CONTRACTING-OUT DECISION OF PUBLIC ORGANIZATIONS IN THAILAND

By

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ABSTRACT

Title of Dissertation : Contracting-Out Decision of Public Organizations in Thailand

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This research attempts to study the status of contracting-out practices in Thai public organizations as well as to develop and test a model to measure the effects of four sets of variables, namely financial variables, organizational variables, legal variables, and political variables on the decision to contract out. It also attempts to explain the influence of each set of variables to the contracting-out decision.

This research employs two major theories, namely agency theory and transaction cost theory in conceptualizing the model of the contracting-out decision. Agency theory is concerned with the relationship between a principal and an agent based on assumptions of human behaviors: bounded rationality, and opportunism. On the other hand, transaction cost theory has the same assumption of human behaviors as agency theory emphasizes on costs incurred between a principal and an agent. The research model is proposed to explain the relationship of the four independent variables (financial, organizational, legal, and political) and the contracting-out decision made by public organizations. However, each independent variable has three sub-variables. Financial variables consist of cost efficiency concerns, asset specificity problems, and fiscal pressure. Organization variables consist of performance monitoring, information of past experience, and human resource management problems. Legal variables consist of redundancy, obscurity, and obsolescence of contracting-out rules and regulations. Finally, political variables consist of political will, political support, and political business involvement. The essence of the model framework is the assertion that the
way public organizations make their decision on contracting out depends on the four variables.

The study utilizes a non-experimental research design. Two sets of data are employed in the analysis: quantitative and qualitative data. The cross-sectional questionnaire survey is conducted on the basis of quantitative method in this research. In-depth interviews are also conducted as a qualitative method. The unit of analysis of this study is organizations in the public sector in Thailand, which consist of three types: government agencies, state enterprises, and local administration organizations. Four types of local administration organizations are included in the research: provincial administration organizations, metropolitan municipalities, district municipalities, and sub-district (tambon) municipalities. Sub-district (tambon) administration organizations are excluded from the research. The response rate of the survey was 68.3 percent.

The results of the study show that three independent variables: financial variables, organizational variables, and legal variables are statistically significant in explaining the variation of the contracting-out decision. However, the political variables are not statistically significant. In addition, qualitative data analysis also shows that cost efficiency concerns in the financial variables, information of past experience and performance monitoring in the organizational variables, obsolescence of contracting-out legal constraints in the legal variables and political will in the political variables, play an important role in the contracting-out decision. All in all, the quantitative results can be confirmed by some of the qualitative results such as cost efficiency in the financial variables, information of past experience and performance monitoring in the organizational variables, and obsolescence of contracting-out legal constraints in the legal variables. The quantitative results, however, cannot be confirmed by the only qualitative result, namely, political will in the political variables.
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