Thais are trained to be quiet, to avoid confrontation, to accept opinions of seniors , and to be well-behaved when placed among larger group or higher power distance group of people, therefore it is essential that the Thai leaders are given opportunities to present themselves in public arena, starting from within the organization. The next generation of Thai leaders shall need to learn to speak up their own opinions in an acceptable manner, give clear opinions while maintaining politeness towards others. Thai society is a feminine society and relationship plays an important role in maintaining personal connection, it is therefore important to establish foundation of comfort in being with other people. In the past, some people can hide themselves with in their own teams and neglect to join with other groups to gain positive advantages but now the opportunities of getting to know other people through different occasions and media make it much easier to connect people together. However, to maintain the good relationships between people , especially with large group of people, demands efforts and good systems to keep networking and make use of unlimited possibilities for access to useful information, right people, business opportunities, visibilities and supports at the right time.

The findings from questionnaires and interviews within and outside the organization as regards the improvement potentials are as follows:

1. Intercultural sensitivity due to the expanded organization under the Thai leader covers more nationalities working in one unit and the interaction with other affiliated organizations and/or other stakeholders' i.e. international customers, suppliers, policy makers. Cultural sensitivity does not mean only the national cultural differences but also refers to the corporate culture and the subcultures within the organization.

2. Customer Orientation based on the subculture in Thailand that relationship plays very important role in the local society, the local leaders should increase customer relations by using peer-to-peer support to enlarge the customer base as well as the participation in important associations . This will help to

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

connect leaders to the business community in Bangkok which already
represent 90% of business in Thailand.

3. Strategic-innovation orientation is supported by the interactive activities
between the headquarters and the local organization i.e. overseas visits
arranged from both sides (HQ visits the local office and vice versa); team
meetings both on-site and online though virtual platforms i.e. share-point
database. Expert trainings to support leaders in technical and management
areas is important.

4. Team working skill is still seen as a lack among the Thai leaders who are
perceived to be good in giving directions rather than working as a team. From
the high power distance culture, the Thai leaders are seen as having high
hierarchy and prefer the top-down communication approach. The lack of team
working skills can limit collaboration and the sharing of good ideas.

5. Wrong leadership selection is high-risk in the organization when the leaders
do not fit with national and corporate cultures. The tendency of Thai leaders
to stay in their jobs for an average of 7-10 years can limit the development of
the new generation of leaders.

However, it was found that the leaders capabilities are not related to their nationality. In
general, the stakeholders prefer local leaders than expatriates due to following reasons:

- No cultural barriers provided that the Thai leader has Thai quality.
- Access to local community is much easier especially if the Thai leaders have
high social status, good educational background and leadership experiences
- Promotion of local competence who can represent an international company
can attract other local potentials.
- Maintenance of long-term strategies due to longer-term assignment. The
organization as well as employees need not to adapt themselves every 3-5
years when the new expatriate leader comes with different mindset and ideas.
- Longer terms of relationships can enhance trust and confidence of business
performance.
- Some customers especially government and public enterprises still prefer to
discuss business issues in the local language and to give and receive
documents in the Thai language.

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

Table 2. The action taken to improve local leadership

Action	Process	Result
Increase customer contacts	Peer-to-peer introduction	Each manager knows at least 10 key customers that have business relation with them and can share such customer's contact to the others divisions
Share information	Set up regular meeting to share information of business opportunities	Better coordination between managers in different divisions to vastly explore further business opportunities
Business membership	Application to interesting organizations	Enroll as corporate member in 3 associations: • Thai Management Association (TMA) • The Federation of Thai Industries • Steel industry Association

Based on the results coming from the questionnaires, the SLF segments were summarized as follows:

1. Business Results Orientation: an average of 3.8 out of 5 as highest possible score.
2. Strategic-Innovative orientation: an average of 3.7 out of 5 as highest possible score.
3. Customer Orientation: an average of 3.9 out of 5 as highest possible score.
4. Change management: an average of 3.7 out of 5 as highest possible score.
5. Collaboration and Influencing: an average of 3.7 out of 5 as highest possible score.
6. Intercultural Sensitivity: an average of 3.6 out of 5 as highest possible score.
7. Leadership Orientation: an average of 3.8 out of 5 as highest possible score.
8. Team Development: an average of 3.7 out of 5 as highest possible score.
9. Value Orientation: an average of 3.8 out of 5 as highest possible score.

It can be summarized that the Thai leaders are well accepted in the organization. However, when analyzed in each particular question, there are findings in relation to the 5 highest and lowest scores from 33 questioned as follows:

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

**January-June
2014**

Table 3. The top 5 scores of Thai leaders

No.	Average highest scores	Question in details	Capability relation
5	4.06	The leader understands his own business area within Siemens and industry context and frames the right strategic questions for his business.	Strategic-Innovative orientation
9	4.02	The leader understands the customer's organization, culture, and how things get done.	Customer Orientation
25	3.96	The leader empowers the team to identify and solve problems while providing necessary support.	Leadership Orientation
4	3.95	The leader takes responsibility and works towards planning targets, overcoming obstacles, setbacks and uncertainty.	Business Results Orientation
33	3.91	The leader acts as a role model for integrity and embodies the values.	Value Orientation

In summary, from the above table of top 5 scores, it shows that the Thai leaders are considered to be well accepted in terms of industry knowledge due to the fact that all Thai leaders in the company have long years of service and possess the knowledge specific to their business industry. The second highest score is related to customer understanding which can be explained again from the long years of service as well as knowledge of local customer since they have been in the same business or industry for a long period of time. The third highest score is related to empowerment that Thai leaders give their team as high trust community due based on a shared of national similarity. The last two highest scores are related to their responsibility and being role models to the employees. The Thai leaders are more perceived as highest family member (i.e. father), if we portray the organization as a big family. The Thai leaders get high respect and obedience from their team members due to higher knowledge, seniority and status in the society, which is a norm in the Thai culture.

In contrary to the above finding, the 5 lowest scores corresponding to the following particular questions are shown in the below table. (Note that even it was deemed lowest

**ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1**

**January-June
2014**

among 33 questions, the scores are considered high and equal to "most time effective" which is above the mean). Among the average lowest scores, there are 2 questions related to intercultural sensitivity in which the Thai leaders might not have the highest attention due to the fact that the local Thai employees whom cultural differences are minimal predominantly occupy the organization. The other areas with lowest scores are related to strategic innovation and change management which can be explained through the systematic approach of Siemens AG which outlines strategy from the headquarter and roll it out globally. Since there is no production facility in Thailand the innovation as well as the long-term development in strategic innovation agenda are limited.

Table 4: The lowest 5 scores of Thai leaders

No.	Average highest scores	Question details	Capability relation
20	3.52	The leader explicitly and purposefully seeks out differing views and anticipates how others (e.g. cultures / functions / countries) will respond to own actions.	Intercultural Sensitivity
7	3.53	The leader sets a long-term agenda for own area of responsibility.	Strategic-Innovative orientation
19	3.56	The leader demonstrates respect for other cultures or organizations by describing strength without stereotyping.	Intercultural Sensitivity
6	3.59	The leader is able to spot previously unidentified business opportunities.	Strategic-Innovative orientation
8	3.59	The leader drives innovation to create competitive edge.	Strategic-Innovative orientation
13	3.59	The leader actively encourages others to pursue opportunities for change.	Change management

From the interviews with stakeholders both before and after ODI, it was found that majority of interviewees share the same opinion that local leadership can bring high value to the company as well as reduce selling and general administration cost. However, the major concerns are the right selection of local candidates who have the right qualifications in terms of knowledge (educational background), management skills, and

ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June 2014

networking capability as well as capability based on the SLF. The Thai character of introversion and tending not to reveal their feelings can lead to misunderstanding that they have no opinion and/or accept whatever instructed. Also, the friendliness of Thai people can be of disadvantage in doing business with other nationalities who perceive the Thai leader as a soft and easy to convince . This is from the national culture that the Thai always shows "Krengjai" to the customers or seniors. Krengjai is a special word, which does not have equal meaning in English. It is much more than "consideration" as shown in English dictionary. However, the Thais also have their own styles in communication and performing business in a soft manner, still achieving the business goals. In the post-ODI phase, it confirmed that the Thai leaders are well- accepted by customers; expatriate and Thai peers as well as employees in the company. The rating of "most time effective" is not at all different from the rating of expatriate leaders.

Limitations

Due to the limitations of study to only one company, the references in some cases are only related to Siemens such as the Siemens Leadership Framework (SLF) and the management trainings platform. Also, the findings are only in the context of Thailand as main territory of study, it can be further developed or studied to other ASEAN countries that share the same management resources known as cluster management.

Summary

Leadership and culture are closely related. it is important for MNCs to consider the right leader for each organization by looking into the national culture of each country they are in and try to align with the corporate culture of the mother company.

In conducting business in Thailand, the MNCs need to consider both the country's history and its culture carefully in order to have an insight of each component to ensure the smooth operation. This can bring greater opportunities to achieve better business results as well as a good corporate reputation to draw a highly capable workforce to join the organization. Local corporate culture needs to be established to have good connections with the local people, no matter whether it is the people within the organization (i.e. employees at all levels) or outside the organization (i.e. customers, suppliers, business partners, etc.).

From the research, the concept of local management of MLCs is well understood due to the potential cost saving as well as the higher local connections in the community, especially when that particular country has its own language and long history of its own. However, in establishing local organizations, the company has to understand the local culture and people's behavior to align its structure as well as corporate strategy to fit both the corporate culture and the national culture. Time is to be invested in locating the right candidates and developing them to the desired leadership capabilities set by the company, as the most important asset that the company has is human capital.

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ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June
2014

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ABAC ODI JOURNAL Vision. Action. Outcome.
Volume 1 Issue 1

January-June
2014

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Volume 1 Issue 1

January-June 2014

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