Sufficiency Economy Philosophy:
A Way towards Business Sustainability

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Abstract

Sufficiency Economy Philosophy has been adopted in individuals, communities, private sector and nations. Many business owners perceived that Sufficiency Economy Philosophy is only for individuals and agricultural sector. For business sector, they tend to expand their business for more profit, which is similar to the concept of Anglo/ American that consider primarily on shareholders. To make a business survive and success, it requires many factors such as money, knowledge, human resources and a good management. Furthermore, business stakeholders such as suppliers, competitors, communities and society are also important for its success, which means that business needs to consider about the well-being of their stakeholders in order to make the business success and sustainable, which is similar to the concept of Rhineland model in Europe and Sufficiency Economy Philosophy. The core of this philosophy is to guide people to live their lives in moderation, reasonableness and self-immunity. Business organizations in different industries implement Sufficiency Economy Philosophy practices differently. This article presents Sufficiency Economy Philosophy as an approach to sustainability for business sector in Thailand. The article will discuss the concept of SEP and the implementation of SEP in business.

Keywords: Sufficiency Economy Philosophy, Business Sustainability, Sustainable Development

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Introduction

In 1997, Thailand had faced an economic crisis called "Tom Yam Kung Crisis" The crisis affected many parties such as business owners, employees and banks. Many businesses faced financial crisis, Thai baht was devalued 100 percent against dollar, which caused them to have very high debts. Many financial institutions suffered from loss in non-performing loans. Many employees had their pay cut and some were laid off. Many of those who suffered most from the crisis were small business owners and company employees. Amidst the economic crisis, King Bhumibol Adulayadej delivered a key message to people about "Setthakit Pho Phiang (Sufficiency Economy) as a mean towards more sustainable development to cope with critical challenges arising from the globalization (Avery, 2005). After the economic crisis in 1997, many business organizations in Thailand were in a critical financial situation, some went bankrupt and some were in debt, the King's philosophy become a way to recover that would lead to more resilient and sustainable economy (NESDB, 2004). Many people perceived that the philosophy of sufficiency economy can be applied to agriculture sector and households only, but it also can be applied to business sector as well. In fact, modern business organizations have become increasingly focused on sustainability, balance and security (Taulananda, 2012). Sufficiency Economy is a philosophy that stresses the middle path as the overriding principle for appropriate conduct and way of life by the population at all levels. This applies to conduct and way of life at the level of individual, family, community, business sector and government sector while providing a choice of balanced development strategy for the nation to develop in line with the forces of globalization, and shielding against inevitable shocks and excesses that may arise For business sector, they tend to expand their business with more customers and more profit. To make a business survive and success, it requires many factors such as money, knowledge, human resources and a good management. Furthermore, business stakeholders such as suppliers, competitors, communities and society are also important for its success which means that business needs to consider about the well-being of their stakeholders in order to make the business success and sustainable. This article presents Sufficiency Economy Philosophy as an approach to sustainability for business sector in Thailand. The article will discuss the concept of SEP and the implementation of SEP

in business. Section 2 describes the SEP concept; section 3 discusses an application of SEP in Business Sector; section 4 discusses sufficiency economy philosophy as a tool to business Sustainability and section 5 is conclusion.

Sufficiency Economy Philosophy (SEP): Background

Thailand's sufficiency economy philosophy stems from remarks made by His Majesty King Bhumibhol Adulyadej throughout his 58 years on the throne (NESDB, 2004Aa) "Sufficiency Economy" is a philosophy that stresses the middle path as an overriding principle for appropriate conduct by the population at all levels. To create a sufficiency economy, it requires three keys principles; moderation, reasonableness, and self-immunity to gain sufficient protection from impacts arising from internal and external changes (Wibulswasdi., et al., 2012). To achieve this, another two components are needed which are knowledge and moral.

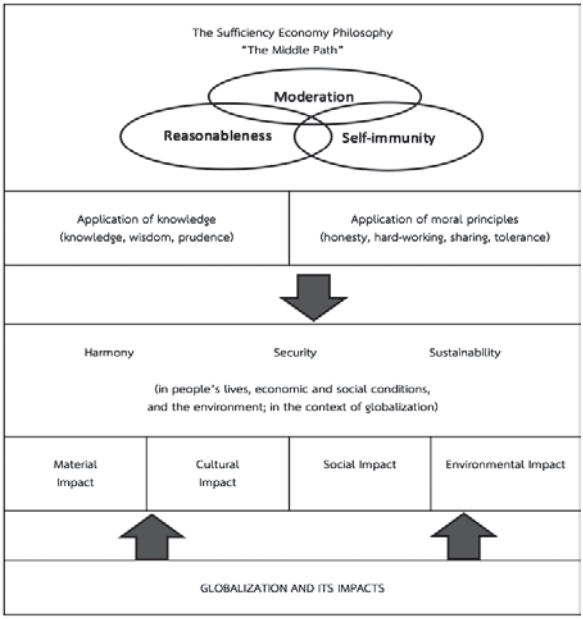

Figure 1: Sufficiency Economy Philosophy
Source: Thongpakde (2005)

SEP enables everyone to move forward with security and cope with constant changes of the economy, society, environment and culture due to the globalization. The United Nations Development Programme Human Development Report (2007, p31) explains SEP as follows:

SEP is not really an "economy" or an "economic theory," but a guide to conducting life and making appropriate decisions, stressing the middle path as its key principle. It can be applied to an individual, household, community, project, business, nation, or the whole world; it provides a framework for thinking about the balance between efficiency and growth on the other hand, and security and stability on the other.

In figure 1, illustrates the SEP framework. The three interlocking elements represent the three principles of the SEP: moderation, reasonableness and self-immunity. These three principles are interconnected and interdependent. Moderation conveys the idea of people living their lives on the middle path, but not the extremes. People should rely on themselves without overindulgence. This way of living occurs when people have reasonableness,-accumulated knowledge and experience along with analytical capability, self-awareness, foresight, compassion and empathy. They must be aware of the consequences of their actions, not only for themselves but also for others. The third principle, self-immunity, refers to the ability of people to protect themselves against any external turbulence and to cope with events that are unpredictable or uncontrollable. It implies a foundation of self-reliance, as well as self-discipline. Apart from these three components, two other conditions are needed to make the principles of sufficiency economy work: knowledge and morality. Knowledge encompasses accumulating information with insight to understand its meaning and the prudence needed to put it to use. Morality refers to integrity, trustworthiness, ethical behavior, honesty, perseverance and a readiness to work hard.

By practicing these three principles with the two underlying conditions, people would be able to live securely in harmony in a sustainable society and environment. Such a way of living does not signify self-sufficiency; rather, it reflects self-reliance, which is an ability to tolerate and cope with all kinds of malign impacts of globalization.

An Application of Sufficiency Economy Philosophy (SEP) in Business Sector

The application of SEP is not limited to the individual; it can be applied to community, government sector and business organization as well. SEP encourages business organization to pursue sustainable profit through ethical approaches, including good corporate governance, social responsibility, mindfulness of all stake- holders and business prudence with risk management.

Puntasen et al. (2003) reviewed His Majesty King Bhumibol Adulyadej initiated to derive seven business practices that are consistent with SEP as follow: (1) appropriate use of technology; (2) appropriate manufacturing capacity; (3) no greed and focus on short term profits; (4) emphasis on honesty in entire business operation; (5) emphasis on risk diversification; (6) focus on down side risk management and (7) focus on responding to local, regional, domestic and international markets respectively. In their further study of two royally initiated projects, Puntasen et al. (2003) identified two additional business practices of the sufficiency economy philosophy: frugal use of resources with highest effectiveness and employment creation.

Puntasen et al. (2003) concluded that SMEs from different industries applied the seven practices differently. SMEs which have a high ratio export focus respectively on appropriate manufacturing capacity, low risk management, efficient use of resources and inexpensive and appropriate use of technology. SMEs with a low ratio of export focused respectively on efficient use of resources and inexpensive and appropriate use of technology and emphasis on honesty in entire business operation (honest with employees, suppliers and consumers) while Kantabutra's (2010) ten Sufficiency Economy Business Practices studied the SEP's application from both Thai and Western studies are as follow: (1) adopt a long-term perspective in running an enterprise. Do not try to maximize short-term profitability; (2) genuinely value and continuously develop employees. Do not lay off employees even in times of economic difficulty; (3) genuinely concern for a wide range of stakeholders including future society and generations; (4) nurture innovation throughout the entire organization; (5) utilize resources effectively and efficiently; (6) adopt and/or develop technologies that are effective, but inexpensive. In particular, technologies developed from Thai wisdoms must be given priority; (7) carefully and

gradually expand the business. Do not expand it because of a surge in market demand for products or services; (8) minimize risks by diversifying products, markets and investment portfolios. The diversification must be based on core competencies of the business; (9) share with others, including knowledge sharing with competitors to develop the market to benefit the society and consumers; and (10) develop and organizational culture with ethics, perseverance and diligence as core values.

There are three case studies were chosen to explore the process of implementing SEP because Puntasen et al., (2003)'s work did not study it. The case studies are Sa (mulberry tree's fibre) products (Kantautra, 2005), Jewelry business (Nattavuthisit, 2005) and a cement conglomerate (Kusumavalee, 2005). These business were chosen because (1) strong financial performance, (2) export their products overseas, thus being challenged by the force of globalization, (3) have successfully gone through the 1997 economic crisis and (4) can maintain a leadership position in their relevant market. The findings of each case study endorsed Puntasen et al., (2003).

Business organization like The Siam Cement Group, incorporated SEP concepts (moderation, reasonableness, self-immunity, knowledge and moral) during the economic crisis in 1997, as a consequence, it could restructured and refocused its activities on its core business, where it has strong competitiveness, and put more emphasis on risk management to build greater resiliency (Wibulswasdi., et al., 2012). The Siam Cement Group, the PTT Public Company, Toshiba Thailand, the Pranda Jewelry Company and the Chumporn Cabana Resort, Se-Education Public Company Limited, Plan Creations Co., Ltd. are examples of business implementing SEP (RDPB, 2017).

Burananpin and Ratthawatankul (2015) study found that sufficiency economy principles translate to behaviors that develop organizational ambidexterity, which is the capability for simultaneous alignment and adaptability to the changing demand. Organizational alignment is shaped by resource utilization, local technology, critical reasoning and long-term focus while adaptability is developed through by stakeholder engagement, critical reasoning and long-term focus.

Table 1: Sufficiency Economy Philosophy Practices

Sources	Sufficiency Economy Philosophy Practices
Puntasen et al. (2003)	1. Appropriate use of technology 2. Appropriate manufacturing capacity 3. No greed and focus on short term profits 4. Emphasis on honesty in entire business operation 5. Emphasis on risk diversification 6. Focus on down side risk management 7. Focus on responding to local, regional, domestic and international markets respectively
Puntasen et al. (2003)	1. Appropriate use of technology 2. Appropriate manufacturing capacity 3. No greed and focus on short term profits 4. Emphasis on honesty in entire business operation 5. Emphasis on risk diversification 6. Focus on down side risk management 7. Focus on responding to local, regional, domestic and international markets respectively 8. Frugal use of resources with highest effectiveness and 9. Employment creation

Sources	Sufficiency Economy Philosophy Practices
Kantabutra (2007)	1. Adopt a long-term perspective to management and decision-making 2. Genuinely value and continuously develop human resources 3. Be honest, genuinely concern with and be accountable for a wide range of stakeholders, including the society, the environment and future generations 4. Nurture both incremental and radical innovation throughout the entire organization, including products and processes 5. Utilize resources effectively and efficiently 6. Adopt/develop effective, but not expensive technology expensive technology 7. Expand business because of its actual growth, as opposed to a surge in market demand 8. Carefully diversify products, markets and investment portfolios to minimize risks 9. Share knowledge to develop market 10. Be truly ethical, perseverant and diligent
Burananpin and Ratthawatankul (2015)	1. Local technology 2. Long term focus 3. Critical reasoning 4. Resource utilization 5. Stakeholder Engagement

As mentioned above the example of business organization implementing SEP, it clearly shows that SEP can practically adopt to business, not only individuals or agricultural sector as many people perceived. In order to get a good yield on the application the five principles are important.

Sufficiency Economy Philosophy and Business Sustainability

The terms "business sustainability" is define as having a capacity to balance among the "triple bottom line" which includes measuring financial performance, social responsibility and environmental outcomes (Rogers, Jalal & Boyd, 2008). Others define business sustainability is an enterprise that has a capacity to deliver strong financial performance, endure difficult economic and social situations and maintain a leadership position in its relevant market (Avery, 2005; Kantabutra and Avery, 2011), while Pope et al. (2004) provided the idea that sustainability depends on "three pillars" which are environmental, social and economic.

Business success traditionally was measured in correlation with financial achievements, wherein higher profits accounted for bigger success. The triple bottom line (TBL) was coined in 1994 by John Elkington, extending the measures of success in a business to include the three P's which consist of people, planet and profit. The Profit element of the 3Ps is easily understood and accepted by the companies, it is about the long-term financial health of the enterprise. The Planet reminds companies to do no harm to the environment with their operations and products, but also to help restore the environment from harm already done. This requires reducing the amount of energy, water and materials consumed in the manufacture of products, reducing waste and remediating contaminated sites. The People element encompasses how the company treats its employees, the working conditions and labor relations in its own operations and those of its suppliers, adherence to business ethics and investment in communities it touches (Willard, 2012).

Numerous scholars (Avery, 2005; Kantrabutra, 2006; Piboolsravut, 2004; Wilson 2003) are seeking Numerous scholars (Avery, 2005; Kantrabutra, 2006; Piboolsravut, 2004; Wilson 2003) are seeking an alternative approach to the prevailing Anglo/Ameican business model which promotes a short-term benefits, shareholder focused that does not lead to business sustainability. The Anglo/American approach emphasize on shareholders, which means the organization is operate primarily for the benefit of shareholders. In Europe, the Rhineland capitalism model is seen as an alternative approach to corporate sustainability (Avery, 2005). In Rhineland capitalism, an enterprise concerns anyone who

is their stakeholders such as customers, suppliers, employees, stockholders and community. It is concerned the long-term sustainability of the business and its relationship with stakeholders which is similar to SEP in Thailand, an approach to corporate sustainability in the country (Suwanraks, 2000).

The 296 sustainable businesses that went successfully through the 1997 economic crisis appeared to follow the seven identified business practices of the Sufficiency Economy Philosophy (Kantabutra, 2006). The three cases of sustainable enterprises (Sa product, jewelry business and cement conglomerate) which deliver strong performance, have the capacity to endure economic and social difficulties and maintain their leadership position appear to follow the three principles and two underlying conditions of the SEP strictly. Therefore, the sufficiency Economy Philosophy has been supported by the existing studies as an approach to business sustainability.

This research is aimed to study the application of Sufficiency Economy Philosophy principles in business that would lead to business sustainability through business strategy as a mediators. The proposed framework is as follow

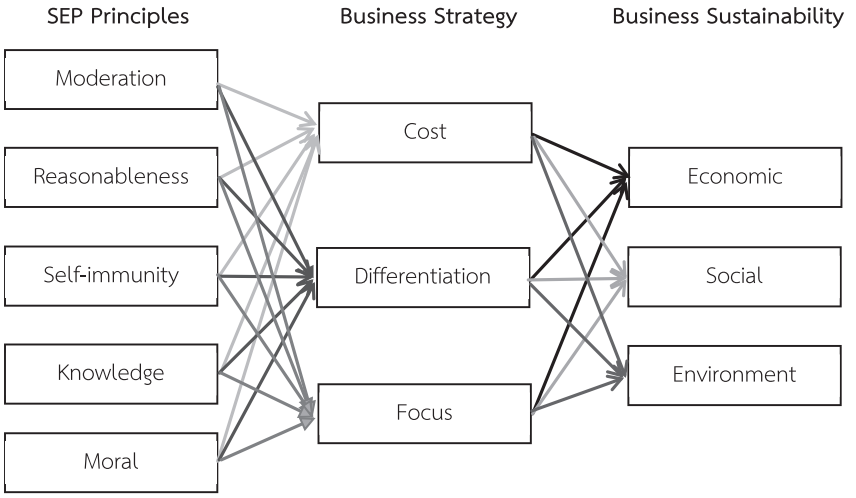

Figure 2: Theoretical framework

Conclusion

The essence of the Sufficiency Economy Philosophy is the practice of moderation, reasonableness and self-immunity in daily life of individuals, communities, private and government organization to achieve success and sustainability with another two conditions: knowledge and moral. Business organizations become more aware of sustainability, so they need to operate business with knowledge and moderation, they try to minimize risk and concern more on their stakeholders instead of shareholders. The Philosophy is not an anti-globalization or anti-modernization concept, nor does it encourage the status quo (Mongsawad & Thongpakde, 2016). The business firms that survive the economic crisis in 1997 noted that by implementing the SEP practices in their business make them in a better market position and gain recognition in the market as well. The Philosophy is another approach for Thai business organization to reconsider as a way to sustainability. In application of SEP in business sector is considered a long-term maximizing profit to the organization.

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