

## **A Buddhist Economics Approach to Innovation and Capacity Building:**

### **The Case of Siam Hands<sup>i</sup>**

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#### **Abstract**

Western managers often focus on processes as the way to deliver a certain result. Social innovation and capacity building are usually conceived of in this way, as processes aimed at relieving suffering and improving well-being. Their motives are of course often compassionate, but their effects are often measured in utilitarian terms such as impact investing or return on investment. As a result, acts of compassion for their own sake are increasingly viewed as mindless and wasteful of resources.

By contrast, Buddhist economics, with its mindful focus on the present, does not separate tools from the goals we aim to achieve. Buddhism emphasizes compassion and interdependence. The principle of “dependent origination” implies that a process cannot be separated from a goal. In Buddhist economics capacity building is not separate from an event on which its origin depends such as an instance of compassionate awareness. An act of compassion for its own sake can simultaneously be an act of capacity building by stirring in others recognition of the principle of interdependence. By this logic, the conventional view that utilitarian measures have the greatest effect may at least sometimes be mistaken. In other words, it may be that innovation and capacity building are sometimes most highly maximized by not attending to them but, instead, focusing simply on compassion.

The prevailing view is summed up in the adage: “Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime.” This paper will explore an alternative hypothesis. By practicing compassion as a virtue in its own right as did the Buddha you may arrive at a different aphorism: “Give a man a fish, and he may help you build a fish farm.”

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Our exploratory case study is a Thai garment manufacturer founded as an act of compassion to a group of workers unhappy with their previous employer. The new company offered benefits far in excess of competitors – free meals, cheap dormitories, free toiletries, air cooled working conditions, clean and comfortable amenities, a beautiful view of the outdoors for all workers, weekend educational programs, and in some cases international travel. Workers responded generously and interdependently, taking a holistic and multifaceted role in the company by often assuming managerial responsibilities not only in production but in distribution and marketing. The result has been an agile, innovative, competitive, and productive firm which can afford high wages and generous benefits while building one of Thailand’s most successful brands.

The evidence of this exploratory case study justifies further investigation of the potential of Buddhist economics to offer a workable alternative to the conventional, utilitarian approach to innovation and capacity building. But a caveat is in order. Compassion and interdependence are unlikely to be successful as stratagems. In Buddhism, the process and the goal are the same – compassion for its own sake.

**Keywords:** Buddhist economics, Innovation, Capacity Building, Thailand

## Introduction

In mainstream Western economics social innovation is conceived of as a process aimed at delivering a result. In other words, the social innovator thinks backward from the desired goal in order to choose the appropriate tool to achieve it. For example, capacity building is often regarded as a tool for improving the productivity and/or well-being of an organization or a community. The relationship between tool and goal is causal with, in this example, capacity building leading to a better-off community or organization.

By contrast, Buddhist economics, with its mindful focus on the present, does not separate tools from the goals we aim to achieve. A process such as capacity building is not just a means to an end, not just a cause of some desired result. A process begins with an instance of the result it aims to achieve. This is the principle of “dependent origination” as taught by the Buddha. In Buddhist economics capacity building is not separate from an event on which its origin depends such as an instance of compassionate awareness.

The process and the goal of Buddhist economics is for human beings to have a compassionate awareness of interdependence. Just as a result is part of the cause, one person is part of another. Our suffering is not separate from but interdependent with other creatures and the natural world. Recognition that the suffering of other creatures and the destruction of nature are not separate from ourselves is what we call compassion.<sup>ii</sup>

These days the virtue of compassion is held in less regard than formerly, at least in discussions of social innovation. Philanthropy and simple giving to relieve suffering were once viewed as a mark of

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<sup>ii</sup> Prayukvong, P. & Foster, J. , 2014

fine character in a business person. Now they are considered by some critics as a mindless and potentially wasteful use of resources, disregarding of the community's need for capacity building.<sup>iii</sup>

Utilitarian motives and careful measurement of results are on the ascendant. Capacity building, impact investing, return-on-investment and so forth are on the rise. Economic results are supposed to drive decisions in the social sector, just as they do in the business sector.

The prevailing view is summed up in the adage: "Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime."

This paper will provide evidence for an alternative hypothesis. By practicing compassion as a virtue in its own right – as did for instance, the Buddha – you may arrive at a different saying: "Give a man a fish, and he may help you build a fish farm." In other words, it may be that innovation and capacity building are sometimes most highly maximized by not attending to them but, instead, focusing simply on compassion.

Our evidence for the possibility that it can sometimes be most productive to focus on compassion for its own sake rather than with utilitarian capacity building is the experience of Siam Hands, a highly successful Thai garment manufacturer. The parent company of Siam Hands was founded as an act of simple compassion by two Thai entrepreneurs at the request of seven Thai workers who wanted a better place to work. When the entrepreneurs accepted this request, the employees recognized their interdependence with the company. They have taken a holistic and multifaceted role in managing and building the firm.

The high resistance to innovation which is commonplace in many businesses is absent in Siam Hands. New ideas from the owners, from managers, and from employees are quickly tested and, if workable, put into execution. The result has been an agile, innovative, and productive firm with high

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<sup>iii</sup> Guo, C., & Bielefeld, W, 2014

wages, excellent working conditions, and one of Thailand's most widely recognized and successful brands.

Today's prevailing view is to begin with innovation and capacity building in order to achieve long-term relief of suffering. But at Siam Hands, it was the reverse order. The founders took a compassionate step to relieve suffering in the present moment. That compassionate act was itself innovative and helped build the capacity for fellow feeling in workers. In Buddhism, compassion is not an isolated act but part of a process of enlightenment. That process can include innovation and capacity building.

### **Methodology**

This is an exploratory case study. Our aim is not to reach a general conclusion as to our hypothesis but only to decide whether the evidence in the case is strong enough to justify further exploration. The data was collected during a continuous visit extending over a period of six months and during subsequent, shorter revisits. The method of data collection was participant observation and deep interviews with owners, managers, employees, and community stakeholders. The interviewees' different roles in the company provided the opportunity to compare the ideas provided by their different perspectives, thus providing an opportunity to validate or invalidate pieces of data by triangulation. We present our findings through narration in order to provide a sense of context.<sup>iv</sup> Narrative cannot perfectly represent the Buddhist concept of interdependence, but it allows the establishment of a sense of flow.

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<sup>iv</sup> Yin K., 2011: 285

### Exploratory Case: Siam Hands<sup>v</sup>

Adisorn and Amara Pungchomphu faced a liquidity challenge. The married couple owned Siam Hands, a medium sized Thai clothing manufacturer. They had received a visit from their banker. He warned that Adisorn and Amara had fallen behind on their loan payments and faced stiff penalties if they did not pay, maybe even the danger of bankruptcy. Adisorn and Amara tried everything they could think of to solve the cash flow problem – urging workers to turn off lights, using less water, and searching for new customers. But it was not enough!

Adisorn and Amara were not alone. It was 1997. The *tomyum kung* (spicy shrimp soup) crisis which began in Thailand had spread throughout Asia and then to much of the world. It was a financial crisis, especially severe in Thailand where it began. The Bank of Thailand (BOT, the central bank) had used high domestic interest rates to maintain a high exchange rate for the Thai *baht* against the US Dollar. But many Thais had circumvented those high interest rates by borrowing abroad and using the foreign loans to speculate in real estate. The Thai banks now missed out on the real estate loan business which went to foreigners. But the Thai banks still found a way to make money. They insured the foreign loans and collected high fees for doing so. The banks, the speculators, and the foreign lenders were all happy!

But the free lunch was over. Regulations required the Thai banks to raise their dollar reserves in proportion to the foreign loans they insured. The banks tried to borrow dollars from the Bank of Thailand. The BOT turned to international hedge funds which had been accumulating dollars in the expectation that Thailand would eventually need them. That moment had come.

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<sup>v</sup> The material presented in this case is drawn from the first author's Ph. D. Dissertation and from subsequent visits to the Siam Hands company by both authors

The Bank of Thailand naturally wanted to use as few baht as possible to buy a dollar. But the hedge funds were in business to make a profit, not to help Thailand. They wanted to sell a dollar for as many baht as possible. Finally, the Bank of Thailand, which was desperate for dollars, had to give in and let the exchange rate fall. That created a crisis for the real estate speculators. With the exchange rate for the Thai baht falling, the speculators needed more baht than before to service their dollar-denominated loans. Many of the real estate speculators went bankrupt.<sup>vi</sup>

It was now up to the Thai banks which had sold loan insurance to pay off the dollar denominated real estate loans. And like the speculators, the Thai banks needed more baht than previously to buy a dollar. That led to the risk that the banks themselves would go bankrupt. They certainly could not make new loans to businesses needing financing. As credit tightened, Thailand's once rapid economic growth turned into an economic downturn. Fearing further liquidity crises ahead, banks gave the Thai economy yet another blow by demanding payment from firms such as Siam Hands which were already in trouble.

The credit collapse and resulting unemployment had brought declining sales to Siam Hands. The company sold most of its goods at Thai department and big box stores on long credit terms. With the products not selling, Siam Hands had no way to improve its cash flow in order to meet bank demands. Many other manufacturers in the same situation tried to avoid bankruptcy by cutting costs, reducing production, holding up payment to suppliers, and laying off employees.

Because of experiences from their university days, Adisorn and Amara were reluctant to follow the other firms who were laying off employees to save cash flow and pay the banks. They met when they were first-year university students in the mid-1970s, a period of rising democracy in Thailand. Their school, Thammasat University ("moral university") had been associated with democracy since its

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<sup>vi</sup> Adapted from Siamwalla A. 2000.

founding in the late 19<sup>th</sup> century when the Thai people rebelled against absolute monarchy. Again, in the 1970s, Thammasat led the fight against authoritarian government, this time a military regime.

Student idealism was no doubt part of what had brought together two students from such different backgrounds as Adisorn and Amara. While she was from a middle-class, Thai-Chinese merchant family, he came from Issan, the impoverished northeastern region. The first member of his family to have the opportunity for a university education, he had been determined to limit the family's contribution to his education costs. As much as possible, he meant to support himself. Thus was born the combination of entrepreneurship and innovative social thinking which would characterize their lives.

Adisorn and Amara spotted a market for books on socialism among their fellow students. They quickly broadened their product line, meeting the Thai students' desire for gifts such as greeting cards, T shirts, and other paraphernalia which they could give to boyfriends, girlfriends, family, and friends. By the time they graduated in 1978 they were experienced merchandisers and continued to sell the same products to the youthful middle-class in the Bangkok suburbs.

Gradually, T shirts emerged as their most important product. As their volume had grown, Adisorn and Amara had no longer been able to silk screen the slogans and photos that enlivened their T shirts. They had taken orders to local suppliers where there were employees who, like Adisorn, came from the impoverished northeast of Thailand.

In Thailand as in some other Asian nations, manufacturers often recruit not individuals but groups of workers. Thai manufacturers' representatives travel to the northeast where a local labor leader might identify a group of young people to migrate south to do factory work. The workers sent most of their earnings back to their families. In the mid-1980s, Adisorn and Amara encountered one such group of seven workers at a Bangkok factory from which they had ordered T shirts. The workers

were underpaid, disrespected, and working conditions were hot, dirty, and cramped. Such conditions are not uncommon in developing countries.

But the workers found an innovative and unusual solution to their poor working conditions. Instead of looking for new jobs at other factories, the seven workers proposed to “hire” Adisorn and Amara to employ them. One of the women workers explained:

We seven persons worked together in a small factory in Khon Kaen, in the North Eastern area of Thailand. Then we moved together to work in a small clothing factory in Bangkok. While we were working there, we got to know this couple, especially the man, because he always greeted us with a smile and had a nice conversation when he picked up his order. We felt that they were a good couple. Since we were unhappy working in that factory we invited him to set up a small factory where we could work with him.

This was Adisorn’s and Amara’s first experience in organizing a manufacturing company, not just a marketing operation. Their timing was good. The Thai public was sensitive to the low quality of Thai manufactures. Understanding that Japanese quality was superior, they nevertheless resented the fact that so much of Thai consumer goods were imported. There was an opportunity for even a T-shirt company to appeal to Thai national pride by offering a quality product. To signal their intention to offer Japanese-level quality, Adisorn and Amara named their new company “Why Japan?” which first incorporated in 1985.

Adisorn and Amara recognized that it would take higher quality machines to make higher quality products. Investments in new machinery would raise productivity and permit higher pay for employees.

By treating employees with respect they were able to take an important step in what Japanese and later Western manufacturers had begun to call “quality management.” That is, their workers invested their hearts and minds in the production process and provided feedback and suggestions on ways to improve.

They established a high quality brand which they named after one of Adisorn’s favorite foods – tangmo (watermelon). Amara, a student of Japanese calligraphy, admired the beauty of the characters for the word watermelon. Those characters, inscribed above a luscious piece of red watermelon, became the Tangmo logo. As Tangmo T shirts moved from a niche product to, eventually, a well-known brand, the watermelon logo became a widely recognized symbol of quality to Thai consumers.

A further opportunity for learning came from abroad. The 1990s were a period of outsourcing for Western brands in search of lower cost Asian labor. And Thailand, like other Asian nations eager to grow their domestic economies, opened itself for foreign direct investment. The acceptance of “Why Japan?” as a contractor for Western brands showed that the company was already operating at a fairly high level. The investment which Adisorn and Amara had made in new machinery and in developing their workforce had begun to pay off, not just in terms of high quality but in terms of the opportunity to learn from Western customers.

The Western brands did all the sourcing for “Why Japan?,” supplying the company with cloth and materials. The only function of “Why Japan?” was to print, cut, and sew. Adisorn and Amara began to learn the importance of quality inputs from the supply chain. The proportional content of a cloth’s material such as rayon and spandex helped determine the comfort of the T shirt. Such shirts would be sold not only in the West but also as high quality items in Thailand, teaching appreciation of high quality to the Thai market. This deepening of the market’s understanding of quality and of Adisorn and Amara’s knowledge of materials amounted to a kind of innovation and capacity building. It helped prepare a

market in Thailand for higher quality goods and helped build the capacity of Adisorn and Amara to strike out on their own in that market.

With expanded orders from Western and Japanese buyers, Adisorn and Amara, in just four years, had achieved a high scale of production. They decided to build a new, larger manufacturing plant which they called Siam Hands, meaning products from the hands of the Siamese people. During a visit to a Japanese factory Adisorn had seen a beautiful factory with walls of glass surrounded by a beautiful garden and trees. Such a factory expressed the spiritual and material conditions in which he and Amara wanted their employees to work.

Many Thai workers in the Bangkok region come from the northeastern part of the country. Uprooted from their families and communities, they suffered mightily from loneliness and homesickness. Adisorn and Amara were determined to “build their factory as a second home for their employees.”

They found a beautiful site on the bank of Tha Jean River south of Bangkok and erected a building so lovely it seems wrong to call it a “factory.” Almost every worker has a position from which to view, through the vast glass walls, the verdant grounds and, beyond, the slow, peaceful flow of the river. The management offices, by contrast, are on the other side of the building, away from the river and with a view not nearly as nice as that enjoyed by the workers.

Heat and, surprisingly, cold are two of the worst aspects of working conditions in southeast Asia. Thais joke that their country has two seasons – hot and hotter. For Thai workers there are two temperatures – horribly cold for office workers and horribly hot for factory workers; the former have air conditioning and the latter do not. Visitors to Thai offices and even university classrooms are sometimes struck by the number of people wearing sweaters to keep warm. Meanwhile, factory

workers suffer from hot, humid, and fetid air. It is hard to know whether the office workers or the factory workers are worse off.

Adisorn and Amara were determined to change this. Adisorn had seen a chicken coop cooled by an evaporative, “wet wall” system. It had the advantage of being cheaper than air conditioning but it also created better conditions; the air was soft and moist rather than harsh and dry as with air conditioning. Why shouldn’t people be treated as well as chickens? One wall of the Siam Hands factory consists of a heavy, canvas-like cloth over which water is sprayed. Then fans draw air from the outside through the cloth wall and into the factory. The cool, moist breeze in which the workers tend their machines is preferable to any air conditioning and is far less expensive.

As well as cool air, Siam Hands provided wholesome food for workers from the northeast. The seven workers who first “hired” Adisorn and Amara had worked in a typical factory for the time. Eager to save money to send home, the workers had lived mainly on a diet of sticky rice flavored with lemon and chili. They ate no meat or vegetables. Sometimes, several workers jointly purchased one egg to share among them.

If the workers were going to starve themselves to save money, they were scarcely likely to pay for decent housing. At the former factory, they had slept on the floor, in makeshift conditions beside their machines. Adisorn and Amara built a dormitory for their workers.

Recognizing workers’ tendency to deprive themselves of food in order to save money, Adisorn and Amara built a dining hall at Siam Hands and supplied three nutritious meals a day at no cost to workers. Employees got the free meals whether they live in the dormitory or in the village that has grown up near the factory. “Although I have never worked anywhere else,” says a current Siam Hands worker, “I still feel that it [the three meals a day] is unique.”

Many workers carry their food out of the dining hall to eat at picnic tables and comfortable chairs in the shady, grassy area between the factory and the river. As the area around the once remote factory has developed and attracted a large population, local people and tourists also come to enjoy what is in effect the Siam Hands park along the Tha Jean River.

Because of Siam Hands' remote, albeit beautiful, location, there were no local shops in the early days of the factory. So until the area around the factory urbanized a bit and provided shopping, Adisorn and Amara gave soap, shampoo, toothpaste, sanitary napkins, and other necessities to employees free of charge. Some of the original workers were interviewed by one of the authors of this case and reported that it was the first time they had ever used such high quality consumer products.

Other benefits include annual health check-ups. There is also a classroom where, on week-ends workers who mainly have attended only primary schools can study the same subjects offered in the secondary education they missed in their youth. Workers who want to go home for ten days or so to help with the family harvest receive leave to do so while the company still pays the contributions for their health insurance and government pension funds.

All these contributions by Adisorn and Amara to the improvement of their workers' lives expressed their idea of interdependence. They believed that the purpose of the company was to provide a good quality of life for everyone associated with it. "Our principle of doing business," says Adisorn, "is not to profit from any exploitation of employees. We will use our business talent to make good profit from selling our product only, while our employees receive good care, with high earnings."

The good treatment confirmed workers' sense of their interdependence with the company. To some extent the company had become their community. So they became active in that community in ways that would never happen in a traditional company. On their own initiative, workers set up a

Cremation and Injury Fund. Employees paid into the fund and then used its assistance when a parent or close relative died or was injured.

Another indication of workers' community spirit was their creation of a café and convenience shop. There, employees can buy snacks, fruit, soap, toothpaste, and other personal items. Adisorn and Amara provided initial funding. Since then, the shop has gotten capital from the workers who can buy shares if they wish to. At the end of the year, the shop's profit was divided among the worker-shareholders. Adisorn and Amara did not claim any share of the shop's profit, despite their initial funding of it.

An additional opportunity for employees to learn business skills came from the marketing expositions where, along with other manufacturers, Siam Hands displayed its products to ordinary Thais. Held in and around pagodas near prominent Buddhist temples and accompanied by food stalls and circus events for children, these 3-to-10 day events provide all-day-and-late-evening entertainment for families. They are places for manufacturers to reach not only present but future customers by building brand awareness.

Most other companies had marketing departments which could handle these events by setting up and staffing the exhibits. But Siam Hands – or rather its marketing arm, the “Why Japan?” company – had only a few staff who did the routine work of marketing to wholesalers, department stores, and the like. So for marketing expositions, Siam Hands took workers straight from the factory to set up an exhibit booth and staff it. Each day, three to five different employees would go to the exposition to tend the exhibit booth and sell products. By the end of an exposition dozens of manufacturing employees might have worked at the Siam Hands exhibit.

These customer facing opportunities gave employees a chance for deep experience of their interdependence with the company and with its customers. A Western economist, Karl Marx, observed

that industrialism “alienated” workers from their work, from the products they produced. But at expositions where workers sold Siam Hands products, employees got to see their products such as T shirts, trousers, dresses, and skirts go into the hands of the people who would use them.

A sewing machine operator who volunteered to work at a Siam Hands exposition booth said she recognized as never before the importance of quality. She had always been proud to have a good job in a good company. But now she realized that quality was important not just because it gave a competitive advantage. Quality was what made the products worthy of the human beings waiting for them at the end of the supply chain.

The reason that Adisorn and Amara did not have the cash to pay their bank loan was due not just to the falling off of demand. It was also that they had been drawn into “modern trade,” the Thai term for dealing directly with large scale retailers. Siam Hands had huge quantities of its products placed with retailers like Big C and Robinson Department Store, the former a Thai Walmart-style company and the latter a massive chain blanketing the urban centers of Thailand.

The theory was that by dealing directly with such channel-dominating companies a supplier like Siam Hands could save the costs it had previously had to absorb from using wholesalers and other middle men. The reality was that it put Siam Hands at the mercy of a few large distributors who improved their own costs by using their large size to drive down prices and then taking a long time to pay their suppliers. During the recession caused by the financial crisis, Siam Hands had to take back many products from the big box retailers and the department stores, further reducing the cash flow from “modern trade.”

What should Adisorn and Amara do? Their declining cash flow due to the financial crisis made it impossible to pay the bank without laying off workers. Yet to lay off workers would violate the whole reason they had started Siam Hands – to provide a “second home” to their employees.

Adisorn and Amara innovatively decided to “lay off” the bank. What revenue stream they had remaining they would use to serve the workers, not the bank. It was the employees, not the bank, with whom they felt a strong sense of brotherhood and sisterhood.

This decision to lay off the bank was based on their deep spiritual commitment as Buddhists. “Business is not the reality of your life,” Adisorn later said. He did not mean that it is not important to make money. That profit is necessary is a fundamental truth of business.

But for Adisorn and Amara the most important truth was the interdependence and impermanence of all life. That interdependence and impermanence, not business, was what Adisorn mean by the “reality” of life. The obligation which he and Amara felt to their employees was the “reality” of their lives, far more important than business.

“Business is like a game,” Adisorn said. This view of business as unreal in the way that a game is unreal amounted to saying it did not involve the deepest truth, the truth of human interdependence and impermanence. “If you want to play this game [of business], you know that you can lose as well as to win, so you must accept loss.” But since business, like a game, is not the deepest part of life, “it is not necessary to jump from a high tower to commit suicide when you have a setback.”

Not caring so deeply about failure in business ironically strengthened the position of Siam Hands. Because Adisorn did not care deeply that “the bank may sue us,” he could also see what a business person in despair might not have seen. There was a high probability that the bank would not sue. After all, the bank “may have 10,000 debtors in the same situation.” The financial crisis created a new business reality in which a debtor need not feel entirely alone.

The reality of impermanence and interdependence did not mean that Adisorn and Amara were free to ignore their earlier financial commitment to the bank. But their recognition of the impermanence of life enabled them to prioritize their economic obligations in a new way, appropriate to

the *tomyum kung* crisis. Other employers might have said that since they had a huge legal obligation to the bank while Thai law requires only small severance pay for workers, there was no choice but to lay off workers in order to pay the bank. But in the impermanent world revealed by the financial crisis, Adisorn and Amara prioritized their family business, composed not just of them and their children but also the employees with whom they felt like brothers and sisters. They intended eventually to pay the bank with whom they were also interdependent, but they had to take care of their employees – their brothers and sisters – first.

As they turned their minds back toward business and considered how to proceed, Adisorn and Amara decided they would not return to the big box retailers and department stores. Siam Hands adopted yet another innovation; it would become its own wholesaler, dealing directly with small shops who would in turn sell Siam Hands products to consumers. The supply chain was no longer Siam Hands → Big C → consumer. It was Siam Hands → small retailers → consumer. The small retailers paid at the time of purchase. Siam Hands would no longer carry the risk that had hurt it badly during the *tomyum* crisis – massive inventory at big box stores and months-long waiting periods for payment, with the possibility of some of the inventory being returned unsold.

Just as Siam Hands had always tried to elevate the dignity of workers, it now tried to elevate the dignity of small retailers. It called the small retailers “very important customers” and invited them to biannual marketing events in prestigious Bangkok hotels. These bustling events provided an opportunity for Siam Hands not only to thank the small retailers and to introduce them to new fashions but also to explain new marketing techniques and sales strategies.

At these biannual marketing events, ordinary production workers play key roles, but there are some jobs, they will not do. Humble and self-effacing, they feel inadequate to handle public relations

for these highly visible events. And they are embarrassed to greet important customers at the entry. Such jobs are left to the company's small marketing team.

But the production workers do all the rest of the marketing for the "very important customers" – decorating the hotel meeting rooms, arranging the merchandise displays, retrieving from storage products for which there is unexpected demand, answering buyers' questions, writing up orders, and in the evening clearing out the room in the few short hours allocated by the hotel before the next exhibitor arrives. A condescending observer might be surprised to see peasant workers accomplish so much on their own. But workers' sense of interdependence with the company amounts to a kind of innovation and capacity building which spirals upward into the ability of workers to take on new responsibilities.

Siam Hands also used production workers for direct marketing to consumers. Where the company had formerly had one small booth at a large trade exposition, the company now began to operate entire expositions devoted entirely to its own products and the consumers who were their end users. Siam Hands had a ready-made beautiful site – its verdant factory grounds – to create a fair-like atmosphere in which they could invite their end users, ordinary Thai people, to spend a festive day with their families. Most factory sites would scarcely be a place to offer a family a day out, but at the beautiful grounds of the Siam Hands factory, with its magnificent view and parklike grounds, parents and their children could shop in a genuine holiday spirit. Much of the machinery sat idle while the production workers went outside to operate food stalls, run childrens' games, and not incidentally staff the sales points for the company's shirts, trousers, skirts, blouses, cooking aprons, children's clothes, sweaters, and jackets.

Even with all this marketing experience for production workers, it was still a challenge to prepare them for the next stage in Siam Hands' development of direct marketing. Ever since the early days of Why Japan? Adisorn and Amara had maintained a few small retail shops, not just to sell to end

users but as instructional spaces where wholesale buyers could learn how to display and sell Tangmo fashions. After the 1997 crisis and the decision to forego “modern trade,” Siam Hands had expanded its retail operations to a chain of 20 shops aimed strictly at the individual, not the wholesale buyer.

By happenstance, an opportunity arose in 2011 to expand the Siam Hands retailing operation still further. PTT – the largest Thai retailer of gasoline – was expanding its service areas along major highways to include food and convenience stores. They were counting on the fast food restaurant KFC to anchor their service areas, but KFC decided to low-key its presence in Thailand. PTT was left with space on its hands and contacted Siam Hands.

Tangmo clothes are bright and colorful, just the thing for a family of light hearted travelers on a holiday trip. A vacationer who had forgotten a piece of casual wear was a perfect customer for Tangmo products. And the busy roads of Thailand were full of other potential customers -- tourists going to the sea shore, sight seers headed for historical sites, and business travelers with some unexpected leisure time but no leisure clothes. Siam Hands opened about 20 shops in highway service areas.

As with other marketing innovations, workers played important roles which in turn raised their skills. Marketing staff trained production employees to help run the shops. Amara hoped to raise workers’ skills so that someday they might be able to be entrepreneurs themselves, with shops of their own. To teach the workers profit motivation she provided profit sharing from each shop for the staff who ran it.

The personal development workers had to go through in order to support the new marketing efforts of Siam Hands was consistent with a longstanding goal of Adisorn and Amara. They wanted workers to gather the skills and resources which would enable them to retire with dignity someday to their homes in the northeast. When their workers were too aged to work, Adisorn and Amara did not want them to drift helplessly into the slums of Bangkok.

“How much land do you have now?” Adisorn would ask the workers. When workers first arrive from the northeast, they often have to send money home to families desperate for help. But over a year or two the remittances from their relative working in Bangkok should have eased the situation. Now was the time, Adisorn taught them, to begin to save money and to invest in land and gold. Either the workers individually or their families collectively had to provide for the future, not waste the remittances on consumer goods and lavish living. Neither should the money just disappear into bank savings to earn low rates of interest. Until further economic development comes to the northeast, agriculture will be the basis of that region’s economy, and the people who prosper will invest in land.

High wages would enable workers to save and invest for the future. Adisorn and Amara had aimed to pay good wages from the beginning. But they found that the assembly line production which they initially adopted in imitation of other textile factories did not deliver the highest possible efficiency or the lowest possible costs which would help them pay good wages. Assembly line workers were paid by the piece. A piece-rate worker sewing collars had every reason to speed up even if a bottleneck at the head of the line was slowing down overall production. Collars and other shirt pieces would pile up while the real objective – the production of shirts – slowed down. The piece-rate system encouraged workers to focus on the job for which they were paid, not overall production.

So Siam Hands tried an experiment. A team of ten workers sat with their sewing machines arranged in a U shape, allowing workers to see and help each other if one was overloaded. Rather than working under the direction of a supervisor, the team was self-managed. No one on the team was responsible for an individual part of a garment such as a collar or sleeve. Rather, the whole team was responsible for producing shirts and was paid accordingly. Within a month, the team’s production and therefore its pay rose above that of assembly line workers.

Soon, workers were asking managers to form other teams so that they too could earn higher wages. Four of five groups a month were formed until, after two years, the sewing assembly line was gone. Some high speed workers feared their earnings would be lowered by working as a team member with slower workers, but this problem was solved by organizing teams with workers of about the same speed. The factory was more productive and employees had higher earnings to invest in land and gold.

One of the highest skilled teams had an older worker with deteriorating eyesight. Eventually she could not thread a needle by herself and had to be assisted by a team member, slowing down the team and lowering its production as well as its earnings. But the other team members loyally helped her. But management, investigating the lower team production, insisted on moving the worker to a slower paced group. Cooperative teamwork had become so much a part of the workers' character that only managers, not workers, were willing to break up and rearrange teams.

Not only sewing but then cutting and packing were similarly organized so that the entire factory is now run by self-managing teams. Managers' main role is to discuss daily production targets and keep the workers informed about the company's overall production level. Once the team and the manager agree on a target, the team chooses when to start work, when to take a break, when to have lunch, and when to stop for the day. In busy times, before western New Year on December 31<sup>st</sup> and Thai New Year on April 13, it may take ten hours to meet the target. In low season, the work day is often about eight hours. The factory runs without a bell or time clocks. The main gate is always open so that employees can come and go at the time determined by their team.

Since Siam Hands gives so much management responsibility to workers, it is important to build character in workers for economic reasons. But Adisorn and Amara also pay attention to workers' character for a deeper reason than profit. It is part of their responsibility to their brother and sister Buddhists to help them choose good goals in life. Amara, an assiduous temple goer, brings famous

monks to offer “dhamma talks” and to lead employees in meditation. These opportunities to “make merit” take place during working hours.

In the dhamma talks the workers learn the truths discovered and taught by the Buddha such as the three attributes of existence – suffering, impermanence, and non-self or the fact that our existence is interdependent with others. The dhamma talks also teach that it is easier to live consistently with the three attributes of existence if one follows as well as one can five precepts. Those precepts are to abstain from 1) killing, 2) taking what is not given, 3) sexual misconduct, 4) false speech, and 5) intoxicants.

Adisorn and Amara interpret application of the five precepts at Siam Hands to mean living and working harmoniously with others. Abstaining from false speech means not just speaking truthfully but also politely and kindly so as not to injure others with words – a good policy for both workers and managers. Abstaining from intoxication at work means avoiding tobacco as well as alcohol. Adisorn and Amara let the monks they bring to the factory do the preaching as to the importance of these rules and, for themselves, lead by example, always speaking softly and kindly while abstaining from alcohol and tobacco. As Adisorn says, they follow the principle: “Do what you say and ask other people to do.”

Holding themselves to the five precepts, Adisorn and Amara ask employees to do so as well. Problems arise only a few times a year at most. When that happens, the worker – almost always a man who abuses alcohol or tobacco – is given a “self-reconsideration period” in which Adisorn might speak with the worker “directly but not callously. I talk with them as younger person who has a weak character, but is not an irredeemable wrongdoer. I point out ... what life should be about.” If an employee thinks he is ready to return to work, Adisorn will have another talk with him before allowing him to do so. Siam Hands has not had to deal with a case of sexual misconduct, but Adisorn says he would handle it in the same way.

The point is not simply to teach workers to abstain from destructive practices. It is to help workers engage in constructive practices. The ultimate constructive practice is to lift the spirit, which requires attention not only to supernal matters but mundane.

Factory restrooms are usually about as mundane as it gets. But the Siam Hands restrooms are one of Amara's proudest stops when she shows visitors through the factory. Unlike the situation in many Thai factories or for that matter Western factories, the Siam Hands restrooms are scrupulously clean. Just as importantly, the restrooms are comfortable and attractive. Factory lights are necessarily bright, sometimes harshly so, in order to insure good vision and accurate work. But in the restrooms the lighting is recessed, warm, and gentle. The wash basins and toilets are in attractive, soft colors.

The clean, attractive, and comfortable restrooms at Siam Hands teach a spiritual lesson to workers. Buddhism aims to reduce suffering. Even mild discomfort in the bowel or bladder is the beginning of suffering, an idea which is captured in English by the idea that one "relieves" oneself in the restroom. In a dirty, unattractive, or uncomfortable restroom, one can relieve bodily pain but one adds new pain to one's spirit. Relief of suffering brings happiness. As opposed to many factories, the clean, attractive, and comfortable restrooms at Siam Hands do not add pain to the spirit and therefore do not reduce the happiness achieved when a worker finds relief at the toilet.

In the Thai language there are three words for restroom: *hongsuam* (a restroom with a squat toilet); *hongnum* (a restroom with a toilet and water); and *hongsukha* (a happy room). By ordinary factory standards, the Siam Hands restrooms are super *hongsukha*. They serve as an example to the workers who use them that human beings should focus holistically on suffering. The "restroom" should offer happiness by providing rest not only from the pain of the bowels but also from bright lights, noisy machines, and mind numbing routine. "If the toilets are dirty," asks Amara, "how can people be happy?"

The excellent restrooms surely contribute not just to workers' happiness but to their high productivity which surpasses that of workers at many other Thai factories. But Amara says that even if the "happy rooms" contributed nothing to workers' performance they would still maintain such good restrooms. Providing such good facilities expresses their feeling of brotherhood and sisterhood with the workers.

Another way in which Siam Hands elevates employees is through the international travel which the company provides to its design, marketing, and even production personnel. Siam Hands is in the fashion business. Any fashion firm, no matter how small, is a global firm in the sense that it cannot ignore international standards of taste. A trend that begins in Paris, New York, or Tokyo, can quickly reach Bangkok and then the rural areas of Thailand. This trendiness applies not just to fashion but to merchandising. Because Siam Hands' post-1997 marketing strategy was to expand its retail operations, the company has needed to learn about new ways of displaying products to appeal to customers. It also needs to learn about new lifestyle trends which may affect the clothing market. Much of Siam Hands clothing is casual wear but not carelessly casual. Its target customers want to feel trendy and attractive. Awareness of global fashion and lifestyle trends is vital for Siam Hands designers and merchandisers.

While international travel makes good business sense for the marketing staff, the company includes some production personnel out of Buddhist compassion. The workers highly value this gift of travel, which is of course a highly expansive experience. But when Adisorn and Amara make these gifts they have something deeper in mind than educating and broadening their employees.

Having come south at a young age to do factory work, the employees often lack the national identity documents needed to get a passport. The journey home to secure the village headman's signature, certifying the worker's place of birth, is a heady moment for a worker. The entire village quickly learns that one of its native sons or daughters is about to travel abroad. The worker gains great

prestige and face with family and friends. They experience a rise in self-esteem and confidence. Increasing workers' dignity was one of Adisorn's and Amara's primary reasons for starting the company in the first place.

Although the dignity of travel is a gift, it is also sometimes useful to the employees' careers and therefore also to the company. Sometimes women workers move from production to marketing by serving as a sales girl at a shop along the highway. A few such women may be ready to take the next step and manage a shop themselves. It will help a woman shop manager succeed if she is as well traveled as the customers she serves.

Siam Hands employees also travel within Thailand. They visit other factories to learn new techniques and methods for improving production efficiency. Such trips have incidental benefits for the managers, supervisors, and production workers who take them. They provide recognition for good performance, and they are a break from routine, even a bit of a holiday. Moreover, there is a certain prestige in them because while it is usually only the owner who makes such trips for other firms, Siam Hands sends employees. Workers feel honored to take a part usually performed by some of the country's most powerful people.

It is not easy to organize visits to other companies which naturally tend to keep their best methods secret rather than share them with competitors. Even the Thai government, the Thai Chamber of Commerce, and the Thai Industrial Council – all seeking to raise the overall productivity of the country – do not find it easy to organize such trips. Even if knowledge sharing is good for Thailand as a whole, it can seem like a bad bargain to individual firms.

Siam Hands always keeps its doors open to visitors. Not just tourists but other companies are always welcome at Siam Hands. Adisorn and Amara, hoping that their commitment to compassion and interdependence will spread to other companies, are happy to share their methods even with

competitors. There is no danger that Siam Hands' methods will be used by unworthy competitors. Siam Hands' "business model" can only be imitated by companies committed to compassion and interdependence for their own sake.

Because Adisorn and Amara welcome visitors from other companies, the doors of other firms are open to Siam Hands. Its employees can visit factories and companies which would be closed to others. And while the commitment of Siam Hands to compassion and interdependence is difficult to imitate, the innovations of its competitors – centered mainly on technical and organizational improvements – are easily imitated by Siam Hands.

Siam Hands employees, reporting back after visits to other companies, have recommended many innovations. And employees implement the innovations with enthusiasm. The workers feel their interdependence with the company.

Still, there are limits to the kind of technical and organizational improvements which it is reasonable to expect front line employees to adopt. Adisorn and Amara, along with their senior managers, are realistic. They know that no production employee on a company visit will report seeing an innovation if it will destroy his job. Employees might recommend an easier way to maintain a machine, a simple way to speed up the production line (without asking workers to make more effort), or an improved quality control process. But workers cannot be expected to recommend an innovation that will lead to a reduced head count at the factory.

Where a new method or technology will lead to job destruction, it is up to Adisorn and Amara to make such methods palatable by not laying off the workers whose jobs are destroyed. New work must be found for those employees. Protecting their employees' livelihoods is the least that sincerely Buddhist employers can do if they aim to practice compassionate and interdependent management.

Even while Siam Hands aims to prevent layoffs, it also tries to prepare its workers to leave the company someday and return to their homes in the northeast. Siam Hands can be a second home, but it is unlikely ever to replace workers' love for their first home. The business skills which workers learn when they take on management roles, even if only periodically, can help prepare them to become shopkeepers, landowners, or other sorts of entrepreneurs in their home villages.

### **Conclusion**

This exploratory case study of Siam Hands shows that further research is justified on a Buddhist economics approach to innovation and capacity building. As opposed to the thinking of mainstream Western utilitarianism on social innovation, it was not a case of "teach a man to fish, and he will eat for a lifetime." It was a matter of "give a man a fish, and he will help you build a fish farm" or, in this case, one of Thailand's most successful and profitable brands.

Siam Hands began as part of a process, but this process did not just "result" in capacity building and further innovation. According to the Buddhist idea of dependent origination, no beginning point and no result are independent of each other. At every instant of the process, the beginning and the result, the cause and the effect, are both present to some degree. The founding of Siam Hands was an act of compassion aimed at giving workers a second home. But the second home and all the rest of the innovation and capacity building into which the compassion spiraled were in that initial act, dependently.

For that matter, the innovation and capacity building were present dependently in the workers when, recognizing the compassion and sense of interdependence in Adisorn and Amara, they asked the two entrepreneurs to found the company. Adisorn and Amara did not just help the workers. The workers helped them move forward in the process of spiraling innovation and capacity building –

excellent working conditions, rising demand for quality and the capacity to meet that demand, workers taking on management responsibilities, Siam Hands laying off the bank and laying off the big box retailers and department stores so that the company could become its own wholesaler supplying small retailers. None of this innovation was intended or planned at the founding of the company, but it was still there, dependently or potentially, in the interdependent act of compassion.

If further research were to confirm our fish-farm hypothesis, it would be easy to draw a mistaken conclusion and suppose that compassion can be made a business strategy. Compassion and interdependence do not mean using kindness as a means for manipulating workers into high morale. That would be to treat workers as instruments to achieve an ulterior purpose. Compassion is recognizing that other creatures and the natural order are interdependent with us and that their suffering is ours.

To think of compassion as a strategy would miss the point of dependent origination. The result must be contained in the strategy, the effect in the cause. If the goal is not compassion but profit, then it is profit not compassion which will drive the process. The evidence of Siam Hands suggests that compassion can be a way to make money but only if the goal is not money. Compassion and interdependence must be their own reward.

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