

CHAPTER VII

CONCLUDING REMARKS

7.1. Conclusion

Firms see globalization as a matter of taking superior conducts and extending it geographically, with necessary modifications, to maximize the firm's economies of scale. From this perspective, the key strategic challenge is to determine the adaptation of firms' conducts and the standardization from country to country. But no matter how they balance localization and standardization, all firms focus on similarities across countries, and the potential for the scale economies, as their primary source of added value.

From figure 22, with regards to the objective on examining the differences in efficiency among Thai local firms and Foreign-owned firms that operate their business activities in Thailand, it was found that Thai banks ran behind foreign banks in early 2000. However, with the dynamic of the industry, they improved their performance dramatically by controlling their operating costs.

The research would contribute to a capability enhancement in the banking industry. Financial institutions, especially those in the banking industry, have experienced a dynamic and competitive environment. Competition at a cross-border scale make local banks adjust their competitive positions to sustain their financial performances. The banking industry is one of the most knowledge-intensive industries. The purpose of this study is to investigate cost efficiency empirically together with the relationship between the value creation efficiency and firms' financial performance by capturing the perception of intellectual capital in the banking industry and identifying perceived value of this organizational variable in the bank.

The results from cost analysis confirm that cost efficiencies among firms are quite different. The foreign banks' branches can engage cost effectiveness to enhance the profitability better than the banks registered in Thailand. In addition, foreign banks perform better than Thai banks in terms of total productivity change and technical

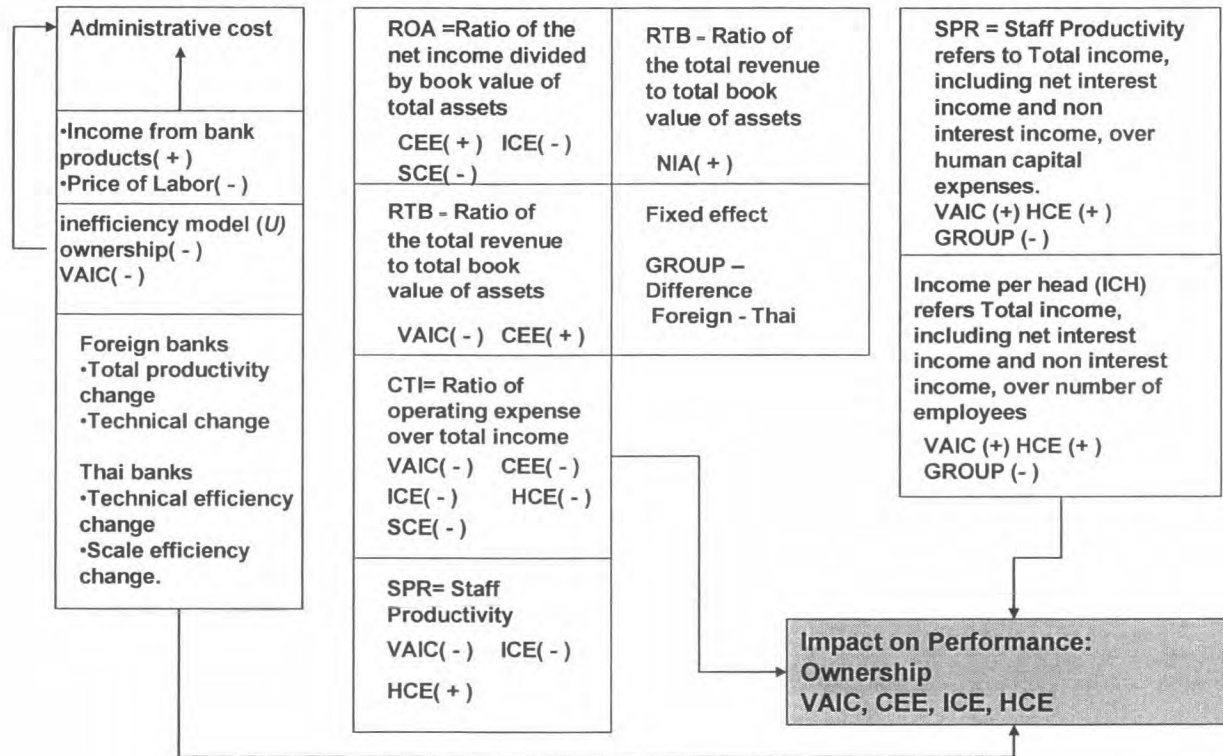
change. Therefore, with regards to the cost efficiency and productivity, foreign banks can perform the competitive edge better than Thai banks.

To meet the objective on examining the differences in utilization of factors of production among local firms and Foreign-owned firms, especially comparing the differences in the intellectual capital. Intellectual capital had a strong impact on the performance of commercial banks, especially on profitability and productivity. Foreign banks have higher impact of VAIC than the other Thai banks.

In case of the intellectual capital, it has effects on profitability and productivity of commercial banks. Significantly, foreign banks gain more benefits from employing the intellectual capital. When separating the intellectual capital into human capital and structural capital, the results show that human capital efficiency has relationships with the creation of profitability. In the fixed effect model, foreign banks outperform major Thai commercial banks. From the intellectual capital perspective, there are few researches that study the capability of intellectual capital in the banking industry in Thailand. Empirical findings show some strong association between the efficiency of intellectual capital and banks' productivity. In addition, the existence of Intellectual Capital enhances the productivity strongly in the Banking Industry in Thailand. When it is classified into major components, the efficiency of human capital (HCE) plays a major role in creating productivity.

Figure 22 Conclusion

Conclusion



There are no significant factors, both from internal resources and external environment variables, influencing on the operations of the banks. With regards to the examination on the sustainability of Thai local firms, there is no difference between Thai banks and foreign banks on their sustainability, since Thai banks started to improve their performance.

In summary, globalization had caused the firms to adjust themselves to improve their productivity and efficiency to compete against the foreign firms. In case of the banking industry, Thai banks keep upgrading their performance to keep up with foreign banks, especially by doing more on cost efficiency and enhancing their intellectual capital.

7.2. Recommendation

There are times for firms to adjust to a diverse set of changes simultaneously. The globalization of markets and competition, the rapid maturation of the Information age, the expansion of the service-based economy, the impact of deregulation and privatization, the explosion of the knowledge revolution—these forces are driving firms to fundamentally rethink their conducts and radically transform their organizational capabilities.

Intellectual capital is increasingly becoming acceptable as an important factor for sustainable corporate advantages. The results underline the importance of intellectual capital in enhancing firm productivity. Developing intellectual capital is no less important than capital investments for companies. Therefore, Intellectual capital should be increasingly recognized as one of the major investments for driving the company's sustainable growth, together with the other factors of production. With the classification of physical capital and intellectual capital, value creation can be achieved through enhancing the ability of intellectual capital.

Firms can be differentiated from the other by looking into the cost elements or creating value through the enhancement of intellectual capital. They can make a choice between the two perspectives. Thai firms, which are behind the foreign firms, should

improve their cost competitiveness to stay on the arena of competition. It is essential that they should start to look seriously to find ways to manage lean operations. Also, investment in intellectual capital is compulsory to improve their profitability and productivity.

7.3. Limitations

This research looks into the importance of intangible factors in producing products. There is a limitation in that the data for foreign banks employed in the model is a consolidated one. Therefore, the model is not able to specify the performance of each particular commercial bank due to the limitation on the published data by the government agency. However, the model specification permits the estimation of both technical change and time-varying technical inefficiency, given that inefficiency effects are stochastic and have a known distribution. It would be better if the model can incorporate the more specific data for the model of stochastic frontiers and the technical inefficiency effects can be effectively associated with the analysis of panel data. Future research could be done to gain deeper study on the behavior of each firm in managing their competitiveness.