

**Buddhist Economics Approach to Institutional Entrepreneur:
A Case of Business Firm in Thailand**

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Abstract

Buddhist Economics differs significantly from the mainstream (Neoclassical) Economics on the paradigm of human nature. Therefore, in Buddhist Economics, the core values are compassion and cooperation to achieve well-being through higher wisdom (*pañña*). This article examines the idea of institution building in terms of the interplay among leaders, an enabling environment, rules and regulations and training system in Thai business firms. It argues that the Buddhist Economics approach to an agent as institutional entrepreneur provides a useful framework for understanding the effects of organizational change toward cultivating compassion as a new core values.

Introduction

The behavioral assumption of self-interest is central in mainstream economics (Rocha & Ghoshal, 2006; Sen, 1987). Economics theory, pursuit of self-interest in competitive market exchange, becomes self-fulfilling by shaping institutional design and management practice (Ferraro, Pfeffer, & Sutton, 2005; Ghoshal & Moran, 2005). While pure competition is an ideal and does not exist in the real world (Friedman, 1962). Since information in the market is not perfect but is asymmetric or incompleting (Ross, 1973; Stiglitz, 1974). Therefore, market economy does not provide the efficiently resource allocation which is known as market failure. Nevertheless, the core values of mainstream economics are still self-interest and competition to achieve the maximum welfare or utility under resource constraints.

Even though some management practices, such as in balanced scorecard (Kaplan & Norton, 1996), put emphasis on customer satisfaction as one of motives or value-based management (Koller, 1994) owner or shareholder values. These epistemological and behavioural assumptions on motives and rationality still underlie. More research on the relationship between different motives and rationality is needed (Rocha et al., 2006).

According to the Buddhist principle of Dependant Origination (*Idappaccayata*) or the principle of causes and conditions with holistic approach, the interconnectedness and interdependence of all conditioned things, the meaning of self is wider than just the individual, including both society and nature. The existence of each human being or self has three components -- human, society and nature, which are correlated, coordinated and complemented with each other within the ecosystem. Self-interest in the Buddhist context is therefore not limited to the individual, and since it also applies to nature and society, it equates to quality of life. (Prayukvong, 2005)

In the Buddhist Economics, lessons learnt and the teaching of the Buddha on his path towards enlightenment are applied to an analytical approach encompassing generally accepted economic concepts (Puntasen, 2005). It can lead to better understanding of the meaning of human existence and its relationship with the nature. To this regard, the core values in the Buddhist practices are compassion and cooperation. These two key words are exercised by Buddhists to achieve well-being through higher wisdom (*pañña*) (Prayukvong, 2007). To some extent, its objectives and end results or goals are contrary in the mainstream economics.

In the Buddhist context, given that such attitudes do not arise naturally in most of the situations people face, and that practice is inevitably needed (Gyatso 1995, quoted in (Starkey & Welford, 2001), the Buddha Dhamma (Buddha's teaching) as guides to have an individual practice are subjective, whereas the institutional environment in human society are crucial to help develop the principle of causes and conditions, and to enable people in this society to develop their realization and to practice good deeds. (Payutto, 1994) Hence, The Buddhist practices within the institutional environment with the objective to cultivate compassion and construct mechanism of cooperation are highly necessary for virtuous organization.

Various definitions of institution are disparate in different time and discipline (Powell & DiMaggio, 1991), such as a reciprocal typification of habitualized action by types of actors (Berger & Luckmann, 1991), or a component of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, to provide stability and meaning to social life (Scott, 2008). However, the self-interest behavioral assumption underlying institutional or neo-institutional theory becomes self-fulfilling (Lounsbury, 2008; Scott, 2008).

The body of institution are broader systems of social stratification and the active struggle, negotiations and infrastructure that underlie institutions (Stinchcombe 1997 quoted in Lounsbury, 2008). Several approaches respond to institutional pressures affect the organizational change (Oliver, 1991). Institutional entrepreneurs, people or organizations, are being able to dissembled themselves from existing institutional arrangements, in order to create new institutions of change the existing ones (Leca & Naccache, 2006; Powell et al., 1991; Scott, 2008). While self-interest behavioral assumption underpins the traditional institutional works as the accepted truth, to contemplate acting consistent evidence to emancipate themselves from such beliefs has not urgent yet (Ferraro et al., 2005).

With respect to the Buddhist ethics as arrangement of institutional environment, it includes an enabling environment, rules and regulations and training system (Payutto, 2008). Hence, to build such institutional environment can be achieved in terms of the interplay among leaders as institutional entrepreneurs, an enabling environment, rules and regulations and training system in Thai business firms.

This article examines the idea of institution building in terms of the interplay among leaders, an enabling environment, rules and regulations and training system in Thai business firms. It discusses that the Buddhist Economics approach to develop an agent of institutional entrepreneur is important to provide a useful framework to articulate the effects of organizational change, and to identify that cultivating compassion among members in each companies is a new core values.

In doing so, this article begins with a framework of Buddhist Economics and an explanation of this alternative methodology, and it moves on to a case study-- Asia Precision Col., Ltd to explore the characteristics of entrepreneur and the process of the Buddhist application into institutional environment. This case study helps explore the characteristics of entrepreneur and the process of the Buddhist application into institutional environment. In the final part, it concludes that leaders with an attitude of compassion, an enabling environment, rules and regulations and training system in Thai business firms are an important attribute to develop interplay.

A Framework for Buddhist Economics

Buddhist Economics is derived from the lessons of the Buddha's discoveries on his path to enlightenment. It is applied to economic concepts in general (Puntasen, 2005). The teaching of the Buddha, known as Buddha Dhamma, is neither a religion nor a philosophy in the Western sense because it does not offer a set of beliefs and it does not acquire any faith or require any believing in any concept without self-verification (Puntasen, 2006). Buddhist ethics are not some abstract concept of "promising to be good" so that there is no reward at some time in the future or mysterious code of behaviors we have to follow to belong to a secret club, but a way of living which accepts and complies with the reality of nature (Prayukvong, 2005).

The difference between Buddhist Economics and Mainstream Economics is due to different paradigms of human nature. Mainstream economics views the human nature as an "economic man" who is rational; he knows his own interests and he knows what to choose from a variety of means to maximize his self-interests. The ultimate goal of Mainstream Economics is to allocate the limited resources to maximize self-interest. It focuses on utility or welfare under unlimited demand and other constraints. Rational behavior is a major assumption behind the mainstream economic theory.

The Mainstream Economics also adopts the idea of "the survival of the fittest", which applied Darwinian Theory of "natural selection" (Klein, 2003) to imply that competition leads to progress. Hence, the core values of mainstream economics (more popularly known as "capitalism") are self-interest and competition. Because of such developments of thought, mainstream economics defines the pursuit of self-interest as a rational behavior as it is the behavior (Rocha et al., 2006) that contributes to more generation of utility. In addition, pure competition is an ideal and does not exist in the real world (Friedman, 1962).

One of the most important objectives of business firms is to maximize their own interest or profit. The quality of life or well-being of society is usually ignored by business firms. For example, they can produce negative externalities in term of cost to social and environment transgressions. Although the call for corporate citizenship (CC) or corporate social responsibility (CSR) is more frequent, the understanding, practices and its ultimate goals are not yet clear, the paradigm of self-interest still has not been shifted. Moreover, virtue or ethical values are critically implied in each case of the contested meaning and scope of the term CC or CSR (Dion, 2001). Since the market and government mechanisms, with aim to control greed, are not actually working and practical, some business firms still consider their own interest as their first priority and leave society second or the least. Still the firms usually take responsibilities of their unawareness to the impact affected on the society with a short-term interest.

When Buddha Dhamma is applied to economics, the understanding of human nature becomes clearer. There is an interdependence of all things and a mutually interaction between causes and effects. This existence of anything now results from earlier factors and, perhaps its original cause. Nothing can exist on its own. This is what is called the principle of Dependant Origination (*Idappaccayata*) which is a holistic view. (Payutto, 1999a) So, human existence is not isolated but part of society and nature. Without society and nature, human beings would not be able to survive. Self-interest in Buddhist economics has a broader meaning, which includes not only oneself but also others in society and nature. When people clearly understand these interconnected relationships, the cooperation will act more rationally.

There are two types of cooperation 1) real cooperation which is to help each other to fulfill the basic needs and achieve wellness of life together, and 2) pseudo cooperation which is to take some strong points in the competition concept as a pool-incentive. This implies to group participation or even of a whole company, to put all of their co-operative efforts into competing with other groups or companies, with the common target of achieving the better income of the group (Payutto, 1994). Therefore, compassion and true cooperation are the core values in Buddhist Economics instead of self-interest and competition.

Understanding the interdependence and mutual interaction between causes and effects is complex, and not easy to understand. Ignorance shields the mind from understand things with a great complexity. It needs a clean and calm mind with neutrality to understand such complexity. To begin with, people need to practice good conduct through morality (*silā*), to achieve their calm mind through concentration (*samādhi*) and develop their wisdom (*pañña*) (ability to understand everything in its own nature without any personal bias or distortion). These are not separate processes but interconnected as spiral dynamics.

In the Buddhist context, given that such attitudes do not arise naturally in most of the situations people face, and training is inevitably needed (Gyatso 1995, quoted in (Starkey et al., 2001)). The epistemology of Buddha Dhamma contains three parts. First is *Pariyatti*, which is the theoretical concept; second is *Paṭtipatti*, which is how to apply the said theory in practice; third is *Pattivedha*, proven results through evaluation (as outlined above) that confirms the theory (Payutto, 2005). Together, this Threefold Training or *sikkhattaya* is training on morality or virtuous conduct (*silā*), concentration (*samādhi*), and wisdom (*pañña*).

It is challenging in this teaching that one must know and understand through experience of practicing and training to achieve a calm mind with positive feeling and thought in the present moment. Further guidance is offered to tune up an appropriate orientation of knowledge and understanding towards things that are skilful and away from those that are unskillful. In Buddhism, meditation is the training for developing the potential of human mind or emotional strengths with a spirit of mindfulness.

Even though there are some scientific test like EEG test on brain by Jon Kabat-Zinn and his colleagues (DAVIDSON et al., 2003) to observe heart rates and hormonal balance of people who practices meditation, it is not direct observation and provides consequential of emotion only. This study shows its crucial fact that people can train their own feeling (Layard, 2005). Daniel Goleman (Goleman, 1988) elaborated that emotional and social intelligence and a positive thinking is necessarily conducive to help people manage and train their feeling. As Layard (Layard, 2005) mentions that the teaching of almost of all religions are less explicit than of Buddhism about the management of one's feeling.

Moreover, the motivation to practice arises from the realization of interconnectedness by doing so; one will not help others, but also benefits one self at the same time. It is also discussed and concluded in many other previous studies that adopting an altruistic life, such as doing a regular volunteer work, is a crucial component to maintain good health (Starkey et al., 2001) and to give people a more happiness than what may be attained from material consumptions (Prayukvong, 2007).

During the practice of morality or good conduct (*silā*), the practices of training calm mind (*samādhi*), the practices of developing wisdom (*pañña*) simultaneously, one can develop to generate understanding that peace and tranquility (*sukkhā*) is attainable and that this understanding in attaining this mindfulness is opposite to pain and suffering (*dukkhā*). This Threefold Training is a spiral dynamic of the feeding back loop of three parts. The process of Threefold Training does not only benefit personal practice but also human activities at the community and social level. To equip the Buddhist ethics as arrangement of institutional environment, an enabling environment, rules and regulations and training system, the contemplate practicing the Threefold Training is crucial (Payutto, 2008).

To emancipate existing institution from the traditional beliefs, it needs an actor to change them (Powell et al., 1991; Scott, 2008). When Entrepreneurs have a Buddhist practice, the development of compassion becomes an integral part of their spiritual path. Within an interconnected perspective and development of wisdom, “Good Friends” (*Kalayanamitta*) are needed, an external factor, implies positive relationship to provide useful information for others (Payutto, 2005), similar to authentic or integrity leadership (Endrissat, Muller, & Kaudela-Baum, 2007), transformation role of entrepreneur to go beyond the existing routines to elaborate and diffuse new ones (Leca et al., 2006) with moral virtue and ethical standards.

In addition, “Training to Practice Good Analytical Thinking” (*Yonisomanasikara*) another important internal factor, This training will enable one to obtain personal development and to gain the ability to see causes and effects factually not from the perspective of their own desires and biases. The two factors-- an external factor of “Good Friend” and internal factor “Training to Practice Good Analytical Thinking” are considered as keys to ignite the Threefold Training, in the direction to reduce suffering, but gain happiness and wellness. (Payutto, 1999b)

Institutional entrepreneurs as good friends are leaders of business organization who skillfully use Buddhist principle to create institutional environment to provide the chance for employees to practice good conduct to achieve calm mind and develop wisdom. Training and practice with personal experience as routines are crucial institutional carriers among various types which are symbolic systems, relational systems and artifacts et al (Scott, 2008). While the development of calm mind or emotional strength and wisdom in Threefold Training are the significant institutional pillars to cultivate compassion and enhance cooperation towards human rational behavior to understand the meaning of happiness and generate happiness in the companies in stead of suffering.

Methodology

One case study is used in this paper to illustrate the capacity to explore social processes as they unfold in organizations (Hartley, 2004) The process of the company is to construct virtuous institutional environment with Buddhist practice in this study; and this case study is tailor-made in order to explore this process which is little understood in traditional theory. (Hartley, 2004)

Besides, this case study relies on multiple and not single sources of evidence (Yin, 2003) and to observing chronological sequences permits investigators to ‘determine causal events over time’ (Yin 1994 quoted in Edwards & Jones, 2008) Therefore, the data are collected from multiple sources as follows:

- 1) **Documents:** A secondary data of this case study is excerpted from organizational chart, reprints of appropriate articles, annual report and books about the company. The Minutes of meeting and financial report of the company can be shown only on the employer's permission. Adverts and news from various media about a case study are also used in this study. This information are used to develop clear understanding of the environment inside the company, to demonstrate of some relevant questions that might be arisen during the observations, and to be familiar with the events and names of members of the organization who interact and interchange with a researcher during the period of observations.
- 2) **In-depth interviews:** the employer, 2 directors, 3 managers, 15 employees who were selected by a stratified random sampling based on a period of working experiences within this company; and one ex-employee who was selected by a convenient random sampling, were conducted. The in-depth interview was held during the observation period after the consent letter was issued.
- 3) **Participant observation:** This way the researcher also learned about their experiences of those involved by not merely observing what was happening but also felt it (Gill & Johnson, 2002: 113). This method was used extensively to try to gain deeper understanding of their typification and habitualized action especially for moral actions, practices in training and routine work and social activities. Therefore, the researchers took part in meetings, daily work, training on "Discipline Program" , on off-work activities such as reading the King's Speech, and other social activities, such as, the National Mother Day, and Plant-a-Trees or Growing forest tree activities

Result

A case study: Asia Precision Co., Ltd.

Asia Precision (AP) was established in 1994 by Thai businessman with 1 Million Bath capital registration and 15 employees to produce precise metal parts for automotive and other industries under the investment promotion from the Thai government. At the present (2008), AP's operation are ISO/TS16949, ISO14001, RoHS Compliance. AP has been quite successful in its operation with 600 employees, 200 major machines and several prominent awards and recognitions such as Best Quality Award and a Prime Minister Industry Award for three years continuously etc.

The success of this company may not be significantly different from other general successful company. However, the intention and conditions of this entrepreneur who has education from United States, has human and organizational development style which is contrary to traditional one. Especially his quality of strong intention and endeavours are far beyond the traditional objectives of business firm. The leaders of this company has a larger vision than the typical revenue only by elaborating the real meaning of the firm, to incorporate the concept of social institution with full potential to planting a new virtue seed for the nation. At the same time this approach is to make any stakeholder within this institute to gain wealth, happiness and wellness. To do so, to create good people with moral and ethics values together with develop highly skillful staff members during a production process, are necessary.

The company has employed the Thai King's speech to give guidance and to develop tools in planting a good seed in the people with good discipline, unity, altruism, morality and

gratitude. To show that the seeds are cultivated within each employee, the company encourages the staff members to announce their willingness to “be good people as to show their gratitude to the mother land”. This specific output is one of their ultimate goals of the company.

Hence, making an attempt to plant a good seeds in the employee’s mindset is not only a showcased from the speech, words and talk, but the company make every steps, means and ways to make employees realize its importance and their highest potentiality in cultivating good deeds together. The commitments and practices were declared in front of their peers and shown that they have been practicing what they committed and announced. The company has helped people not only making wishes or desires to do so but also taking active participation with the owner, executives, and staff members in various activities during on and off the working time. Moreover, the arrangement to develop institutional environment are made in a same direction to establish a sustainable organizational culture.

Owner as an institutional entrepreneur towards organizational change

Whereas, AP’s owner have an educational background in MBA with a perspective of two parts about the duties of employee and employer—employer has duties to hire employees to work hard enough and the employee should help the employer to maximized profit. With respect to his family background, he grew up in a generous Chinese family under Buddhism root in the Thai culture. His view during that time was to separate a business life from a personal life. In addition, his characteristics of good personal relationship and positive thinking are the key attributes of emotional intelligence (Goleman 1988)

During the economic crisis in 1997, most Thai business firms were closed or down-sized. The other, were able to turn this crisis into an opportunity. AP is one of them. Even though he did not loan money for investment, this crisis affected the decreasing in sales revenue dramatically. He suffered a huge loss in his business. He tried to maintain his business on cost reduction scheme instead of downsizing decision, by minimizing the disturbance of daily worker and by reducing a salary of monthly from 5-30% accordingly. Nevertheless, it had some effect on daily workers; for example, they lost their extra income from OT and they lacked confidence for the future of their company.

However, he used the production lost time from no sales order to tackle the quality of production which had not progressively improved since establishment. The continuously quality improvement mechanisms were introduced such as 5 S’s (from Japanese words: Sorting, Straighten, Sweeping, Standardizing and Sustaining) for improving the condition of workplace, the Keizen, quality improvement technique. He also trained his staff member on management basics and productivity improvement by himself. With this time spent with all the staff members, he gradually have close personal relationships with his colleagues Even though this time was the most difficult time in his life, he also had great empathy to his employees’ misery because he realized that his staff members suffered much more.

He also spent 7 days for Buddhist mediation which brought significant benefits to change his life and shift his capitalistic paradigms to have more caring and compassion with a deeper gratitude to his beloved Majesty the King (King Bhumibol Adulyadej) by realizing his good deeds in the King’s life time ruling. With the practices of mediation together with the realization of the good deeds of the King, these two factors inspire him so strong leading to his great intention to perform good deeds as a showcase as being one of the good citizens of His Land.

An enabling environment towards social justice

After his paradigm shift, he has gradually and deliberately improved institutional environment within his company with more consideration of values, ethics, or mental qualities. The owner of AP acted as institutional entrepreneur in developing and institutionalizing environment to cultivate good people for Thai society. Several innovations were originated to develop moral and ethics in people attitude and change their habitualized behaviors.

The previous factory of AP was located in the old warehouse outside the industrial estate. When AP became more success and made more profits continuously, he made a decision by focusing on improving the quality of the environment for his employees mainly. He decided to construct new factory in a profession industrial estate in which location was convenient for staff members to commute. After improvement of physical environment or factory construction with relevant facilities such as canteen which provide free warm plain and homemade sticky rice for lunch and dinner, leisure room with musical instrument and karaoke and sleeping room for having a nap during lunch break etc. Besides these amenity and company bus service for employees, the salary adjustment for his operators (workers in the production line) from daily working basis to monthly basis and increasing more holidays by working every other Saturday. These are samples of the company that shows social justice in the organization.

To provide a safe work environment, fair pay and providence fund as well as other facility are a standard practice for human resource management to sustain high performance of its employees. However, AP owner realized this is only a necessary condition for cultivating good people. The sufficient conditions are rule and regulations to bring interconnected understanding to people and training to put emphasis on mental value. Together, the owner and other executives themselves conduct good deeds with empowering communication to create ethical organizational culture and make exemplary.

Rules and regulations as an interconnected mechanism

The owner of AP realized that people nowadays live in a reductionistic society without seeing the interconnected relationship among themselves, society and nature. Therefore, they think about themselves alone and lead them to have unlimited greed. To challenge this existing attitude, rules and regulations which construct the understanding of interconnectedness, is an integral part of this development of good people.

Instead of conduct of formal rule as a regulative institutional pillar, Thai social norm with caring of people not only their physical living but also mental values with respects of their dignity as similar and equal human beings, were employed and practiced. However, formal regulations on career path and advancement are created to make people know and make used of the own potentiality to fulfill in their own hand, despite a front line worker.

Besides increasing salary, the position fee was also provided. The criteria to have a higher promotion fee are their performance, evaluation and twenty four training hours within six months. To calculate training hours include every type of trainings during on or off working time, continuing education and any volunteer works. This criterion is one key factor of significantly interconnected mechanisms to promote people to get inevitably attending each training and participation volunteer activities or having a chance to do good deeds.

Training system as contemplative education for wisdom development

Even though there is no training need analysis, various training courses were intentionally and truly developed to cultivate good people by minimizing weak points which are obstacles for causes and conditions of being good people. There are:

Discipline training: “Proud to be 100% Thai”

The aims of two days and one night field training in military camp are to create discipline, loyalty and conscience of motherland and Thai king. Military coaches were training all staffs to practice a line-up, marching, standing up, wearing and removing a cap and relaxing in a line as well as to participate in walk rally activity within the war conditions role play. After training, they had encouraged to collectively practice their works with their own self-discipline. By doing so, this will bring them proud to be Thai without other instructions or commands them to do. This training now is only 1 day activity within a military camp and it is compulsory for new staff members.

Mind training: “Empowering mind to love each other”

Mental value within Buddhist aspiration to Thai culture is integral part of cultivation good deeds. If unhappy participants who attended the discipline training did not realized true understanding the different meanings between a real meaning of happiness and the meaning of happiness derived from material only, the success of this training was not easy. Therefore, this training course was conduct after Discipline training. Its aim for maintain the condition of mind and emotional stability and strength with consideration of ethical value and caring. Together with reinforcing gratitude and positive wish in people mind to have happy act within a daily practice without shyness. Several activities in this training is designing to create the understanding of interconnectedness, change yourself equate to change others, and to love someone is to fill a love within yourself especially for their parent.

Reading group: “Study King Speeches and Sufficiency Economy theory”

Besides discipline and mind training, Owner of AP encouraged all people in his organization to study King Speeches very seriously. People have to present the speech which inspire them and will use it as a guideline to conduct their live. A half an hour of four days during lunch break is dedicated for this reading group. Furthermore, people were trained to practice analytical thinking and presentation simultaneously.

Owner of AP knew very well about the honeymoon effect which people will have strongly influence in the beginning and fading not later than three months. While the cultivating good people are against the traditional training, chance to participate these training with several circumstances are undertaken. Therefore, lining up each morning and Wednesday’s promotion of discipline day in the morning were conduct to reveal people not only to increase continuous practice as a routine basis but also to have more understanding on interconnectedness. Furthermore, during the Wednesday morning, the short meditation, mind empowering with each other and listening a reading King Speeches by Owner’s AP.

The above trainings are formal and compulsory of new staff members. Moreover, the volunteer activity like a campaign of making a good deed for our beloved king was implementing from the budget of Asia Volunteer Spirit Fund. Asia fund is established by owner from company donation according to people declare themselves stop smoking, and/or stop drinking alcohol and stop playing any gambling each month. The more people sign their name, the larger Asia Volunteer Spirit Fund is growing up. Several volunteering activities

which have a financial support from Asia Volunteer Spirit Fund such as repairing a primary school nearby and Planting a Forest Tree activities etc are implemented every 6 months.

Moreover, several activities on important day such as Mother Day, Father Day and Children day are implemented regularly. People in AP have a chance to offering food which company arrangement, to Buddhist monk on their birth-month. They also have a chance to apply for a small grant to do any good things for their hometown.

The above process is intentionally developed to cultivate good people upon reinforcing five desired characteristics which are discipline, collectiveness as unity, altruism, morality and gratitude in their mentality by invite King Speeches as a guideline to achieve the ultimate will “construct good people for gratitude of mother land”

Conclusions

Peacefulness, positive satisfaction, happiness and trust occurred in AP, are the results of implementing virtuous institutional environment. It reflects to the internal strength of growing company which is a crucial security for sustainability. The owner of AP considered the company successes in continuous growing and dramatic increasing is only sign of his intention is not harmful his company. The more profits, he gains mean larger opportunity of good deeds he and his company do. The interplay among leaders, an enabling environment, rules and regulations and training system in Buddhist contribution to Thai culture, establishes institutional pressure affect organization change toward cultivating compassion as a new core values.

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