

Development of the *Sufficiency Economy* Philosophy in the Thai Business Sector: Evidence, Future Research & Policy Implications

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Abstract

This paper examines current state of the development of the Sufficiency Economy Philosophy in the Thai business sector. Available empirical evidence in Thailand is discussed. The paper also compares and discusses ‘Sufficiency Economy’ businesses in Thailand and sustainable enterprises in the West, followed by ten derived ‘Sufficiency Economy’ business practices. Practitioner-oriented literature is also reviewed, including confusion among the Sufficiency Economy Philosophy, Corporate Governance and Corporate Social Responsibility. Future research directions are discussed, and policy implications are provided.

Corporate sustainability has become a mantra for business leaders of the 21st century and beyond, possibly because increasingly rapid change has had a fundamental impact on business organizations since the 1980s. Numerous scholars around the world (e.g. Avery, 2005; Kantabutra, 2006; Piboolsravut, 2004; Wilson, 2003) are seeking an alternative approach to the prevailing Anglo/U.S. business model which promotes a short-term, shareholder-value approach and arguably does not lead to sustained business success. They criticize that the Anglo/U.S. approach to capitalism and business is seriously flawed, and does not bring the quality of life to individuals and societies that many people desire.

What is then a possible alternative? In Europe, the Rhineland capitalism model is seen as an alternative approach to corporate sustainability (Avery, 2005). It is concerned about the long-term sustainability of an enterprise and its relationships with many interest groups, not just with shareholders (Albert, 1993). The quest for an approach to corporate sustainability appears similar in Asia. The employee-oriented approach to corporate sustainability in Japan is also an alternative. Japan human capitalism, with its strong employee focus, places Japan at the most advanced stage of capitalism (Ozaki, 1991). Doing so, Japan achieved sustained economic success, despite a recent, long recession. Taking another different alternative, South-East Asian businesses often work under a model that relies on governments taking an active role in creating, shaping and guiding markets. They require firms to take considerable responsibility for the social welfare of their employees (Stiglitz, 2002). Being able to sustain its businesses and economies, Singapore is a highly successful example of this business model.

In Thailand, most businesses appear to adopt the Anglo/U.S. approach of short-term, shareholder-value to business (Kantabutra, 2006), a reason many went bankrupt in the 1997 Asian economic crisis. An approach called Sufficiency Economy Philosophy was then reiterated by His Majesty King Bhumibol Adulyadej as an approach to corporate sustainability in the country (Suwanraks, 2000). Unlike in the agricultural sector where the 'New Theory', arguably an agriculture version of the philosophy, is well established, the Sufficiency Economy Philosophy in the business sector is still relatively underdeveloped. Following the 1997 TDRI Year-end conference, this paper examines the current state of the development of the Sufficiency Economy Philosophy in the Thai business sector.

Generally, sustainability grounds the development debate in a global framework, within which a continuous satisfaction of human needs constitute the ultimate goal (Brundtland, 1987). Therefore, corporate sustainability can accordingly be defined as meeting the needs of a firm's direct and indirect stakeholders (e.g. shareholders, employees, clients, pressure groups, communities), without compromising its ability to meet the needs of future stakeholders as well (Dyllick & Hockerts, 2002). Towards this end, firms are required to maintain and grow their economic, social and environmental capital base while actively contributing to sustainability in the political domain. In this paper, a business is 'sustainable' when it meets the following three conditions: (a) deliver strong financial performance, (b) have the ability to endure economic and social difficulties over time, and (c) can maintain a leadership position (Avery, 2005).

The following section introduces the Sufficiency Economy Philosophy. The paper then discusses available empirical evidence in Thai businesses. To find support for policy development, a Western approach to corporate sustainability, called *Rhineland*, is introduced to determine if it shares any commonalities with the Sufficiency Economy Philosophy in business. Both approaches are compared and discussed. Based on their commonalities, ten 'Sufficiency Economy' business practices are derived. The practitioner-oriented literature is then reviewed, followed by future research directions and policy implications.

LITERATURE REVIEW

Sufficiency Economy Philosophy

Thailand's Sufficiency Economy Philosophy stems from remarks made by His Majesty King Bhumibol Adulyadej throughout his 58 years of the throne (NESDB, 2004a). It stresses the 'middle' path as the overriding principle for Thai people's conduct and way of life at the individual, family, and community levels. Within the philosophical framework, choice of balanced development strategies for the nation in line with the forces of globalization is allowed, with the need for adequate protection from internal and external shocks. In particular, after the Asian economic crisis in 1997 in which numerous business organizations in Thailand went bankrupt, His Majesty reiterated the philosophy as the way to recovery that would lead to a more resilient and sustainable economy (NESDB, 2004b).

The Sufficiency Economy Philosophy framework (see Figure 1) comprises three components and two underlying conditions (Piboolsravut, 2004). First, Sufficiency entails three components: Moderation, Reasonableness, and requirement for a Self-immunity system, i.e. the ability to cope with shocks from internal and external changes. Second, two underlying conditions necessary to achieve Sufficiency are Knowledge and Morality. 'Sufficiency Economy' requires breadth and thoroughness in planning, carefulness in applying knowledge, and the implementation of those plans. As for the Moral/Ethical condition, 'Sufficiency Economy' enforces the conditions that people are to possess -- honesty and integrity -- while conducting their lives with perseverance, harmlessness and generosity. The Sufficiency Economy Philosophy serves as a guide for

the way of living/behaving for people of all levels, and is scalable with universal domain applicability, including business organizations (Piboolsravut, 2004).

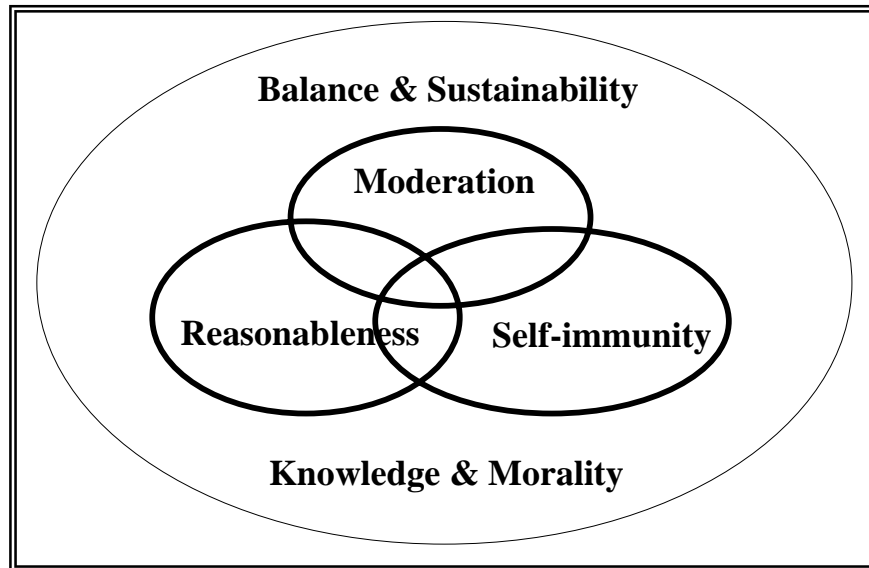


Figure 1 Sufficiency Economy Philosophical Framework

In business organizations, Puntasen et al. (2003) reviewed royal speeches and business examples His Majesty King Bhumibol Adulyadej initiated to derive seven business practices that are consistent with the Sufficiency Economy Philosophy. These Sufficiency Economy business practices are as follow: (1) appropriate use of technology (i.e. use of inexpensive, but technically sound technology); (2) appropriate manufacturing capacity consistent with business' ability to manage; (3) no greed and focus on short term profits; (4) emphasis on honesty in entire business operation. (i.e. fair to consumers, workers, customers and suppliers); (5) emphasis on risk diversification (i.e. various products and/or ability to adjust products); (6) focus on “down side risk management” (i.e. do not create unmanageable debts); and (7) focus on responding to local, regional, domestic and international markets respectively.

More specifically, a theoretical model (see Figure 2) has been developed for business organizations (Kantabutra, 2006). This model, derived from the empirical and theoretical literature, suggested that corporate leaders wishing to sustain their business success espouse a vision characterized by clarity, brevity, stability, challenge, abstractness, future orientation, and desirability or ability to inspire. Moreover, content of the vision should contain reference to Moderation, Reasonableness, the need for Self-immunity mechanism, Knowledge and Morality. A corporate leader espousing such a vision should then develop a business strategy and plan to achieve the vision, communicate the vision to organizational members, realign organizational processes to suit the vision, empower and motivate organizational members. The leader should also be passionate about the vision, emotionally committed to the vision, and behave consistently with the vision. As for organizational members, they should share the leader's vision, emotionally committed to the vision and use the vision to guide their daily business activities. A leader who does so can expect to be able to sustain his/her business performance in the long run. It must be noted that the definition of corporate sustainability here is rather narrow. It should have included social and environmental outcomes as their performance indicators.

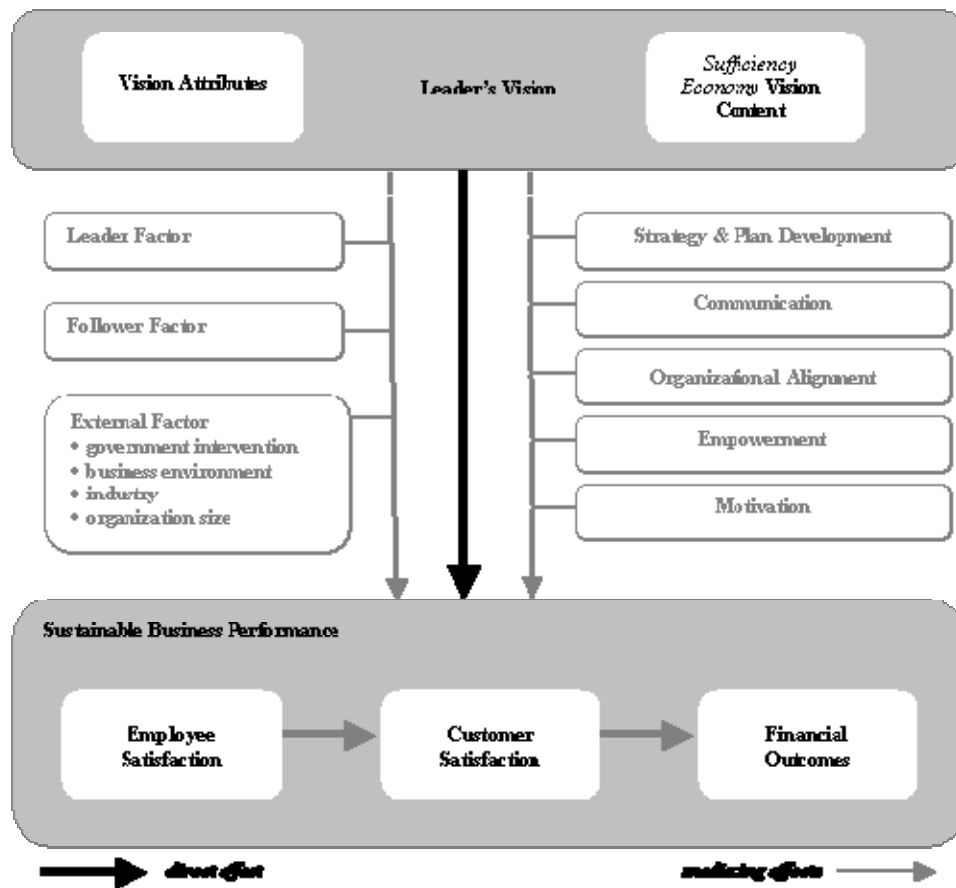


Figure 2 Model Relating Vision-based Leadership to Sustainable Business Performance

Kantabutra (2006, p. 44-45) offers a prototype business to demonstrate how one can apply the Sufficiency Economy Philosophy, as shown below.

“The vision of Siam Ceramic Thailand is “to be the best provider of ceramic tableware in the world through moderation, diversification and morality.” To ensure attainment of the vision, Siam Ceramic Thailand leaders communicate the vision to organizational members who then interpret and use the vision to guide their daily decision-making and business activities. Siam Ceramic Thailand leaders also develop strategic business plans accordingly and redesign organizational systems (e.g. recruitment, performance appraisal, organizational structure) to suit the vision, thus empowering members to perform their relevant duties to achieve the vision. Those members who act consistently with the vision are rewarded accordingly.

In terms of the seven commonly shared vision attributes discussed above, this vision is brief and clear, pointing directly at a prime goal. While desirable, the vision is also stable, unlikely to be affected by technology and market change. No matter how far it is projected into the future, this vision will still be meaningful. The vision is also abstract since it is inclusive to all organizational interests. Anyone at Siam Ceramic Thailand can use the vision to guide his/her work. Clearly, the vision is future-oriented

since it indicates a long-term perspective and the future environment in which it functions. Given the current status as the leading ceramic tableware in Thailand, aiming to be the best in the world is very challenging.

As for vision content, to be the best ceramic tableware provider is consistent with the components of reasonableness and self-immunity and the underlying condition of knowledge. Siam Ceramic Thailand reasonably focuses on its core competency or what they know and do best. In doing so, it develops a self-immunity mechanism for itself by minimizing risk possibly stemming from carelessly entering a new market with which it is not familiar. Yet, another aspect of the component of self-immunity is the introduction of some diversification. To deal with future unexpected issues arising from rapid changes in the market, law and regulation, Siam Ceramic Thailand diversifies its products and market to minimize risk from relying solely on a few markets or products. In addition, although there is a high market demand worldwide for its tableware products, Siam Ceramic Thailand refuses to take more orders when it does not have sufficient capacity to manufacture, consistent with the component of moderation. Siam Ceramic Thailand is genuinely concerned with a wide range of stakeholders, including employees, suppliers, customers, future generations, the environment and society at large. It takes care of these stakeholders well, even though doing so brings about higher cost and lower profitability. This practice of stakeholder focus is consistent with the underlying condition of morality.

Espousing such a vision, Siam Ceramic Thailand has been successfully exporting their products throughout the world for over 50 years, weathering economic ups and downs.'

Given that shared values provide the common standard which people can use to guide their business decisions and actions (Senge, 1990) and shared values/purpose, or ideologies are preserved in the most enduring and successful corporations (Collins & Porras, 1997), Kantabutra (2005a) also proposes that a business organization develops shared corporate values that promote the practice for corporate sustainability. Derived from Western sustainable enterprises and "Sufficiency Economy" businesses in Thailand, these corporate values are valuing human resources, embracing ethical business practices, focusing long-term, nurturing innovation, and caring for a wide range of stakeholders.

This subsection has reviewed the available theoretical literature on the application of the Sufficiency Economy Philosophy in business organizations. The next subsection reviews available studies examining sustainable businesses in Thailand, adopting the Sufficiency Economy Philosophy as a research framework.

Empirical Evidence

Among the first reported studies of the Sufficiency Economy in business organizations, Puntasen et al.'s study (2003) examined 296 Thai SMEs, from six groups of industries (food and beverage, clothing and leather products, wood, paper and printing, rubber and plastic, metals and non-metals, and machinery and transport equipments), which successfully went through the 1997 economic crisis, whether their business practices were consistent with the seven Sufficiency Economy business practices. They concluded that all SMEs which successfully went through the crisis conducted their businesses according to the seven Sufficiency Economy business practices. They point out that, particularly in times of economic difficulty, these SMEs were able to well apply the seven practices.

In their further study of two royally initiated projects, Puntasen et al. (2003) identified two additional business practices of the Sufficiency Economy Philosophy: (a) frugal use of resources with highest effectiveness and (b) employment creation (e.g. no unnecessary replacement of human labor by technology). Puntasen et al. (2003) recommended that future studies use all nine Sufficiency Economy business practices in their investigation.

As part of the study, Puntasen et al. (2003)'s concluded that SMEs from different industries applied the seven practices differently. SMEs which have a high ratio of export focus on a different set of the seven practices than those with a low ratio of export. Therefore, the export volume determines how an SME adopts the seven practices. SMEs with a high ratio of export focused respectively on careful planning on manufacturing

consistent with their capacity, low risk management, and efficient use of resources and inexpensive, but technically sound technology. In doing so, the SMEs adapted themselves to the competitive business environment. SMEs with a low ratio of export focused respectively on efficient use of resources and inexpensive, but technically sound technology, and being honest with employees, raw material suppliers and consumers.

Although Puntasen et al.'s (2003) study lends support for the Sufficiency Economy Philosophy that Sufficiency Economy SMEs had the ability to sustain their businesses during the economic crisis, it did not explore in great depth the process by which the SMEs applied the philosophy. Later research sponsored by the Sufficiency Economy Movement subcommittee at the National Economic and Social Development Board examined three sustainable businesses in Thailand. Unlike Puntasen et al. (2003), these studies adopted the three components and two underlying conditions of the Sufficiency Economy Philosophy as their research framework to explore the process.

Since the studies needed to understand the process, the case study approach to research was adopted. The three case studies are *Sa* (the fibre of mulberry trees) products business (Kantabutra, 2005), a jewelry business (Nuttavuthisit, 2005), and a cement conglomerate (Kusumavalee, 2005). All were chosen because they (a) have reasonably strong financial performance, (b) export their products overseas, thus being challenged by the force of globalization, (c) have successfully gone through the 1997 economic crisis, demonstrating their ability to deal with difficult economic and social difficulties, and (d) can maintain a leadership position in their relevant market.

Consistent with Puntasen et al (2003), the *Sa* paper products business adopted and/or invented its own technologies (e.g. color formula, water treatment system, recycle

system), using local wisdoms (Kantabutra, 2005). It also managed its manufacturing capacity to ensure that the capacity was not beyond its ability to manage (i.e. no more purchase orders taken if the manufacturing capacity was limited), not aiming for short term gains. The business was also honest to a wide range of stakeholders and diversified its market and products. It did not loan at all, and emphasized a low risk management. Initially, it sold its products within the local communities and domestic market first. Then, it started to export its products internationally.

Nuttavuthisit (2005) highlights that the jewelry business went through the 1997 economic crisis primarily because of its long-term relationship with trade partners and highly diversified products and market. The jewelry business also heavily emphasized social contribution and was accountable for a wide range of stakeholders. It did not aim at maximizing profits, but normalizing profits. This demonstrates its long-term perspective. Given its emphasis on skills development, the jewelry business also significantly invested on developing its own human resources. Skilled workers were key to its highly innovative products. These findings endorse the Puntasen et al.'s (2003) and Kantabutra's (2005) studies.

Later on, Santiprabhob (2005) identified common business practices between the *Sa* paper product business and the jewelry business. He found that both sustainable enterprises were “moderate” in taking purchase orders, making profits, making loan and expanding the businesses. Moreover, both thoroughly understood their businesses and competitive environment, including key success factors, and efficiently utilized their resources. They diversified their markets and products to minimize risks, managed raw materials well, and promoted saving. Supporting staff learning, both worked with other

businesses to advance industry knowledge and standard, eventually developing their relevant markets. In terms of ethics and virtues, they invested in waste management, competed fairly, developed alliance to form a cluster, promoted morality within their organizations, and contributed socially.

As for the large cement manufacturing conglomerate, Kusumavalee (2005) found that the sustainable cement business highly valued and invested heavily on its human resources, a key to its innovative products. Facing a huge offshore loan debt, it did not lay off any employees during the 1997 crisis --- although layoff was a common way to reduce costs. It takes a long term perspective by viewing investment in its human resources as a long term investment as opposed to a sunk cost. The cement business is also accountable for a wide range of stakeholders, as opposed to maximizing short-term shareholder value alone. The cement business promotes people from within its organization, demonstrating its value on organization-specific skills that take a long time to develop. Kusumavalee's (2005) findings lend support to Puntasen et al.'s (2003), Kantabutra's (2005) and Nuttavuthisit's (2005) studies of SMEs.

Following the three Sufficiency Economy Movement subcommittee case studies, an ongoing research project (Mahidol University Leadership Research Group, 2006) has explored a small hospital in Bangkok, specializing on endocrine-related diseases. Preliminary findings indicate that the hospital's 21 years of success depends, among other things, on a focus on its core competency, social responsibility, careful expansion, human resource focus, innovation, and long-term relationships with patients and business partners. The hospital successfully went through the 1997 economic crisis partly because the loaner reduced its offshore debt to a half. During the crisis, it did not lay off any

employees, but the top and mid-level managers decided to reduce their salaries to save cost, demonstrating its very strong teamwork culture, trust and respect to its employees. The hospital has continued to introduce new treatment procedures and a number of new professions to Thailand (e.g. Diabetes Educators, Dietitians, Foot Care Specialists), now being a leader in endocrine-related diseases prevention and treatment in Asia.

Socially responsible, the hospital works with relevant government and non-government organizations to disseminate knowledge about endocrine related diseases to needy people in provinces throughout the country. Another highlight is that it does not view other hospitals as its competitors. Many times, the new professionals it developed were recruited by other hospitals. Instead of viewing it as 'stealing', it regards this activity as contribution to the Thai healthcare industry. The hospital has been working with university medical schools in Thailand to develop these new professionals.

Clearly, these preliminary findings indicate that the case hospital has closely followed the three principles and two underlying conditions of the Sufficiency Economy Philosophy.

In synthesizing the findings from the four case studies by Kantabutra's (2005), Nuttavuthisit's (2005), Kusumavalee (2005) and Mahidol University Leadership Research Group (2006), the following commonalities are identified. All of these sustainable enterprises take a long term perspective to management. They are managed for long term, rather than short term, benefits. All four businesses are genuinely responsible for a wide range of stakeholders. They promote ethical business practices and genuinely and highly value their human resources. As a consequence, they are able to maintain their organization-specific knowledge, a key to compete in the market.

Lastly, all four businesses nurture innovation throughout their organizations. These commonalities support the previous findings by Puntasen et al (2003), and are consistent with Kantabutra's (2006) assertion.

Overall, the 296 sustainable businesses that went successfully through the 1997 economic crisis appear to follow the seven identified business practices of the Sufficiency Economy Philosophy. Additionally, the four cases of sustainable enterprises which deliver strong financial performance, have the capacity to endure economic and social difficulties, and maintain their leadership position appear to closely follow the three principles and two underlying conditions of the Sufficiency Economy Philosophy. Therefore, the Sufficiency Economy Philosophy has been endorsed by the existing studies as an approach to corporate sustainability.

The following section introduces one of the most acclaimed Western approaches to corporate sustainability, called Rhineland¹, to seek support for the universal application of the Sufficiency Economy in business. A comparison between the Sufficiency Economy Philosophy approach and the Rhineland business practices, which were derived from a major study of 28 sustainable enterprises in the West, is conducted.

¹ Reported by Harvard Business School *Working Knowledge* as a possibly flawless path to corporate sustainability (HBS Working Knowledge, 2005).

SUFFICIENCY ECONOMY PHILOSOPHY & RHINELAND APPROACHES

Arguing against the foundations of ‘Anglo/American capitalism’ in favor of a more socially kind model as is practiced in Germany's Rhineland, the Rhineland leadership concept suggests that successful enterprises that have been around for several decades adopt a system of self-reinforcing, sustainable leadership practices (Avery, 2005). In her major study of twenty-eight sustainable enterprises, Avery (2005) derived the following 19 leadership practices from these sustainable enterprises (see Table 1).

Business Practices	Western Sustainable Enterprises	Sufficiency Economy Philosophy
CEO concept	Top team speaker, not heroic CEO and top management who make decisions.	Self-immunity, reasonableness and knowledge
Decision making	Consensual, not manager-centered.	Self-immunity, reasonableness and knowledge
Ethical behavior	An explicit core value, not only a statement that not everyone practices.	Morality
Financial markets (for listed companies)	Resist and challenge them, not follow them. i.e. report normal profit each quarter with a focus on long-term performance.	Moderation, self-immunity, reasonableness
Innovation	Continuous in process, service and product.	Knowledge, self-immunity
Knowledge management	Shared.	Knowledge, morality
Long-term perspective	Yes, concern with all stakeholders including future generations.	Self-immunity
Management development	Grow their own, not import managers.	Morality, knowledge, self-immunity
Organizational culture	Strongly rooted in history, often favoring ethical and environmentally concerned practices.	Knowledge, self-immunity
People priority	Strong; heavily invest in people, as opposed to lip-service.	Knowledge, morality, self-immunity
Quality	High is a given, not focus on cost cutting and speed.	Moderation, self-immunity, reasonableness, morality
Retaining staff	Low turnover rate; staff development focus.	Reasonableness, self-immunity, knowledge, morality
Skilled workforce	Strong; Continuously develop firm-specific skills, as opposed to employees bring generic skills to the firm.	Knowledge, reasonableness, morality, self-immunity
Social responsibility	Permeates organizational thinkings and actions. As opposed to being seen as reducing shareholder value and profits.	Moderation, self-immunity, morality
Environmental responsibility	A given, bring competitive advantage and savings. As opposed to being seen as reducing profits.	Moderation, self-immunity, morality
Stakeholders	Broad focus, as opposed to maximizing only shareholder value.	Moderation, self-immunity, morality
Teams	Teamwork is core process; often self-governing, as opposed to requiring management intervention.	Self-immunity, knowledge and morality
Uncertainty and change	Change is considered and managed process, as opposed to fast adjustment.	Reasonableness, self-immunity
Union-management relations	Employees, unions, management share power; employees represented on boards of large companies. As opposed to an adversarial relationship with boards and management holding the power.	Morality, knowledge

Table 1 Analysis between Sustainable Practices and Sufficiency Economy

Philosophy

This section attempts to use the three principles and two underlying conditions of the Sufficiency Economy Philosophy to explain the 19 Western sustainable leadership practices.

In terms of the CEO concept and decision making, sustainable enterprises in the study used a top team speaker to represent their management teams, instead of having their CEOs as hero or top management to make decisions. Reasonably, these enterprises develop a self-immunity system for itself by seeking different opinions and utilizing knowledge from others before making a decision. Adhering to the underlying condition of morality, ethical behavior is their explicit core value that everyone practices. Taking a long term view, these enterprises resist the financial markets by not focusing on improving financial results each quarter. In doing so, they are not greedy for short-term gains and protect themselves from unexpected risks. Consistent with the underlying condition of knowledge and morality, these enterprises share their knowledge across their organizations and industries, helping to nurture innovation throughout the entire organizations. Innovation also helps protect these enterprises by always staying at least one step ahead of the competition. Being concerned with a wide range of stakeholders, including future generations, these enterprises ensure a stream of future customers, creating a self-immunity system for themselves.

Given people priority, these sustainable enterprises hardly import their managers and retain their people because they value firm-specific knowledge and skills. As a result of retaining highly skilled staff, they develop a very strong organizational culture, favoring ethical and environmentally concerned practices. Having highly skilled staff

and focusing on teamwork bring about better ability to respond to changes in the business environment, ensuring their long-term survival.

The Western sustainable enterprises also reasonably view high quality as a given, as opposed to focusing on cost cutting and speed and taking advantage of customers. Being moderate, they put the money in to improve product and service quality. As long as their products and services are of high quality, they can continue to succeed in the long run.

Given that these enterprises have been around for several decades, they are socially and environmentally responsible. Regarding environmental and social responsibilities as bringing competitive advantage and saving, they heavily invest in them. They are in addition responsible for a wide range of stakeholders. In doing so, they are not greedy and develop a self-immunity system for themselves.

Reasonably, change is considered and managed in these enterprises. When change is addressed at the root cause, they protect themselves from risks associated with ‘quick fix’. Union and management team of these enterprises share power and have a friendly relationship. For some large companies, employees represent on their boards, showing their genuine concern toward employees. This practice is consistent with the underlying conditions of morality and knowledge.

The preliminary analysis above reveals that the leadership practices of these 28 sustainable enterprises in the West are consistent with the three principles and two underlying conditions of the Sufficiency Economy Philosophy. In other words, the Western sustainable leadership practices can be explained by the Sufficiency Economy Philosophy.

Given all of the Thai and Western studies above, the following business practices are derived. It appears that these business practices are common among the businesses in the studies. Therefore, it is more likely that a business adopting this set of practices will be able to sustain its organization. From hereon, this set of practices will be called Sufficiency Economy business practices. They are as follows:

1. Adopt a long-term perspective to management and decision-making. Do not manage for short-term gains, but consider cause and effect in the long run;
2. Genuinely value and continuously develop human resources. Avoid laying off employees even in a time of economic difficulty, but consider them as an investment;
3. Be honest, genuinely concern with and be accountable for a wide range of stakeholders, including the society, the environment and future generations. This often suggests stakeholders' involvement in business decision-making and social contribution;
4. Nurture both incremental and radical innovation throughout the entire organization, including products and processes. This often means promoting cross-functional teams;
5. Utilize resources effectively and efficiently;
6. Adopt/develop effective, but not expensive, technology. Usually, this technology is developed from local materials and wisdoms;
7. Expand business because of its actual growth, as opposed to a surge in market demand. This often means a careful and gradual expansion;

8. Carefully diversify products, markets and investment portfolios to minimize risks;
9. Share knowledge to develop market. This often means knowledge sharing with competitors because doing so helps develop the market to benefit consumers;
10. Be truly ethical, perseverant and diligent.

The following section reviews the practitioner-oriented literature on the application of the Sufficiency Economy Philosophy in the Thai business sector.

PRACTITIONERS' EXPERIENCE

With the relatively little scholarly research on the Sufficiency Economy Philosophy in the Thai business sector above, this section reviews the practitioner-oriented literature.

Vathanophas (2005) examined how a dot-com start-up firm could possibly apply the Sufficiency Economy Philosophy. The start-up firm provided Thai domain name registration, website development and other IT system developments services.

Vathanophas' (2005) study reveals that the start-up firm could well apply the three principles and two underlying conditions of the Sufficiency Economy Philosophy. Because of that, the firm could successfully go through the 2001 worldwide internet crisis.

In conjunction with the celebrations of the 60th anniversary of His Majesty King Bhumibol's accession to the throne, the Security Exchange of Thailand and the Thai Institute of Directors have taken an initiative to start the process of understanding the philosophy and applying it to listed companies in the country (Isarangkura na Ayudhaya,

2006). In a recent Director Forum organized by the Thai Institute of Directors, a survey was conducted among approximately 100 directors of listed companies in Thailand (Isarangkura na Ayudhaya, 2006). Three expert panelists were invited to explain and clarify any doubts about the philosophy in business. After this session, the participating directors were asked to anonymously respond to five questions. The questions and responses are in Table 2 below.

No.	Questions	Responses			
		Contradicts	Does not contradict	Unsure	
1	Do you think the Sufficiency Economy philosophy contradicts the business objective of profit maximization and growth?	12%	80%	8%	
		Yes	No	Unsure	
2	Do you think the application of the Sufficiency Economy Philosophy would lessen the competitiveness of your firm at home and abroad?	13%	73%	14%	
		Yes	SEP consistent with Globalization	SEP inconsistent with Globalization	Unsure
3	Can the Sufficiency Economy Philosophy make your firm better able to manage globalization?	46%	44%	4%	6%
		Yes	No & More Difficult	No Impact	Unsure
4	Can the Sufficiency Economy Philosophy help firms to raise capital?	80%	2%	15%	2%
		Yes	No & Lower the Values	No Impact	Unsure
5	Can the Sufficiency Economy Philosophy help to increase share values?	84%	2%	9%	5%

Table2 Survey Results about the Sufficiency Economy Philosophy in Business

In general, the executives who attended the Director Forum appear to endorse the application of the Sufficiency Economy Philosophy in business. However, it must be

pointed out that there were a few who did not have a positive attitude toward the use of the philosophy in business. A harsh critic might argue that these few executives could better represent the population since the sample executives in this survey were bias, given that they were already interested in using the philosophy and therefore decided to attend the forum.

After the Director Forum, the Thai Institute of Directors conducted another study with approximately 400 listed companies (Manager Weekly, 2006). The survey result indicates that over 85% of these listed companies would apply the Sufficiency Economy Philosophy in their businesses.

Given my observations and first-hand experience in interacting/lecturing business professionals about the Sufficiency Economy Philosophy in business sector at, among other places, the College of Management, Mahidol University, NIDA Training Center, the Geosocial-based Sustainable Development program at Mae Joe University, there have been increasing awareness and trend of the application of the philosophy in business among business professionals. In particular, SME owners often show their trust in and enthusiasm to apply the philosophy. As for large corporations, the interest in the philosophy obviously exists, but the willingness and confidence in applying it in their organizations is still a question.

The following subsection discusses practitioners' confused concepts of Corporate Social Responsibility, Corporate Governance, and the Sufficiency Economy Philosophy.

Practitioners' Conceptual Confusion

Confusion among the Sufficiency Economy Philosophy, Corporate Governance and

Corporate Social Responsibility exists among business professionals in Thailand.

Internationally, Corporate Governance is to ensure that companies are run in transparent, ethical ways that retain investor confidence (PricewaterhouseCoopers, 2003). The tendency is for principles of Corporate Governance to be aimed at similar objectives throughout the world, while respecting local values and laws. A study from the Stock Exchange of Thailand (2006, p.3) has indicated that:

“The principles of good corporate governance are in line with the philosophy of Sufficiency Economy initiated by His Majesty the King to ensure sustainable development. The philosophy of Sufficiency Economy emphasizes equilibrium and flexibility together with careful, thorough and moral application of knowledge. These are all basic concepts of good corporate governance.”

On the other hand, Corporate Social Responsibility (CSR) is a vague concept with no agreed global standards (Marinetto, 1998). CSR concept appears to cover a wide constituency, focusing on the welfare and prosperity of stakeholders including society. Some however argue that the environment should be regarded as another stakeholder, while others distinguish environmental responsibility from other forms of social responsibility.

Since both Corporate Governance and Corporate Social Responsibility are expected to bring about corporate sustainability, they are frequently confounded or even regarded as the same with the Sufficiency Economy Philosophy. Evidence of this confusion appears prevalent in the Thai business media. Many socially responsible businesses are said to be ‘Sufficiency Economy’ businesses, which is correct as the case studies above reveal. However, Corporate Social Responsibility is only a subset of the philosophy, as is the corporate governance.

Sufficiency Economy Philosophy is indeed about developing a self-reinforcing

management system that enhances a business's ability to compete in the global market and sustain the success. In addition to transparency and responsibility to the society and environment, the application of the Sufficiency Economy Philosophy in business, according to the existing studies, is about how to manage a business organization prudently so that the organization will result in the least people-hidden cost and the highest quality of products and services, and bring about innovation not only in products, but throughout the entire organization.

For instance, Sufficiency Economy Philosophy emphasizes the underlying condition of knowledge. According to the case studies above, this underlying condition of knowledge indeed refers to innovation in products and services, a key to successfully compete in the global market place. The reasonableness principle also emphasizes causes and effects in terms of making a decision for a business. The need to create self-immunity principle also refers to market, product and investment portfolio diversifications. All three ensure a more effective and well-rounded management approach to business. To demonstrate the Sufficiency Economy Philosophy's superiority to Corporate Social Responsibility and Corporate Governance, a business can 100% adhere to the corporate governance principles and be 100% socially responsible, but it cannot sustain its success in the long run because of imprudent internal management (e.g. "high risk for high return", quick fixes, top-down approach not nurturing innovation). More often than not, companies only try to meet the standard principles of the Corporate Social Responsibility and Corporate Governance. 'Sufficiency Economy' and Rhineland enterprises do more than meeting the standard.

Puntasen et al. (2003) appears to agree with the above analysis. They suggest that

corporate governance focuses only on equality of all stakeholders, transparency, and accountability. On the other hand, the Sufficiency Economy Philosophy includes the most effective and efficient management in order to ensure a business' survival. Moreover, according to Puntasen et al (2003), the philosophy brings about no internal conflicting of management since it does not aim at maximizing profitability at any cost.

This section has compared three similar concepts of Corporate Social Responsibility, Corporate Governance and the Sufficiency Economy Philosophy as applied in business organizations. It can be concluded that the Sufficiency Economy Philosophy appears to be the most holistic approach to corporate sustainability.

Although both previous studies and practitioner-oriented literature endorse the Sufficiency Economy Philosophy as an approach to corporate sustainability, much more research is still needed to investigate the application of the philosophy in business organizations. The following section discusses future research directions.

FUTURE RESEARCH

Based on the literature review, the following broad proposition is advanced. Since the literature continues to point out that the Sufficiency Economy Philosophy creates a positive impact on corporate sustainability, directional proposition is adopted.

PI: Businesses that adopt the ten Sufficiency Economy business practices will be able to enhance their prospect of improving the ability to deliver strong financial performance, endure social and economic difficulty overtime, and maintain a leadership position.

Adopting a longitudinal design, future research might investigate business organizations that follow the ten Sufficiency Economy business practices whether they can sustain their long-term success. Future studies might consider adopting or adapting the theoretical model by Kantabutra (2006) and/or the ten Sufficiency Economy business practices as their research framework. Since the philosophy is regarded as a mean to respond to globalization, businesses that exporting internationally should be a focus. Such a future study can also be done across different industries and sizes of businesses. Of particular interest is an investigation into businesses that operate in a cut-throat competition. It will be interesting to see whether 'Sufficiency Economy' businesses will be able to survive in such an environment. Equally important is how the businesses use the ten Sufficiency Economy business practices to guide their organizations. It might also be interesting to identify the relative importance of the ten Sufficiency Economy business practices. Findings from future research will enhance our understanding of the application of the Sufficiency Economy Philosophy in business organizations, benefiting scholars and practitioners alike.

Although much more research is still needed into the application of the Sufficiency Economy Philosophy in business organizations, the following policy implications as informed by the Thai and Western studies above are derived. They are discussed in the next section.

POLICY IMPLICATIONS

Although the policy implications here may be initially responded with denial, simply because they are against the conventional wisdom of the Anglo/US capitalism model of short-term maximization of shareholder value or the traditional rules that aspiring business leaders, Thai and non-Thai, are taught at the best MBA schools across the USA, readers are encouraged to read on and take a closer look at them. Being open-minded, readers who wish to bring about truly sustainable business organizations will be benefited.

In formulating corporate strategies and policies, businesses should adopt the long-term perspective. They should not manage for short-term gains, but consider cause and effect in the long run. In practice, it is however difficult for Thai managers working for listed companies to do so because of several pressures, including the financial markets, investors and shareholders, to follow the short-term maximization of shareholder value approach.

For example, top managers are often under pressure from the Stock Exchange of Thailand's required quarterly reporting of financial results – a perceived indicator of their performance. More often than not, these top managers are even tied to short-term stock options as a reward for their (short-term!) performance. Under this circumstance, it is almost impossible for these top managers to take a long term view. Professor Warren Bennis (2003, p. 5), a renowned leadership scholar, has argued that 'the emphasis solely on short-term financial results is reckless...[and] leads to short-term-ism, lying, and scandals.' Professor Gayle Avery (2005), an eminent leadership scholar, also asserts that the Anglo/US shareholder value approach is seriously flawed and contains the seeds of its

own destruction. Unfortunately, the Anglo/US capitalism model is the prevailing model in Corporate Thailand.

Therefore, in order to help top managers to be able to take a long term view in leading their organizations, the Stock Exchange of Thailand may have to revisit its policy of quarterly reporting, and/or companies may have to revisit its short-term stock options as a reward for their top managers. If top managers are not under pressure to report and/or improve their performance every three months, they will be released to focus more long-term. Additionally, the Stock Exchange of Thailand may consider developing a Sustainability Index, possibly called *Sufficiency Economy* Sustainability Index, for each listed company and promoting investment in sustainable companies.

The second policy implication is for Thai companies to genuinely value and continuously develop their human resources. Human resource is most critical to a firm's survival as Bergsteiner and Avery (2006) have demonstrated how downsizing a workforce, a common approach among firms adopting the Anglo/US capitalism model, can systematically break down a sustainable enterprise. Therefore, companies should continuously develop and retain their employees, for highly able employees are a key to compete in the global market. They should view highly skilled employees as a primary asset and avoid laying them off even in a time of economic difficulty. These employees indeed can aid in quickly bringing the companies up to speed in competing once again when the economy picks up.

Third, Thai companies should be truly honest, genuinely concern with, and be accountable for a wide range of stakeholders, including the society, the environment and future generations. Although many companies in Thailand claim that they comply with

the Good Governance and Corporate Social Responsibility, most are not genuinely concerned with the environment, the society, future generations and other stakeholders (e.g. ethnic minority groups). They often view both Good Governance and Corporate Social Responsibility as a marketing tool to attract investors and consumers, a perspective of the Anglo/US business model. For instance, how many Thai listed companies are willing to sacrifice their quarterly profits to ease the society's pain (e.g. rising oil price)? The emphasis of this policy implication is thus on the 'genuineness', suggesting that companies must take a sincere action to best protect the interest of their stakeholders. Thai companies should appoint an employee representative to their boards of directors or involve local people in making a decision about building a new factory in their community. At a time when companies have to sacrifice their profits to protect the interest of stakeholders, they should be willing to. These are to demonstrate their sincerity for all stakeholders.

The next policy implication is about innovation, core to sustainable enterprises. Thai companies should nurture both incremental and radical innovation throughout the entire organization, including products and processes. When discussing innovation, people often only think about value-added features to products or radical innovation. However, as seen in the studies above, sustainable enterprises not only nurture radical innovation, but also incremental innovation throughout their entire organizations. This includes an innovative improvement in their service delivery processes or even how a cashier officer can be innovative in his/her servicing customers. In order to do so, companies should promote cross-functional skills development and teamwork, and allow them to do their best. For instance, Nordstrom, a giant fashion specialty chain of retail

stores and a Rhineland enterprise operating in the US, does not train its sales staff in standard procedures, but simply tell them to do their best (Avery, 2005), allowing room for innovation in servicing customers to take place. When an enterprise is entirely innovative, it will be very dynamic and difficult to imitate.

Thai companies should use local technologies because they are not expensive. Although some local technologies are known for their ineffectiveness, companies should invest in enhancing them further. Local wisdoms and technologies often bring about strategic advantage and a better ability to compete in the global market for Thai firms.

Thai companies should share, among others, their knowledge, even with competitors. Consistently with the studies above, Toyota, a Japanese sustainable enterprise, welcomes tens of thousands of visitors each year, many of them from rival carmakers, to observe their production (Chandler, 2005). Sustainable firms which have shared the knowledge are often very dynamic, mainly because of their highly capable employees. They can come up with numerous ideas to improve products and processes, making them always stay at least one step ahead of the competition. Moreover, when firms share knowledge and compete within a given industry, the relevant market is developed with better products and services. Eventually, benefited most from this knowledge sharing is the society. The Thai government should encourage firms to coordinate more with one another to improve both their own performance and more general economic performance, including promoting greater cooperation among unions and employers, and increased knowledge sharing among private firms.

Thai companies should also be careful in their planning. This includes diversification in products, markets, and investment portfolios to minimize risks

associated with the unpredictable business environment. It also means a careful, gradual business expansion.

Last but not least, Thai business schools need to take a step back and reexamine their courses, given that the Anglo/US model of business has a great influence on Thai business curriculum and instructors. It is no excuse for keeping on doing the ‘wrong’ thing, as Professor Gayle Avery (2005) of the elite Macquarie Graduate School of Management in Sydney argues. Similarly, the esteemed Professor Henry Mintzberg (2004) from Canada’s prestigious McGill University strongly criticizes how managers are educated in typical MBA programs, and the dehumanizing results of their actions on society. Mintzberg and his colleagues (2002) are very concerned about the sustainability of Anglo/US business leadership. Endorsing the same view, Professor Dexter Dunphy (2003, p.10) from the University of Technology, Sydney supports the search for alternatives because ‘business as we practice it and teach it is unsustainable. We cannot continue to conduct business as usual’. Therefore, Thai business schools should be aware of and appropriately respond to this informed call. They may consider integrating the Sufficiency Economy Philosophy in their courses and programs to ensure that students are aware of another alternative to leading business organizations.

CONCLUDING REMARKS

This paper has reviewed the theoretical and empirical literature on the application of the Sufficiency Economy in businesses in Thailand, as well as other relevant literature elsewhere. The practitioner-oriented literature has also been reviewed. The review indicates that our understanding about the application of the Sufficiency Economy

Philosophy in the Thai business sector has improved significantly over the years. Business professionals interested in adopting the philosophy can now conveniently use the ten 'Sufficiency Economy' business practices as a guideline in running their businesses without having to considerably interpret the actual philosophy. Policy implications have also been discussed. More research into the application of the philosophy is encouraged to further enhance our understanding. Some future research directions have been pointed out.

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