

Sufficiency Economy : Application to the Private Sector ¹

By Dr. Ajva Taulananda ²

“...economic and social conditions in several countries have been changed. More investment in making advanced and high performance machines, as a result rapidly producing more industrial goods ...The high performance machines also replace human labor; as a consequence, it causes high unemployment. When people are left out from their jobs, they do not have money to buy those produced goods, then businesses face loss, since no one buys their goods. For survival, industrial practice should, therefore, be adjusted in order to make more balance with other sectors...”

Royal Speech given to the graduates
From King Mongkut's University of Technology on
18 October 1975

“...decision process in business administration by basing on knowledge, morality, reason, moderation and immunity in order to create balance and sustainable business is the essence of sufficiency economy philosophy...”

Many people perceive that the philosophy of sufficiency economy would not be applicable to the business sector; some even think that such a philosophy would be opposed to the very nature of business. They have the perception that business needs to be expanded without limit, and that most businesses seek to take advantage of consumers. In fact, modern business administration has become increasingly focused on sustainability, balance, and security. A major question in the minds of business leaders are that of how businesses can thrive in a sustainable fashion. The philosophy of sufficiency economy is, therefore, an essential part of successful business administration. Running a business normally requires several key ingredients; knowledge, capital, human resources, and equipment. Businesses need to have capital, human resources, processes, and customers, with the aim of generating acceptable levels of profit. In the past, business administration focused on effectively and efficiently managing such resources.



¹ Compiled from special lecture on “Experiences on the application of sufficiency economy philosophy for business administration” by Dr. Ajva Taulananda in the seminar on “Application of sufficiency economy philosophy” Tuesday 11 January 2012 at Royal Princess Hotel, Bangkok. Held by the Research and Development Institute of Sufficiency Economy Philosophy Foundation (RSEPF) to be distributed in RSEPF’s 2012 Annual Conference on “What is Sufficiency Economy” dated 28 March 2012 at Impact Exhibition and Convention Center, Muangthong Thani.

² Vice Chairman of CP Group and Vice Chairman of True Corporation Plc.

Nowadays, such concepts have gradually changed. It is generally realized that business relates not only to employees, processes, capital, and customers, but also other stakeholders; particularly, firms in the stock exchange which are composed of both majority and minority shareholders need to perform according to standards of corporate governance, in order to create impartiality and transparency.

Stakeholders also include those outside a firm, such as business partners, competitors, communities, and society as a whole, as well as the environment. Therefore, business cannot be conducted without taking into account those additional stakeholders. In this sense, business administration must be conducted with reasonableness, moderation, and proactive risk management on the basis of knowledge and morality. All those practices involve a decision process that requires a wide range of knowledge, such as financial management. Most importantly, knowledge must always go along with morality. Without morality, any decision would be at risk. As a consequence, business administration is inefficient and lacks responsibility. Business is mainly about efficiently administering capital and assets in order to create productivity and return or profit. Corporate governance is then introduced in order to ensure that all shareholders receive equitable treatment. In addition, corporations have to be responsible for those outside, such as customers, competitors, communities, society, and the environment. Without such stakeholders, businesses will not be sustainable, and fail to survive due to lack of support.

A business firm is not only about physical components such as buildings, but

should also build up the spirits of those involved, so that their secure and sustainable existence is assured in the long run.



Differences between CSR and Sufficiency Economy Philosophy

In the modern business sector, there are emerging issues that receive wide attention, e.g. good governance, corporate governance, and corporate social responsibility. However, many firms practice such activities without believing in their value, or only for purposes of public relations. Lacking true intentions, businesses would not be able to securely and sustainably survive in the long run.

The concept of business administration has now been altered by a new strategy proposed by Western countries, namely CSR. In fact, it solely concerns corporate responsibility to society, communities, and the environment; it relates business conduct neither to spirit, nor knowledge and morality in the decision making process. With the concept of sufficiency economy, the conduct and decisions of businesses are determined within the framework of reasons, moderation, and risks.

In the future, the philosophy of sufficiency economy will not be separate from business administration practices. The Western world perceives CSR as the most modern concept, while Eastern society inserts the philosophy of Sufficiency Economy into business conduct. In this sense, considering Sufficiency Economy as the opposite to globalization would not be accurate.

Case Studies: Business Administration and Sufficiency Economy

Several private firms, both listed companies and SMEs, have currently adopted the notion of corporate governance, CSR, and the philosophy of Sufficiency Economy in their business conduct. The Thai Chamber of Commerce and Board of Trade of Thailand, along with the Federation of Thai Industries, have played an important role in encouraging SMEs to make such concepts part of their daily their business operations.

Holding Company : Siam Cements Group (SCG)

SCG has adopted the philosophy of sufficiency economy into its business operations, and manages its human resources on the basis of knowledge and morality; that is, employing good and capable persons. SCG has placed a high priority in continuing human resource development. Consequently, even during times of crisis, SCG was able to quickly recover due to its strong foundation of human capital. All employees have played proactive role in SCG's recovery process. In this sense, human resource



development is considered to be the corporate body's 'immune system' which creates balance and sustainability.

Principles of Knowledge

- Accumulate human capital by initiating knowledge management policies. Corporate knowledge, such as business operations and best practices, is vouchsafed with and exchanged among employees. All employees are able to access such information via SCG's Intranet system.
- Set up a senior group consisting of retirees, so that the company is able to utilize their wisdom and capability as needed.
- Implement continued employee development policies in order to build up long-term competitiveness.

Moral Conduct

- Promote morality that corresponds with corporate culture among employees. SCG employees must be good and capable professionals.



Employees must be equipped with the right livelihood and working discipline, and value teamwork, honesty, quality, and justice in all dimensions.

Moderation

- Hire the right number of employees as necessary; put the right people into the right jobs, and promote employee development and career path programs. Other activities include improvements to employees' quality of life as well as their occupational health and safety, raising awareness on social responsibility, and fair

management of wages and welfare. Such policies aim at creating balanced and fair treatment of shareholders, customers and employees.

Reasonableness

- Staff members are systematically vetted by the Recruitment Committee in order to create a consensus in selecting the right, high quality employees. Employees are thoroughly and equally looked after by the Personnel Committee. Performance evaluation is conducted under the merit system. Promotion is based on performance, capability, potential, and acceptance among related employees.

- Understanding success factors relating to human resource development. Instead of placing focus on seniority, highly competent employees will be encouraged and supported so that they work up to their fullest capacity.

Business Immunity

- Recognize the role of employees in solving company problems. A high-quality, disciplined staff working together is the key to SCG's crisis recovery strategy, which is the direct result of their policy of continual development in human resources.

- Prepare for the future by initiating leadership development programs. In addition, personnel are promoted to further their studies in business administration and specialized technologies at universities in Thailand and overseas. There is a 3-year-program to prepare those who are going to be promoted to executive posts.

Medium-sized Corporation: Bathroom Design Co.,Ltd.

The company's key success factor is the integration of several administrative concepts into their operations, those of

sufficiency economy, Buddhism, and modern management, and in building morality among their staff. Sufficiency economy is applied to the corporation's workplace and employees' way of life. Having thus equipped themselves with admirable employees, the company is able to operate its business with morality and good governance. When the company matures, it has a chance to share knowledge, experience, and resources in assisting outside society. As a result, society at large becomes stronger in parallel with the corporation.



Principles of Knowledge

- Continue developing personnel capacity by promoting learning and skills, so that they are knowledgeable, conscientious, and intelligent. For example, staff members are encouraged to attend training courses, both outside and in-house, with scholarships also being provided. Staff positions are continually rotated, so that employees gain new knowledge and experience over time. The company has also established an internal research and development unit.

- Produce innovative goods. The company has become a leader in form and functional

designs via innovations in their production process. By organizing study visits,



interested outsiders also have a chance to learn from the company.

Moral Conduct

- The company's administration is based on the principles of good governance, morality, and ethical behavior, and gives great attention to the social and environmental impact of business practices. There is also a project to promote good citizenship among employees. Every Wednesday, staff members are rotated to work in communities or nearby foundations without extra pay, participating in socially responsible activities such as infant care.

- Set up ethical codes of conduct that pertain to lawfulness, social norms, personal responsibility, maintaining the company's image, respectful behavior towards others, appropriate treatment of business partners, and so on.

Moderation

- Choose projects that the company has expertise or experience in, and which will produce the best results.

- Expand the business carefully, financed mainly by retained earnings with the addition of domestic loans. The company has a policy against seeking excessive loans for business expansion.

- In terms of financial management, the ratio of debt to capital must be kept at 1:1 with a positive cash flow. Inventory management is maintained at the lowest practical level and highest turnover rate.

Reasonableness

- Production quality is a priority. The company's products are certified to meet several quality assurance standards, such as the Thailand Industrial Standard, ISO:2000 with Design, and European Standard CE.

- Equitable treatment is extended to all stakeholders. This includes fair and consistent distribution of benefits to

shareholders, transparent administration, and **executives and staff** being treated equally as part of the same family, with impartial development of human resources. In addition, improvements to the staff's well-being is continually promoted. For example, scholarships are provided to staff members and their dependents. There is an expenditure reduction campaign which provides benefits to staff members such as free lunches, as well as encouraging employees to keep a record of household income and expenditure. Agricultural development is promoted within the company, including organic rice farming and the growing of organic vegetables. As for **business partners**, the company works closely and honestly with collaborators in developing new products. The company has



also initiated several projects to promote social and environmental welfare, such as a program to help the elderly at a nearby nursing home.

Business Immunity

- Comprehensive business operations mean that the company is able to shield itself from external shocks.

- An inspection system has been set up to prevent operational losses, and to encourage and promote effective, efficient, and economical business operations.

- The company's risk management unit is tasked with considering factors that might affect company operation, and making proposals to mitigate risk such as expansion

of export markets, purchasing insurance policies, filing intellectual property registration, etc.

- Implementing a marketing plan to upgrade the company's value creation, and promote its products towards becoming part of a globally recognized brand.

- Continue conducting research and development in order to seek innovative solutions to the company's problems, and to select target markets that reflect its identity.

Small Enterprise : Porntip (Phuket) Co.,Ltd.

The company has applied the philosophy of Sufficiency Economy to several aspects of its operation.

Principles of Knowledge

- Promote skills, knowledge, and the potential for development to employees at all levels, and extend this attitude beyond the company itself.



- Encourage community groups to learn from and share experiences with the company in various manners, via traditional Thai wisdom and methods of production, marketing conduct, etc.

- Study and analyze its own business model as well as that of competitors, and regularly conduct market and satisfaction surveys involving Thai and foreign customers alike.

Morality Conducts

- Conduct business on the principle of good governance by working with business partners who are honest, determined, and sincere. Provide what is possible at the highest level to employees, business partners, customers, the local community,

and the environment. Recruit labor locally, and ensure that income and benefits are widely distributed amongst the community.

- Avoid competition with local products; instead, support them by jointly developing such commodities with their originators.

- Promote and develop goods stemming from the traditional knowledge and customs of Phuket and its surrounding environs. Allow local products to be sold inside the company, in order to strengthen ties between corporate products and locally manufactured goods.

- Organize social functions among employees, such as a New Year party, merit making activities, and birthday or anniversary celebrations. Company executives place a high priority on functions related to employees and their families, like weddings, cremation ceremonies, etc.



Moderation

- Do not focus solely on profit making, but prize equally participatory development with communities on issues related to environmental conservation, business development, and value creation of local wisdom from existing expertise. Practice liquidity management on payment conditions in order to obtain faster receipt of payments.

- Hire a suitable number of laborers as pertains to the work at hand, in order to prevent excessive spending on personnel. Procurement of equipment must be made domestically from Thai manufacturers.

- Operate and expand the business on step-by-step basis, financed by retained earnings and loans from government banks.

Business operations must not take advantage of business partners and should be mindful of all stakeholders.

Reasonableness

- Formulate a business plan with a clear vision and target to be achieved, then follow it.
- Emphasize quality of products and services which respond to customers' needs.
- Develop products derived from local wisdom and raw materials, mainly from local sources or nearby areas, as they can be easily sourced with lower cost and thus reduce the risk posed by a shortfall of raw materials. This will help strengthen the connection between the business and the community on the basis of mutual sustainability.
- Conduct customer satisfaction surveys in order to improve and develop products and services. Opinions and recommendations from employees at all levels must be considered, in order to create strong corporate culture and promote a sense of mutual ownership.

Business Immunity

- Apply various standard practices to daily business operations; primarily, ISO 9001:2008 on quality management should be conformed to. This will ensure effective overall business operation and prevent unnecessary loss, improving the company's efficiency as a result. Additionally, a production standards system such as HACCP, GMP, or HALAL should be adopted, in order to ensure consumer and corporate confidence in the company's product line, particularly in overseas markets.

- Distribute business risks with a wide variety of products, and expand the wholesale market into modern trade markets and overseas exports.

- Put high priority on repeat customers, and attract new clients with high quality products. Develop new products together with impressive services.



- Pay continual attention to brand building by submitting products or other corporate works for competition at the national level, in order to upgrade the public perception of the company and its products.
- Build a network of business partners by associating with local entrepreneurs and community enterprises. This is facilitated by opening a study center for sharing knowledge and experiences.

Reference

Office of the Royal Development Projects Board, Competition on sufficiency economy projects 2nd/2011.

Taulananda Ajva, Seminar on "Experience of Applying Sufficiency Economy Philosophy on Business Administration" on Tuesday 11 January 2011 at Royal Princess Hotel, Bangkok, 2011.