

Pichamon Chansuchai¹

BEST PRACTICES IN GOOD GOVERNANCE AND MANAGEMENT: THE CASE OF GOVERNMENT PENSION FUND OF THAILAND

The purposes of this paper are threefold. First we investigate the best practice regulation of the Government Pension Fund of Thailand. Secondly – explore the importance of good corporate governance, and finally third – identify and compare impacts on organizational operation and image before and after adopting corporate good governance practice by the Government Pension Fund of Thailand. The findings reveal that the Government Pension Fund is a good example of an organization that managed to regain public trust and received a positive image and credibility after implementing corporate good governance in all aspects of its organizational management.

Keyword: good governance; pension fund; best practices; image; public trust.

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Пічамон Чансучаї

КРАЩІ СВІТОВІ ПРАКТИКИ СУМЛІННОГО УПРАВЛІННЯ ТА МЕНЕДЖМЕНТУ: НА ПРИКЛАДІ ДЕРЖАВНОГО ПЕНСІЙНОГО ФОНДУ ТАЙЛАНДУ

У статті визначено три цілі. Перша – дослідити впровадження кращих світових практик Державним пенсійним фондом Таїланду. Друга – описати важливість сумлінного управління для пенсійного фонду, третя – виявити та пояснити чинники впливу на діяльність організації та її імідж до та після впровадження принципів сумлінного управління. Результати аналізу даних по Державному пенсійному фонду Таїланду виявили, що ця організація є гарним прикладом того, як можливо повернути довіру суспільства та покращити імідж шляхом впровадження сумлінного управління в усі аспекти організаційного менеджменту.

Ключові слова: сумлінне управління; пенсійний фонд; кращі світові практики; імідж; суспільна довіра.

Рис. 1. Табл. 1. Літ. 15.

Пичамон Чансучаї

ЛУЧШИЕ МИРОВЫЕ ПРАКТИКИ ДОБРОСОВЕСТНОГО УПРАВЛЕНИЯ И МЕНЕДЖМЕНТА: НА ПРИМЕРЕ ГОСУДАРСТВЕННОГО ПЕНСИОННОГО ФОНДА ТАИЛАНДА

В статье преследуются три цели. Первая – исследовать внедрение лучших мировых практик Государственным пенсионным фондом Таиланда. Вторая – описать важность добросовестного управления для пенсионного фонда, и третья – выявить и пояснить факторы влияния на деятельность организации и её имидж до и после внедрения принципов добросовестного управления. Результаты анализа данных по Государственному пенсионному фонду Таиланда выявили, что данная организация является хорошим примером того, как возможно вернуть общественное доверие и улучшить имидж путём внедрения добросовестного управления во все аспекты организационного менеджмента.

Ключевые слова: добросовестное управление; пенсионный фонд; лучшие мировые практики; имидж; общественное доверие.

Introduction. Good governance (or shortly CG) is a principle widely practiced in organizational management today. Good corporate governance has been accepted worldwide because it supports the creation and promotion of an organization in gain-

¹ Suan Sunandha Rajabhat University, Bangkok, Thailand.

ing higher potentials and effectiveness. This can be truly viewed from the willingness of staff to put their efforts into organization with the mutual aim of success. Broader, good corporate governance contributes to national sustainable development in all aspects, including first of all stability and prosperity. There are 6 important principles which are independence, openness and transparency, accountability, integrity, clarity of purpose, and effectiveness (British and Irish Ombudsman Association, 2009). These 6 principles should be implemented to ensure the effectiveness of good governance. Independence means to ensure there is freedom from interference with decision making. Openness and transparency ensure stakeholders can have confidence in decision-making and management process. Accountability means to ensure that someone is responsible for decision-making. Integrity refers to objectivity in decision-making. Clarity of purpose means that stakeholders understand decision-making. Finally, effectiveness means to decisions will produce high-quality outcomes.

In Thailand, Government Pension Fund (GPF) was established under the Government Pension Fund Act B.E. 2539 (1996). Its establishment has contributed to capability of higher relevant investment with the highest benefits and good governance to its membership. The GPF is the nation's largest institutional investor with a huge number of members (The Government Pension Fund, 2012). However, during the last 7–8 years, errors were found in its management resulting in financial loss and lack of creditability. The problems reflected lack of good corporate governance in GPF management. Therefore, in order to safeguard the image of GPF and build higher trust and confidence for its members and with the society as a whole, GPF has improved its system to become a trustworthy pension fund organization with the management applying good corporate governance.

This paper studies changes in GPF in terms of operational practices based on the Organization for Economic Cooperation and Development (OECD) Best Practice in corporate good governance. A comparison of data between the GPF's past operation when it had no transparency system in 2008 and the current 2012 with transparency system will help to reveal the differences between before and after transparency system implementation.

Literature review. L.D. Brown and M.L. Caylor (2004) classified corporate governance in 2,327 companies located all over the USA in 2002. There were 3 major measurements as follows: 1) Operating Performance by using Return on Equity, Profit Margin and Sales Growth as impact factors; 2) Firm Value using Tobin's Q; 3) Shareholder Payout by applying Dividend Yield and Stock Repurchases as determinants. The study shows that the companies which chose good governance tend to have positive operating performance in those 3 main governance measurements.

L.F. Klapper and I. Love (2004) studied the relationship between good governance, which ranked by Credit Lyonnais Securities Asia (CLSA), and overall operation of 374 companies from 14 countries – Brazil, Chili, Hongkong, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Singapore, South Africa, Taiwan, Turkey, and Thailand. Their findings corresponded to previous studies that good governance effected increasingly both the overall company's operating performance by Return on Assets measurement in a Firm Value and Firm Value by Tobin's Q measurement. Moreover, this positive relationship had been accelerated in the country which have infirmity of law and legislation.

K. Sathidmonwiwath (2005) carried out a study regarding the relationship between the control system of conceptual corporate governance and overall operation of 285 SET listed companies, all non-financial institutions. Tobin's Q was used to represent the operations of those companies. The control variables, which are financial risk (or debt equity ratio), company's size, investment ratio (or fixed asset ratio per current asset) and the age of business, were applied to the control system which measured from the exposure ranking of corporate governance information, the proportion of independent director in company's committee, multiplex position of committee chairman and executive directors, and the share of families in corporate committee. The findings showed that the kinship of committee effected negatively corporate operations. For the exposure ranking of corporate governance information, the proportion of independent directors in company's committee, and multiplex position of committee chairman and executive directors did not effect significantly the overall operations. Meanwhile, company's size effected positively overall operations, the age of company business effected inversely overall operation.

S. Srijanpetch (2008) researched the relationship between the control system of corporate governance of the SET listed companies (SET50) and economic value added of corporate governance. The first variable was 1) the responsibility of committee considered from 1.1) the proportion of independent committee and non-executive administration committee; 1.2) the independence of committee chairman; 1.3) the frequency of corporate committee meetings. And the second variable was 2) equity structure investigated from 2.1) equity concentration; 2.2) equity among executive director and committee. This study revealed corporate governance regarding the committee chairman's independence had corresponding relationship and effected significantly the economic value added. On the contrary, the result of equity concentration relationship was shown as inverse prediction, it is related significantly to economic valuation of corporation.

P. Wonglorsaichol (2011) studied corporate social responsibility (CSR), corporate governance, and business ethics which effect to the dividend of SET listed companies' performance. The findings of this study described that corporate social responsibility is related to business ethics correspondingly same as the relationship of corporate governance and business ethics. Nevertheless, business ethics had more relationship with corporate governance rather than corporate social responsibility. Furthermore, business ethics effects the dividend of listed company's performance.

Methodology. The purpose of this paper is to investigate the best practices regulation of the Government Pension Fund of Thailand (GPF); and also to explore the importance of good corporate governance; to identify and compare impacts on organizational operations and image before and after adopting good corporate governance. The study employed the 6 principles of good corporate governance and best practices including accountability, responsibility, equitable treatment, transparency, value creation and ethics (OECD Principles of Corporate Governance, 2004). Three parts were incorporated according to our study method.

Part I. A comparison of the transparency indication of the GPF's operations between 2008 and 2012 in 5 aspects including membership management expenditure, public relation expenditure, expenditure caused from recruiting advisory and profes-

sional personnel, expenditure on committee and meetings, and net financial benefit (or loss).

Part II. A comparison of good corporate governance policy between the time of public distrust in 2008 and the changes in 2012 from the OECD corporate good governance best practice. The implementation comprises 5 aspects which were the right of the members, equitable treatment of members, roles of stakeholders, data disclosure and transparency, and the committee's responsibility.

Part III. The issue related to the secretary-general of the committee in 2008 as compared to 2012.

Findings. The GPF 2008 annual report was compared with the 2012 report. The comparison was organized in 3 parts. The comparative findings present the differences between the past and present operational outcomes as follows:

Part I. A comparison of the transparency indication of the GPF's operation between 2008 and 2012 in 5 aspects including membership management expenditure, public relation expenditure, expenditure from recruiting advisory and professional personnel, expenditure on committee and meetings, and net financial benefit (or loss).

Table 1. Comparison of the transparency indication of the GPF's operation, 2008 and 2012 (www.gpf.or.th)

Description	2008	2012	Increase/ Decrease	% of Increase/ Decrease
1. Membership management expenditures	100.06	18.38	(81.68)	(81.63)
2. Public relation expenditures	60.05	58.90	(1.14)	(1.90)
3. Advisory and professional fees	21.99	57.85	35.87	163.13
4. Expenditure on committee and meetings	13.42	15.82	2.40	17.90
5. Net financial benefit (or loss)	(4,380.57)	35,408.00	39,788.57	(908.30%)

Some activities of 2008 reported very high spending such as membership management expenditures (100 mln Baht), but was reduced in 2012 (18 mln Baht). This was after the GPF's use of E-Pension as a good corporate governance policy. Expenditures were decreased by giving more consideration to unnecessary activities such. The expenditures on recruiting advisory and professional personnel increased as the GPF put more focus on international investments. It recruited more people to serve on advisory positions for international investment (36 mln Baht), resulting in higher profitability from high returns on investment. It could be concluded that the GPF produced higher profitability after continuous implementation of good corporate governance.

Part II. A comparison of good corporate governance policy between the time of public distrust in 2008 and changes in 2012 as of the OECD corporate good governance best practice. The implementation comprises 5 aspects which were the rights of members, equitable treatment of members, roles of stakeholders, data disclosure and transparency, and the committee's responsibility.

The analysis of differences and changes are pointed out in the following aspects: first, in 2008 the GPF did not give importance to good corporate governance policy; second, most of the GPF's staff and management lacked attention to corporate good governance resulting in lack of transparency and credibility of the institution, thus



Figure 1. Comparison of the transparency indication of the GPF's operations, 2008 and 2012 (www.gpf.or.th)

creating public and membership distrust. This negative image was replaced by a continuous improvement in which good corporate governance was adopted in the GPF's operations to ensure that its operations would be strictly monitored under relevant laws, rules and regulations. The international best practice was implemented in management with trust, integrity, no conflict of interest, transparency and accountability. Since 2012, the GPF has become an institution that manages with good governance. Publicizing important information was done through the website providing necessary information for annual meetings in advance to ensure that all members could have enough time to read and prepare suggestions before each meeting.

Part III. The issue related to the secretary-general of the committee in 2008 as compared to 2012.

The findings of the analysis after the changes in 2012 with the implementation of good governance were reported accordingly. Stock brokers were strictly monitored, while the stockbrokerage regulation was reviewed. Moreover, the principles of responsible investment was seriously practiced by addressing the environmental and social governance. The GPF started to apply the Strategic Asset Allocation (SAA) in its long-term investment, whereas every 3 year a revision of its goals, and beneficiaries and asset allocation were made.

Discussion. Many experts and researchers in the field of business and management agree that organizations, without good corporate governance, have tendency to face failure in their operations or could not reach their ultimate goals. The GPF is a good example of an organization that regained public trust and received positive image and credibility after implementing corporate good governance in all aspects of its management. Therefore, public or private organization should be operated under the good governance practice from top management level to the staff level. Good governance is also good for organizations in developing countries, it can contribute to national economic productivity and revenue increase. In addition, good governance has been viewed as a promoter of civil society empowerment toward sustainable human capital development.

Conclusion. Over a decade ago, organizations, government or private ones had not realized the importance of Corporate Governance (CG), which may bring about corporate failure. The untrustworthy manners effect company's performance. The Government Pension Fund of Thailand is an obvious case study which can prove how important is business ethics. In the past, this fund experienced plentiful deficit, terrible image and untrustworthy manners of their members. Key reasons for these unsuccessful outcomes were that both executives and operation officers neglected the stated regulation of corporate governance in practice, same with corporate ethics. It was hardly reaching capacity performance and efficiency of corporate operating control thus corporate management failure was nearly unavoidable. Thus, all executives needed to pay serious attention to corporate governance by applying more thorough organizational measures and also indoctrinated business ethics. The successful path of the Government Pension Fund of Thailand has helped develop this organization effectively and concretely. Moreover, good governance as a contemporary platform for developing countries is able to expand the revenue capacity of a country and thus decrease economic poverty in the future, enhancing the sustainable government administration. Besides effective development, good governance is renowned as the

concept which has actively important role in activating the efficiency of civil society in order to allow sustainable human capital development.

Limitation and future studies. Future studies should focus more on the comparison of before and after of many organizations which had problems with corruption, unaccountability, poor integrity, and no clarity of purposes. Also, indepth interviews with officers who play important roles in implementation of good governance could be helpful in finding the advantages and disadvantages from different ways of good governance implementation in different organizations.

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