The Evolution Of Social Entrepreneurship In Thailand

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Abstract

Social enterprises began in Thailand in the 1970s. Since then, these dual-mission organisations, which strive to satisfy both economic and social aims, have flourished and are considered by the government as key social innovation drivers. Although the term is familiar to certain groups, the general public awareness remains limited, thus efforts are still required to understand, develop support, and encourage government and stakeholders to facilitate social enterprises for better governance in the country.

This paper explores the evolution of social entrepreneurship in Thailand since its beginnings. In doing so, the paper also seeks to contribute to the understanding of the history of Thai social enterprises in relation to the contemporary political and socio-economic context of the country. Finally, the paper briefly compares the social enterprise landscape in Thailand with that of Vietnam in order to draw potential policy implications for Vietnam’s social enterprise legal framework.

Keywords: Social enterprise, Evolution, Social enterprise landscape, Thailand, Vietnam

1. Introduction

The social enterprise concept is variedly defined. There is yet a single, universal definition for the term, thus the related literature remains nascent and premature, as observed by Doherty et al (2009), Becchetti and Borzaga (2010), and Saebi, Foss and Linder (2018). According to the Organisation for Economic Co-operation and Development (OECD, 2013), social enterprise is a business-operating organisation in the non-public sector that works to improve public interest and social welfare of the community. Meanwhile, the United Kingdom’s Department of Trade and Industry (DTI, 2002, as cited in Doherty et al, 2009: Social Enterprise UK, n.d.) considers it as an entity that generates the majority of its income through trade activities and commits large proportion of profits to social missions. In Thailand, social enterprise is recognised if the organisation operates for goods sales or service provision and aims to promote local employment or community development; it is further specified that the organisation must re-distribute at least 70% of gained profits to reinvestment or to special disadvantaged groups and other public benefit as set by the Ministry of Finance (PricewaterhouseCoopers Thailand, 2016; Bangkok Post, 2017).

Despite the differences in definitions, social enterprise is characterised by three main elements. First, it utilises business techniques and offers products or services to generate income (Doherty et al, 2009; OECD, 2013). In some cases, especially for young social enterprises, the income may not be entirely earned from trade activities; some income may come from donations or government support. However, the majority of the income must be from the organisations’ sales or service provision (Social Enterprise UK, n.d.). This first element signifies social enterprise to be financially viable and independent and differentiates it from purely charitable, non-profit organisations. Second, a social enterprise must commit to a social and/or environmental goal (British Council Vietnam, 2012; Warnecke, 2018). Its priority and cause of existence is to improve a current situation or solve a problem in society. This second element distinguishes social enterprise with private, for-profit companies. Finally, profits from the organisation’s trade activities must be re-directed to investing in the organisation or its stated social goal (Doherty et al, 2009; Betts, Laud and Kretinin, 2018). These profits must not be the private earnings for owners or shareholders.

As with the recent burgeoning development of civil society organisations in Southeast Asia (Nguyen, 2018), social enterprise also emerges among ways for the non-state actors to work towards public interests and values. In Thailand, social enterprise is officially recognised by the government and considered a more sustainable solution to the country’s social, economic and environmental problems (The Nation Thailand, 2018). The country is the first in ASEAN to witness the emergence of the social entrepreneurship phenomenon, thus offers the longest history compared to other regional countries (British Council Vietnam, 2012; Thomson Reuters Foundation, & United Nations Economic and Social Commission for Asia and the Pacific, 2018). This paper focuses on reviewing the chronological evolution of social entrepreneurship in Thailand in relation to the country’s changes in socio-economic context. Specifically, it reviews how social entrepreneurship changes from its early development in the 1920s – 1970s period, to the bloom in 1980s – 1990s and its institutionalisation from 2000s onwards. There are significant implications for policymaking and legal framework building from understanding how social entrepreneurship evolves since its beginning in the 1970s. At the end, the paper briefly compares Thailand and its neighbouring country Vietnam to examine possible implications.
2. Materials and method

The paper reviews the existing literature on social entrepreneurship and social entrepreneurs using various materials and resources, including reports, academic journals, news articles and websites. The main scope of study is Thailand, with a brief reference to Vietnam. The time range of the materials is from early of the twentieth century until now. The paper takes a further step from a mere literature review in a sense that it attempts to analyse the limited available resources to identify patterns and trends in the development process of Thaisocial entrepreneurship landscape.

3. Result and discussion

Early development (1920s – 1970s):

Although recent scholars noted that the social enterprise concept remains foreign to Thai society until recently (British Council, 2016; Bidet & Defourny, 2019), the phenomenon has its early development traced back to the 1970s. Its emergence was commonly marked by the foundation of Cabbages & Condoms in 1974 (British Council, n.d.; Bidet & Defourny, 2019). Known as the first initiative of Thailand’s social entrepreneurship, Cabbages & Condoms has been working to promote reproductive health and education under the Population and Community Development Association, in short PDA (Cabbages & Condoms, n.d.; Mekong Responsible Tourism, n.d.). It now operates as a chain of restaurants and inns in various locations in Thailand, and all its profits are used to support PDA in the association’s community health programs and rural development.

It is worthwhile to review some history predated to the 1970s decade of social entrepreneurship emergence in Thailand. In the second half of the nineteenth century, the country successfully settled external threats from the Great Britain and France and thus, avoided becoming a colony of these expanding empires (Baker & Phongpaichit, 2014). Since then, Thailand enjoyed a long period of peace that is ideal for development. From the beginning of the twentieth century to the 1960s, strong emphasis was placed on improving citizens’ mentality and physical capability, provision of public services, and social and economic transformation. During this period, Thailand was highly exposed to Western influence of entrepreneurial spirits and ideological ideas. The 1920s witnessed the introduction of the concept of charity and non-profit organisation to the newly open Thai society (Bidet & Defourny, 2019).

In the two decades that followed (1960s and 1970s), Thailand became a strategic ally with the United States in its war in the Southeast Asian region. It benefited greatly from huge investment, aid support and expertise for development from the United States, the Great Britain, and other external agencies (Teokul, 1999; Baker & Phongpaichit, 2014). By the 1970s, Thailand’s society was accustomed to American-influenced capitalism and individualism (Baker & Phongpaichit, 2014), making it open to Western concepts such as social entrepreneurship. This decade also marked Thailand’s entry into the globalisation process. At the time, several social problems existed, including unemployment, poverty, lack of access to social services, rising population, and poverty (Teokul, 1999). Meanwhile, following the third and fourth National Development Plan, the government stressed participation from citizens for local and grass-root solutions. This movement signified the shrinking role of the state in tackling with social problems and handing more autonomy to non-state actors.

The above brief history reveals four inter-related factors that laid the foundation brick for social entrepreneurship emergence in the 1970s. First, the contemporary social problems created the need for new initiatives and solutions. Although Thailand was not under colonisation, it suffered from complex social issues that persisted from earlier times of underdevelopment and domestic political instability. These issues were poverty, unemployment, inaccessibility of social services to citizens, and rapid population growth, which all called for urgent actions while the government was limited in resources and capability. The first factor coupled with government’s recognition for people’s participation in public affairs to pave ways for efforts to solve social problems in the non-state sector. The state’s movement was also in line with its stronger focus on promoting welfare and human development of the nation. As with globalisation and more public participation, the paternalistic style of Thai government faced great challenge.

Next, Western influence and globalisation both played key roles in the emergence of social entrepreneurship. Strategic partnerships with Western allies such as the Great Britain, France, and the United States drove home new ideas, expertise and support. The presence of Western powers in Thailand helped familiarise the economy with entrepreneurial activities and open market. Entrepreneurialism is essential for subsequent stages because it paved the way for freedom of trade and entrepreneurship, including that of social entrepreneurs. The two factors also contributed to the rise of non-state actors amidst the fading paternalistic management tradition of Thai government. Most importantly, it was from the contact with Western powers in the 1920s that non-profit organisation was introduced to Thailand. The advent of this idea is particularly significant, because the later social enterprises stemmed out of Thai non-profit sector (Bidet & Defourny, 2019), which existed in the forms of associations, foundations, cooperatives, or community-based organisations. Indeed, Cabbages & Condoms were born out of the non-profit PDA’s efforts to
reduce its reliance on donations and become more financially sustainable (Cabbages & Condoms, n.d.; Mekong Responsible Tourism, n.d.).

With strong, favourable socio-economic shifts in place, Thai social entrepreneurship enjoyed tailwinds when it entered the next stage of blooming in the period 1980s – 1990s.

The bloom of social enterprise (1980s – 1990s):
The next two decades continued with stronger globalisation force in Thailand. With the assistance of transportation and communication, social groups became more connected, leading to a mass society at national level that was highly concerned of state identity and domestic problems (Baker & Phongpaichit, 2014). Such movement further altered Thai government’s long tradition of paternalism. Concurrent was the worldwide revolution in public management in the 1980s, when the welfare state played a smaller role in public affairs management (Kettl, 1997; Karmarck, 2007; Rainey, 2009). Efficiency was the main concern and governments around the world were challenged whether they could deliver public services at lower costs compared to non-state providers. The contemporary trend was to streamline and fine-tune state performance, as well as transfer parts of government’s work to external parties. Due to its openness to the world and globalisation, Thailand was not out of this trend in reducing the size of the government and giving out more roles to non-state actors that were as much able to provide social welfare programs.

Globalisation also infused in Thailand the then growing interest in social responsibility and social innovation. Although social responsibility is not the same with social entrepreneurship, it sets the primitive idea for later development of the latter and reflects the change in thinking regime. Private firms around the world paid more attention to meeting the social and environmental ends rather than focusing solely on their economic performance. Rising social responsibility and environmental awareness made up the global trend in the 1990s (Bidet & Defourny, 2019) and added to the notion of triple bottom line (Elkington, 1999). Overall, Thailand’s interaction with other countries and rising globalisation have facilitated the growth of civil society, which includes social enterprise, in three ways: First, allowed by advancement in technology, Thai national society was formed and grew more cohesive on domestic social problems. Second, the public management revolution affected Thailand and inspired the government to increase efficiency and empower the civil society. Third, the global trend of social responsibility and social innovation spread to Thailand, which later paved ways for civil society growth (Teokul, 1999). As non-governmental organisations, community-based organisations, and other third-sector organisations played a more solid role, social enterprise, as a part of Thai civil society, also had room to grow in subsequent decades.

Around the 1970s, Thailand advanced to a lower middle-income status (World Bank, 2011; Jitsuchon, 2012). Some social problems were ameliorated, while others remained unsolved and new ones arose. Compared to the previous periods, poverty rate declined dramatically in the 1981 – 1996 period, although it increased slightly in 1998 – 2000 following the 1997 ‘Tom Yum Kung’ financial crisis. Looking at the poverty headcount ratio at US$ 1.90 per day (Thailand’s 2011 national poverty line, adjusted for purchasing power parity), the 1981 poverty rate was 19.6% of total population (World Bank, n.d.). This rate dropped steadily to 1.5% in 1998 and slightly rose to 2.5% in 2000. Despite successful poverty reduction, unemployment, lack of access to social services, and high population growth remained. New issues arose, such as inequality, price drop in agricultural products, slow wage growth, and uncontrolled migration (World Bank, 2019). These old and new social problems called for social innovation and participation from the third sector, thus provided grounds for civil society to develop.

Within the third sector, however, social enterprise would not prosper had it not been for the financial pressure on the non-profits. During the 1980s – 1990s, the United States became less involved in the Southeast Asia region following the end of the Indochina War and the Cold War (Baker & Phongpaichit, 2014). This movement was aligned with the reduction of financial support and withdrawal of expertise from Thailand. Non-profit organisations faced a drop in foreign support, which forced them to seek for ways to sustain themselves. Converting to entrepreneurial entities was a common solution.

With the adoption of a new form of entrepreneurship, several social enterprises were founded as a branch of existing non-profit organisation. Doi Tung Tourism Project provides a typical example; the social enterprise was established in 1989 out of the Royal Mae FahLuang Foundation to provide economic livelihoods to hill-tribe communities in Northern Thailand (Grassroots Volunteering, 2018; Mae FahLuang Foundation, n.d.). Another notable example is the Baan Unrak Children’s Village, a non-profit organisation started in 1990 and later expanded with a social entrepreneurship branch under the same name. Baan Unrak provides cafe service and sells books and handicrafts to support the organisation and a nearby orphanage (Baan Unrak Children’s Village, n.d.). Also started in 1990, the Women’s Education for Advancement and Empowerment Organisation supports indigenous women and refugee women in border areas and Northern Thailand. The social enterprise branch of the organisation sells products made by these women to support refugee camps and tribal communities (Women’s Education for Advancement and Empowerment Organisation, n.d.). Other social enterprises grew out of existing non-profit organisations in Thailand during this period. The common thing between them is that they strive to solve contemporary social problems: unemployment, migration, marginalisation of certain groups, inequality, and poverty.

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To sum up for the 1980s – 1990s period, social entrepreneurship in Thailand, despite going through political instability and economic downturn, was able to gather momentum and support that it carried into the twenty-first century.

**Institutionalisation and formation of social enterprise landscape (2000s onwards):**
Stepping into the twenty-first century, Thailand experienced an accelerating rate of change (Zebioli, 2009; Baker & Phongpaichit, 2014). Looking slightly backward, the economy slumped hard in the 1997 Asian Financial Crisis, which is also known as the ‘Tom Yum Kung’ crash to Thais. The social impacts of this incident widened in the 1998 – 1999 and carried themselves into the 2000s. Political instability was another domestic concern at the start of the century. Amidst the political and socio-economic downturn, Thai government still prioritised solving social problems and retained the current spending on tackling them (Teokul, 1999). At the same time, the government aimed at decentralisation and delegation to third-sector agencies for social service provision, which gave greater role to non-profit organisations, community-based organisations, and social enterprises. Other trends continued from the last periods, including an increasing awareness for social responsibility and social innovation, wider adoption of the triple bottom line, and the dwindling of financial support due to the United States’ smaller influence and the post-crisis economic condition. Development agendas by the United Nations were pushed forward, namely the Millennium Development Goals in 2000 and the Sustainable Development Goals in 2015.

Thanks to favourable macro-factors, the social enterprise landscape of Thailand becomes more complete since its configuration in the 1970s. It is estimated that over 1,000 organisations, self-organised groups and networks in Thailand are operating similarly to a social enterprise, of which approximately 361 organisations meet the government’s definition of a social enterprise, and only 101 are certified (British Council Vietnam, 2012; Office of the National Economic and Social Development Board, 2018; The Nation Thailand, 2018). These organisations work in various fields, including social causes, quality of life, local economy, sustainability, and environmental causes. Different regions tend to result in different purposes of on-site social enterprises. In Northern Thailand, social enterprises focus more on agriculture, poverty alleviation, and ethnic culture preservation, while those in the South are more related to wildlife and marine conservation.

The institutionalisation of social entrepreneurship is a key success factor to the formation of social enterprise landscape in Thailand. From the 2000s onwards, the government has been highly committed to civil society and social enterprise promotion (British Council Vietnam, 2012; British Council et al., 2018; Bidet & Defourny, 2019). This movement is the result of the amendment of the country’s Constitution in 1997, which encourages citizen participation and initiatives in solving domestic problems. In addition, it also stemmed out of the interaction of the government with active advocates of social entrepreneurship in the country, which included Thai Health Promotion Foundation, Change Fusion, the Population and Community Development Association, and British Council Thailand (Bidet & Defourny, 2019). In late 2000s, the government started to embrace social entrepreneurship as a creative solution to tackle socio-economic problems and mitigate the adverse effect of traditional, for-profit enterprises. Several promotion programs and public policies were executed to promote the new sector (Kittisrikangwan, 2015).

The first notable movement is the establishment of the Social Enterprise Promotion Committee (SEPC) in 2009 under the Office of the Prime Minister. Then in 2010, the Social Enterprise Development Master Plan for 2010 – 2014 was approved, followed by the foundation of Thai Social Enterprise Office (TSEO). Both SEPC and TSEO are responsible for policy development and promotion of social enterprises in Thailand. The specific aims of these governmental bodies are to raise awareness of social entrepreneurship, build capacity for entrepreneurs, and create a platform for matching investors and resource seekers. In 2011, the National Reform Council was appointed to take charge of reforming social enterprise law in the country for the next 20 years. In the same year, the Office of the Prime Minister issued the Regulations for National Promotion of Social Enterprise, signing a national-level effort to support social entrepreneurship activities.

The most substantive support from the government is perhaps the Royal Decree on Tax Exemption in 2016. The decree offers tax incentive of up to 100 percent for organisations that meet the definition of a social enterprise specified in the decree (PricewaterhouseCoopers Thailand, 2016; British Council et al., 2018). To be eligible for the favourable tax scheme, the business is required to register under Thai law, operate by offering goods and services, aim at solving social problems, and invest at least 70 percent of profits to its operations or specified disadvantaged groups. The tax incentive also applies to investors and donors of social enterprises that meet the above requirements. This is considered an innovative policy for social enterprise because it encourages other actors in the society to foster social entrepreneurship and embed an ecosystem. Most recently, the Social Enterprise Promotion Act, which has been pending since 2012, was approved of its second draft in 2018 (Thai Government Public Relations Department, 2018). The new law, when officially passed, will be coupled with the establishment of the National Social Enterprise Committee, the National Social Enterprise Office, and the Social Enterprise Fund. This movement from the government is expected to complete the Thai legal framework for social enterprise.
Thanks to government’s support and rising awareness, the social enterprise landscape in Thailand is becoming more complete and dynamic. Apart from governmental bodies, other actors are seriously and explicitly involved. The first active sector is the tertiary and higher education institutions (Kittisrikangwan, 2015; British Council, 2016). These institutions build capacity for social enterprises by providing training and consultation to entrepreneurs in the forms of workshops, youth camps, and short courses. They are also the source for expertise, human capital, and relationship building. For example, the Sasin Centre for Sustainability Management is the cooperation effort between Chulalongkorn University and Srinakarinwirot University to research on the sector. Some institutions even integrate social entrepreneurship into their teaching curriculum, such as Thammasat University and North Chiang Mai University. Higher education institutions play a vital role in raising awareness of social entrepreneurship that can help institutionalise the concept into Thai society. The second main actor in the social enterprise ecosystem is private firms and corporations. As with the on-going trend of social responsibility and the triple bottom line, there is the tendency for the private sector to support social enterprises (British Council Thailand, n.d.). This is further made possible by the 2016 Royal Decree on Tax Exemption, which offers tax incentives to companies that donate or invest in social entrepreneurship activities. Among the key private-sector players is the Stock Exchange of Thailand (Bangkok Post, 2018; Stock Exchange of Thailand, n.d.). The company is committed to fostering start-up, small-and-medium social enterprises by providing market intelligence and granting awards to top impact makers and investors. It also sets up a fundraising platform called ‘Live’ for matching investors and social entrepreneurs.

Other organisations and networks also play a key role in completing the social enterprise landscape. British Council is among the most vocal advocates and promoters of social enterprise in the world. Its main activities are capacity building and education, funding, and research about social entrepreneurship. Two other external organisations are Ashoka Thailand and Thailand Social Innovation Platform (affiliated with the United Nations Development Programme in Thailand). Besides efforts from international partners, there are several Thai-based agencies that act as intermediaries to nurture the impact sector. There is the ChangeFusion non-profit organisation, which was founded by the Thai Rural Reconstruction Movement Foundation under the Royal Patronage. The Network of Impact Social Enterprise (NISE corporation) is itself a social enterprise that facilitates scaling up process and public-private partnerships from 2011. B-KIND was founded in 2014 and is the first mutual fund in the country that aims at creating social impacts (Impact Connect Asia, 2014). Most recently, the Social Enterprise Thailand Association is a self-organised network established in early 2019 to connect social enterprises for knowledge sharing and collaboration (Social Enterprise Thailand Association, n.d.).

Experts and social entrepreneurs recognise the recent actions to support the social enterprise sector while also points out several remaining challenges (Kittisrikangwan, 2015; The Nation Thailand, 2018; Bidet & Defourny, 2019; Kerlin, 2009; British Council Thailand, n.d.). The foremost challenge is limited awareness from society for this type of doing business. Although social entrepreneurship activities have existed and thrived in Thailand for almost five decades, the concept remains unfamiliar to Thai business community and the public. Two consequences result: On the one hand, little awareness means a lack of understanding of the sector due to little academic literature and research effort. On the other hand, it creates barriers in marketing and communication of product offerings and the businesses’ social impact; there is the misperception that products by social enterprises are of low quality (British Council Thailand, n.d.), which decreases the market demand for them. Therefore, efforts should be taken to ensure and promote the fair-trade feature of these products, while highlight the social impact from their businesses.

The second notable challenge comes from funding for the operations of social enterprises. Although there have been tax incentives (from the 2016 Royal Decree on Tax Exemption) and mutual funds (B-KIND) for entrepreneurial activities that yield social impacts, it is observed that the market for small, accessible loans is still missing from the picture. Like any other start-ups and small-and-medium enterprises, new social enterprises are as vulnerable to financial risks. Next, there is the challenge of designing the business model that can create both commercial end and social impact. The idea needs to be innovative and profit-generating so that it can be scaled up and sustained, but at
the same time, it should also achieve the targeted social aims. Juggling between sustainability and delivering social good is a constant struggle of every social enterprise.

Management gives another challenge to social enterprises. A lot of entrepreneurs are passionate and have the idea to start a business. However, not many of them have the skills and knowledge to venture successfully. Staffing problems are largely the result of limited consultation and mentorship (Kittisrikangwan, 2015). Indeed, although there are tertiary institutions and associations that offer trainings about social entrepreneurship, it is observed that not all starters can get access to those resources. Finally, experts stress the challenge from institutional factors that the ecosystem still needs a complete legal framework and more cohesive collaboration from all sectors. There is high hope for the pending Social Enterprise Promotion Act, and more participation from incubators, venture capitalists, financial institutions, education institutions, and the public sector.

4. Conclusion

With nearly five decades of existence and development, Thai social entrepreneurship is now maturing. Although the concept remains foreign to the general public, many stakeholders are vigorously supporting and fostering the sector. These stakeholders come from various sectors: tertiary and research institutions, corporates, non-profit organisations, and international agencies, to name a few. All these involvements indicate a growing interest and stronger commitment towards the social impact business sector.

But perhaps the most significant effort is that of Thai government. Since late 2000s, several policies and programs were set out to support social enterprises. Not only do they officially recognise the sector and directly support it, they also motivate other actors to get involved. Together with movements from the private sector and civil society, efforts from Thai government solicit and fulfil the Thai social entrepreneurship ecosystem.

In Vietnam, the first social entrepreneurship activity dated back in the late 1980s (British Council Vietnam, United Nations Economic and Social Commission for Asia and the Pacific, &Central Institute for Economic Management, 2019). Like other Southeast Asian countries except Thailand and Singapore, Vietnam still experiences the early stage of social entrepreneurship (Kerlin, 2009). Thailand and Vietnam share some common challenges in the sector. The concept of social enterprise is yet well understood to the general public, resulting in challenges in marketing and demand creation. Limited access to funding is a barrier to growth in both countries, and lack of consultancy and advice is yet another difficulty. On a brighter note, both receive generous support from international agencies, especially British Council and Ashoka Foundation.

The significant difference between Vietnam and Thailand is that the former has yet developed an ecosystem for social entrepreneurship. The terminology was not officially incorporated into legal framework until 2014, when the Vietnam’s Enterprise Law explicitly specified it as a distinct type of organisation. There is no government support directed towards the sector, but some benefits lie in the general form of incentives for organisations that support certain disadvantaged groups, such as the tax reductions for organisations that employ war-invalids and disabled people (British Council Vietnam et al., 2019). In addition, efforts to nurture social enterprises are fragmented across the sector; there is yet a collaborative, nation-wide network similar to Thailand’s Social Enterprise Thailand Association for social enterprises and stakeholders to exchange knowledge and seek resources. In short, limited public awareness, lack of government support, and dispersed initiatives make up headwinds for social entrepreneurship development in Vietnam. In the future, for the sector to thrive more sustainably, there must be more concrete institutionalisation of the social entrepreneurship concept and more networked involvement from all sectors.

References


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