ASSESSING ETHNOCENTRIC VERSUS GEOCENTRIC MULTINATIONALIZATION STRATEGIES OF CORPORATE BANKING SERVICES IN THAILAND AS AEC AHEAD

กลยุทธ์การขยายธุรกิจการธนาคารที่ผูกกับชาติพันธ์หรือผูกกับภูมิภาคของไทยในต่างแดนในช่วงรอยต่อสู่ประชาคมเศรษฐกิจอาเซียน

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Abstract

Utilization of funds by investing or expanding business internationally can be effective and productive for business-to-business financial service corporations. Multinational firms have their unique nature of organizational, economic, and cultural architecture where strategic process and context can engage and implement rapidly. To respond to the changes of various situations, where by a good deal of collaboration and innovation are essentially required. Large sized and long-established banks in Thailand have grown and expanded their business into ASEAN and East Asian countries by employing "brother-like" relationship which is similar to "Guan XI": the good relationship among family member of Chinese people. In order to reaffirm these threat circumstances from other stronger financial service rivals in ASEAN region, a set of theoretical elements of multinationalization in financial and banking firms are re-examined to study the changing competitive landscape. Practical implications for potential strategic responses are, then, discussed and recommended.

Keywords: Multinational Banking Strategies, Marketing Relationship, Industrial Network, Responsive Strategy, Adaptive Capabilities, ASEAN Economic Community

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บทคัดย่อ

อรรถประโยชน์เชิงเศรษฐกิจจากการเคลื่อนย้ายเงินทุนระหว่างประเทศของสถาบันการเงินในประเทศ ASEAN ก่อให้เกิดศักยภาพในการแข่งขันเป็นอย่างดี และในที่สุด นำมาซึ่งผลกำไร ธนาคารข้ามชาติขนาดใหญ่ในภูมิภาค ASEAN ดังกล่าวมักจะมีโครงสร้างขององค์กร องค์ความรู้ การเป็นอยู่ทางสังคม และวัฒนธรรมที่เป็นเอกลักษณ์และแตกต่างจากธุรกิจประเภทอื่น กลยุทธ์ของธนาคารต่างชาติเหล่านั้นต้องมีการพัฒนา คิดผลิตภัณฑ์ทางการเงินใหม่ๆ และนำกลยุทธ์เหล่านั้น ไปปฏิบัติภายใต้สภาพแวดล้อมที่เปลี่ยนแปลงอย่างรวดเร็วและเปลี่ยนแปลงตลอดเวลา โดยคิดค้นนวัตกรรมใหม่ๆ ที่มีลักษณะบูรณาการกระบวนการให้บริการที่ตนเองชำนาญ ในประเทศไทย ธนาคารขนาดใหญ่มักขยายธุรกิจของตนไปสู่ต่างประเทศ เช่น ในเอเชียตะวันออกเฉียงใต้ (ASEAN) และเอเชียตะวันออก (East Asia) ด้วยสายสัมพันธ์ฉันญาติมิตร (ของประชาชนเชื้อสายจีน) อย่างไรก็ตาม ธนาคารคู่แข่งขันรายใหญ่ในภูมิภาคอาเซียนที่มีความแข็งแกร่งในหลายๆ ด้าน กำลังเป็นภัยคุกคามเชิงกลยุทธ์ในยุคประชาคมเศรษฐกิจอาเซียนที่กำลังจะมาถึง จึงต้องมีการตรวจสอบกรอบแนวคิดทางทฤษฎีในการดำเนินกลยุทธ์ระหว่างประเทศของธุรกิจภาคการเงินการธนาคารของธนาคารเหล่านี้ใหม่อีกครั้งหนึ่ง เพื่อแสวงหาแนวทางรับมือให้กับอุตสาหกรรมธนาคารของไทย

คำสำคัญ : กลยุทธ์การธนาคารระหว่างประเทศ สายสัมพันธ์ทางการตลาด เครือข่ายในทางธุรกิจ กลยุทธ์สนองตอบ สมรรถนะในการปรับตัว ประชาคมเศรษฐกิจอาเซียน

Multinationalization framework (Sapparoj pattana, 2000) was conceptually induced from analysis of financial and marketing patterns of multinational domestic expansion in professional service firms homebased in U.S. and Europe. This paper summarizes key synthetic knowledge as a tool for strategic planning. Then we attempt to generalize the framework with a case of Thai largest commercial bank by asset: Bangkok Bank Plc, for further theoretical application and useful strategic implications. Finally, for the sake of inauguration of AEC in 2015, we assess competitive the current situation of Thai banking industry and arrive with possible strategic cross-road for policy makers and Thai bankers for further implication.

Service and Quality of International Banking Operations

In the emerging global market, are macro or micro environmental factors more influential for International banks to sustain business operations in an ever-changing context? Under location-specific conditions, shall a business adapt externally or internally? We take a case of a multinational banking service firm to assess its strategic framework so that these two questions may be clarified under the inter-connected social and economic worldwide. Financial and social investments can create more commitments in international operations (Beckly and Ghauri, 1999). Risks and returns from foreign markets have been objectively assessed on a routinely basis as earlier as strategic planning process taking off. The rationally subsequent multi-nationalization of a firm can be explained by considering both external and internal contexts of the business organization, and also by determining how these circumstances may act as triggers to change: how much more involvement of operations aboard (Ellis & Williams, 1995). Particularly, as Aharoni (1966) contends, large organization has devised an established 'way of doing things' accordingly to agreed-upon goals and past experiences; these rules and specifications influence the behaviors of its members, the information they gathered, and their adaptive reaches to uncovered opportunities. He described further that individuals within the organization have gradually set up relations themselves and with all others outside the firm, the relationships which will also influence any specific decisions.

Scope of financial and banking services include primary activities such as credit management, asset-liability management, investments and foreign exchange management, and also supporting functions such as client, resource mobilization and human resource development. In rendering financial and banking services and conducting their functions, the firm standardizes intangibility for longer-lasting outcomes (perishability) (Shaw, 1990: 5-23) and exerts a greater possible influence on quality (Buckley et al., 1992; Wilson, 1972) with a highest possible degree of customization through client interactions (Bennett & Robson, 1999).

Service attributes cannot be judged by sight, smell or touch separately, but they are experienced altogether. Service is assessed only after the consumption. Still, as Wilson (1972) contended, those knowledge-based services may not be totally intangible.

"The essential utility of services is precisely the same as that of goods and derives from the satisfaction they yield to the purchaser." Bennett and Robson (ibid.) supported this by asserting that it was important not to overemphasize intangibility since all services become intangible as part of final demand, no matter it is in the form of goods or services. Hence, the more intangible a particular service can be, the greater different will be in marketing of such service rather than goods. Therefore, it is especially true for foreign expansion strategies of services. That re-purchase of the similar service is possible and requires new tailoring, which can be understood through the marketing of perishability. According to Wilson, the time span which relates to a stage of service production on the lines from raw materials to finished product at 'destination' can be allocated into durable (more than 3 years), semi-durable (6 months to 3 years), and perishable (less than 6 months). At destination of rendering service, its performance must be leveraged from standardizing a long-lasting 'stockable' nature (e.g. computer program and other data). As a consequence, they emerge immediately management problems from obsolescence, postponability, logistics and finance. In addition, as Shaw (1990) argued, who delivers the service will exert a greater impact on quality rather than the most sophisticated quality system. Buckley et al. (1992) and Maister (1993) also held that personal contact between the producer and the client is thus a significant aspect of many services. The production and delivery of services are so people-intensive that the successful implementation of substantive transformation requires modifying attitudes and behaviors of each and every organizational member. Service interaction needs to be re-tailored to each client with elements of uniqueness (Bennett & Robson, 1999). This heterogeneity of services poses problems of quality control, and of providing consistency before and during the delivery to clients (Maister; Bennett & Robson; Buckley et al.) Shaw (1990) warned that since human needs, expectations, values, conditions and status were subject to routine change, the degree of customization can be unpredictable and variable to a potentially infinite set of demand conditions.

All of these four characteristics of service results in a high human asset specification of the business-service supply process, which, in turn; depends chiefly on knowledge-based technical skills that are exchanged with the client (Bennett & Robson, 1999: 354). Such skills require high education, expertise and experience levels. Wilson (1972) separated professional service from non-professional one, saying that standards of practice and methods of assessment often existed in a way they did not exist in non-professional services such as contract catering, car hire, and security services. Such professional business-to-business service firm, like financial and banking enterprise, is one of expert organizations, as Mintzberg et al. (1998: 681) argued, to work in quite stable situations involving slower changing body of knowledge. Despite such expert, work may be subject to new technology, there is always standardization of co-ordination within the professional service organization and between the organization and the client. Maister also supported the standardization of professional service. One is the procedural parts of the service and the machine-like resources. When they type of project involves more familiar and well-recognized problems–some customization is still required–the activities are somewhat programmatic. And also since the major performance of detailed tasks is usually operated by professional staff members with some degree of involvement from project manager and the least from a senior partner.

However, Shaw (1990) contended that any attempt to standardize a service could shift the focus away from the client needs, and so predicted that such standardization would be significantly productive only when the services had moved toward ‘production-line approach to service’. Specifically, banking institutions are well aware that unless client needs in designing and delivering services together with technical superiority are taken into account (Bedi, 2010), the quality of services cannot really be maintained across borders. Bedi further argued that the service quality dimensions are not only industry specific, but also country specific. Indeed; it is the location-specific-factors (i.e. industry, culture and country) that constitute the elements of service bundle which is important to customers. With information technology driven context, Lee et al. (2011) confirmed that customer loyalty in banking service can be increased by improving service quality as well as relationship quality.

Sapparojpattana (2000) depicted the service value chain from Shaw's (1990: 31, 36-37) Client/Customer Service Spectrum and Essential Service Components as shown in Figure 1 below. The model illustrates that service firm's resources shall be deployed strategically for the most value-added service production and deliveries. Such value-added activities in knowledge-based service firm are derived from the four connected processes constituted into final packaged services which can be categorized into one of the three forms (pure service, near-product and product-like). Shaw especially concerned about the marketing activities which were developed so that the relationship between the professional staffs and the clients must be mutually prosperous. He strongly argued that such **marketing relationship** cannot be standardized, and is actually the most crucial entry barriers in the service industry.

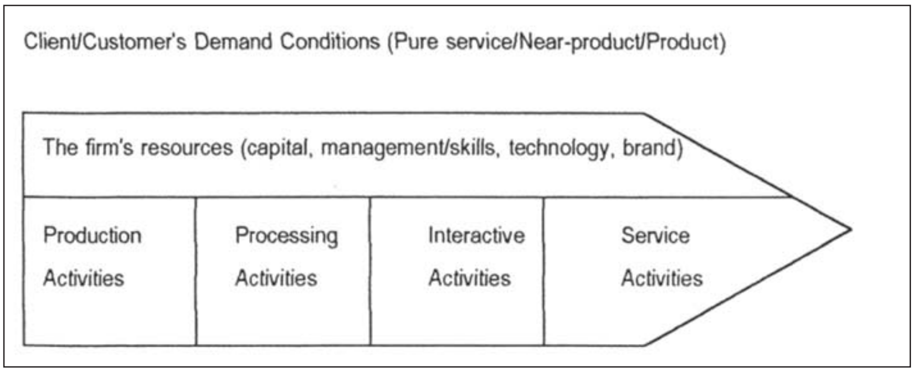

Figure 1 : Value Creation Spectrum
(Source: Sapparojpattana, 2000)

Multinationalization Framework

Insofar, the qualities of services and client relationship can trigger multinationalization strategy of financial and banking firms under the extent of service transferability in competitive advantage into more multi-domestic markets. Maister argued that markets for professional services and for the professional staffs were actually global. The linkage between service and workforce has a profound impact on organizational structure and on industrial architecture as shown in Figure 2 below.

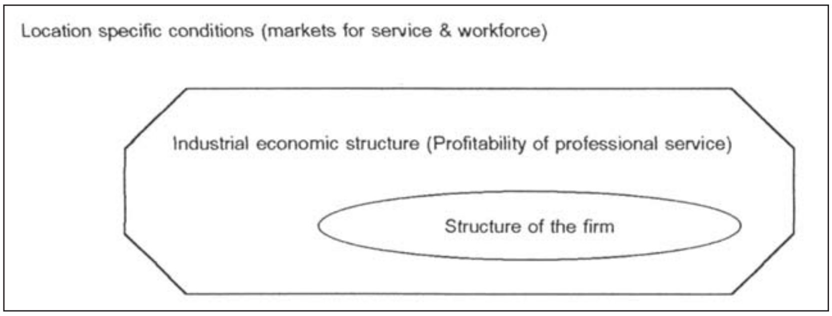

Figure 2: Framework of Service & Workforce Markets
Source: Maister's (2003)

The ultimate goal that the service multinational corporations attempt to achieve is to satisfy all stakeholders internationally, i.e. partners/shareholders, clients and professionals (Buckley et al., 1992: 39-56). It can be observed from the model that the organization of the professional works and teams within such economic structure does particularly dominate every other element in the network. Therefore, the success of financial and banking service multinational corporations does not only depend on the industrial networks but also it must allocate a right profitable mixtures of junior, senior and partner in accordance with client's specific requirements elsewhere, home and aboard.

Because firm levers (or controls) industry and market drivers only through the balanced global strategy (Yip, 1989). However, Yip contended that the globalization potential of the service industry could limit the outcomes of the global strategy of the firm. With a certain degree of internalizing location-specific advantages, each multi-domestic market competitiveness can result in global competitiveness (Yip, 1989; Dunning, 1999 & 2001). Therefore, the competitive moves of rival firms in some small market can impact to other significant areas. The **responsive strategy** in the global arena must be developed and transferred within the service multinational corporations. Both Yip and Dunning concerns over **adaptive capabilities** are eminent. Dunning's Eclectic Theory pinpoints to the most vital and advantageous conditions of how the firm turns from each foreign market into global competitiveness. Although the foreign direct investment is somehow deliberate for gaining market experiences and so lower financial risks, the outcomes cannot be materialized until the knowledge of every market had been acquired (internalized) and consolidated (accessible and transferable). The other important element (Dunning, 1999) in the theory as relevant to multinational financial and banking service corporations is the subsequent global strategy by which their operations are diversely situated mostly in the Triad regions (North America, Europe and Asia). The internalization of separate locational advantage integrates the firm's ultimate global competitive strategy.

If all these analytical elements are bounded to industrial and locational contexts, what will it be in financial and banking services in Asian market? How should the financial and banking service firms leverage between standardization and internalization? In other words, between transferability and capability? We redefine the answers from examining this contextual and strategic architecture of Bangkok Bank Plc's and some other foreign financial and banking operations in various Asian market.

Firm's specific modifications (a multinational bank)

Established in December 1, 1944, Bangkok Bank Public Company Limited has grown steadily to become the largest financial and banking institution in Thailand and one of the largest Asian commercial banking corporations with approximately US$53 billion in total assets. In Thailand the Bank has one of the strongest branch and electronic network in the country with approximately 7,600 ATMs and cash deposit machines and approximately 1,000 branches nationwide. Today the bank has an overseas network of 15 branches, including branches from its two wholly owned subsidiaries and one representative office. Branches are situated in London and New York complementing the Bank's extensive network across Asia.

It firstly expanded to Hong Kong in 1954. As it claims, "Bangkok Bank was the first bank in Thailand to open an international branch which was located in Hong Kong in 1954. Since then, it has built up an extensive chain of 23 overseas branches (the Bank's Annual Report 2011), one representative office (Yangon) and two wholly own subsidiaries (Shanghai and Kuala Lumpur) in 13 different countries." Then it further opened in Tokyo, Singapore and Taipei respectively. "Since most of the country's trade was conducted through these countries, the bank was able to provide a complete circle of trading services." From 1980 until 1992 during Chatri Sophonpanich's presidency, the Bank's net profit increased 12-fold. (the Bank's Annual Report 2010). It was the first time a Thai commercial bank had made a net profit of over Baht 10,000 million (USD 320 million) in one year. Bangkok Bank became the largest company in Thailand and was listed among the top 200 banks in the world.

"Comprising 18% of income from financing services, Bangkok Bank covers all main economic areas in Asia. The bank earnestly strengthens its regional network for commencing into the 2010 ASEAN-China Free Trade Agreement effective on the first of January, which is essentially an integral part of the forth coming ASEAN Economic Community (AEC) in 2015," said Kosit Panpiemras, Chairman of the bank's Board of Executive Directors.

Thai businesses are the prime clients bringing about multinationalization opportunities. In addition, the knowledge about existing client-based is regarded as lower cost and lower risk operation. However, local regulation is the least controllable factors, especially about income repatriation and workforce management. This matters more in less developed countries, where a small portion (less than a third) of local financial and banking income can survive the local operation. The professional staffs, therefore, play a strategic role in transferring client relationship at initial and growth stages of business development, and later in internalizing location-specific advantage back to home market. In more developed market, the professionals must manage local business even more complicated from wide ranges of client, especially F.D.I.'s from matured economies. The globalized value chain of the clients presses more responsive and optimized networking operations

Consequently, one may argue that the competitive advantage of Bangkok Bank as a leading Asian financial institution depends largely on how the economic links of clients, partners, professional staffs and industrial structure.

The globalized value chain of financial advisory and banking functional service can be derived by what the clients would like to take into their international and/or multi-domestic performance. Production, processing, interactive and deliveries of the services must be carried out in the way the firm's client relationship, shareholders' wealth and professional staff members' career achievement can be altogether maximized. Such a marketing relationship, therefore, determines the social architecture of the service organization with its economic networks to location-bounded workforce market. This is supported by the notion of a recent research by Meyer et al. (2011).

They argued that despite the increased frequency and intensity of interactions across local contexts, they continue to retain their distinctive differences. Multinational enterprises (MNEs) face growing challenges in managing the complexity of these interactions, because they must manage 'multiple embeddedness' across heterogeneous contexts at two levels. First, at the MNE level, they must organize their networks to exploit effectively both the differences and similarities of their multiple host locations. Second, at the subsidiary level, they must balance 'internal' embeddedness within the MNE network, with their 'external' embedments in the host milieu. Balancing the subsidiary's strategic role within the MNE with its local identity and its domestic linkages can sometimes represent a trade-off. Multiple embedments thus creates both business opportunities and operational challenges.

To maintain prosperous relationship with Thai and Asian MNEs, Bangkok Bank firmly prolong its client relationships by supporting their growth regionally. With this strategy, the bank can utilize the network of subsidiaries at home and aboard.

Strategic Implication: Internalize and Sustain

The bank's strong-hold in the regional industrial network can be enhanced by its capabilities to standardize and to transfer knowledge, experience, client-relationship and brand globally. Only with such market adaptabilities, the firm can internalize each market's rich information and network of new opportunities in a sustainably responsive way. Because the extent of globalized and multi-domestic potential in financial advisory and banking functional service, the responsive global strategy can be even enhanced by the organization's adaptive capabilities in different national markets. And such capabilities must be developed continuously by standardizing key service components. Internalizing location-specific knowledge and transferring marketing relationship by partners and professionals must also be strategically managed.

With ever-advanced information technology, financial service system has never been more integrated. To consolidate profitable network of globalized client base, Bangkok Bank develops more responsive and agile information system through International Supply Chain, Bualuang iSupply and oversea branch networking (the Bank's Annual Report 2010). The flexible I.T. can be more crucial specifically when Thai financial market is geared toward more foreign competition. Unlike a typical financial institution, large numbers of complex services–such as risk management, trading, and portfolio management–are handled by a range of individual applications, the optimized financial and banking service system enacts a higher level of process integration by a service-oriented architecture (S.O.A.), an object-oriented distributed system based on loosely coupled, coarse grained independent service components. (Vos & Matthee, 2011).

Without the service firm's abilities to internalize knowledge and to transfer relationship, its industrial network can be damaged at the step aboard. Any small disconnections aboard can be harmful to home market base and long-term profitability. Therefore, the adaptive capabilities determine how the global and home operations may be evolved in response to the ever-changing economic, political and technological drivers.

The four elements of multinational framework, i.e. industrial network, marketing relationship, responsive strategy, and adaptive capabilities, can be applied in financial and banking service firm for the industry's extent of standardization of transferability enhanced by a more sophisticated information technology and system. The globalized supply chain where the clients have dominant powers triggers how the value chain of financial and banking services should be internalized. From the case of Bangkok Bank, we argue that its responsiveness to clients' demand of financing and banking service is the most important competitive advantage in dynamic Asian markets. Through a few professional staff members in each oversea subsidiaries and branches, the location-specific adaptive capabilities can be developed globally and transferred back to home country.

Compared with business consultancy as the framework initially developed, we find that the financial and banking service is even more standardized by both economic process and professional conduct. Its financial practice is more uniform globally. This hinders market differentiation effort overseas. As a result, client relationship must be more emphasized over service offerings.

Assessment of AEC impacts on a Thai multinational bank

With AEC new economic landscape officially commencing December 31, 2015, Thai financial and banking multinational firms are encountering larger opportunities and, at the same time, more severe threats. Researches (AndrieŞ & Cãpraru, 2012; Ardalan, 2010; Kim & Shin, 2002) show that regional trade is more influential to businesses than global trade, and that the impacts of intra-regionalization is greater than inter-regionalization with mainly geographic factors rather than political pressures. Moreover, the economic growth of emerging countries, mainly in Asia, drive the world trade network more decentralized (Kim & Shin, 2002). In other words, globally dominant companies may compete fairly with regional large multinational firms. AndrieŞ & Cãpraru (2012) asserts lessons from European Economic Community during 2001 and 2006 that a significant increase in competition was evident in new EU members while in old member states the competition between 2005 and 2007 was decreased. "As a whole, competition in the EU27 increases comparatively with 2001, and we consider adoption of the euro and continuing European integration to be the main factors for this issue. Additionally, empirical results provide evidence of convergence in terms of banking competition among the member states of the EU." Here such a competition can be indicated by larger market size or more efficient operations.

For this reason, it can be implied for AEC that (Fouquin, 2008) "countries outside the bloc will essentially loose opportunities, which may have lasting effects." On the other hand, "the main results are that Asia is the main winner in such a scenario, and within Asia it is Japan and Korea that will be the main winners." Boubacar (2012) explains that banks from advanced economies can capitalized from and compete against these developing countries where they believe there is ample room for expansion and these are typically poorer economies. Fourquin (2008) further contended that:

> "Trade specialization in Asia has often been described as guided by the different levels of development of the countries participating in the regional integration. It constitutes a vertical division of labor between poor countries exporting natural resources and/or labor-intensive products to developed countries exporting machinery, sophisticated parts and components, and high-tech products. This trade structure is radically different from the European horizontal division of labor (exchange of different varieties of similar goods)."

China can also take two major advantages from the commencement of AEC and from ASEAN banking industry in particular. First, Chinese SMEs and infrastructure projects need substantial amount of financing. (Lim, 2011) And secondly, China is in a better position from knowledge transfer and technical spillovers of imported machinery and equipment from ASEAN. (Qu et al., 2013).

Applying Ardalan's regionalization paradigms (2010) to AEC, one can find that AEC takes 'radical humanist paradigm' of regionalization which is based on geographical trade growth and co-operation. ASEAN earnestly co-operates in cultural, economic and security activities. Its civil society is enhanced through free flow of labor and resources across borders. Also as should one apply onto a corporation as a unit of analysis, Bangkok Bank takes 'interpretive paradigmatic' path via cultural ties based far extended and ever sustained Chinese communities in the region. This is because Bangkok Bank's strategic mindset has been culturally institutionalized since the day of establishment. (Polychroniou, 2012). This is actually derived internally by its founding and dominant shareholders, Sophonpanich family. Moreover, the exogenous pressures of the extended oversea Chinese network in the region actually demand the low-cost market expansion of the Bank.

With the regionalized ASEAN financial and banking market triggered by AEC, we argue that Bangkok Bank's strong reputation and network in the region will be even more enhanced. In the opposite the subsequent consolidation of the ASEAN financial and banking services as already happened in Europe and in U.S. is real and even more critical only to Bangkok Bank but also to Thai bank industry as a whole.

First, foreign regional banks can make Thai financial and banking market more fragmented. The European banking competition, as discussed earlier, will inevitably in Thai market, specifically from the regional players. The local market can be more open to Japanese and Korean banks as more advanced economies. IT-enhanced multinational banks from these countries can grow from less advanced economy like Thailand. Even small banks or large banks penetrating a niche in Thailand may thrive with a higher operating margin. (Tallon, 2010).

And secondly, foreign regional multinational banks can jeopardize inefficient and slowly grown Thai banks. In terms of scale-competition, a few leading ASEAN banks, especially from Singapore (DBS is the largest in terms of asset worth USD 184 billion in 2011) and Malaysia, will eventually consolidate the financial and banking market in ASEAN. These large multinational banks must expend quickly due to free-trade agreement in financial sector to world players. And they have already acted. Brown (2011c) supported that:

> "Both Maybank and CIMB have sought to expand regionally through takeovers of smaller banks in other countries, with CIMB acquiring subsidiaries in Indonesian and Thailand, and Maybank expanding in Indonesia and the Philippines.
>
> However, both banks have also another motive for overseas expansion: competition from well-resourced foreign players is likely to grow in the Malaysian market following the central bank's decision to grant domestic licences to international banking giants such as Bank of China, France's BNP Paribas and Japan's Mizuho."

In 2011 (Brown, 2011a) “Maybank acquisition of Kim Eng brokerage marked a return to international expansion for Maybank, which significantly expanded its international network in 2008 by buying stakes in Bank Internasional Indonesia, An Binh Bank of Vietnam and MCB Bank of Pakistan.” And in 2012 (Steger, 2013) “CIMB Bank acquired the cash equities, equity capital markets and corporate finance businesses of Royal Bank of Scotland in 2012, enlarging its strong holds into Australia, China and Taiwan.”

The other pressure for banking consolidation is triggered by recently increasing mergers and acquisition activities within ASEAN. (Brown, 2011b). Brown (op. cit.) also asserted that middle class population of 300 million and GDP of over USD 1,500 billion (in 2010), greater than India and Russia, makes ASEAN attractive with even more M&A activities.

Such circumstances require Bangkok Bank re-evaluate its strategic position based on ethnic oversea-Chinese. From its strategic strength, Bangkok Bank can accelerate growth in oversea-Chinese market in a critical scale from other geographic adjacent ASEAN. At time of the rise of AEC could not be more appropriate. (Polychroniou, 2012) because economies of scale in international operations can be enhanced by the network expanded overseas, particularly that of subsidiaries and facilities involved. IT and joint venture network can boost dynamism. (Phillippe & Léo, 2011). Moreover, as Phillippe & Léo (ibid.) contended, Firms with subsidiaries are among the most dynamic. Face-to-Face relationship is necessary for business-to-business service activities either through movement of the provider or through local office. In this case, IT is also essentially advantageous.

In addition to efficiently lower operating margin, Bangkok Bank must compete in term of more variety of financial product and services across region. It is especially suitable in the market where the host country’s banking sector (more advanced or larger) is of considerable size and relative strength. (Boubacar, 2012).

Strategic dilemma: Focus or Scale.

For the case of Bangkok Bank, there is a competitive dilemma to strategically cross over. With the steady contribution to total operating revenue and to net operating profit from 2009 to 2012, Bangkok Bank’s net revenue from foreign trade and exchange are average 5.8% and 13.0% per annum respectively, which is a large sum and firmly maintained. However, Bangkok Bank cannot ignore the structural changes from world trade as well as AEC ahead. With multinational framework in mind, we contend that scale must be strategically chosen. For Bangkok Bank, the two elements of the framework, i.e. marketing relationship with overseas-Chinese network and adaptive capabilities with IT-enhanced operations, must be further re-established into a ‘critical mass’ scale. In other words, Bangkok Bank should expand more quickly than the pace it had been run. The other two conceptual tools, i.e. industrial network and responsive strategy, can be ways out.

The Bank must move faster by more horizontally extended alliances outside the region where overseas-Chinese businesses are in need of fund for their international expansion into ASEAN. At the same time, Bangkok Bank must develop new financial product lines in response to the rivals from East Asian and ASEAN larger banks footing in Thai market at the doorstep.

As a result of forthcoming AEC's agreement among all members, there will be 5 Free Flows, namely; Free Trade Flow, Free Service Flow, Free Investment Flow, Free Capital Flow and Free Labour Flow. A lot of Trading and Services corporations in ASEAN countries have expanded their business into other member countries with an objective to ultimately utilize and maximize their operations. It is unavoidable for large sized financial and banking companies in Thailand, such as Bangkok Bank, Siam Commercial Bank and Kasikorn Bank. Vice versa, other big banks from other ASEAN members like DBS, UOB & Overseas Chinese Bank of Singapore, Maybank, CIMB & RHB banks of Maylaysia, etc.

Moving forwards, they will look beyond areas in which they have become market leaders, such as the workplace and community spheres, and of course will place more emphasis on their contribution towards conserving the environment and shaping good marketplace practices. They will also look to increase stakeholder engagement beyond investors, customers, employees and regulators, and include the general public forming the larger ASEAN community, increasing larger opportunities for their business outbound

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