

**SUSTAINABLE LEADERSHIP: HOW TO APPLY  
HONEYBEE PRACTICE IN DIE-CASTING COMPANY**



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**SUSTAINABLE LEADERSHIP: HOW TO APPLY  
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Nattawat Luevorasirikul

## **SUSTAINABLE LEADERSHIP: HOW TO APPLY HONEYBEE PRACTICE IN DIE-CASTING COMPANY**

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### **ABSTRACT**

Corporate Sustainability is becoming more important and widely discussed in both corporate and academic terms. It has been shown by many researchers to create competitive advantage in the market. Unfortunately, even though this subject has been studied in several European countries and America, it has received little attention with regard to business in Thailand. Daisin is one of the leading aluminium producers in Thailand. It has been operating for over 30 years and established a strong relationship with customers. However, the company must face with the change of the economic situation, and to maintain strong position in the market sustainable is required.

This paper focuses on identifying the company characteristics that can fulfil the requirements of sustainable leadership practice. It examines which practices the company should improve in order to change from Locust to Honeybee enterprise. Moreover, this study focuses on Thai business for further consideration of Honeybee practice.

**KEY WORDS:** Honeybee practice/ Sustainable Leadership / Thai business /  
Die-casting / Automotive Supplier

47 pages



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## **CHAPTER I**

### **INTRODUCTION**

Corporate Sustainability is becoming more important and widely discussed in both corporate and academic terms. It has been shown by many researchers to create competitive advantage in the market. Unfortunately, even though this subject has been studied in several European countries and America, it has received little attention with regard to business in Thailand.

Why do many companies require sustainability? In the past the main factor indicating business success was gaining as much profit as possible, although such business activities may cause huge damage to society and the environment. These companies focused on short-term benefits and therefore did not invest in reducing waste or water purification, which led to polluted rivers. As they had to pay fines, and the community had a negative image of them, this created instability in financial performance. When change happened in world economics, these companies could not survive in the market.

Sustainability in an organisation does not focus only on generating profit; in fact, the concern is equally with staying in business in the long term. Also, beyond financial viability, a company's reputation or image is treated as a main priority, in order to remain in the top rank of businesses. Therefore, to become sustainable, it is not only about profit maximisation, but also creating trust within a company and society. Short-term benefit is not the aim, but rather long-term success, for instance, building a brand image and company core values by creating a long-term strategy.

Therefore, if a sustainable theory can be used and applied within the context of Thailand businesses, this can help the economy grow and the country become a leader in the AEC group. When Thailand succeeds economically, the quality of life of people improves.

The most common theory of corporate sustainability is the Honeybee practice adopted from Avery and Bergsteiner's original framework, Rhineland practice (2005).

Honeybee practice refers to a resilient and humanistic approach to corporate sustainability that builds on the sustainable (Avery & Kantabura, 2013). The practice adopts an evidence-based view of 23 leadership characteristics that leading to Honeybee leadership facilitates the outcome to go beyond the bottom line of environmental sustainability, corporate social responsibility and financial success. Honeybee leadership theory examines business practice for the 23 characteristics and determines between the company cases and Honeybee practice that fit into automotive supplier manufacturing.

Daisin is one of the leading aluminium producers in Thailand. It has been operating for over 30 years and established a strong relationship with customers. However, the creation of the Asian Economic Community (AEC) on 31 December 2015 can be both a threat and opportunity for Daisin. The opportunity is that the company may be able to expand into AEC countries, for example, Vietnam, Burma and Laos. Therefore, the number of motorcycles and cars tends to increase, which means that Daisin must improve production capacity to meet customer expectations. Moreover, some AEC countries are still in the stage of development so Daisin is employing unskilled workers from these countries and paying them the minimum rate. On the other hand, as some countries' labour costs are lower than Thailand's, Daisin's customers may invest overseas and it may lose its strong position in the market. To avoid such threat and to gain more competitive advantage in the aluminium market, Daisin should adopt the Sustainable Leadership philosophy to create strong company value and keep the business sustainable. Obviously, any corporation that wants to operate continuously, requires corporate governance procedures concerned with more than just short-term values (Avery and Bergsteiner, 2011). In addition, to create sustainability a company requires ethical and transparent administration organisation. Apart from the company image, the confidence of investors and other stakeholders is also a significant factor (Hilb, 2006).

This case study focuses on identifying the company characteristics that can fulfil the requirements of sustainable leadership practice. It examines which practices the company should improve in order to change from Locust to Honeybee enterprise. Moreover, this study focuses on Thai business for further consideration of Honeybee practice.

To determine the fit of the company characteristics, the literature on sustainable leadership in Thailand is reviewed in the next chapter. In chapter 3, the methodology used to test sustainable leadership is explained and the results and data analysis are presented in chapter 4. In chapter 5 practical recommendations are made to improve company sustainability.



## **CHAPTER II**

### **LITERATURE REVIEW**

Most companies use the Anglo/US business model by emphasising short-term benefit. However, the long-term benefit philosophy is gaining attention as a measure of company success. It has become clear that to continue operating, any corporation requires corporate governance procedures concerned with more than just creating short-term, shareholder value (Aras and Crowther, 2008). In addition, to prevent damaging scandals, corporate governance should be constructive and aim to create sustainable enterprise that adds sustainable value not only to shareholders, but also a range of stakeholders (Avery and Bergsteiner, 2011)

How can an organisation maintain or create long-term sustainability? Avery and Bergsteiner (2010, 2011) developed Honeybee practice based on Rhineland practices. The evidence-based model consists of 23 characteristics which a sustainable leadership company should have. The Honeybee practice focuses on three main aspects: Environmental Sustainability, Corporate Social Responsibility and Financial Success. Honeybee leadership philosophy and practices provide the research framework for the present study in examining business practice in Thailand's automotive supplier.

According to Avery (2005), an enterprise that can be regarded as “Sustainable” must meet three conditions, which are:

- (1) delivering strong financial performance;
- (2) exhibiting a capacity to endure social and economic difficulties; and
- (3) maintaining leadership in the related market.

The case company criteria are later discussed in greater detail.



## 2.1 Sustainable Leadership Research Framework

As mentioned above, Honeybee practice objective is long-term, not short-term benefits, as in the Anglo/US business model. Avery and Bergsteiner (2010) tried to identify the key differences between long-term and short-term practice. First, Avery (2005) examined 28 case studies in eight countries: Australia, Germany, Hong Kong, Japan, South Africa, Sweden, Switzerland and the USA. The research results showed that the Anglo/US business model tended to be less sustainable than the Rhineland practice even in promoting overall shareholder value, which is core to the Anglo/US model. However, Rhineland companies perform strongly in many other criteria, such as financial, social and environment measure (Avery and Bergsteiner, 2010; Bergsteiner and Avery, 2006)

Originally, the Rhineland practice had only 19 characteristics to identify the differences between Honeybee and Locust models. Nevertheless, after further examination by Kantabutra and Avery (2011), the list of practices was expanded to 23 points by adding four new elements: Trust, Vision, Staff Engagement and Self-Managing Employees. Five performance outcomes were specified in the new practice, which was renamed as “Honeybee”, formerly Rhineland, and the Anglo/US model as “Locust”, as shown in Table 2.1 (Avery and Bergsteiner, 2011).

**Table 2.1 Distinguishing criteria for Honeybee and Locust perspectives**

Leadership elements	Sustainable leadership “Honeybee” philosophy	Shareholder-first “Locust” philosophy
<i><b>Foundation practices</b></i>		
1. Developing people	Seriously developing ALL employees	Selective development
2. Labor relation	Treat union as a partner and seek opportunity from it	The union is a threat and cannot be collaborating with
3. Retaining staff	Older workers are key role of company values	Layoff is a short-term cost reduction
4. Succession planning	Often promote from within especially to position	Appoints top position from the outside
5. Valuing staff	Regard employees as asset that need to be taken care of	Treat’s people as interchangeable and a cost
6. CEO and top team	The CEO works as a top team member or a speaker of the group	The CEO is the decision maker, heroism
7. Ethical behavior	Require all people to do the right thing	Ethics should be compromised to gain competitive advantage.
8. Long or short-term perspective	Look at overall performance not put pressure on growing profits	Solve problem day by day with no concern of the following outcome
9. Organizational Change	Able to adapt to gain competitive advantage	Change is turbulent and difficult to distinguish
10. Financial market orientation	Set target rely on their own resources or independent financial	Mainly focus on investors' wealth
11. Responsibility for environment	Work strictly to environmental standard (ISO 14001)	Is prepared to exploit the environment to maximize profit
12. Corporate Social Responsibility (CSR)	Contribute positively to society	Exploits people and the community as to gain their own benefit
13. Stakeholders	Promote the tasks that interests both internal and external stakeholders	Promote the task that interest shareholders
14. Vision’s role in the business	Expose strong vision that employees are expected to share with company	The future does not necessarily as much as aim for short-term profit
<i><b>High-level practices</b></i>		
15. Decision making	Devolved to the lowest level and strives for consensus	Mainly decision comes from a manager
16. Self-management	Control their own behavior, initiative and self-lead	Must manage by managers
17. Team orientation	Teams are empowered and extensive	Compete with each other internally
18. Culture	Adapt and empowered the culture also boast to outsiders	Culture is weak except for a focusing on short-term benefit
19. Knowledge sharing and retention	Willing to share and promote knowledge within the company	Limited knowledge to a few people
20. Trust	Willing to do more than agree	Rely on law and regulation and control by fear
<i><b>Key performance drivers</b></i>		
21. Innovation	Widespread inside business to all levels	Innovation is limited and selective for reducing cost
22. Staff engagement	Emotionally-committed staff to perform the best they can	Financial rewards suffice as motivators, no emotional committed
23. Quantity	Implanted in the culture	Depends on volume of control

\*Source: Avery and Bergsteiner (2001, pp. 36-7)

From 23 practices can be divided into 3 main categories there are; Foundation Practices, Higher-level Practices and Key Performance Drivers (Avery and Bergsteiner, 2010, 2011; Kantabutra and Avery, 2011). Foundation practices contain 14 characteristics: 1) Programmes for Training and Developing Staff, 2) Striving for Amicable Labour Relations, 3) Staff Retention (avoid layoff), 4) Succession Planning, 5) Valuing Employees' Experience and their Contribution, 6) Deciding whether the top leader's role is to be that of hero or top team member, 7) Ensuring Ethical Behaviour, 8) Promoting Long-term Thinking, 9) Managing Organisational Change Sensitively, 10) Striving for Independence from the Financial Markets, 11) Environment Promotion, 12) Social Responsibility, 13) Balancing Multiple Stakeholder Interests and 14) Ensuring that a Shared Vision Drives the Business. Higher-level practices contain six characteristics: 15) Devolved and Consensual Decision-Making, 16) Creating Self-Management Employees, 17) Harnessing the Power of Teams, 18) Developing a Trusting Atmosphere, 19) Forming an Organisation Culture that Enables Sustainable Leadership and Sharing and 20) Retaining the Organisation's Knowledge. The final three key performances are: 21) Drive Elements of Innovation, 22) Staff Engagement, 23) Quality Essentially Provides What End-Customers Experience and 24) Drive Organisation Performance.

Honeybee practices from these three levels can drive company brand and reputation, customer satisfaction, operational finance, shareholder value over the long-term and, ultimately, provide value for a range of stakeholders as well.

Given that manufacturing companies can function, increase their performance and gain more competitive advantage in the market, this paper applies Avery and Bergsteiner's (2010) revised framework, to identify the potential of the company to become sustainable in the future and which aspects of the company should be improved as soon as possible. Avery and Bergsteiner's 23 elements are grouped into six core themes: Adopting a long-term perspective, Internal leadership development, Strong organisational culture, Support for both incremental and radical innovation, Practising social and environmental responsibility and Exhibiting ethical behaviour. Each theme is discussed below.

### **2.1.1 Long-term Perspective**

One of the key elements to identify a sustainable company focuses on the long-term rather than short-term view. However, in reality, both short-term and long-term strategies are necessary for a business, but if the short-term plan has higher pressure than the long-term plan, the former may be valued as it is believed that a short-term goal can gain benefit (Kennedy, 2000). The McKinsey Quarterly Survey (2008) of 586 directors found that their time is mostly spent on meeting short-term financial and regulatory requirements, even though directors should concentrate on planning or developing long-term strategies and increasing long-term shareholder value. Adopting a long-term perspective enables companies to outperform those with just a short-term focus (Mitchell, 2001). In seeking greater control over their time horizons, some organisations have removed themselves from the stock market because of the short-term emphasis (Coggan, 2003). Google, for example, clearly appears to have long-term objectives. To create a long-term plan, it is necessary to have Strategic thinking, Planning, Investment, Growth and Organisation process, Retention of employees and Long-term stakeholder relationships (Avery and Bergsteiner, 2010). Honeybee practice is concerned with the well-being of the organisation in the future. Adopting a long-term perspective can mean avoiding abrupt changes and strategies, especially when CEOs or top leaders leave. Furthermore, this ensures that an organisation focuses on sustainability, but top level management must commit to the consequences of its decisions, which enables planning and investment for the long-term. In addition, Honeybee leadership and stakeholders do not expect to grow every quarter, which in turn enables management to invest for the long-term.

### **2.1.2 Staff Development**

Developing employees is fundamental for creating a sustainable company. Honeybee organisation must give priority to specific core skills and perform in-house and other formal training that should constitute the major financial investment of the company. Training must be available to all levels of employees, not just those with high potential or managers. Moreover, board members and senior management must show interest in training programmes and employee development. Development can lead to various benefits, including increased productivity, profits, share price increases

and shareholder value (Aguinis and Kraiger, 2009; Becker et al, 1997; Ichiniowski and Shaw, 1999; Jacobs and Washington, 2003).

A Honeybee organisation prefers to promote staff internally than look for employees externally (except when special skills are needed or internal candidates are unavailable). Insiders value and continue the culture, while outsiders may diminish it. Lucier et al. (2003) state that “The initially high performance of external CEOs slumps during the second half of their tenure and their organizations underperform those led by insiders by 5.5 percent”. Moreover, at the top level internal promotion is particularly wise, given that appointing CEOs from outside the company can be highly risky (Booz Allen Hamilton, 2003). By preserving company core values and ideas, sustainable organisations strive for progress that enables them to change and adapt. Also, a strong culture can bring members together, especially when a company faces difficult times. This is explained in more detail in the next section.

### **2.1.3 Organization Culture**

Honeybee organisations foster a strong organisational culture of commonly shared values or beliefs (Deal and Kennedy, 1982), which often make them “a special place to work” (Avery, 2005; Collins, 1997). A sustainable organisation aims to preserve the core values and ideas that tie members together, even during difficult times. The core values, which emphasise for employees how to behave and help others to identify desirable behaviours, reflect the tacit rules underpinning organisational culture (Kantabutra, 2013). Culture often emerges from a company vision; it is the values and/or philosophy explaining the beliefs and rules guiding organisation members. Kantabutra and Avery (2002) state that “Organizations with clearly articulated vision statements tend to perform better than those without”. Obviously, the long-term perspective of Honeybee organisations allows more time for actions to be communicated and shared than those of Locust organisations. Moreover, Honeybee organisations do not only share, but also try to improve over time (Kantabutra, 2013); for example, innovation, customer focus, high quality, aiming for excellence, protecting the environment and valuing people. To develop and preserve the organisation’s core values, connections must be created with a commitment based on free choice (Collins, 1997). This is achieved by recruiting employees, suppliers and



other stakeholders who already share the core values, and then planning for a long-term relationship because a short-term relationship is not consistent enough to create the values of members (Schnebel, 2000). Therefore, creating a strong culture is difficult if the company has very high staff turnover and the company values are not aligned.

#### **2.1.4 Innovation**

The Organization for Economic Co-operation and Development (OECD) stressed that “Innovation is one of the primary sources of technological progress and economic growth”. Innovation or technology is one of the variables that affect directly the supply curve (Gregory, 2012). Innovation can involve radical shifts in product volume or the development of entirely new goods and services; it can be incremental involving continuous improvements to processes and products (Hall and Soskice, 2001). It is obvious that innovation helps a company not only maintain its performance, but also remain flexible enough to adapt to the market. Therefore, a Honeybee organisation tends to invest in the Research and Development Department for the long-term, even in difficult times, often helping its own recovery by solving fundamental problems (Avery, 2005), highlighting customer feedback and gathering ideas from the entire organisation and stakeholders. These ideas are evaluated in a series of planned steps to create a long-term R&D plan. However, a Locust company tends to foster an innovation culture, despite the increasing emphasis placed on innovation as a preferred strategy in an increasingly dynamic world (Meyer, 2002). For instance, a Locust company may reduce the size of the R&D department and change budgets to meet quarterly growth target. Therefore, gaining and sustaining competitive advantage in the future is difficult.

#### **2.1.5 Social Responsibility**

A Locust company strongly focuses on maximising short-term investor return. Activities that are not concerned with “return”, such as engaging in corporate social responsibility or environmental protection, are not valued. In one sense, this is “cheating” society (Kantabutra, 2012). The community, and not the profit-making polluter, has to deal with pollution. Laid off employees do not pay taxes, but instead

have to be supported by the social welfare system. Not training young people and not employing older people are the causes of social crisis. They all become someone else's problem. This is short-sighted as social responsibility in Europe, including the UK, and the US appears to pay off by enhancing financial performance (Eccles et al., 2011; Gelb and Strawer, 2001; Schueth, 2003; Watt, 2003; Willmott and Flatters, 1999). Socially responsible organisations are associated with improved shareholder value among 500 Standard and Poor's firms and have been found to outperform their class financially against other indices (Hillman and Keim, 2001; Morgan Stanley and Oekom Research, 2004). Also, the current research on Thai business by Kantabutra and Siebenhüner (2011) shows that geosocial development and broad stakeholder focus are direct predictors of a firm's capacity to deliver competitive performance and indirect predictors of its capacity to endure social and economic crises. This is because better financial performance is more attractive to investors than standing against corporate social responsibility. Honeybee practice encourages companies to embrace social and environmental responsibility not only for instrumental reasons, such as the law, but also because "This is the right thing to do", an issue of ethical behaviour which is discussed next.

### **2.1.6 Ethical Behavior**

Ethical behaviour is an elusive concept that can be difficult to define (Zadek et al., 1997). However, ethics is important and one of the core principles of Honeybee practice. "Doing the right thing" is considered as essential for organisational sustainability. For instance, the 2008–2009 global financial crisis following the prime mortgage and other bank scandals in many parts of developing world shows that a sense of corporate ethics is essential for organisational sustainability. Even though national legislators are trying to force firms to comply with new laws, Anglo-US principles that focus on short-term strategy do affect managers and lead to irresponsible and immoral behaviour (Mitchell, 2001). The organisational leader with highly ethical beliefs has the most success in obtaining organisational members' understanding and commitment to realising a strategy (Recardo, 2000). Also, ethical behaviour can be viewed as a form of risk management and as a way of protecting and enhancing a firm's reputation (Avery, 2005). Honeybee

practice encourages organisations to operate transparently to foster confidence in investors and other stakeholders, and they become attractive to banking companies to get a loan, or a low rate for insurance fees (as low level of risk).

Of the six themes of sustainability leadership practice shows that creating long-term strategies strengthens an organisation in many ways, such as reflecting good management while lowering costs, and enhancing reputation and brand (Mays, 2003; Morgan Stanley and Oekom Research, 2004). Improved management is better at handling business risks or avoiding threats and gaining opportunities. Sustainable design-to-disposal of products and more sustainable operations can generate production and operational savings and increase profits (Dunphy, 2004). Honeybee practice enables a company to generate additional resources to invest in sustainable practice, and to withstand external events. The company becomes more attractive to banks, insurance agencies, investors and customers in the long-term. In other words, all this increases the company's market value.

## **2.2 Previous study of Sustainable Leadership in Thailand**

### **2.2.1 Sustainable leadership in Thai healthcare service (Kantabutra, 2009)**

This study was based on Rhineland Leadership, which in 15 of 19 practices was applied to various degrees. One practice to which the company did not conform was CEO and top team speaker, while the other three practices were unclear: Decision-making, Environmental responsibility and Labour relationship. The study shows that the company could apply Honeybee practice effectively as it tried to adopt a long-term perspective for investment than aim for short-term benefit. It also has high innovation including self-governing multidisciplinary diabetes teams that provide several wound care techniques and new treatment procedures for diabetes professionals. The social responsibility and ethical behaviours are as strong as the hospital's culture. The organisation also shares its knowledge across the healthcare business both on a national and international level. Moreover, it enjoys financial



independence because it refuses to invest a large amount in the latest medical equipment to avoid the risks of over investments.

However, the company should emphasise Human Resources practice, especially promoting mid-career or top level personnel internally, rather than hiring from outside. This is to increase engagement within the company and to build stronger values. To achieve this, the company should formulate a social vision as a guideline to business activities.

The study shows that Thai businesses can adopt the Honeybee practice which opens the doors to future research and enterprise.

### **2.2.2 Sustainable leadership in Thailand oldest university (Kantabutra, 2012)**

The study uses the adaptation of Rhineland practice, the Honeybee practice, which contains 23 characteristics of sustainable leadership. The result shows that the university conforms to 21 practices, while there could be found no strong evidence to support the top-team speaker and financial market practices. This illustrates that even a public service organisation can apply sustainable leadership, especially self-management practice which the university seems to develop based on the evidence that “Faculty members form a team to stand against unethical dean at their college” (Kantabutra, 2012, p. 373). It is evident that the university staff share the university’s core values.

On the other hand, because of the university culture, in which the leader is respected as a “Hero”, there is no guarantee that the leader can perform as a top-team speaker. The university should apply honeybee practice in the administration department. The foundation practice can start at any time, while higher level practice is implemented later for the greatest effect, and the key performance driver comes from various combinations of the theory practices to shape the customer experience.

The results of the study suggest that Thailand’s higher education institutions should aim to apply Honeybee practice as a framework to help develop more sustainability

### **2.2.3 Sustainable leadership in leading Asian industrial conglomerate (Kantabutra, 2013)**

This study focuses on one of the most successful businesses in Thailand, and the results show that the company has adopted all 23 practices. There is strong evidence in the enterprise for 19 practices, especially the three new practices, which are: trust, vision and employee engagement. For example, there is trust among employees and employers, as well as customers and society, based on the high level of social responsibility and ethical orientation within the company. Vision is also apparent through the CEO since the company is aware that this is important and should be understood by everyone. The company also empowers its staff by, for example, valuing their opinions, providing clear career paths and developing opportunities to create strong loyalty.

However, because in Thai culture an elder must be respected as a “Hero”, and this may still exist in the company culture, there is some evidence of collective leadership as the whole team of former top management decided to resign and cut their salaries during the crisis. This can be proof of their desire to change their leader from “Hero” to top-team leader.

This study confirms that Honeybee practice can create sustainable companies not only in European countries, but also in Asian countries where businesses are able to become sustainable. This study suggests further areas of research in future.

The main question this paper addresses is whether these Honeybee principles can be applied to a listed automotive supplier company, where there is pressure to act in the short-term interests of investors. In the next section, the company is introduced.

## **2.3 The case company (Daisin Co., Ltd)**

Daisin Co., Ltd is an aluminium production company. It was established on 24 June 1979 by Mr. Manoj Leekomolchai and Mr. Miyashita, president of Nisshin Kogyo. Originally, Daisin was established at Samut Prakarn with only five employees. In 1983, the company moved from Samut Prakarn to Patumtanee and started to produce aluminum parts. The business gradually expanded and it was decided to

create more sub-ordinary to support the company, such as MN (1985), to produce break fabric. Kwang-Kit (1986) operated the aluminium production for automotive parts by pressing method. Daitech (1989) took control of maintenance and modified the mould for aluminium and jig fixture. L Cast (1992) supported the high demand of automotive parts; Nisshin Brake System Co., Ltd was established in the same year. However, in 2000, in order to facilitate more effective management, all companies were combined meaning that only two companies were left: Daisin Co., Ltd and Nisshin Brake System Co., Ltd. The main products are motorcycle parts – such as handle brake, brake panel, swing arm, pillion step, crank case cover and grab rail – and car parts – such as parking brake lever, water pump hosing and water inlet. The main customers of Daisin Co., Ltd are Japanese automotive companies that opened factories in Thailand: Honda, Zuzuki, Kawazaki, Yamaha, Toyota, Izuzu and Mitsubishi. The company built a second factory in Nakorn Rachasima province to provide faster customer service in 1994. The company has now about 2,000 employees.

## **2.4 Analyze the sustainability criteria**

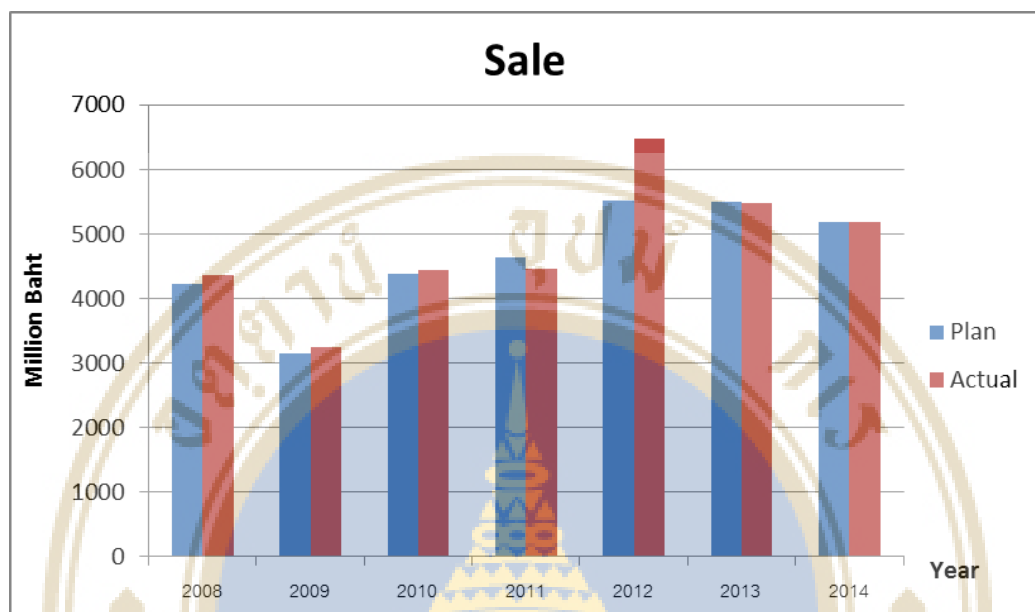
According to Avery, there are three criteria of company sustainability: strong financial performance, enduring social or economic difficulty and remaining a leader in the industrial market. However, even though a company is able to endure many economic crises and still remain a leader in the die-casting industry, financially, it may not be able to achieve the standards of sustainability, which are explained below

### **2.4.1 Financial performance**

Research by Avery and Bergsteiner (2010) shows that sustainable companies tend to perform better financially than non-sustainable companies. In order to identify financial performance both internally and externally, a company's financial measurements must be considered (Johnson, 2011).

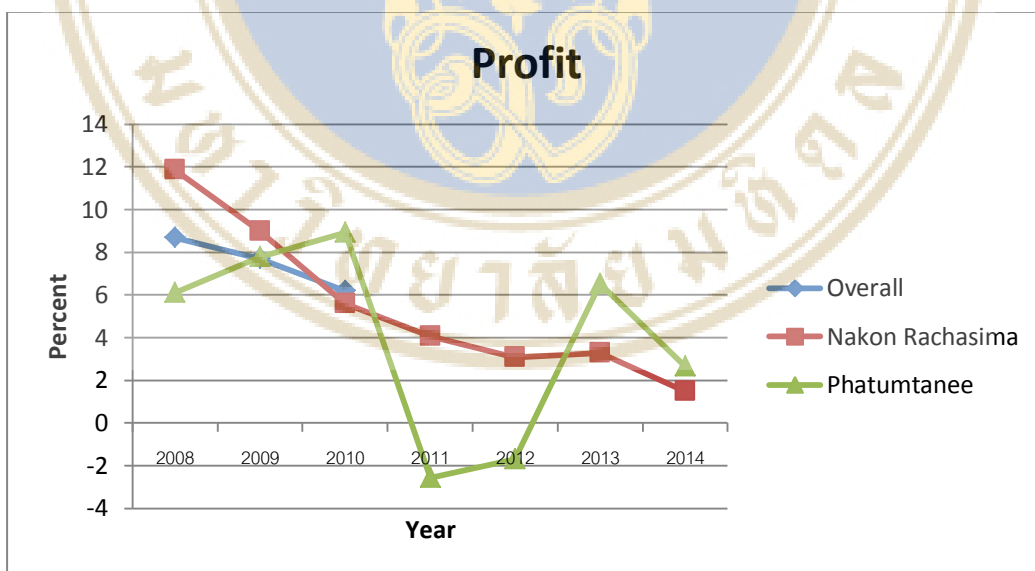
A company's financial performance is not a sustainable enterprise as finance is volatile. Even though company sales are increasing, company profits are

falling, especially in the case of the Nakorn Rachisima branch. This can be evidence of the company's unsustainability because of internal process problems. The figure below shows company sales and profits.



**Figure 2.1 Die-casting company sale**

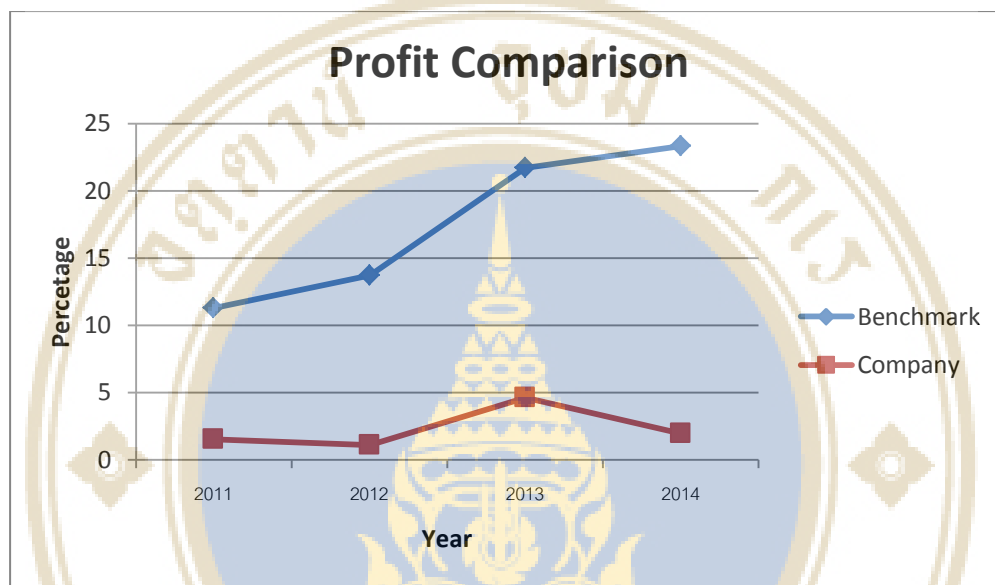
\*Source: Company Financial Report



**Figure 2.2 Die-casting company profit**

\*Source: Company Financial Report

Johnson's research shows that for financial performance both internal and external measurements must be considered. However, the external measurement that Johnson suggests is the Down Jones Sustainability Indexes (DJSI), but this is suitable for companies that enter the US stock market. Therefore, for the external measurement of die-casting companies, this is compared with the benchmarking of the average profit in the die-casting industry as shown in the figure below.



**Figure 2.3 Die-casting market profit comparison**

\*Source: <http://www.set.co.th>

The graph above shows that the gap between company and benchmark is too high, so it can be concluded that for the external measurement the die-casting company could not be classified as achieving a good financial performance. The internal measurement research of Farrell, Brealey and Myers has found that external stability is driven by the internal factors. So internal financing can validate the share price risk analysis result. Leverage multiplies the effect of equity returns ( $\gamma$ ), and during both good and bad times, it increases the organisation's systematic ( $\beta$ ) and unique risks by becoming more volatile. The following equation demonstrates this relationship where L refers to the leverage version of an organisation and U to the unleveraged version:

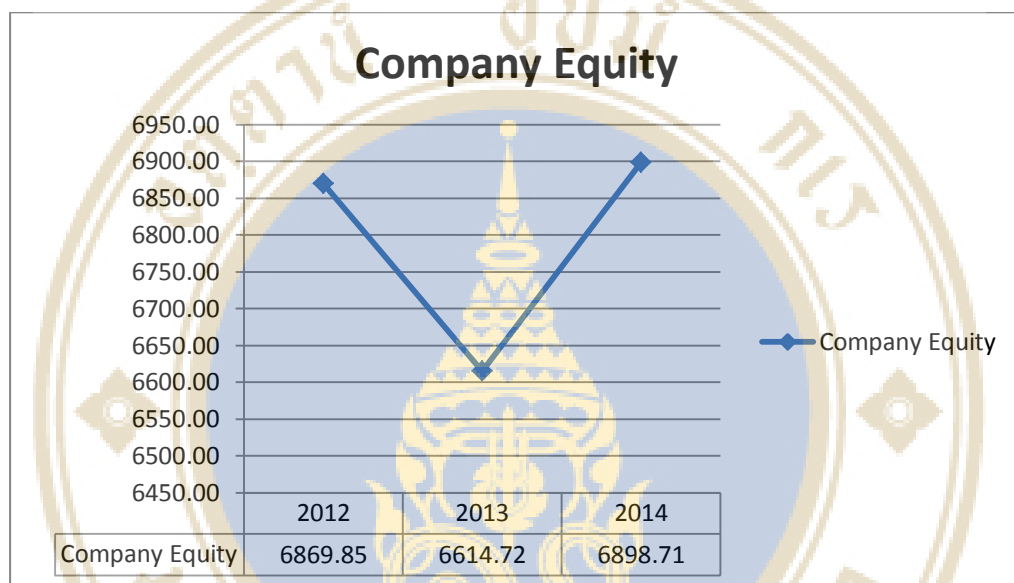
$$\beta_L = (1 + D_L/E_L)\beta_U$$

Further consideration of the addition of debt from an investor's perspective reveals an investor's required return and beta for equity (Johnson, 2011, p. 70):

$$\gamma_{\text{equity}} = (\text{Assets/Equity})\gamma_{\text{assets}} - (\text{Debt/Equity})\gamma_{\text{debt}}$$

$$\beta_{\text{equity}} = (\text{Assets/Equity})\beta_{\text{assets}} - (\text{Debt/Equity})\beta_{\text{debt}}$$

The research reveals the comparison of leverage (Assets/Equity) and gearing (Debt/Equity); the lowering ratio can create more sustainability, so to analyse the company's internal financial performance the formula is used as follows:



**Figure 2.4 Company Equity comparison**

The graph shows that in 2012, the company gained more benefits, but in 2014, it started to lose its sustainability again. This can be the strongest evidence that the company still lacks strong financial performance to become sustainable. In fact, the main problem is internal because sales are not decreasing, but company profits are not increasing.

#### **2.4.2 Endurance from social and economic difficulty**

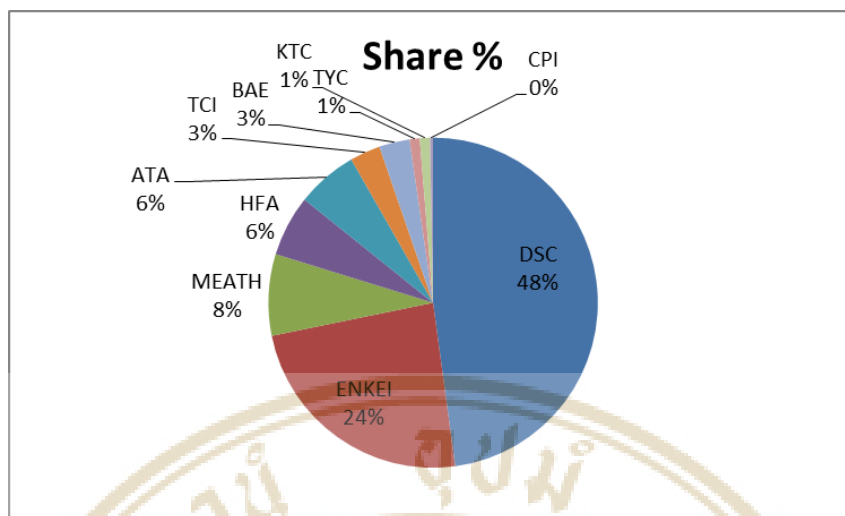
Even though the company profits may not meet sustainable standards in terms of financial performance, the company is able to survive in the face of many social and economic difficulties. For example, the economic crisis in 2008, known as the Hamburger Crisis, had a major impact on the company because most of the export

sales were from American customers, to whom the company sold products directly and not as a supplier. For this reason, the company's sales dramatically declined more than 1,000 million Baht. Fortunately, the company still had a good number of domestic customers so it was able to increase the sales volumes in 2010. Unfortunately, in 2011, Thailand was faced with major flooding and the company was directly affected; all the machines were submerged under water for more than three months. The company profits reduced sharply to minus value. Even though in 2012 the company was able to raise its sales, this was not enough to recover the losses. However, in 2013, as a result of significant flooding that led to high demand for cars and motorcycles, and the Thai government's First Car policy encouraging people to order more, the company was able to overcome losses and start to receive some benefits at the end of 2013. Nevertheless, in 2014, Thailand's economy started to shrink dramatically and car customers refused to pay their instalments. This created a huge loss for car manufacturing companies because they had already produced the cars, according to the orders, but the customers could not pay. Then, they deducted the orders from the supply chain. As a consequence, company sales decreased again in 2014. In fact, due to company internal changes that led to various defects, this affected company profits which were reduced by about 50% from the previous year.

#### **2.4.3 Maintain leadership in related markets**

The SET report shows that competitive in automotive supplier industries are not a direct competitor in all suppliers. Each supplier has its own characteristics. In fact, customers buy various parts from different suppliers, and try to support suppliers to improve product quality. On the other hand, if any defect occurs in any part, it affects the whole product and leads to suppliers needing to pay for the loss. Therefore, the automotive suppliers industry is not as competitive as other industries; however, the company must ensure quality to meet customer standards and to develop the production process and cost reduction, in order to gain competitive advantage and attract large automotive companies to place more orders. According to company reports, the die-casting company still maintains leadership in the market compared with other suppliers who directly supply Thai Honda by more than 40%. This is evidence that the company maintains leadership in the die-casting market.





**Figure 2.5 Company Market Share**

In conclusion, even though the company is able to meet the two criteria of sustainable enterprise – endurance in the face of social and economic difficulties and maintaining leadership in related markets – it cannot deliver better financial performance to meet a sustainable standard. In fact, the company profits are still too low from the benchmark. Therefore, it can be concluded that the die-casting company cannot be classified as sustainable. However, deeper analysis must be conducted. The method of investigation is explained in the next chapter.



### **CHAPTER III**

## **MATERIALS AND METHODS**

To understand more about the company, a combination of in-depth interview and non-participant observation techniques are used for gathering data. An in-depth interview method must ensure that interviewees really understand the questions and provide effective answers to the research (McDaniel and Gates, 2013). Non-participant observation method provides information about the overall environment of the company and the routine behaviour of employees which may not be available through in-depth interviews.

In an in-depth interview, the interviewer should be open-minded to the interviewee's answers and be patient. Judgement and criticism by the interviewer does not encourage the interviewee to share his or her opinions openly. Therefore, the interviewer should create a good environment for the interviewee to answer freely and comfortably. Reaction, such as facial expression, body language and tone of voice, is also important as humans are sometimes unpredictable, so a good interviewer should not allow personal emotion to lead the interviewee to answer questions from the interviewer's point of view. Moreover, deep listening skills are also necessary as this not only allows the interviewee to answer freely, but also helps the interviewer to focus on the answers and ask the interviewees further strategic questions to obtain more detail. In-depth interview technique is also used for gathering data by asking open-ended questions, which allow the interviewee to respond in his or her own words, while the interviewer does not limit the interview choices. Open-ended responses have the advantage of providing the researcher with rich qualitative information, which helps in understanding the participant's opinions, feelings and attitudes. Answers from the interviewee are based on his or her personal ideas – not “Yes” or “No” questions – using real-world terminology rather than scientific or other jargon (Penwarden, 2013; Manktelow and Carlson, 2013; McDaniel and Gates, 2013).

Therefore, open-ended questions are used in this research interview. The list of open-ended questions is developed to reduce confusion for the interviewees and to acquire effective answers. The interview questions also take into account the ability of the target interviewees to answer, as well as their willingness to answer. To create appropriate questions some could be modified and varied from one interviewee to the next, as this depends on the interviewee's position and ability to provide confidential information or specific questions as shown in Table 2.

Target interviewees are: one company president, two MOs from production and HR, three general managers, five division managers and four section managers – in total 15 people. Among the employees observation method is used to reduce biased answers and to gather more accurate information. (For interview question please see appendix)



## CHAPTER IV

### FINDING

Fifteen interviews were conducted with management level personnel and observation at the staff level in Daisin. The results of 23 practices are discussed below.

**Table 4.1 Interview and Observation Result**

Honeybee practice leadership elements		DAISIN	Extent to Conform		
			Least Evident	Moderating Evident	Most Evident
Foundation Practice					
1	Developing people	-			
2	Labor relation: No	-			
3	Retaining staff	✓			
4	Succession planning	-			
5	Valuing staff	✓			
6	CEO and top team	✓			
7	Ethical behavior	✓			
8	Long or short-term perspective	✓			
9	Organizational Change	-			
10	Financial market orientation	✓			
11	Responsibility for environment	✓			
12	Corporate Social Responsibility (CSR)	✓			
13	Stakeholders	-			
14	Vision's role in the business	-			
High-level practice					
15	Decision making	✓			
16	Self-management	-			
17	Team orientation	-			
18	Culture	-			
19	Knowledge sharing and retention	-			
20	Trust	-			
Key performance driver					
21	Innovation	✓			
22	Staff engagement	-			
23	Quality	✓			

**Total elements in conformity**

**11**

**Legend: ✓ = Conform, - = Does not conform, ? = Do not know**

## 4.1 Developing people

The company does not really emphasise training and development as the training budget is set at only 2 million Baht per year. However, as it has about 2,000 employees, the company provides a training budget of only 1,000 Baht per employee. In fact, training is mostly focused at management level, but for staff level on-the-job training can form a proper training plan:

*“Our training budget is limited, so it may be difficult to provide training to all levels of employees. Also, employees themselves seem not interested in training”* (Division Manager).

## 4.2 Retaining Staff

Even though the staff turnover rate of the company is high, most of those who are leaving are low skills employees with on average nine years of work experience. However, on the management level the turnover rate is still low:

*“The turnover rate of the company for manager level is about 1 percent, and the reason is because of the friendly environment of the company that keeps employees together”* (HR manager).

## 4.3 Succession Planning

The company does not have any succession plan. Moreover, it tends to hire new people to work in senior positions rather than promote its own employees:

*“We still lack middle level management, but we cannot find anyone who has enough potential to become a middle manager. They may have skills to work, but still lack management skills”* (HR manager).

## 4.4 Valuing Staff

The company tries to provide both financial and non-financial benefits to its employees. For example, it does not increase the price of canteen food; only 5 Baht

for one portion and free rice and the company takes care of the price margin. The company also provides nursery schooling for employees' children aged 0-4 years old, including nursery staff and two meals for every child. In fact, the diligence pay of the company does not place a limitation as other companies. The diligence is calculated from the employee's salary, multiplied by 2 and then divided into a day. For example, if within two months an employee does not take any day off, including sick leave, he or she receives two days of salary as a diligence:

*“The most notable welfare of this company I think is diligence because we do not have a limitation for that. We calculate from employees' base salary, then multiply by 2”* (HR manager).

#### 4.5 CEO and Top Team

There is some evidence that the CEO or manager plays the role of team leader; when a problem arises the manager arranges meetings to gather information or even solicit staff opinion to find a solution. However, in some cases the staff seem to depend on the manager rather than try to find a solution together. Therefore, the CEO or manager must still play the role of “Hero” to get the problem resolved:

*“As far as I know, I think there is no such a team leader. Every decision has come from our CEO”* (Division manager).

#### 4.6 Ethical Behaviour

The company takes very seriously employees who act inappropriately; for example, they are immediately dismissed without pay, and if people work in other organisations, especially company suppliers, the orders they have been given are terminated. Moreover, the company refuses to lay off an employee, although it may be faced with economic crisis; for example, in 2011, following the major flooding incident, the company did not lay-off any employees. Additionally, the company pays 75% of the employees' basic salary to support them while it is not operating:

*“We have to think about their health and life too. If they cannot eat, they won't have the strength to work. If they are too worried about their children, they*

*cannot perform effectively. So we must help them as we can motivate them to work for us” (CFO).*

#### **4.7 Long- or Short-Term Perspective**

There is some evidence that the company has a long-term perspective and is willing to invest in new technology that can improve the employees’ performance irrespective of cost, such as new robots. Also, it is planning to become a leading aluminium die-casting company in Asia, not only in Thailand:

*“We try to step up from investing in recruiting manpower to purchasing more innovation such as automatic machines, robots to replace it and I think the company could be a leader in aluminium die-casting for the automotive market in Asia not only in Thailand” (Division manager).*

#### **4.8 Organisational Change**

There is no awareness of management changes within the company. In fact, most of the managers seem to resist any change and prefer to stay in their own comfort zone:

*“For the change in the company, I think I do not receive any information so I cannot answer this question” (Division manager).*

#### **4.9 Financial Market Orientation**

The company still aims for short-term benefit claiming that it needs to reduce its debt as soon as possible. However, there is no evidence of a long-term financial plan:

*“Our cost is still too high and we have a lot of debt to pay. If we do not focus on benefit we cannot survive in the market” (CFO).*

#### 4.10 Responsibility for the Environment

The company has real concern for the environment as it received an ISO 14001 certificate for environmental protection. However, the company received this certificate because of customer requirement. In fact, most of the employees do not have high awareness of environmental concerns. For example, the company still asks all employees to separate the rubbish, especially the lubricant oil from the machines. They separate the oil as the company orders, but pour it into the sewer instead of disposing of it properly:

*“As part of my job as procurement division, I know that the company is trying to be approved by EIA. However, as part of retaining ISO 14001, Daisin has the policy for controlling the environment, both internal and external”* (Division manager).

#### 4.11 Corporate Social Responsibility

The company may not have certain planning for CSR, but it does provide some education for local students and the university. It even donates money to a disability charity and has worked with its customers, such as Thai Honda, to build a school in the rural provinces:

*“I think what we have done so far is send our people to join with our customer’s activity, and that I think is enough for us”* (CFO).

#### 4.12 Stakeholders

The company seems to concentrate on internal stakeholders, such as the president, as it believes that these people help to run the business properly, instead of customers or the surrounding communities:

*“I think the president is the most important person in the company because I think he is the key person for leading the company”* (Division manager).



### 4.13 Decision-Making

There is some evidence that managers are trying to get employees involved in the decision-making process by arranging meetings and soliciting their opinions. However, some employees are concerned to share their ideas, or share only what the company requires, such as Kaizen:

*“We allow them to make a decision on their own, but they do as if company policy requires. If beyond the company policy they still ask for the manager to do it for them”* (HR manager).

### 4.14 Self-Management Employees

The interview and observation clearly show that most low level staff still requires high control and orientation:

*“In terms of trust, some who are highly skilled may be able to work on their own, but some that still lack working skills, I think we still need to monitor them closely”* (HR manager).

### 4.15 Innovation

The company is paying attention to all innovative thinking even small innovation. They are also interested in initiative ideas from employees through the Kaizen activity. The company also sends its employees to join customers in the Kaizen activity such as New Honda Cycle. It is a competition of a new idea:

*“We have set up a Kaizen competition for each department to join and win an award”* (Division manager).

### 4.16 Quality

The company emphasises quality control as it is creating a quality assurance department to cooperate with the production department to ensure that



product quality meets company standards. However, it seems that not all employees are concerned with product quality as they believe this is not their responsibility:

*“We have both a quality control and quality assurance department, because we really pay attention to it, and the production line must be stopped if our products do not meet the quality standard”* (General manager).

#### **4.17 Overall Analysis**

The results show that the company can achieve half of the sustainable practices. However, there is the possibility of achieving the other practices. For example, for quality practice a quality control and assurance department was created, but the company did not try to encourage its employees to focus on quality. Therefore, if customers complain about product quality, the issue is discussed in the quality control department and then they try to find a solution for the production department. This may sound good, but it allows production to think that they do not have to worry about quality, as the quality department must take responsibility for any problem occurring, and this does not encourage a quality oriented attitude in employees.

A further example is responsibility for the environment; the company only receives the ISO 14001 certificate because it is required by customers. Even though the ISO standard helps them to care more for the environment, this is only to satisfy customers. Thus, there is concern for the environment when the ISO committee comes to audit, but after they have left, the company does not seem to care about such issues.

Therefore, the company should seriously improve its process or even consider changing the organisational structure to support and conform to Honeybee practice effectively. The solution for the company is presented in chapter 5.

## **CHAPTER V**

### **DISSCUSSION AND SUGGESTION**

The company may have the potential to become a Honeybee organisation, but to achieve full sustainability, it must make huge changes within the organisation. Also, the company managers are mostly unaware of any changes or still lack change management. If it wishes to become sustainable, change management is an important requirement. Therefore, the suggestion in this study is that managers should focus on change management, in order to help the company improve the process and to achieve all sustainable practices. Wong (2009) suggests the change framework adopted from the Kotter theory of change (p. 397). The framework contains eight steps for effective and successful organisation transformation as discussed below.

#### **5.1 Establishing a Sense of Urgency**

There are many ways to establish a sense of urgency, and these can be used to motivate employees or make them realise that the company needs to change. One is climate change, including change in the economy and business. This can be directly explained as the company can provide a comparison between company and market. The die-casting company can highlight to employees its financial performance to explain the current situation and why it needs to change. Another source is ethical concern, when the organisation forgets the reason why it must exist, because it only focuses on maximising profits without realising its impact on society and the environment. This sense of urgency is also important as it is a sustainable practice. Ethically, it is about “doing the right thing”, which means being transparent and considering all stakeholders, and not only focusing on shareholders and running a business while acting as society requires (Wong, 2009). A die-casting company may start to show that how the company distribute to society and why company need to do it, and also wish all employees to do the same. The last source concerns stakeholders.

For example, in 2005, Wal-Mart, one of the largest retail companies in America, announced that it would not recruit people it deemed potentially unhealthy in order to reduce its health insurance costs. However, at that time most retail businesses were trying to become sustainability leaders and this convinced Wal-Mart to change its strategy. After the change Wal-Mart was able to survive the 2008 financial crisis, even though it needed to pay more for employees' health insurance. This example shows that not only the company stakeholders, but other stakeholders such as business competitors can be counted as a source of urgency. Therefore, establishing a sense of urgency is one of the first steps of change to encourage employees to come out of their comfort zone.

## **5.2 Forming a Powerful Guiding Coalition**

It is normal for human beings to reject change; most find that change makes life harder. However, the biggest reason for change is to “improve” or “develop” in a better way. Therefore, the groups of people, who are capable of influencing others, are the main support to initiate change within an organisation. Also, these people must seek change within a company because they can be an inspiration for others to keep following their leader. Therefore top level managers are important as they have position, experience and reputation to persuade other people to follow. However, the company must ensure that these top managers share the same ideas of change. Moreover, even though only the top level can be involved in change, all levels of company stakeholders must contribute to the guiding coalition, and so the guiding team should be composed of various people. This group is not to order or force everyone to change, but it should provide support. A die-casting company COO should join the guiding team and identify the main reasons why the company should change. Moreover, the power of control should be extremely high that it can help the company achieve effective change.

### 5.3 Vision Development

“Vision is a mental model or conceptual representation that is used to guide organizational activities” (Kantabutra. S, Visionary Leadership Handout, p. 21). Therefore, vision is fundamental for the company to articulate its direction, its goals and how to achieve these. The company vision should be: “To be the Best Aluminium Manufacturer using the latest Die-casting Techniques for Automotive Parts in Asia”.

An analysis of the company vision identifies its core values:

1. Innovation
2. Leadership
3. Quality oriented
4. Ethical concern

Thus, the company should apply these core values to create a strong company culture.

### 5.4 Vision Communication

To promote change and broaden support among employees for the company vision, communication is an important tool and a key to successful implementation (Kantabutra, 2012). Therefore, to create understanding the organisation leader must communicate to employees and ensure that they want to get involved in achieving the goals of the company vision (Sashkin, 1985). For greater effect, a communication plan should be conducted to analyse the method of communication for each function. This is because each function may need to use different methods to gain attention and to persuade employees to get involved in achieving the company vision. The vision communication strategy should contain the following:

#### 5.4.1 Target Functional Group

To indicate the target group who should be communicated with. This process is the first step to identifying the group and planning for the next step of the communication.

#### **5.4.2 Focus on Message**

This functions as an interpersonal guideline to focus on which message should be emphasised for each target group. The company vision states its direction, what it wants to be and how to achieve the goals. However, each department may have a different method to help the company fulfil its objectives. Therefore, each group has a different focus message according to its responsibility and function.

#### **5.4.3 Communication Channels**

Each group has a different perspective, therefore, the method of communication should be planned to ensure that the message can be delivered to the target group or to inspire its members to be more receptive. This also helps the company to plan for future development; for example, if it wishes to communicate via e-mail or use visual material it should invest in the equipment.

#### **5.4.4 Communication Styles**

Because each person has a different way of understanding, the communication style should be indicated to help coordinators to communicate with the target group effectively. For example, manufacturing employees may need to repeat and memorise the focus message and must be energetic enough to gain their interest.

#### **5.4.5 Specific Vision Messages**

A sample of the message provides a coordinator to use the message to communicate to each target group. For instance, a specific vision message for production should be used simply and easily to understand; for example, “No N.G” as N.G. is a common term that the company uses to label a bad product.

#### **5.4.6 Expected Behaviour**

Every strategy should be measured and expected behaviour is the target after the communication plan has been launched. This can also be used as a KPI to measure the success of the strategy. If employees still do not behave in accordance with the set target, HR should consider changing the method or style of communication. For example, if employees in production still make a product of bad

quality even though the communication plan has been used, HR may need to perform an in-depth interview to indicate which points the employees do not understand.

**Table 5.1 Sample Strategy Vision Communication for Die-casting Company**

Target Functional Groups	Focus in Messages	Communication Channels	Communication styles	Specific Vision Messages	Expected behavior
Manufacturing	Accuracy and quality	Visual & symbolic, spoken	Energetic, Straightforward, concise, Repetitive	“No N.G.” (= no bad product) “Lower cost, lower defects”	No defect, good control eco-friendly behavior
Production	Efficiency	Spoken, visual	Energetic, repetitive	“Be quicker, be better” “Keep the cost down”	Minimize cycle time Minimize rejection
Sales & Marketing	Market expansion	Spoken, visual, symbolic, multimedia	Inspiring, challenging, repetitive	“See future than the sea” “Focus on the customer”	High customer satisfaction results Ambitious expansion project
R&D Department	Innovative technology and product	Written, spoken	Inspiring	“Your creativity is the cornerstone of our company”	Come up with new ideas Initiate new products
HR department (includes training)	People excellence	Spoken, visual, symbolic, multimedia	Engaging, Inspiring, repetitive	“Develop future leaders” “Your choice is ours, make sure it is perfect”	Be selective and choosing skilled employees Encourage and engage employees



## 5.5 Encourage Others to Act on Vision by Using Value Communication

To create even more persuasive communication, value communication should also be analysed. The value of communication according to Kantabutra Leadership has two types. These are:

### 5.5.1 Heroes/Heroines Model Values

This value is communicated through real human success; individuals who act like role models, set the company standard and can represent what the company stands for. Above all, the company founder or any manager creates significant change within the company. For the die-casting company the most suitable “Hero” model is Mr. Manoj, the founder. Even though he may not have knowledge of die-casting or any engineering experience, because of his sincerity and customer-centric approach, he can convince customers to place orders with the die-casting company. Therefore, Mr. Manoj can be called a “Hero” of the die-casting company.

### 5.5.2 Shared Event

*“Share events carry the culture of the organization and communicate the way we do things around here”* (Kantabutra, Visionary Leadership: Strategic Communication Handout, p. 21). In other words, share events are of equal importance to all company members, who share a company culture and values. These can be defined as follows;

5.5.2.1 Traditions and Symbols: For the die-casting company all employees, including the president, must wear the company uniform. This can be recognised as one of the company traditions.

5.5.2.2 Rites of Passage: This marks important stages for individuals, including the method of hiring, promotion and retirement. The die-casting company may allow new employees to visit the customer factory to understand more about company products and to feel involved.

5.5.2.3 Rituals: This is the method of working; for example, all employees must join the morning briefing and be able to tell others of their daily responsibilities or targets.



5.5.2.4 Celebrations: These are the main events to honour people, both individually and as a team. For example, the company president rewards employees who are never late or do not take leave for a whole year.

## **5.6 Create Short-term Gain by Using Motivation**

There are two types of motivation: intrinsic motivation or self-motivation, which is the most effective, and extrinsic motivation, that is, external factors such as rewards, complementation, etc. Even though self-motivation is the most effective because it is derived from individual values and can drive expectations, it may be difficult to develop. Extrinsic motivation is easier to develop, but it does not last long or does not go beyond expectations. According to Kantabutra Visionary Leadership: Empowerment and Motivation Handout, the following methods for developing self-motivation are suggested:

### **5.6.1 Identify Company Value**

This is the most important step as the company value must be identified to show which type of person is suitable to employ. If the company core values are not identified it may be difficult to find the right persons for the company and to make future plans.

### **5.6.2 Select New Employees whose Personal Value Matches the Corporate Value**

The core values are not relevant for the existing employees only; rather, new employees need to have values matching those of the company as well. Therefore, in the recruitment process the company should emphasise its core values before deciding to hire new employees.

### **5.6.3 Set Up a Performance System and Reward According to Company Values**

Even though self-motivation may not require many external factors such as rewarding achievements, it can help to encourage new people to understand more about company values and how to become part of its culture.

#### **5.6.4 Promote those who Exhibit Consistent Behaviour**

For example, a company may create an event to recognise employees. In this way, they start to keep in mind the company core values that promote pride in personal achievements.

#### **5.6.5 Identify and Develop a Successor**

To maintain the company core values, a role model should inspire the next generation to follow the example of their predecessors.

### **5.7 Consolidating Improvements and Introducing More Changes**

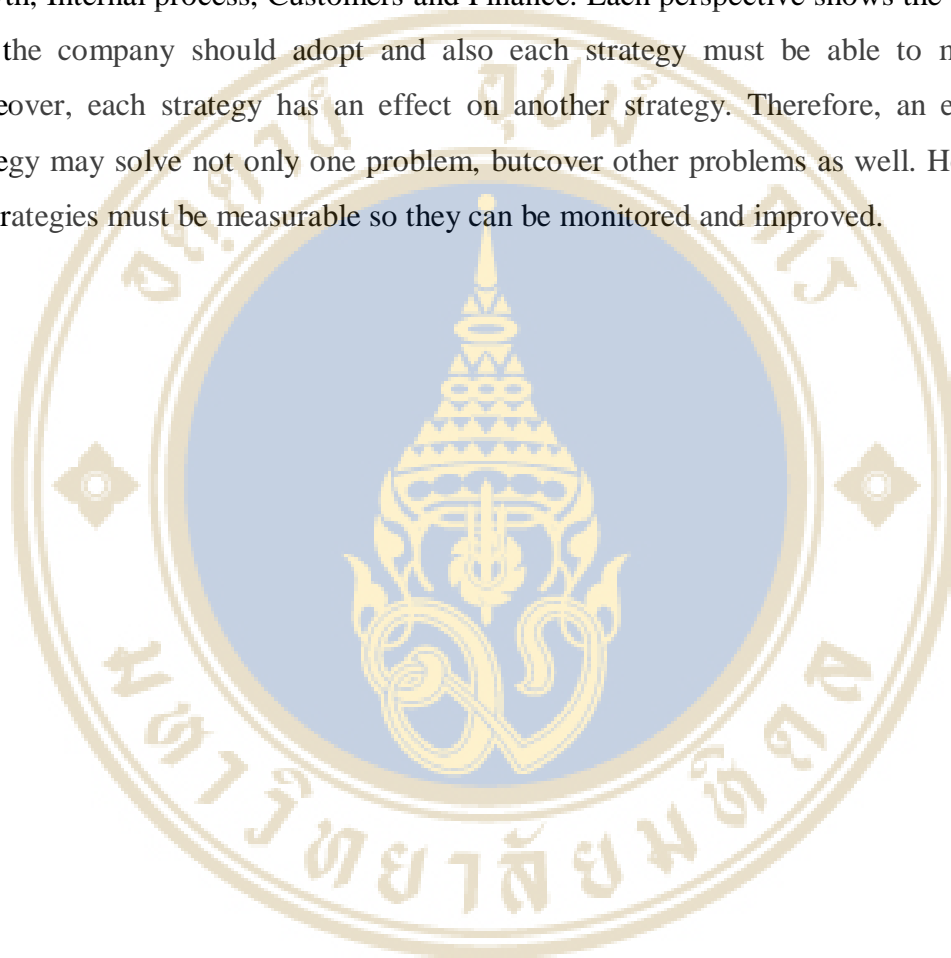
People can return to their old habit, so after short-term gain the leader should seek to ensure that the change becomes natural by creating a new company strategy and changing any part of the organisational structure that does not conform to the company vision.

#### **5.7.1 Strategy Formulation**

The next step is to analyse a suitable strategy for the company and effective vision statement. The strategy concerns “How the company achieves the vision” (Kantabutra, 2015). In other words, the strategy should be able to solve company problems and support its vision statement. This would mean the company has the right focus for the whole organisation and correctly emphasises what needs to be emphasised. Employees would systematically work to achieve the company's goals. Moreover, to achieve the company vision effectively key strategic objectives must be set as measure and the strategy must be standardised. To create an effective measurement basis from the Kantrabura theory of Key Performance Indicator (KPI), three criteria should be considered:

1. KPI must be able to deal with the existing organisational issues;
2. The measurement should be supportive of the organisational vision and strategy;
3. This can be maximised by minimising overtime or is able to change when needed.

Figure 5.1 shows the strategy map from four perspectives: Learning and growth, Internal process, Customers and Finance. Each perspective shows the strategy that the company should adopt and also each strategy must be able to measure. Moreover, each strategy has an effect on another strategy. Therefore, an effective strategy may solve not only one problem, but cover other problems as well. However, all strategies must be measurable so they can be monitored and improved.



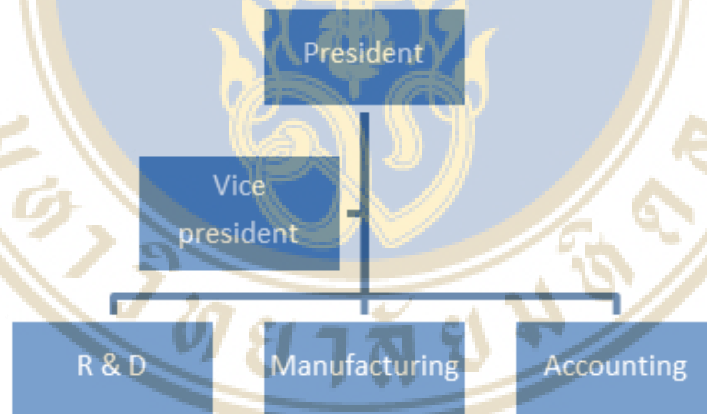


### 5.7.2 Organisation Alignment

In terms of achieving the company vision, a good strategy may not be effective if the company structure is not supported. Therefore, after creating strategy and KPI company structure should also be considered. If the structure cannot support the strategy, this creates conflict within the company and the company cannot achieve its vision. Organisation structure can be divided into five main categories:

#### 5.7.2.1 Functional Structure

This is the basic type of structure for most new companies, especially Thai companies. It is effective in enabling in-depth knowledge of each function and it is also easy for each function to achieve its objectives. However, this type of structure may not be suitable for the company that has more than one product. Moreover, this structure is hierarchical, so most of the decisions are made by top management only. As there is dependence on top management, it may prevent the emergence of new ideas and knowledge sharing through other functions.

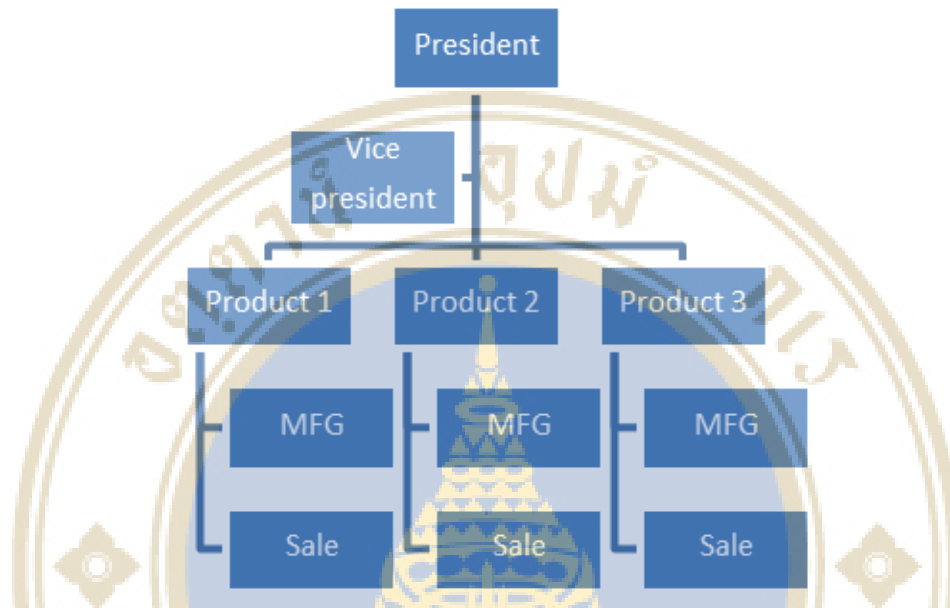


**Figure 5.2 Sample of functional structure**

#### 5.7.2.2 Production Structure

This type of structure is developed from the functional type; increasing the involvement of each function also makes it possible to serve customers more effectively. Instead of functional structure, the responsibility and contract for each product are clear. In fact, this type of organisational structure is good for large companies with a variety of products, which are able to survive in an unstable

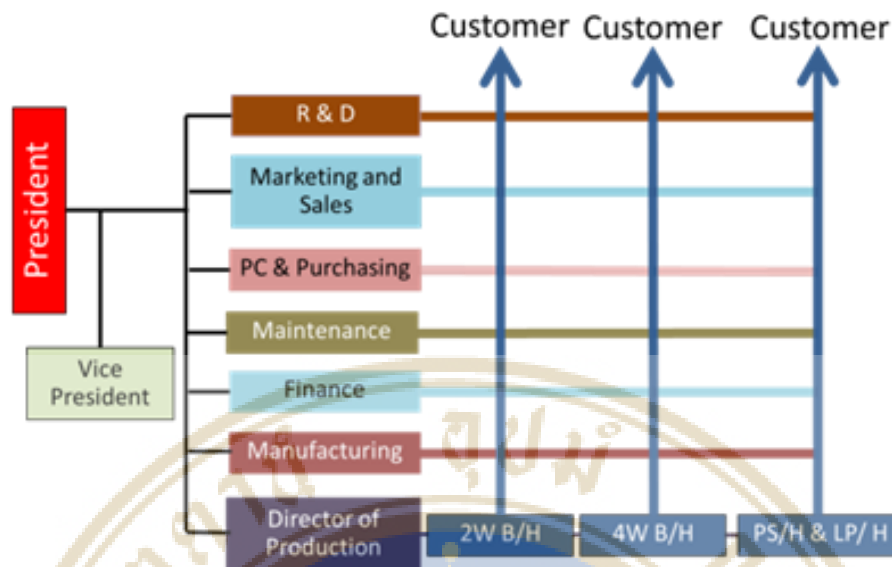
environment; if any product is no longer needed the company can remove or change it without affecting other existing products. However, this type of structure may have a weak point as in-depth knowledge of each function may be reduced and there may be poor coordination between the production line.



**Figure 5.3 Sample of production structure**

#### 5.7.2.3 Matrix Structure

Matrix structure is more complex than product structures as it involves all departments working across functions. This structure provides better development in both functional and production terms, and it is possible to share human resources. However, there is a need to be aware of dual authority, so the authority should be clearly defined. Also, employees require highly interpersonal skills and training. Time consumption is also an issue as many meetings are required.

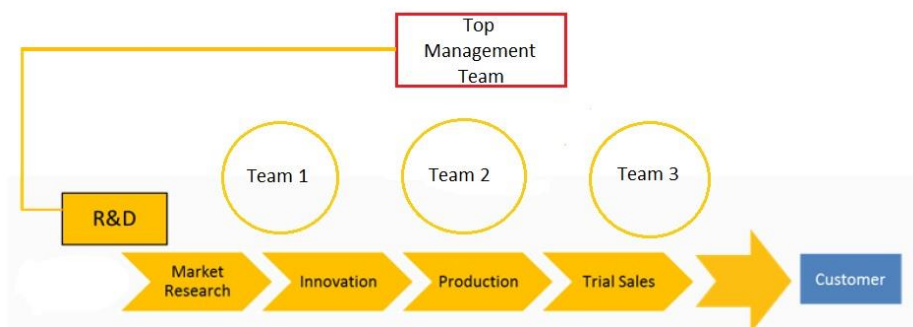


**Figure 5.4 Sample of matrix structure**

#### 5.7.2.4 Horizontal Structure

This type of structure provides high flexibility and the ability to respond to customers rapidly, because everyone shares and delivers value to the customers. Moreover, this structure encourages good teamwork and collaboration and an openness to new ideas that lead to continuous development. The decision period is also shorter as all employees are empowered and able to make their own decisions. However, in order to use this structure the company's core process must be identified clearly with significant training for employees to perform their work effectively. In fact, changing to this type of structure may lead to rejection from traditional management. Therefore, a change of management is strongly required before change to this structure and it may take time. Change of management also includes change in organisational culture, job design, management philosophy and information and reward system.





**Figure 5.5 Sample of Horizontal Structure**

The die-casting company has had the same structure since it started, namely, functional structure. With the company growing more people have become involved and the product range has been extended. Therefore, the company should re-structured in order to help achieve its vision statement. It is suggested that the die-casting company should have matrix structure because this can help employees to gain knowledge not only of their own function, but also other functions. They also become flexible so the company can move people to another function easily. However, as this type of structure may create dual authority problems, the company should entrust the director of production to control overall the production process, while allowing the other department heads to support employees. The company should have this structure in the production department as it mainly focuses on production, while supporting functions such as administration can still be functional. The company restructuring is shown in figures 5.6 and figure 5.7

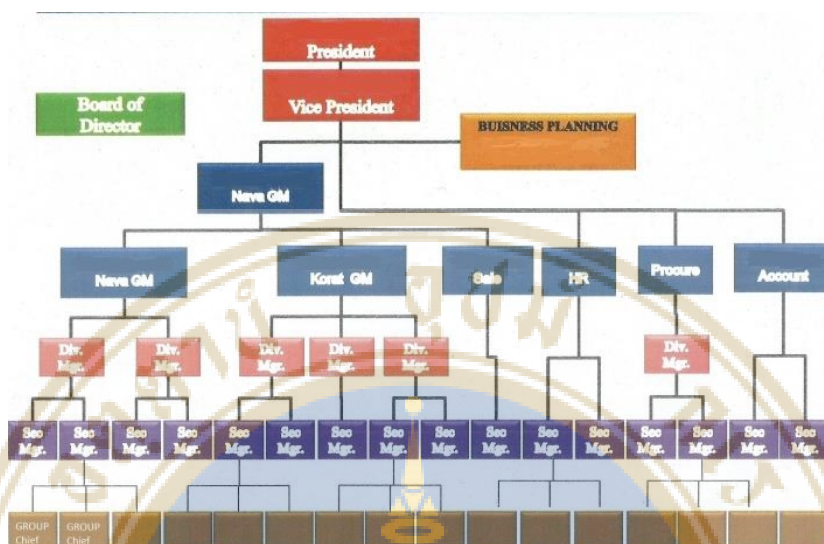


Figure 5.6 Company Current Structure

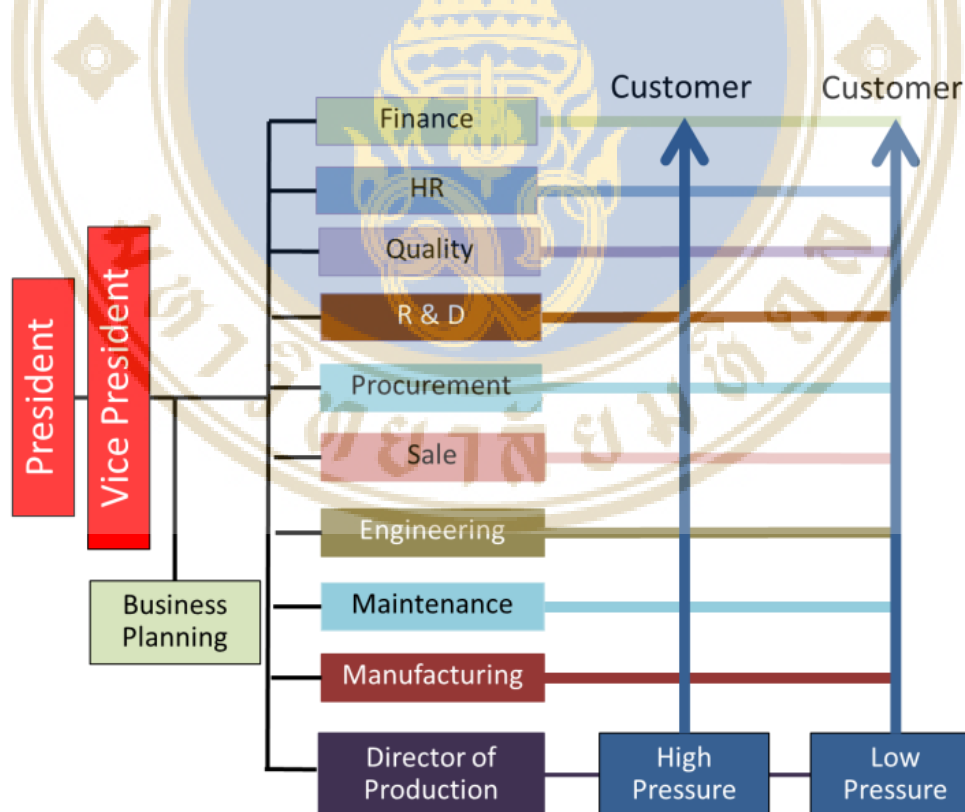


Figure 5.7 Company Suggested Structure (Matrix Structure)

### **5.7.3 Empowerment**

Empowerment strategy is intended to serve as motivation; it is strategic and an important concept in relation to managing employees. Managers entrust employees to take on important roles in the business or assign to them areas of responsibility. After the change in the company structure the proposed empowerment of the die-casting company is identified below:

#### **5.7.3.1 Delegation**

Delegation is the process by which authority is divided amongst employees when the work of a manager goes beyond his capacity. In the current functional structure, employees are only focused on their own tasks, solving problems without understanding their root cause. In comparison, the matrix structure enables employees across the business unit to understand problems and share possible solutions in the long run.

#### **5.7.3.2 Employee Direct Contact with Customers**

Regarding the current structure, the marketing department acts as the main contact point for customers, which prevents production staff from having direct contact with customers. As a result, it prolongs the problem solving cycle and eventually leads to customer dissatisfaction. The new structure is implemented to reduce cycle time and enhance customer satisfaction by enabling respective departments to deal with customers according to their area of responsibility.

#### **5.7.3.3 Employee Involvement**

The company employees have worked for a long time according to job description, without recognition for their ideas. Employees feel less involved and appreciated which results in relatively low internal development. The new structure would mean that employees participate fully in sharing ideas, understanding the root cause of problems and responding to customer enquiries in a timely manner.

#### **5.7.3.4 Knowledge Sharing**

Knowledge sharing is limited within a functional structure which does not allow information to circulate across departments. With hybrid organisational structure, know-how is not only concentrated in a specific job area, but

also shared throughout the company, which allows employees to learn and further develop their efficiency.

#### 5.7.3.5 Knowledge and Skills Development

Functional structure limits skills development to within the department. For instance, the production department is only aware of production timeline, quality control and machinery maintenance. Thus, there is inability to share information across departments. The implementation of hybrid structure enables employees to develop, beyond functional skills, communication and interpersonal skills which promote the flow of information within the company for better and faster development.

### 5.8 Institutionalising New Approaches

Change affects all business aspects, for example, daily routine, practices, policies and procedures that encourage employees to understand the company. All activities such as the way in which the company recognises and rewards its staff or the method of sharing knowledge across functions direct employees to understand company objectives. This affects the values and beliefs and employees' behaviours, as well as adapts the organisation climate to organisation culture. When employees understand company culture the new behaviours become second nature (Wong, 2009, p. 407). At this stage people share the same values and the company becomes a sustainable organisation.

## **CHAPTER VI**

### **CONCLUSION**

In order to make a company sustainable the change of management should be emphasised. Based on Wong's (2009) change management framework (p. 397), the company should instil a sense of urgency to make employees aware why the organisation requires change. The source of urgency can be in social, environmental, ethical and stakeholder terms. In addition, the die-casting company must form a guiding group to support and reduce the rejection of change. Such a group should include a member who is able to influence others effectively, in this case the COO. However, not only top level managers can be members; rather, all levels of employees and stakeholders. A communication strategy should be used to explain and ensure that all employees understand the vision. Value communication can also be used to motivate employees to share the same values of the company. Furthermore, to encourage employees to follow the company vision, the method of value communication should help explain to employees the new company climate. The motivation strategy should be used to achieve short-term gain; in particular, self-motivation, which is the most difficult to conduct, is more effective than any other motivation method. The improvement must be consolidated to create more long-term effectiveness. In this regard, a strategy must be formulated to ensure that every company activity helps achieve the company vision. All strategies must be measurable for monitoring the company and analysing problems accurately. Subsequently, the company should change its structure to support the new strategy. The die-casting company should use a matrix structure as it allows employees to share their knowledge across functions, while they are still able to learn in-depth their own function. Also, matrix can move people across this function and reduce the problem of insufficient workforce. However, matrix structure may create dual authority, so the director of production should have priority, while other heads of department support their employees. Finally, when all company structure changes this leads to change in

all areas such as daily routine, which affects directly the company climate. As this climate keeps developing it affects employees and, as a result, behaviours become natural and part of the company culture.

Further research should examine other industries in Thailand by using the Honeybee approach, because the present study only focuses on one industry. Therefore, to improve the framework in the Thai context may require more research in other businesses. In fact, King Bhumibol Adulyadej has developed a Sufficient Economy philosophy that is similar to Honeybee practice. Thus, further research in the Thai context should focus on relationships between both philosophies and how to apply these in countries other than Thailand.



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## APPENDIX A: Interview Question

Leadership element	Interviewee	Questions
1. Developing people	President	- What do you think about developing people? Any Implementing plan?
	HR	- What is your percentage of training budget related to income? - How do you design your training course to suit the company's strategic needs? - Does the training plan cover all levels of employees?
2. Retaining staff	HR	- How often do you open for recruiting new staff? - What is the turnover rate of this company?
	Manager	- How many employees that resign recently?
3. Succession planning	HR	- How many people get promoted this year?
4. Valuing staff	HR	- What welfare that the company provide to all employees?
5. CEO and top team	President	- Does your company has set up any team leadership for making decision or it has been decided by the CEO?
	Manager	- How do you make decision for business operation? - How do you get employees involved with your decision?
6. Ethical behavior	President	- Your business is concerned with hazardous chemical that may affect to another outsider, how do you deal with this problem?
		- How does your company deal with fraud or scandal?
7. Long or short-term perspective	President Manager	- What do you think your company is going to be in the next 10 years?
		- What is the main obstruction that keeps company not achieve the goal?
		- Does the company have any plan for investment to support long-term strategies?
8. Organizational Change	President Manager	- Do you plan for any change within the company? If you do how you prepare it?
		- What is/are the main factors that lead to reorganization within the company?
9. Financial market orientation	Manager	- What is dividend payout policy for this company?
		- What is your view of expanding your business in another sector that is not involved with automotive market?
10. Responsibility for environment	President Manager	- What is the company policy for environment protecting?
11. Corporate Social Responsibility (CSR)	Manager Employee	- What company CSR activities that you wish to join in or want the company to have it?

## APPENDIX A: Interview Question (cont.)

Leadership element	Interviewee	Questions
12. Stakeholders	HR Manager	- Who do you think is the most important people in this company and why?
13. Vision's role in the business	President	- Which point of the vision statement that you think is the most difficult to do and how the company makes it true?
14. Decision making	Manager	- When a decision must be made which information that you used to help you made the decision?
15. Self-management	Manager Employee	Use observation method
16. Team orientation	Manager Employee	Use observation method
17. Culture	President HR Manager	- What do you think is the core value of your company, or what core values that you wish to have within the company? - Does your company have any types of communication to allow employees to reflect their opinions?
18. Knowledge sharing and retention	Manager HR	- Does the company provide any tools or training for you to learn other department knowledge?
19. Trust	HR Manager	- Do you think you can trust your employees or do they need to be controlled? - Do you think that your employees are the type of "willing to do" or "follow the order"?
20. Innovation	President Manager	- What is the new innovation in this company recently or planning to do? - Are small improvements in operational processes value in your company? Please provide some examples
21. Staff engagement	Manager HR	- Does the turnover rate this year is decreasing? - Do you feel that employees are working from their own wills and why do you believe that?
	Employee	Used observation method
22. Quality	Manager	- How do you value product quality? - How do you control the product quality?