

CHAPTER V

THE ROLE OF CHINESENESS IN BUSINESS MANAGEMENT IN THAILAND: CASE STUDY OF SOPHONPANICH FAMILY

5.1 Introduction

“I have Thai and Chinese friends, but my ideas and principles are very Chinese”¹ stated by Chin Sophonpanich, the founder of the Bangkok Bank. Chin Sophonpanich can be considered as the typical successful overseas Chinese businessmen in Thailand, even in the whole Southeast Asia region. When Chin was a young boy, he was sent back to China by his parents to receive his education. “In the old days,” he explained, “the Chinese immigrants were afraid their children would lose their Chinese culture, so they were sent back to be brought up in China.”² Like Chin Sophonpanich, many ethnic Chinese in Thailand received Chinese education in China when they were young or grew up in Chinatown, with the Chinese parents and in the atmosphere of Chinese culture. Although they had been assimilated into Thai society gradually, they had Thai name, married the Thais, the influences of Chinese culture and philosophy remained more or less inside of their mind, affecting their way of doing business. Robert Kuok, Malaysia's great overseas Chinese tycoon, in a 1985 speech to the World Management Congress said, “As children, we learned about moral values-mainly Confucian.”³ In this chapter, I will use the Sophonpanich family as a case to analyze the role of Chineseness in business management style and practices in Thailand. Advantages and limitations of the role of Chineseness will be given at the end.

¹ Rob Salamon, “Chin Sophonpanich: The Bangkok Connection,” *Insight*, June 1978, p. 18.

² Rob Salamon, “Chin Sophonpanich: The Bangkok Connection,” *Insight*, June 1978, p. 14.

³ Mary F. Somers Heidhues, *Southeast Asia's Chinese Minorities* (Australia: Longman Australia Pty Limited, 1974), p. 39.

5.2 Diligence and Hardworking

Chin always said that industrious working is the secret of his success. Piya Siwayathorn⁴ recalled: “I was working for Mr.Chin in the early days of the bank, and we had to come to work on Saturdays and Sundays to get things done on time so that we could cope with the wishes of the customers. Everybody worked very hard because the boss, Mr. Chin, set the example. He was there working side by side with us all the time.”⁵ Chin worked his people hard. There were to be no holidays for many since the task was paramount. Chin never left today’s work to tomorrow and sometimes he had to work until eleven o’clock in the evening of Sunday.⁶

Dating back to the time before the Bangkok Bank established, Chin operated his finance company which primarily dealt with foreign exchange just after the World War II. Chin had his own system of cables for shortwave transmissions so that he could get to know the market tendency ahead of other rivals. But Chin had to work very hard, getting up before other people to check the world’s exchange rates every early morning so that he could announce quotations for the local scene.⁷ Without his perseverance and industry, Chin could not have monopoly in foreign exchange market at that time, and could not become a successful banker either.

After Chin’s retirement, Bangkok Bank’s management was given to Chatri Sophonpanich, the second son of Chin Sophonpanich. During Chatri’s 12 years as the

⁴ The Bangkok Bank’s former senior executive vice president. He used to work for the Bank for 30 years.

⁵ The Nation, “A Genius with the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 10.

⁶ Vorasakdi Mahatdhanobol, “The Sophonpanich Family”, p. 10.

⁷ The Nation, “A Genius with the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 10.

president, he continued to work very hard to improve the service quality, attract the costumers and increase the Bank's profit. Chatsiri Sophonpanich was appointed President of Bangkok Bank in December 1994. The young president has been working very hard to prove himself. He stayed late at night at the bank and brought home stacks of documents to sign.⁸ He tried very hard to save the Bangkok Bank from the horrible economic crisis in 1997.

Not only were the members of Sophonpanich family, almost all of the overseas Chinese across the world described to have the personalities of diligence. It is always said that overseas Chinese can stand long-time working without taking rest and feeling tired. They are enterprising and ambitious persons.⁹ There are both cultural and historical reasons for this phenomenon. Culturally, Confucianism, as the most important and influential philosophy has affected people's attitude toward life and career. Confucians believe that men should strive to advance themselves as much as possible, so long as they maintain all the proper ritual behaviors for each stage of their lives' progression. Confucian encourages people to work with diligence and make contributions to their family and society. Thus, men are accustomed to work hard and try to their best in their daily life. Historically, the earlier pattern of Chinese migration was coolie pattern, which supplied the bulk of today's overseas Chinese population. These individuals usually originated from the peasant classes, or were landless laborers, or the urban poor. They went abroad to seek for fortune because of natural disasters and poor agriculture crops which resulted in famine and poverty. Therefore, they had to work harder and harder to earn and save money for themselves as well as their families in China. After the labor contracts came to an end, some of them returned to China with some money, some chose to stay and build their fortunes by using the money they saved.

⁸ The Nation, "Sounding the Retreat," Thai Tycoons Winners and Losers in Economic Crisis, p. 14.

⁹ Lynn Pan, Sons of the Yellow Emperor: The Story of the Overseas Chinese, pp. 168-170.

It was not easy for immigrants to set up their business in foreign countries, since they were not born and grew up in this society; they don't have connections; don't own the land and capital. They have to be much more laborious than local people in order to get success. Thus, diligence and hardworking can be concluded as one of the most distinctive personalities of ethnic Chinese.

5.3 Customer Satisfaction

Taking good care of the customers and satisfying the customers to the best is another major reason contributing to the success of Bangkok Bank.¹⁰ Chin knew he could attract customers by supplying the best services. “When we started out, the business scene was almost completely dominated by foreign bankers who had their branches here. We were the first bank to handle foreign trading for local businessmen. Naturally, we had to offer all kinds of services to the customers who didn't even know how to get an invoice written up. The foreign bankers were not offering this kind of service and there was obviously a large gap between the foreign bankers and the local Chinese and Thai businessmen. We managed to fill that gap and offered some valuable advice as well as consultation.” Chin recalled¹¹. This service was a major stepping stone and a turning point that pushed the bank to the forefront. Business of Bangkok Bank was expanded dramatically. Chatri Sophonpanich, pointed out: “We offered such an extensive service to the local exporters and importers that all they had to do was to sign their names under their companies' rubber stamps...”¹²

Chin was educated in China for several years during his childhood, Chinese

¹⁰ Vorasakdi Mahatdhanobol, “The Sophonpanich Family”, p.11.

¹¹ The Nation, “A Genius with the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 11.

¹² The Nation, “A Genius with the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 11.

Confucian thought deeply rooted in his mind. He believed in “Ren” in Confucianism, which made him recognize the importance of customer satisfaction at the earliest years of Bank establishment and development. This recognition made his bank ahead of others in Thailand at that time. “Ren” is an important topic in Confucianism, which means kindness, humaneness and love.¹³ “Do not do to others what you do not want done to yourself.” is a golden rule in Confucianism, which reflected the thought that gentleman with virtue and moral, should be considerate to others and let others feel comfortable. If the ruler has “Ren”, his subjects will obey and behave humanely. In the same way, if a bank or an enterprise could love their customer sincerely, and try their best to supply services in to every detail and satisfy customer’s demands, customer will incline to keep close relationships with this bank or enterprise. Arriving at customer satisfaction is the best way to attract and keep the customers.

This great tradition was passed down generation to generation in the Bangkok Bank. “Recognition that the customers are the main reason behind the growth and success. We make it a point to ensure that every wish of our customers is fulfilled.”¹⁴, is one of the major culture in Bangkok Bank. When Chatri Sophonpanich was the president of Bangkok Bank, they laid emphasis on improving quality of service, people and technology. Piti Sithi-Amnuai¹⁵ stated, “The Bangkok Bank is the first bank to offer agricultural credit to farmers, the first to introduce computerization to its customer services, the first to go on-line, these have provided quality services for he customer.”¹⁶ Piti said “while we have the quality, we must constantly improve it, refine it, so that our

¹³ Richard Wihelm, Confucius and Confucianism, p. 97.

¹⁴ The Nation, “In Search of Excellence,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 25.

¹⁵ Mr. Piti Sithi-Amnuai, was former Executive Vice President of the Bangkok Bank, and as Director of the Metropolitan Branch Operations.

¹⁶ The Nation, “We Must Constantly Improve our Quality,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 33.

quality is progressive. Continuing our search for service excellence and customer satisfaction, we will continue to grow.”¹⁷

5.4 Trust the Subordinate

Chin believes in “Xin” in Confucian thought, which means faithfulness, loyalty and mutual trust.¹⁸ He knew deeply that mutual trust and loyalty was the basis for building a strong and stable bank. As the leader of the bank, he should act as an effective administrator who didn’t get down to details, but trusted his subordinate, his senior executive and his staff. “Mr. Chin knows how to make people who work for him feel at home and confident. Most important of all, he has a very sharp sense of judgment. Once he trusts somebody, he offers him a high level of independence and flexibility to get things done.” commended Vira Ramyarupa¹⁹ “Once he believed that Mr. Boonchu could do it, he never interfered with his work. He gave Mr. Boonchu full freedom and authority to make the best out of his ability. So, they managed to work together as a perfect combination. They never had any working conflict.” Vira Ramyarupa²⁰ said.

His trust in people working for him is firm. “I had 100 percent confidence in my staff members when I assigned them to carry out a certain task, especially assignment involving money. I knew for sure who I could trust. Somehow, I learned to know people very closely,”²¹ Chin said. “I have the freedom to manage my own people-6000 of them;

¹⁷ The Nation, “We Must Constantly Improve our Quality,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 33.

¹⁸ Chen Jingpan, Confucius As a Teacher, p. 387.

¹⁹ Mr. Vira Ramyarupa, the Bangkok Bank’s former senior Executive Vice President, and has served as Mr. Chin Sophonpanich’s personal assistant for 25 years.

²⁰ The Nation, “A Genius With the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 11.

²¹ The Nation, “A Genius With the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 11.

I am empowered to do whatever I wish as long as it benefits the Bank.” said Piti.²² People can be trusted. All the executives and staffs felt that they were trusted by their boss and their superior, which attributed to the unity and loyalty of the staff.

Because of the mutual trust, Bank’s staff members have a deep sense of belonging. “We work hard to make the bank everybody’s bank. Our employees love their bank as they love their home, and we want the people to think of bank as a trusted family friend.”²³, said Thamnoon Laukaikul²⁴. “The love the employees have for the bank is the result of the effort on the management team’s side. Every member of the management team here never considers himself the big boss, on the contrary, the senior officers here take care of their juniors as elders take care of their youngsters”²⁵, said Chairat Kamnuan.²⁶

Like his father, Chatri kept great relationship with his subordinate colleagues and leading teams when he was in the position of president. There are “Meet the Boss” lunch organized by the staff to maintain a proper channel of communications with senior executives and policy makers. “I make it a point to attend every Meet the Boss monthly lunch so that I can hear the staff members tell me what they might have to say,” Chatri said²⁷. The wonderful cooperation between the management team and the

²² The Nation, “We Must Constantly Improve our Quality,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 33.

²³ The Nation, “Making the Bank Everyone’s Bank,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 39.

²⁴ Mr. Thamnoon Laukaikul, former Executive Vice President, Director of the Provincial Branch Operations of Bangkok Bank.

²⁵ The Nation, “Cooperation Between Management and Employees: Heart of Bank’s Success,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 41.

²⁶ Mr. Chairat Kamnuan, former Executive Vice President of Bangkok Bank.

²⁷ The Nation, “Chatri Sophonpanich: This is a New Era for Bangkok Bank,” New Era of Professional Banking, p. 7



employees, the harmonious atmosphere created by every member of the Bank, made the staff members have a sense of unity and cohesiveness. Such a sense of unity remains a very vital factor in carrying out the Bank's activities.

5.5 Recruiting Talent

The Sophonpanich empire is typical of big overseas Chinese enterprises in having an overseas nexus. The international expansion of the Bangkok Bank had its start in the branch which Chin had the foresight to open in Hong Kong in 1954, to service the growing trade between the British colony and Thailand. One branch led to another, each market to the next, until the bank had reached out east and west, north and south, across the seas to Singapore, Kuala Lumpur, Saigon, Jakarta, Tokyo, Osaka, Taipei, London, New York and Los Angeles.²⁸ "Keep it in the family" is said to be a Chinese business motto.²⁹ Kith and kin, blood-bonds were important to the overseas Chinese's business expansion. Sophonpanich family empire was no exception. Chin Sophonpanich's eldest son Rabin has always lived in Hong Kong, looking for the family's interests there. Another son, Chote Sophonpanich, headed the London branch of the bank in the early 1980s. Chin sent one son to Singapore, a brother to Hong Kong, an uncle to Manila, a cousin in New York, various relations all over the world.³⁰

Expand the business by relying on family members is a traditional Chinese pattern in doing business. However, with the coming of the western capitalists and new technology, those old Chinese value and pattern in doing business were challenged. Under these new circumstances, some of Chinese enterprises collapsed, while some of them tried to adapt, survive and develop. Bangkok Bank is one of these remains.

²⁸ Paul Handley and Jonathan Friedland, "Overseas Overhaul: Bank Shifts its International Focus." *Far Eastern Economic Review*, 144, 15 (April 1989), p. 54.

²⁹ Lynn Pan, *Sons of the Yellow Emperor: The Story of the Overseas Chinese*, pp. 239.

³⁰ Lynn Pan, *Sons of the Yellow Emperor: The Story of the Overseas Chinese*, pp. 240.

Chin knew that he had to search for excellence and talented executives from the outside. “I didn’t want to confine the opportunities to only people around me or those in my family. I wanted to get real talent. That’s way we had Mr. Boonchu, Now, we have Dr. Amnuay Viravan and Mr. Chanchai, to mention but a few of those in the top echelon.”³¹ He explained. “They never operated Bangkok Bank as a family bank. The bank’s growth came about by maximizing the utilization of people outside the Sophonpanich family.” Piti Sithi-Amnuai³² said.

Chin is also quick in making the right decision at the right time, and his judgment of people is superb. First generation management team, recruited by Chin has laid down a perfect example of dedication. “Mr. Chin is a superb merchant with the very real ability to choose the right person for the job. He knows the right person once he sees him.” Piti Sithi-Amnuai said³³. With his exceptional ability to judge people and to recruit them for work, he began to lay a firm and systematic basis for the internal administration and management. He brought in a new generation of talented managers and offered them the chance to grow up while the veterans offered advice and experience. Confucianism emphasizes on recognition and dealing with relationships between individuals and also guide individuals to get to know and judge person. According to *Lunyu (The Analects)* by Confucius, the perfect men or the gentleman is honest, possess virtue of uprightness, loyalty, and can be trusted.³⁴ These criterions to judge and know person also contribute to the way of recruiting talent by Chin

³¹ The Nation, “A Genius With the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 12.

³² The Nation, “We Must Constantly Improve our Quality,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 33.

³³ The Nation, “We Must Constantly Improve our Quality,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 33.

³⁴ Chen Jingpan, Confucius As a Teacher, p. 225.

Sophonpanich.

5.6 Flexibility

Chin Sophonpanich maintained the core values of Chinese traditional culture, because he found out that there were valuable elements inherent in Chinese culture. That Chineseness could help him to expand and maintain his business. But he also knew that absorbing the merits of other cultures was necessary too. He had to be open-minded.

When the new “management by objectives” system was introduced by young executives educated in the West, one would think that Chin might find the aggressive strategy rubbing the wrong way against the old, traditional management style. But he really didn't. “I readily listened to the new idea and I agreed with the principles that management must change with the times, or else we would never grow,” Chin said.³⁵

Vira added: “Mr. Chin absorbed the new management concepts with a very receptive mind. In meeting with top executives, he would listen to them before making any comments. And he would be the last one to speak. His progressive thinking has enabled him to bring in new talent all the time.”³⁶

However, Chin's business empire was not always progress smoothly. He had encountered menace to his business or even to his life in the late of 1950s. Chin elaborately cultivated close connections with General Phao after the World War II. He had a politically protective umbrella which brought him great interests. In 1957, a

³⁵ The Nation, “A Genius With the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 12.

³⁶ The Nation, “A Genius With the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 12.

military group led by General Sarit Thanarat took over the power, Phao was exiled. Chin worried that General Sarit might take over his bank or even kill him due to his close association with the Rajakrue group. Chin went into self exile to Hong Kong but retained his position as managing director of the Bangkok Bank. This self exile can be seen as an extremely wise act. During this period, he not only strengthened his Teochiu connections, but also found a new protective umbrella by inviting the new interior minister, General Praphat as the Bank's new chairman. It is undeniable that Chin is a clever man because he is very flexible and can make change to suit the situation and environment, which is accordant with the tenet contained in the Taoism.

Teachers of the Tao use examples of the bending reed or grass blowing in the wind to illustrate what is the best way out when we meet with troubles. Reed and grass has to be bending in strong wind to avoid fracture. A Taoist would encourage an individual to work with their obstacles and problems instead of fighting adversity at every turn. We should try to drop back for saving the strength, protecting ourselves from destroying. We have to be flexible to the outside environment.

Chin understood the importance of flexibility, so he beat a retreat first and then turned to the new protector after figuring out the political situation. Flexibility and elasticity are the common qualities that majority of overseas Chinese have. "Chinese have always found ways of getting round economic restrictions."³⁷

5.7 Building and Using the Networks and Connections

Building and using the networks and personal connections is another significant characteristic which contributes to the business success of Sophonpanich family. Chin Sophonpanich's prosperous business was not only because of his diligence and his flexibility, but also due to the especially close connections with the military leader and

³⁷ Lynn Pan, Sons of the Yellow Emperor: The Story of the Overseas Chinese, pp. 2.

powerful politicians in Thailand.

Guanxi refers to interpersonal, inter-organizational relationships, not only for the Chinese in China, but also for the overseas Chinese, is seen as a crucial factor for facilitating smooth business transactions. The Confucian emphasis on personal relationships, with the historical lack of institutional support from government agencies, as well as economic restrictions from the government of their new home, reinforced the overseas Chinese emphasis on personal relationships. Establishing, maintaining and utilizing *guanxi* and network can be considered as an essential part of Chineseness.

The fieldwork data has revealed five main *guanxi* bases which have had varying significance over time³⁸:

5.7.1 Locality/ Dialect:

During the earliest stages of emigration to Thailand, many immigrants from China came without their close kin. They would turn to people from their districts or villages in China for food, lodging and work opportunity. They get together according to the same locality of origin and same dialect spoken. People from the same hometown always share the same dialect. With the same dialect, they are mutually comprehensible. "My father preferred to work with people from the same dialect group. because he found it is easier to express himself and understand others. He feel more comfortable and secured"³⁹ We can take rubber tycoons like Tan Kah Kee, Tan Lark Sye and Lee Kong Chian in Singapore as another example. These tycoons were all from the same district in China and when Tan Lark Sye and other men, who came from the same district in China. first came to Singapore, they found employment opportunity in Tan

³⁸ Tong Chee Kiong and Yong Pit Kee, "Guanxi Bases, Xinyong and Chinese Business Networks." *British Journal of Sociology*: 49, 1, pp. 76-78.

³⁹ Tong Chee Kiong and Yong Pit Kee, "Guanxi Bases, Xinyong and Chinese Business Networks." *British Journal of Sociology*: 49, 1, p. 77.

Kah Kee's rubber enterprises easily.⁴⁰ People who share same dialect are always willing to help each. There are numerous examples of cooperation between people who share this *guanxi* base during the first generation of Overseas Chinese. This *guanxi* base was institutionalized into mutual help associations organized along locality or dialect criteria gradually. But the importance of this *guanxi* base has diminished over years, with the number of local-born Chinese increased, the locality and dialect barriers gradually waned.

Chin started his personal business by using the personal relations with his close friend Udane, who shared the same dialect and ancestral home in China. After coming back to Thailand at the age of 26, Chin worked as a clerk-bookkeeper for a building suppliers owned by Udane's uncle. Besides, Udane was the adopted son of General Phin Choonhaven, this close personal relationship helped Chin to get onto the fringes of the powerful circle of colonels and generals successfully, which is the jumping-off point of his life and future enterprise.⁴¹

5.7.2 Clan:

The Chinese organized clans based on common surnames. People sharing the same surname were considered as *qin ren* (relatives), and were believed to have descended from the same ancestor according to the Chinese traditional culture. In Southeast Asia, most *guanxi* bases of Overseas Chinese are organized along clan and overlap with the locality/dialect principle. "If two people came to look for a job, and one was of the same dialect and same surname and the other was not, then the first one would get the job. You feel that you want to help him more since he is in your clan."⁴²

⁴⁰ Lynn Pan, *Sons of the Yellow Emperor: The Story of the Overseas Chinese*, pp. 256.

⁴¹ "Sophonpanich Family," *Big Business in Thailand: Profiles of Prominent Thai Business Groups*, p. 169.

⁴² Tong Chee Kiong and Yong Pit Kee, "Guanxi Bases, Xinyong and Chinese Business

5.7.3 Kinship:

Close kinship can be categorized in terms of agnate's relatives and affines. Affinal *guanxi* bases are important in helping a businessman develop a network of dependable *guanxi*. Marriage was widely used to bind two families together, or to retain a capable employee. Many inter-marriages between those business tycoons' families can be observed. While affinal *guanxi* is less reliable than agnatic ones. A businessman is always trying to persuade his son to get involved and take care of their family business. Someone who did not have sons will bring in his daughters and nephew to help run the business. Kinship is a kind of *guanxi* base that remains important in some Chinese enterprises today, although it is challenged by the development of mass education, small family size and more economic opportunities. A new strategy adopted by Chinese business is the bifurcation of ownership and management. Professional non-kin managers are hired to run the company but ownership and control remain within the hands of the family network.

5.7.4 Trade Associations/ Guild Grouping:

Trade Associations facilitate information gathering and opportunities for interaction through social dinners and activities. They provide opportunities to establish *guanxi* with potential buyers, suppliers, and financiers who may provide loans. This kind of *guanxi* base was especially important before the establishment of commercial banks started by ethnic Chinese, when the acquaintance of compradors was crucial in securing loans.⁴³

Networks." British Journal of Sociology: 149, 1, p. 78.

⁴³ Tong Chee Kiong and Yong Pit Kee, "Guanxi Bases, Xinyong and Chinese Business Networks." British Journal of Sociology: 149, 1, p. 79.

During the years Chin stayed in Hong Kong in 1950s, he strengthened his Teochiu connections at the source, raised high in the ranks of the Teochiu leadership. In addition, as one of the leaders of increasingly global Teochiu community, He traveled to Philippines, Malaysia, Singapore and Indonesia, cultivating connections with rich Overseas Chinese who were not Teochiu. Chin was the first to bridge the ancient gap between different dialect groups of China. Chin and Indonesian magnate Liem Sioe Liong became friends and collaborated with each other to pursue their commercial goals.⁴⁴

5.7.5 Friendship/ Trust Grouping:

Friend and friendship are also very important in establish *guanxi*. This kind of *guanxi* base is non-traditional Friendship refers to relationships between people other than kinship. Thus, personal trust is crucial in this kind *guanxi* base.

Chin has wide personal networks and connections in business. By using these connections, Chin was able to attract more depositors and extend much short-term credit without problems. “Mr. Chin has friends and business acquaintances all over the world, and these people have helped a lot”⁴⁵, said Prayoon Vinyaratn.⁴⁶ “The major banking activity was in the hands of Mr. Chin, who had a wide range of business contacts and connections, while Mr. Boonchu settled down to organize the internal system of the bank”, Vira explained.⁴⁷

⁴⁴ Peter E Beal, “The Empire Builders,” *Investor*, 1981 p. 9.

⁴⁵ The Nation, “A Solid Base for Branch Administration,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 43.

⁴⁶ Mr. Prayoon Vinyaratn, senior director of Bangkok Bank.

⁴⁷ The Nation, “A Genius With the Human Touch,” 40 Years of Bangkok Bank, Chin Sophonpanich, the Man Who Made it Possible, p. 12.

The surviving of the Bangkok Bank through the severe economic crisis in 1997 can also be attributed to the networks based by Chin and Chatri. Bangkok Bank successfully raised fresh capital from international financial market in 1998, and Chatri has good relationships with his strategic partners in China and Taiwan, who will help to ensure that the management will still keep its independence.⁴⁸

With the Overseas Chinese companies' development, the Southeast Asian economies' enhanced complexity, the region's interconnectedness with other, global, economic regions, and more diverse and dispersed investments, trust is becoming more and more important and turning into the primary factor to determine who is and who is not a member of a network.⁴⁹

The significance of these different *guanxi* bases can change due to the environmental changes. The importance of *guanxi*, however, does not change. The development of useful personal contacts and connection is still believed as a critical factor to securing favors and resources.

Guanxi stems from their networks, and also builds networks. The ability of generate trust, and to judge who among others is worthy to be trust, is a competitive advantage for the Overseas Chinese in Southeast Asia. The networks consist of all kinds of independent individuals, not only businessmen from enterprises, but also government bureaucrats, professionals and academics, private investors or just close friends.⁵⁰ Every individual has a place in a clan, dialect, locality or associate group, and also in

⁴⁸ The Nation, "Sounding The Retreat," Thai Tycoons Winners and Losers in Economic Crisis, p. 13.

⁴⁹ George T. Haley, Chin Tiong Tan, Usha C. V. Haley, New Asian Emperors: The Overseas Chinese. Their Strategies and Competitive Advantages, p. 14.

⁵⁰ George T. Haley, Chin Tiong Tan, Usha C. V. Haley, New Asian Emperors: The Overseas Chinese. Their Strategies and Competitive Advantages, p. 15.

the trust group. Therefore, anyone lives in the society is related with others and within one or several kinds of networks rather than isolated. The Overseas Chinese always participate in more than one type of network.

Network is a powerful tool, which builds trust, speeds decision making, facilitates high-quality decision making, enhance customer satisfaction, and generates competitive advantages for network members. “Networks are designed to empower managers to talk openly, candidly, and emotionally without fear, to enrich the quality of their decisions, to test each other’s motives and build trust, and to encourage them to evaluate problems from the perspective of what is right for the customer and the company rather than from narrow functional or departmental interests.”⁵¹

People with the network can trust each other and communicate with openly and candidly, so what one tells others will be considered and used to other’s decision. Information was seen as a tremendous competitive advantage to companies operating in Asia. Network can increase the chances of acquire important information for its members and allow their members to discuss those pieces of information. Through this discussion, to generate the best resolvent for the business puzzles and the high-quality decision for the managements of companies. The better decision making gives members in network substantial advantages against other rivals.

Chin Sophonpanich built the network involved some military leaders and powerful politicians to help with his business enterprises.

During the World War II, he was given financial backing from General Phin to set up a small retailing business. At the age of 29, Chin started his own building supply, Asia Company, which dealt in lumber, hardware and canned goods, and made

⁵¹ George T. Haley, Chin Tiong Tan, Usha C. V. Haley, New Asian Emperors: The Overseas Chinese. Their Strategies and Competitive Advantages, p. 14.

immediate profits, and with them he played the gold market through another company. Chin made use of these good opportunities to accumulate capital and became a wealthy man after the war.

Chin elaborately cultivated connections with General Phao at that time, and he was widely regarded as General Phao's main business agent and his chief spokesman in the Chinese community.⁵² Chin let the General Phao become the shareholders of Chin's enterprise, so he could get large deposits from the Commerce Ministry. He also gave a majority share of the bank to the Commerce Ministry, by increasing the registered capital from 20 million baht to 50 million baht, out of which the Commerce Ministry took 30 million baht.⁵³ After the Commerce Ministry became majority shareholder of the bank, the members of the Rajakrue group were responsible for increasing the bank's business activities since they were well connected with several groups of business executives. As a result, the Bangkok Bank got profits. And later, the bank's shareholders, including Chin and other senior staff members, bought the bank's shares back from the Commerce Ministry and the bank became privately owned again.

After the General Phao was exiled, Chin turned to find his new political protector. He announced the resourceful General Praphat, the new interior minister as the Bank's new chairman. From then on, Chin found a new protective umbrella for himself and his bank was politically stabilized again. General Praphat was renamed as chief executive officer of Bangkok Bank later, and remained as partner of Chin for twenty years.

It is sure that Chin was not the only Overseas Chinese businessmen making use of high-level connections. No matter where they find themselves, overseas Chinese have always found it essential to buy protection and patronage from ruling elites and senior

⁵² Sterling Seagrave, Lords of the Rim, p. 166.

⁵³ "Sophonpanich Family," Big Business in Thailand: Profiles of Prominent Thai Business Groups, p.169.

military officers. And it is important to build all kinds of networks to help and collaborate with each other when they encounter problems. Chin Sophonpanich can be seemed as the representative of these oversea Chinese businessmen.

5.8 Strength and Weakness

Many local people in Southeast Asia have to admit that overseas Chinese are good at doing business and they possess some unique business skills, which lead to success. Many attribute the rapid growth of the overseas Chinese business in Southeast Asia to their special decision-making style, especially their speed of decision-making.⁵⁴ As we just explained above, overseas Chinese's networks help them to discuss and make high-quality decision. The speed of their decision-making can also contribute to their dominant control of information from their networks.

Western strategic decision-making depends heavily on quantifiable and measurable data. For many western companies, when they confront an environment that does not provide the data they require or encounter a trouble to which they are not accustomed, the strategic decisions will be delayed. On the contrary, the overseas Chinese managers are able to make strategic decision quickly by using limited information, subjective data and personal experience.⁵⁵ On the other hand, local businessmen lack the overseas Chinese manager's information from networks and business experience. Therefore, neither multinational nor local businessmen can imitate and replicate the decision-making style of overseas Chinese businessmen.

⁵⁴ Chu, T. C. and T. MacMurray, "The road ahead for Asia's leading conglomerates," Mckinsey Quarterly, pp. 118-122.

⁵⁵ Frederic C. Deyo, "Chinese Management Practices in Comparative Perspective," The Chinese in Southeast Asia (Singapore: Maruzen Asia, 1983), pp. 217-220.

This decision-making style helps overseas Chinese to seize business opportunities before other competitor sense they exist.⁵⁶ This point was noted as the primary competitive advantage of the overseas Chinese.

Overseas Chinese businessmen always control over the rich information they obtain through their networks. Their network provides their market trend, and their discussion with other members within the network supply them analysis. They keep the information within the network. They only share the information among their own friends and associates, most overseas Chinese businessmen will not divulge the information about local market or business strategies to strangers. It is considered as “insider information” in the West. This information facilitates their access to a variety of markets and guides their investments.

In sum, networks provide overseas Chinese with an important competitive advantage over western companies. While the overseas Chinese possess tremendous competitive advantages, they also possess significant competitive disadvantages.

Due to the Confucian cultural emphasis on seniority, some ethnic Chinese companies tend to favor senior employees over younger, rather than better performers. This preference for seniority may significantly hinder overseas Chinese companies from retaining promising, ambitious young managers. The tendency to honor senior staff and managers also cause problems for many companies that are trying to professionalize.⁵⁷

Many overseas Chinese companies lack brand-name recognition and technological strength which western multinationals possess. Majority of ethnic Chinese companies

⁵⁶ Redding, S.G., “Entrepreneurship in Asia,” Euro-Asia Business Review, No.5 (1986), pp. 23-27.

⁵⁷ George T. Haley, Chin Tiong Tan, Usha C. V. Haley, New Asian Emperors: The Overseas Chinese, Their Strategies and Competitive Advantages, p. 152.

are not aggressive enough to build their brand names and develop their technologies. The failure of many of the overseas Chinese companies to establish brand recognition of loyalty may seriously prevent their growth along with the entering of Japanese and Western capitalists.

Some of ethnic Chinese enterprises lay more attention on the personal networks and controlling the information through networks, but ignore the procedural controls, processes and structures. Networks were operated by some key person in enterprises, if any serious disruption occurs in key personnel, the corporate will decline seriously.

5.9 The Chineseness of Sophonpanich Family at the Present Time

With the coming of western capitals, the modernization of Thai society and the globalization in the world, Thai society received more and more influence from western countries. Consequently, the enterprises controlled by overseas Chinese also got affection. The Chineseness in their business management is not as prevailing as it used to be, but their business management style still presents some Chinese characteristics in some aspects.

5.9.1 Bangkok Bank's Survival from Economic Crisis 1997

Since the late 1980s, the economies of Thailand, Malaysia, the Philippines and Indonesia had been enjoying a boom in foreign capital inflows for several years, mainly resulting from currency appreciation in Japan and the Newly Industrialized Countries and the domestic financial liberalization in the early 1990s.⁵⁸ Until 1997, the Thai

⁵⁸ Sauwalak Kittiprapas, "Causes of the Recent Asian Economic Crisis: The Case of Thailand," (paper presented in the ASEAN-ISIS/KKC seminar on "the ASEAN Economic Crisis and Prospects for ASEAN-Japan Relations," organized by Japan Institute for Social and Economic Affairs, Tokyo, Japan, March 10-11, 2000), p. 2.

economy had performed exceptionally well. Economic growth had been averaging 7.6 percent over the two decades from 1977-1996.⁵⁹ However, the Asian financial and economic crisis which started in Thailand in mid-1997 with rapid consequences across the Southeast Asian region hit financial and economic systems of these countries severely. This crisis rooted in a complex set of problems, not only the obvious collapse of financial systems but also other fundamental weaknesses of economic and institutional nature.⁶⁰

Since the late 1980s, financial liberalization without the proper control resulted in exacerbating the various risk factors of Sino-Thai banks. The expansion of bank loans increased dramatically with the influx of foreign capital especially portfolio capital creating an asset bubble in the real estate and stock markets. The facility with which funds could be procured from the foreign market led Sino-Thai banks into limitless forms of risky management of foreign currency use, weak accounting systems, lack of transparency and proper legal measures to oversee bankruptcy causing numerous incidence of fraud among Sino-Thai banks.⁶¹

The Chinese pattern of business management benefited some Sino-Thai banks in some aspects, but also brought weakness and limitation. Emphasizing on building the networks and *guanxi* made these Sino-Thai banks competitive and strong. But ignoring the procedural controls led to structural weakness and volatility, which was fatal when they encountered the severe and large-scale economic crisis. Professor Ampalavanar Brown demonstrates that one of the major flaws of Sino-Thai banks lies in its over expansion without the proper connection and diversification of forms of financing

⁵⁹ Ammar Siamwalla, "Anatomy of the Thai Economic Crisis" (London: Routledge, 2000), p.2.

⁶⁰ Sauwalak Kittiprapas, "Causes of the Recent Asian Economic Crisis: The Case of Thailand," p. 3.

⁶¹ Rajeswary Ampalavanar Brown, "Sino-Thai Corporate Profligacy and the Financial Turmoil of 1997." South East Asia Research 8, 2 (July 2000), pp. 150-151.

which mostly derive from increased investment and U.S. dollar loans with the result that when the exchange rate plunged, an enormous debt followed. She also added that family-centered management usually promotes unprofessional behavior and risk-taking. Furthermore, the growth of Sino-Thai banks is usually under government patronage. The lack of expertise or incompetence in various branches of finance is a persistent feature in the character of Chinese enterprises.⁶² These weaknesses became more obvious when the crisis occurred. The economic crisis that triggered the existing structural weakness and financial fragility put all Sino-Thai banks into turmoil. Bangkok Bank was no exception.

As the biggest bank, Bangkok Bank was also hit disastrously by the financial meltdown and economic crisis. Sophonpanich's empire has been crumbling from its days of glory. Chatri said the crisis had made him 60 percent poorer. The value of Bangkok Bank's portfolio investment has also fallen from 25 billion Baht at its peak to 13 billion to 14 billion Baht.⁶³

Some Sino-Thai banks in Thailand rapidly aggravated into devastation when faced with the economic crisis of 1997. However, the Sophonpanich family had survived this economic crisis because Bangkok Bank successfully raised fresh capital from international financial markets in April 1998.⁶⁴ Huge capital raise brought in 1 billion US dollar to the bank and the proportion of foreign shareholding increased to 45.7% in 1998⁶⁵, 45.8% in 1999⁶⁶ and 48.9%⁶⁷ respectively. By buying into BBL, foreign

⁶² Rajeswary Ampalavanar Brown, "Sino-Thai Corporate Profligacy and the Financial Turmoil of 1997," *South East Asia Research* 8, 2 (July 2000), p. 149.

⁶³ *Thai Tycoons Winners & Losers in Economic Crisis* (The Nation Mid-Year Review, Junly 1998), p. 13.

⁶⁴ *Thai Tycoons Winners & Losers in Economic Crisis* (The Nation Mid-Year Review, Junly 1998), p. 13.

⁶⁵ The Bangkok Bank (Public Company) Annual Statement of Information for 1998, (Stock Exchange of Thailand, 1999) p. 10.

investors have given the bank the benefit of doubt that it will survive from this crisis, but these new shareholders did not have any authority over the administration. This is due to the fact that the shares were sold in a specific manner so as not to allow any buyer to hold more than 10% of the shares. For this reason, the Bangkok Bank still retained its original feature of belonging to the Sophonpanich family and their acquaintance as it has been since the 1960s.⁶⁸

Bangkok Bank can be considered as an example in terms of Sino-Thai bank that has met with success and survived disastrous circumstances. Bangkok Bank maintained its characteristics as a Sino-Thai bank despite the 1997 economic crisis. Their ownership of the business, organizational and management structures, technology, financial innovations were not too dramatically different, which also meant that the structural weakness and insecure was also maintained. This is what the Bangkok Bank has to take into serious consideration. The Bangkok Bank will face the competitions with those foreign merger banks in the future.

5.9.2 New Generations

Chin Sophonpanich provide well for his children. Before his death in January 1988, he left his six sons and one daughter in control of a substantial financial services empire which includes 35% ownership of the largest bank in Southeast Asia and a host of related insurers, brokerages and finance companies.⁶⁹

⁶⁶ The Bangkok Bank (Public Company) Annual Statement of Information for 1999, (Stock Exchange of Thailand, 1999) p. 10.

⁶⁷ Thai Tycoons Winners & Losers in Economic Crisis (The Nation Mid-Year Review, Junly 1998), p. 13.

⁶⁸ Ukrist Pathmanand, "Is the Bangkok Bank a model of a Thai commercial bank's success in the 1997 economic crisis?" The paper submitted to the 8th International Conference on Thai Studies at Nakhon Phanom River View, Nokhon Phanom Province, Thailand on January 9-12, 2002. p. 11.

⁶⁹ Paul Handley and Jonathan Friedland, "The Clan Hangs Together or Separately: Dynastic Dealings." Far Eastern Economic Review 144, 15 (April 1989), p. 55.

Chin's sizeable bequest has also given each of the Sophonpanich children a strong financial base, from which to build their own business ventures. Chin's two eldest sons, Commercial Bank of Hongkong chairman Rabin Sophonpanich and Bangkok Bank president Chatri Sophonpanich, had started a Hongkong based international investment company. Chatri branched out on his own into real estate and petrochemicals.

The four younger Sophonpanich sons, born to another mother in Thailand, are engaged together and individually in consulting, textile, telecommunications and retail ventures, often in partnership with foreign companies. Daughter Chodchoy is involved primarily in philanthropic work. The second generation of Sophonpanich family ran a separate but often complementary business group. Each of Chin's sons set on a different career tack among family companies after completing their education.

Eldest son Rabin has been responsible for running the family's Hong Kong holdings for 25 years. The family moved many of its assets out of Hong Kong around 1997 to set up Robin Investment Company to develop holdings in North America, Australia and Southeast Asia. Second son Chatri had worked his way up from accountant to president of Bangkok Bank over 20 years. He built up Asia Credit, an 8.8 million Baht assets finance company and Bangkok brokerage. He also branched out into real estate development and lately, to shareholdings in two major petrochemical projects.

Third son Cham opted for a different route in building substantial information systems business. After computerizing the BBL's London branch, he turned to establish Commercial Software Systems Ltd. Later, the CSSL moved into Taiwan and built agency relationships in China and Indonesia. Fourth son Chote had been saddled with the task of reviving a handful of family industrial and agricultural companies, including

soft drink bottler Greenspot, warehousing and real state firm Krung Dhep Warehouse and Phuket-based plantation operator and miller United Palm Oil International. After Chin's death, Chote left the Bangkok Bank and took hold of a smaller family brokerage Capital Finance and Securities. Fifth son Chai took the insurance wing of his father's empire-Bangkok Insurance and Bangkok Life Assurance. Youngest brother Choedchu headed Bangkok First Investment Trust.⁷⁰

Chin Sophonpanich received his early education in China, so it is no doubt that he was affected by Chinese culture and expanded his business in Chinese pattern. He built up the bank through a network of relationships. Although Chin did not have banking experience, he relied on his extraordinary gift of understanding people and the commodity market in the old days. How about the second and third generation? To what extent, Chineseness still plays a role in their business management? Chin's sons had experience of overseas education. For example, Chatri received diploma in accounting from Kwang Tai College in Hong Kong and acquired certificate of banking from Insitute of Bankers in London;⁷¹ Chote received his degree in University of Sydney from Australia. Chin has 27 grandchildren, who are the third generation of Sophonpanich family, and almost all of them got advanced education abroad and learned business management in western style. Chatri has four children, two sons and two daughters. All of his children graduated from famous university in western countries and some even have overseas working experience. For example, Chartsiri was educated in the USA at the Massachusetts Institute of Technology and have worked at Citibank in New York for several years. Thus, it is natural that they received more western influence and the role of Chineseness began to weaken and reduce gradually in the second and third generation. However, the bases of their business way are still in Chinese pattern. The most obvious point is that the bond between the state, political

⁷⁰ Paul Handley and Jonathan Friedland, "The Clan Hangs Together or Separately: Dynastic Dealings," *Far Eastern Economic Review* 144, 15 (April 1989), p. 55.

⁷¹ "Chatri Sophonpanich," *Business Review* 21. 253 (Feb.1992), p. 59.

leaders and the Bangkok Bank and the system of patronage continued and has been passed on from generation to generation. It has, however, required some adaptation to suit the prevailing political and economic system of the time.

During Chatri's time, he continued to cultivate the relationships between the bank and politicians. Besides, several of the Bangkok Bank's senior executives assumed key cabinet posts in several of the coalition governments such as former Executive Chairman Dr. Amnuay Viracan and Dr. Vichit Surapongchai, former president, who were appointed to the positions of Deputy Prime Minister and Finance Minister in the first Chuan Leekpai administration respectively. Dr. Amnuay Viravan served as Finance Minister in the Chavalit Yongchaiyudh government. All of these connections brought benefits to Bangkok Bank.

After graduating and coming back to Thailand, the third generation started to run business for family. Chatri's daughter Savitri ran securities trading at UAF and Chatri's son Chali managed Asia Securities, While Chartsiri, Chatri's eldest son entered the Bangkok Bank, and was appointed President of Bangkok Bank in December 1994. When the new government led by Thaksin Shinawatra formed, Chartsiri Sophonpanich, expressed his support for Prime Minister Thaksin Shinawatra.⁷² In the case of Bangkok Bank, cultivation of relationship between the bank and politicians and the government proceeded.

5.10 Conclusion

For many ethnic Chinese business groups, two major elements of Chineseness in business management are political connections and family ties in corporate structure, which are essential for their growth pattern. From the case study of Sophonpanich

⁷² Ukrist Pathmanand, "Is the Bangkok Bank a model of a Thai commercial bank's success in the 1997 economic crisis?" p. 11.

family, we find out that cultivating and relying on the business networks and political connections is the most distinctive trait of Chinese way of doing business. Chineseness, however, has weakness. Those who depended on close connections with military leaders for their business expansion faced serious problems after they lost their previous political patronage. The Rattanak family's Bank of Ayudhya and the Taechaphaibun family's Bangkok Metropolitan Bank are typical cases. Those who depended on family-type operations met with difficulties and resistance in expanding their business. The Siam Motors Group is the best example.⁷³ Chineseness has its limitation, thus absorbing new elements of management becomes a more significant determinant for the growth of business groups. In the case of Bangkok Bank, improving the quality of service, innovating the on-line computer system, recruiting professionals from outside the family as well as internationalizing the banking system also played important role in the process of development.

⁷³ Suehiro Akira, Bangkok Bank: Management Reforms of a Thai Commercial Bank (Osaka: Osaka City University, 1989), p. 121.