

## 4. ADOPTION OF SUFFICIENCY ECONOMY PHILOSOPHY IN BUSINESS ADMINISTRATION: A CASE STUDY OF A LARGE PRIVATE THAI COMPANY

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### **Introduction**

In general, sufficiency economy is a philosophy, guiding people to the “middle path” to live on and to live for. It means living at a sufficient level which is reasonable for our status. Sufficiency means enough, reasonable and also self-immunization to any internal and/or external impact. It is developed on a basis of knowledge, thoughtfulness and good conduct. This philosophy is applicable to all levels of society, from family, community, and to nation, especially in economic development and globalization.

A Thai company with assets of 395,748,590 authorized baht capital, driven by benefits and market competition, adopted the Sufficiency Economy Philosophy and applied it to their business mechanizations. In 2007, they were awarded by the Office of the Royal Development Projects Board, Thailand for participating in a work performance competition. The company obtained model for sustainable development and continued to become a large and successful public company at present. Researchers are interested in the visions of leaders who applied Sufficiency Economy to their business administration, and employee management.

### **Research Objectives**

1. To examine the viewpoints of the organisation’s leadership in the application of Sufficiency Economy Philosophy.
2. To study business administration framework of the executives in delivering information to employees.
3. To understand the meaning and content of Sufficiency Economy Philosophy meaning and content in this work environment.

### **Literature review**

His Majesty has addressed the topic of “Sufficiency Economy” to his subjects through royal remarks on many occasions over the past three decades. The philosophy provides guidance on appropriate conduct covering numerous aspects of life, (including) after the economic crisis in 1997. “Sufficiency Economy” is a philosophy that stresses the middle path as the overriding principle for appropriate conduct by the population at all levels. This applies to conduct at the level of the individual, families, and communities, as well as to the choice of a balanced development strategy for the nation so as to modernize in line with the forces of globalization while shielding against inevitable shocks and



excesses that arise. “Sufficiency” means moderation and due consideration in all modes of conduct, as well as the need for sufficient protection from internal and external shocks. To achieve this, the application of knowledge with prudence is essential. In particular, great care is needed in the utilization of untested theories and methodologies for planning and implementation. At the same time, it is essential to strengthen the moral fibre of the nation, so that everyone, particularly public officials, theorists and businessmen, adheres first and foremost to the principles of honesty and integrity. In addition, a balanced approach combining patience, perseverance, diligence, wisdom and prudence is indispensable to cope appropriately with critical challenges arising from extensive and rapid socioeconomic, environmental, and cultural changes occurring as a result of globalization (The 1999 TDRI Year-end Conference Distribution Material).

In business organisations, Puntasen, Premchuen, and Keitdejpunya (2003) reviewed royal speeches and business examples His Majesty King Bhumibol Adulyadej initiatives to derive seven business practices that are consistent with the Sufficiency Economy Philosophy. These Sufficiency Economy business practices are as follows: (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/or 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. Towards this end, 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) be able to maintain a leadership position (Avery, 2005).

More specifically, Model Relating Vision-Based Leadership to Sustainable Business Performance, a theoretical model has been developed for business organisations (Kantabutra, 2006, 2007). 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 organisational members, realign organisational processes to suit the vision, empower and motivate organisational members. The leader should also be passionate about the vision, emotionally committed to the vision, and behave consistently with the vision. As for organisational 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.



## Methodology

The research uses case study approach to explore the visions of organisation leadership with regards to Philosophy of Sufficiency Economy, the characteristics of management, and the perception of Sufficiency Economy concept in the company from the top to the bottom. Observation and in-dept interview techniques are used to collect primary and secondary data based on the following these steps: 1) Read all related reports or documentaries about Sufficiency Economy. 2) Review data of the business management. 3) Collect and categorize data about companies which utilize traditional business administration. 4) Select a specific case study that has the appropriate criteria and provide sufficient data, which give greater understanding to the issue researched. 5) Select and interview key-individuals by snow ball technique, open-end questionnaires, and tape recorder. 6) Code and triangulate data from multiple resources, for example, printed documentary, television dialogue, and interview scripts. 7) Analyze and implement data to validate, systematize information, arrange data, review and reference coding, summarize data, interpretation and building conclusion, and finally 8) Conclusion.

## Results

This study utilizes a Large Jewelry Public Company which operates business according to the Sufficiency Economy Philosophy. Researchers interpret the empirical evidence following 3 research questions.

1. The leader of organisation's visionary management-thinking, known as "Sufficiency Economy" philosophy.

The top executives have a management style emphasizing quality and honesty. The stakeholders benefit together since it is an established organisation. So, they trust in the organisation. Top managers' visions are "To maintain our quality, not only good production. But we also prioritize the quality of life of staff. At the same time, the importances of business aims are sustainable organisation and continued business growth. To meet these, we must have Sufficiency Economy. Our company is an un-avaricious business." The entrepreneurs understand this philosophy is the way of living or behaving for people of all levels, and is scalable with universal domain applicability, including business organisations. They can accordingly be defined as, "Moderation, self-aware, reasonable, diligent and sharing are our Sufficiency- Economy definition." The resilient and sustainable company is guaranteed that Sufficiency Economy serves as a guide for life.

Moreover, Sufficiency Economy can reflect organisational values. Top managers said "The most important core value and direct concern is Sufficiency Economy. Our sufficient is annually fair profits. Its will make organisation same as a good home for every employees will be happiness to working. For stakeholders, we don't pressure in price and agreement to balance trade following middle path. It is to better well-being in everybody." Towards this end, firms are required to maintain and grow their economic, social and environmental capital base while actively contribute to sustainability in the political domain. The visual conclusion of top management about Sufficiency Economy as diagramed in the following figure.

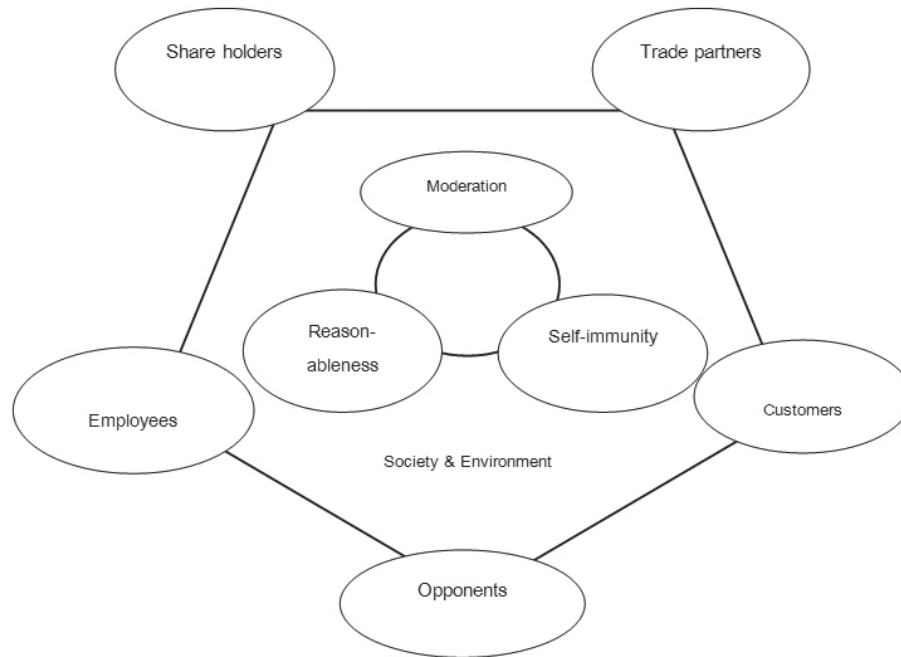


Figure 1. Sufficiency Economy Philosophical Framework of the case study.

Researchers discovered three components and two underlying conditions of Sufficiency Economy Philosophy which are the structure of this case study.

a) Moderation.

- Diversify investment to reduce risk and share fair profit. The company actively looks for more distribution channels for products all over Asia-Pacific, Europe, United State and the Middle East. Thus they always assess the market to ensure an appropriate and timely response to market changes. Top managers said “In normal situation, profit is annually consistent. We ask shareholders whether profit is sufficient. They say yes, appropriate and approve. After that, we distribute profits to others and our employees appreciate the equality management. If we force trade partners with the hope to cut cost, we’ll receive temporary high benefits but our partner/s will be unhappy and close the door to trade with us. Instead of choosing to maintain long-term relationship with old partners or customers who get you the best, you can surely begin to contact with new partner.”
- Effective and efficient use of competencies. The firm is concerned in the knowledge and the expert skills of Thais to lead the jewelry manufacturer. They use raw materials and manufacturing technology from local communities and within the country as much as possible. Developing new products with reasonable, focusing on core competency of the business (e.g. customer acquiring, market tendency). “The company invests sustainably and develops gradually. We opened the first overseas market in The United Kingdom and increased more than 40 worldwide suppliers nowadays for fair risk and normal profits. Furthermore, we do not take more orders if the production capacity



cannot accommodate”, according to the manager.

- Focus on balanced development strategies. The case study concerns employment capability, therefore no replacement of human labor by technology (if not necessary), and emphasize the development of skills and knowledge of employees that allow them to be informed). For example, The Dual Vocation Training, where many rural and/or handicapped students were educated and trained to be gem-cutters and goldsmiths, employed more than 80% of the students. However, the company keeps customer information confidential and share gain advances to win with trade partners. They contribute back to society to ensure the continuation of business in the future, “strengthen community, well-being, and high outcome”. They invest in ethical businesses that are not harmful to the society, for instance, pay tax by law, Social Venture Network, Art for All Project and White Factory Program. Additionally, they effectively manage their waste and the environment.

b) Reasonableness.

- Reasonable stakeholder management. (E.g. shareholders, employees, clients, pressure groups, communities). 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 shareholders hold in the company a ratio of 40:60. Employees have high gain and good welfare, including human right strategies, and co-operation. The Global Compact Project of United Nation aims towards morality of employment.

- Necessary to achieve business knowledge in order to respond immediately and effectively to customer requests. The company offers reasonable prices products and services and be truthful about products or services for short-term sales. This organisation requires breadth and thoroughness in planning is careful application of knowledge, and the implementation of those plans, including the manufacturer **extend its network of 15 own brands distribution, and targeting specific customer groups.**

c) Self-immunity is the key management in this case.

- Do not expand the business rapidly on loan. The top managers confirm their company business development and spend money carefully for future development, not as a sunk cost, which was a particular reason why many went bankrupt in the 1997 Asian economic crisis. As the managers indicated, “During time is the great lesson for my company. We lost money over a hundred million bath and couldn’t compensate debt to the bank. This led us to change our debt structure. We served good relationship with stakeholders and managed high risk by selecting suppliers and procurement, learning organisation, all of these currently helped my company to survive.”

- The self-immunization is a refinance structure of the firms due money exchange, mainly affecting the jewelry market. They distribute products on many levels and with many dealers for improvement of product values. Acquire loans as long as the payback is within the capacity of the business. Do not create too much debt. The managers said, “The organisation don’t base on risk and greed. We gradually grow and cope with shocks from internal and external changes.”





- Give priority to employee development, because employees are the key to the success of the organisation. Capable employees will be able to effectively respond to changes in the environment. This will bring about organisational sustainability. The company develops a career succession plan to ensure business continuity and prompt external motivations for employees, such as, high earnings and salaries, low lunch costs, multiple facilities and accommodations; (examples being) sport club, nursery, and domestic assistance. The other companies show an approximate turnover rate of 6%, but this company has less than 2.5%. In addition, employees can give feedback to improve management, and to help projects, for example, exercise project every 5 minutes on the job.
- Evaluate and regulate the performance of employees. The company proposes good governance, as in; responsibility of commitment, equality between partnerships, stakeholder roles, proof, risk management and morality.
- Strengthen organisation culture. This case study has three core values. Core value refers to the principle of concepts and guidelines mutually believed and practiced among personnel. Core value is viewed as a valuable asset and main driver to achieve organisational goals set. The following 3 Core Values are originated from brainstorming among member companies: Teamwork (respect and unity), continuous improvement (quality, aesthetics, and learning organisation), and stakeholder-focus (morality, integrity, and sufficiency-economy). These Corporate Core values are derived from thoughts, actions and opinions of their production and support personnel over several months to identify the importance of these values in every day work. Relationships between employers and employees as family members to help ensure its ability to meet the needs of stakeholders.

## 2. Work character of a leader leads the organisation success

Operation of leadership directly linked to the vision of business is “stressed” on quality of products, and quality of workers lives. In addition, the high goal of business is sustainable development. The keys to success for the organisation to reach this highest goal are:

### 2.1 Product

Organisation should specifically invest upon their capacity and core competency of business to respond to target groups that are not only middle class but include upper class customers as well. The results would be that the business could produce a high-quality product and increase their customers’ satisfaction. This quote is from a speech given by the organisation’s leader “...I think our business was invested to respond to the needs of target group. It is a condition which leads to successful business...”

### 2.2 The means of business operation.

The growth of business is developed step by step and concerns all of the stakeholders. Means of business operation is to establish a learning culture among the workers. Lastly, I would like to see business’ developed more towards learning organisations. On the other hand, business must be concerned with the value and fair practices to all stakeholder groups. A partial interview given by the organisation’s leader was: “...I think our business



is going to its 35th year. But I and all of workers have never discussed about our goals, and our business for what and our standing of the business. In the past, we run the business by our sense which I called “trial and errors” It’s like a principle of business too. But now we have to about the issue of sustainable development of our business...”

#### 2.3 Human Resource Capacity.

The businesses are looking to develop a capacity of human resource within the organisation, because they regard their workers as members of the family. They call this system “Family Industry”, stressing the development of technology together as a family unit. They believe this manner of operation can be advantageous to the business, and will support a more rapid success of the organisation. “... The result of our discussion, are leading to setting our plan. I think the first step of development is to invest money and effort to develop our capacity of human resources in organisation. It is very essential for universal business now. In addition, we are invested to develop a high technology, too. Because I realize that technology and labor are necessary for our business....”

#### 2.4 Finance

Businesses are highly concerned about their investment, evidence of this is shown in how carefully they invest taking into consideration the high risk factors that may happen in the future. So they are selecting some useful business strategies to run their business, for instance;

- Marketing Analysis by investment in many countries to reduce the high-risk of financial loss.

- Concerning their investment by taking precautions in business and to run a business by the concept of a “Win-Win Solution”. These are the fundamentals of business now and in the future. It can improve the relations of business partners and also create a clearer understanding of the business.

- Making a quality product that serves all levels of customer, leads to setting a high image of the business, for instance, honesty and standardization becomes incentives for the investors at the very least.

“...The groups of our market are expanding to the other countries very fairly, such as India and Chinese. We suppose that in the future, we may become the leader of jewelry industry in the world. We receive support to develop our business from the government where we get our investment. Apart from that, we are fully supported by the Indies governor. The advantage of Indian investment is that they have many skilled-labors, strength-economic, many of middle class of customers that are growth very fast and evolution of the Tax-System that are reduce additional-tax not more than 1% per year...”

### 3. The Pattern of Transferring “Sufficiency-Economy” In Practice.

From the visions of executives to practitioners’ and workers, the business has means of transfer like this:

- Individual Guidance and Coaching: Some bipartite student may be cautious in their goal of life and attend to their education. More than 80% of the bipartite students continue working in the organisation after they have finished their “In-House” or “On-



the- Job” education, because the organisation’s incentives, for instance; happy to work with, security of life, fair-salary and greater opportunities to develop themselves. “...We established a concept of thinking and living by ourselves. We remember all the times that workers are one of the family-member. So we stress on internal-established more than external. I think it’s very good for our business to making “Original seeds”. And we are attending for difference problems of one’s...”

- Business helps the workers to handle their problems and give some opinion about their obligation. They think living-by-getting “Sufficiency-Economy Philosophy” to their way of life is very important. Because “Sufficiency-Economy Philosophy” leads to saving life, economy of life and circumstance of life. “...We have a lawyer to handle and solve worker’s problems that are related to law. And other professionals in many fields, to improve way of life of our workers such as psychologists, nurse and doctors. The results of this program can reduce the turnover rate in the organisation to less than 2%. When compared with another similar business, it’s an even lower number. Additionally, I think many of our workers are happy to work in this company. Because they receive a fair income and have security of life and so on...”

- Training and Development: Business are open for all of the workers to participate in the evaluation process and giving their opinion to develop organisation, for instance; offering projects for setting a plan to develop skills that are suitable for their positions. “... For many project from our workers, we think that it’s a part of development planning for developing any competency of our workers. It’s making a good relationship for ours and leading to the training courses that are suitable for all of the positions...”

- Policy of business indicated that “Every Sunday is a Family Day”. It’s a crucial part to support the relations of the workers family members. “...We have a clear policy to indicate that “Every Sunday is a Family Day”. I think worker ought to take a rest with their family. It’s making a good relationship among the family members. Families are happy, organisation is happy, too...”

- Publication about “How to live by getting “Sufficiency-Economy Philosophy” to the way of life, for instance; reducing any expenses, saving money, supportive knowledge of “Sufficiency-Economy Philosophy” by simple way of publication. Example: Using a cartoon and easy wording to promote understanding.

- Establish a development curriculum for all the workers. ”...We always taught our workers by learning, by doing and coaching by a mentor who can give any useful information. That can lead to be a good member of the organisation...”

### **Suggestion for practice**

1. Building organisation culture about Sufficiency Economy Philosophy will help create the development for learning organisation to work with.
2. Leading the top executives to apply Sufficiency Economy to sustainable development.
3. Accepted Sufficiency Economy in every level of organisation.





#### 4. Informed Sufficiency Economy for employees' behaviour in daily life.

### Suggestions for further research

Should study the ability of the executives at all levels towards to building the success of the organisation.

Should adopt Sufficiency Economy Philosophy to administrate other businesses.

Should support organisation culture that will lead towards the success of the organisation under the Sufficiency Economy Philosophy.

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