

# **The Chicken and the Egg: Corporate Social Responsibility and the Sufficiency Economy Philosophy**

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**Theme:** CSR builds to SEP

**Research domain:** Theory

## **ABSTRACT**

Civil society needs a common understanding of several concepts – corporate social responsibility, sustainability, the sufficiency economy philosophy, and gross national happiness – in order to be able to lead a sensible cross-sector dialog concerning how business should best plan for the future. Here, I explain the concepts concisely and definitively.

## **INTRODUCTION**

For at least two decades those of us closely monitoring the modern business paradigm evolving to bridge the transition between the industrialized 19<sup>th</sup> century and the 21<sup>st</sup> century knowledge era have been mired in a sea of definitions squabbling over the concepts of Gross National Happiness, the Sufficiency Economy Philosophy, Sustainability, and Corporate Social Responsibility.

Some argue there is overlap, even redundancy in these descriptives. Others, that they are disjointed reminders of the uneven changes taking place around us.

It is my contention that there is a logical connection linking all these concepts – Gross National Happiness, the Sufficiency Economy Philosophy, Sustainability, and Corporate Social Responsibility. I intend to show in this brief essay that the association is fundamental, intuitive, and easily understood once isolated from the jargon of academia – and the social sciences, specifically.

## **DEFINITIONS**

### **Corporate Social Responsibility (CSR)**

First, let's begin by summarizing the main tenets of each of these ideas. For some, such a review may seem tedious, but please bear with me in order for all of us to start from the same page.

Despite what you read in the press almost daily, Corporate Social Responsibility is not about business fixing the problems of the world (except for those problems to which a business itself might have been a contributor). ).

In reality, CSR is the process of responding to an organization's constituents in a positive, consistent, and open manner – “CSR is about managing changing expectations by society on the business,” in the words of Mallen Baker (*Community Business*).

The aforesaid changing expectations are communicated by those affected by your organization's activity or product. You might think of them as beneficiaries or adversaries or constituents: In the CSR world we call these people 'stakeholders,' which is anyone affected by – or able to affect – our activities. In the end, a stakeholder is anyone who claims to be one. To find out how they feel about current or proposed

initiatives is a critical step towards an effective CSR strategy.

Standard Chartered Bank Thailand Country Manager Mark Devadason recently equated CSR to “capitalism re-engineering itself” for the coming challenges. Bill Gates has called for moral capitalism, another way of making the same point.

Still another way of describing “Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.” (WBCSD)

Note the terminology: “strategy;” “commitment.” CSR is not an activity that one can engage today, then ignore tomorrow. CSR is a mindset, a way of looking at the world – indeed, a *process* for managing the impact of your activity with an eye to making that impact as positive as possible. If this world view is not integrated with or made part of the DNA of your business, then it is unlikely that you have a working CSR strategy.

### **Sustainability**

Following CSR, next in the chain is Sustainability. In some ways, sustainability has a more distinguished provenance, developing as it did from academic roots – unlike CSR, which grew from within the business sector. Perhaps for this reason its definition is slightly less contentious: “[to meet] the needs of the present without compromising the ability of future generations to meet their own needs.” (1989 Brundtland Commission)

For those few readers who may be coming from a business background, we need to remind them that when we speak of sustainability in this context, we are not talking about economic sustainability, which is nothing more than operating at a profit. We are instead incorporating a social and environmental context into the term, as mentioned above.

Implicit in this definition is the idea that sustainability is an ideal, and in some instances, perhaps an unattainable ideal, rather like the perfect golf score (which would be 18, in case you're wondering). So, backtracking for just a minute to CSR, which is the process, the result of that process, the goal of CSR, is a sustainable enterprise.

Now the flow should begin to be clear: CSR is how you approach your work; sustainability in the holistic sense is the objective.

### **Sufficiency Economy Philosophy (SEP)**

Next, there's the sufficiency economy philosophy, as proposed by HM King Bhumiphol Adulyadej. Here, nomenclature is a problem, once again, because “sufficiency economy” is not idiomatic, and as a result, native English speakers are prone to think “self-sufficient economy” even as they mouth, “sufficiency economy.” And there is all the difference in the world between being a sufficiency economy and being a self-sufficient economy.

In some ways, SEP is an extension of the philosophy espoused in E.F. Schumacher's underrated book of essays, *Small is Beautiful*. Among many contributions, Schumacher was the first to point to a distinctive Buddhist approach to the study of economics.

As a philosophy, the breadth of SEP trumps both the process of CSR and the goal of sustainability. Peter Warr, an Australian academic, prefers to translate SEP or *Settakij Paw Piang* as the “Economy of Enough,” which to my ear is a direct and earthy way to better convey the sense of the original Thai: The

SEP guidelines impel everyone to live within their financial means – not within their limited ability to manufacture goods or services, which is self-*sufficient*, not the *sufficiency* economic philosophy.

Professor Warr goes on to summarize the key components of the Sufficiency Economy Philosophy on the personal level as beginning with sensible material aspirations, then avoiding excessive risk through self-reliance, while showing concern for the welfare of others and finally, giving due attention to non-material aspects of life.

It bears noting that this lifestyle guidance is meant to be applicable across the board – to Bangkok Thais as well as to overseas Thais and upcountry Thais: everyone.

The SEP stresses the need to move away from the mass consumption economic model to an environmentally restorative paradigm. It embraces the three pillars of Buddhism – Giving, Morality, and Meditation (Seneviratne, 2007), based in turn on the Buddhist principle of the “Middle Path.” Unlike CSR and sustainability (or at least, the terms), the building blocks of SEP are certainly not new in Thailand.

I have a confession to make. As a CSR consultant, when approaching Thai multi-nationals and SMEs, I take advantage of their familiarity with the SEP in order to gain credibility for the lesser-known CSR. When introducing strange concepts to a new environment, it helps to have some familiar landmarks at hand. The SEP provides just such a set of reference points for Thailand.

On a national – as opposed to personal – level, Professor Warr makes clear that the sufficiency economy perspective does not imply that zero growth is optimal; rather, it militates for the long term economic growth to generate demonstrable social gains.

### **Gross National Happiness (GNH)**

While we're soaring at the lofty heights of this national level let us segue to the most inclusive and ambitious of the four constructs: gross national happiness.

Gross National Happiness aims to define, measure, and compare quality of life in holistic terms – in contrast to Gross Domestic Product (GDP), which is solely an economic indicator, and an incomplete one, at that. GNH was conceived by Bhutan's King Jigme Singye Wangchuck back in 1972. But it was only after 25 years of quiet practice that the Himalayan ruler felt confident enough to share the idea with the rest of the world.

As summarized by Bhutan's current Prime Minister, Jigme Thinley, speaking to the Bangkok Post during a visit to Thailand last year, the GNH concept promotes a sustainable, simple way of life and a peaceful society. It is “based on the premise that true development of human society takes place when material and spiritual development occur side by side to complement and reinforce each other.”

The four identifying pillars of GNH are equity, preservation of cultural values, conservation of the natural environment, and good governance. GNH is at once an objective and a benchmark: Since 1972 the government of Bhutan has been using it as a sustainable development measure, and it is slowly gaining currency and interest in the world at large.

The concept of GNH is meant to incorporate environmental and social sustainable development indicators, transcending the usual economic measures by including values attempting to reflect general well-being over a longer time horizon. A GNH Index, once developed, could become the next level of innovation of collaborative indices, improving upon those attempting to add environmental and social values to the traditional economic indicators.

So now we're all working with the same definitions: Corporate Social Responsibility as the *process* to the *goal* of Sustainability, a key *component* of the Sufficiency Economy Philosophy as *measured* by Gross National Happiness. As surely as all life is suffering, each concept builds on the one before to create a cumulative reflection of human existence itself.

## DISCUSSION

With this understanding of the relationship among the concepts, what can we adduce?

To begin, I do not mean to suggest by this idealized schematic of the progression from Corporate Social Responsibility to Sustainability to the Sufficiency Economy Philosophy to Gross National Happiness that this is the final word on the subject. But I do posit that the relationship described is helpful for two reasons.

First, as a mnemonic device it helps to highlight the significance of the interaction between the concepts. Second, as a mental map it can be useful as a tool for analytical purposes. Seen in these terms, there is little redundancy between the subjects – and plenty of continuity – leaving room for further academic endeavor.

Remember that when it comes to measuring, reporting, and comparing progress on a national level, there is the Bhutanese King's Gross National Happiness, the metrics for which are still in the developmental stages.

Are you beginning to develop a sense of the connections, the continuity? Laid out in the order presented, there should be a natural progression, a sort of inevitable stream of consciousness/development that is at the same time simple and (as is so often the case) enlightening.

CSR is the *how*. Sustainability is the *what*. SEP is the *why*. GNH is the *measure*.

This harmony embodies a certain appeal.

Each of the constructs standing alone has its own problem of definition. Complex structures can often be best defined by what they are not, or by their cosmological relationship to one another. Therefore, understanding that CSR is the elemental building block, the first step in the journey to Gross National Happiness, for example, helps us to differentiate CSR the process from sustainability the ideal, from SEP the guiding philosophy, and from GNH the yardstick.

Accepting that sustainability is first and foremost an idealized goal of CSR within the broader context of the SEP helps to better delineate the scope of each. Despite frequent claims to the contrary, there is little conceptual overlap between the two.

Finally, defining the roles clearly and sequentially has the added bonus of helping minimize the grey areas: too often we say one thing when we mean another – 'CSR' instead of 'sustainability', for example. If we remember that CSR is the precursor to a sustainable enterprise, we will not confuse CSR with sustainability.

Critical as well are those functions *not* mentioned in this pantheon: Charity, for example; *Tham boon*, for another.

Although often mentioned in the same breath with CSR, charity is one of many techniques that can sometimes help realize CSR strategies. But by no means is charity identical to CSR. It is a critical mistake to confuse the two, and it is a mistake that undermines an exact understanding of CSR.

Because charity has a cost and is so often synonymous with CSR, business people believe that a CSR strategy be a financial burden. Good CSR strategies are not – indeed, well thought-out CSR programs actually contribute to the bottom line. And in any event, if there happen to be initial outlays, they should properly be booked as investments on which returns are expected.

### CONCLUDING ILLUSTRATION

To close with one real-life example: A Thai SME wants to reduce staff turnover. By engaging each of its 500 staff members, one by one the HR Manager determines that the cyclical departure waves coincide with the secondary educational school year. Further investigation reveals that workers borrow from usurious sources to pay fees at the beginning of every school year only to find themselves impossibly indebted by the end of the term. If they cannot meet their obligations, their easiest out is to leave the company – and the province – to hide somewhere out of the reach of the often violent community enforcers.

Viewing the phenomenon as a social issue, the company initiates a home finance training program which employees and spouses can attend on company time and which is taught by employees from the accounting/finance section. For most employees, it is their first exposure to the mysteries of compound interest; their first glimpse of the true cost of the money lent them by shysters just outside the compound gate. This helps them to understand their exposure.

But the company doesn't stop at education. It sets up a revolving fund from which employees can borrow with minimal interest. And a commissary stocking essentials, also offered on easy and understandable credit terms. So, in addition to the tolls, the company offers the opportunity to practice using them, for real.

There are other activities, as well, and the result is a two-thirds decrease in the staff turnover rate. The cost to the company? Nothing in cash, but in employee time (instructors and students) the outlay amounts to Bht25,000 weekly... to stifle a problem whose cost in recruitment and training stood at just over Bht7 million, annually. The Bht5 million difference found its way – where else? – to the company bottom line.

The stakeholder approach the company began with demonstrated their CSR sensitivity; building capacity and skill sets gave the training sustainable results; emphasizing household needs rather than flash consumerism played to the Sufficiency Economy view of the world; and even though you can really only sense happiness, and measure it indirectly, anyone can see that this is a winning, long term corporate strategy.

The kind a company could follow for a hundred years, maybe.