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Mae Fah Liatang Foundation under Royal Patronage

# Social Enterprise in Thailand

:

Lessons Learned  
and a Way  
Forward

Chanya Punyakumpol

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Writer Chanya Punyakumpol

Illustrator Phantiwa Choochuaysuwan

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Needless to say, social entrepreneurship and social enterprises have developed into a global phenomenon at the turn of this decade, particularly when the concept fits perfectly as a tool to further UN's Sustainable Development Goals (SDGs).

Thailand is no exception. The Social Enterprise Promotion Act B.E. 2562 (The SE Promotion Act) marks an official recognition by the Thai government, treating social enterprises as a separate legal entity. However, the SE Promotion Act is not the first attempt by the government to help promote social enterprises in Thailand. In 2010, Thai Social Enterprise Office (TSEO) was established under the mandate of Thai Health Promotion Fund and in accordance with the Strategic Plan to Promote Social Enterprise 2010-2015.<sup>1</sup> Due to the lack of further funding, it was closed in 2016.<sup>2</sup> Despite its short stint, the work of TSEO did pave the way for a new generation of social enterprises.

Yet, long before the existence of the legal concept and TSEO, there have been movements that could be categorized as social enterprises in the modern sense. Most of the early day's

social enterprises are closely aligned with traditional non-profit or civil society sectors, under the guises of more traditional legal forms such as associations, foundations and cooperatives. On the other hand, the new generation of social enterprises tend to be in the form of corporations and/or limited partnership.

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This article brings together different perspectives on social entrepreneurship through personal journeys of people who are themselves social entrepreneurs with varying years of experiences and those who have first-handedly shaped the transformation of social enterprises in Thailand. Lessons drawn from the interviews highlights three points that are subject to much current debate, namely the definition of social enterprises, expectations and reality in the past and current governmental supports for social enterprises, and, lastly, key factors and main obstacles for social enterprises to survive.

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<sup>1</sup> [https://www.facebook.com/pg/tseopress/about/?ref=page\\_internal](https://www.facebook.com/pg/tseopress/about/?ref=page_internal)

<sup>2</sup> <https://www.tcijthai.com/news/2016/28/current/6021>

# At the Crossroad



## Perspectives from Social Entrepreneurs, Government Officials, and Those in Between

Three groups of people we have interviewed include practitioners, government officials involved in the shaping of the SE Promotion Act, the first (and only) president of TSEO, and an academic who has been in the midst of the development of social enterprises in Thailand. For better understanding of their opinions and perspectives, some context is helpful.

**The first group** is practitioners, i.e. social entrepreneurs, who have either founded their own social enterprises or is currently the head of the organizations. The Mae Fah Luang Foundation under Royal Patronage and Abhaibhubejhr Foundation represent the first generation of social enterprises that have been around long before the concept of social enterprise become mainstream. On the other hand, we also have younger generations of social enterprises, namely BREAD, Siam Organic, Heartist, participating in our interviews. **The second group**, government officials, comprises of representatives from the Revenue Department and Office of the Council of State, who are directly involved with the drafting of the SE Promotion Act. **The third group**, the in-between, are Mr. Nhum, Nuttaphong Jaruwannaphong, the former head of TSEO, and Dr. Siyanee Hirunsalee, an academic who have been behind many social enterprise researches and projects in Thailand.



# Mae Fah Luang Foundation



The Mae Fah Luang Foundation was founded by the late Princess Srinagarindra in 1972 and is a private not-for-profit organization. Over time, the foundation has a spinoff business at the Doi Tung Development Project in Food, Café, Handcraft, Tourism and Horticulture under brand DoiTung, to address poverty and lack of opportunity – the root cause of multi-dimensional problems at Doi Tung including drug producing, trafficking and addiction and deforestation. It is precisely this model of operation that would qualify Mae Fah Lung Foundation with its business branch, DoiTung, as a social enterprise. According to M.L. Dispanadda Diskul, Mae Fah Laung Foundation has three main social objectives: improve livelihood of the people, conserve environment, and cultivate responsible citizens. These objectives are interconnected and stem from the foundation's belief that to cultivate a socially and environmentally responsible citizen, first there is a need to ensure that they are able to live with dignity, both in terms of economic and self-esteem.



# Abhaibhubejhr Foundation



The Abhaibhubejhr Foundation is affiliated to Chaophraya Abhaibhubejhr Hospital, a regional hospital located in Prachinburi Province. The hospital is famous for its knowledge in traditional Thai medicine. The foundation was founded with an aim to collect and improve knowledge of traditional Thai medicine and to promote better health of the people by traditional knowledge. Abhaibhubejhr has researched and developed traditional Thai medicine for general consumers with a close connection to its community. It partners with local communities for the supply of Thai herbs and traditional ingredients, empowering them through capacity building programs and group process.



Area-Based

การเพิ่มผล  
ผลิตข้าวเปลือก

“ข้าว

คุณ  
อิ่มท้อง  
น้องได้  
เรียน



# | BREAD |



BREAD is an affiliate of Population and Community Development Association (PDA), one of the earliest social enterprises in Thailand. PDA was first established, in 1974, to promote family planning and sexual health knowledge. BREAD, on the other hand, is an expansion of PDA into social entrepreneurship, focusing on a different social issue, i.e. education. It provides an alternative education for students who would be otherwise deprived of higher education opportunities. In a way, BREAD is also an experimental ground to cultivate new generations of social entrepreneurs.



# | Siam Organic |



Siam Organic is a relatively new face in the social enterprise scene in Thailand but certainly a force to be reckoned with. It was founded in 2011 by two MBA students, Mr. Neal and Ms. Palmy, who have a passion to transform the lives of Thai farmers from earning \$0.40 per day to living with dignity. Siam Organic does so by collaborating with the farmers in increasing their efficiencies and incomes through high-quality organic seeds, improved farming process and fair profit-sharing with its own milling cooperatives. At the same time, Siam Organic is also providing consumers around the world with organic, high quality products, connecting Thai farmers to the world.



# | Heartist |



Heartist is a social enterprise with a mission to promote a more inclusive society and equality for children with autism. It was founded by Ms. Poster, a young woman who discovered her passion while volunteering in weaving therapy workshops for children with autism. Through personal interactions, she learned that one of the main obstacles for people with autism to live in the society is all about mindsets, both parents and children themselves, and the general public. People tend to think that children with autism cannot be fully integrated into the society due to their mental conditions. Heartist aims to change that mindset by providing a channel for children with autism to earn a living. It acts as a (virtual) space that transform the children's weaving arts into fashionable bags and sell to the public, while at the same time raising awareness to its customers.

# On the — Definition of Social Enterprises

There is no question relating to social enterprise subjecting to more debate than the question on the definition of social enterprise itself. Indeed, during the interviews, we have noticed the subtle and not-so-subtle differences in the ways in which social enterprise is defined by different stakeholders. Of course, the most common ground which most people would agree on is that the term “social enterprise” refers to two key components:

social side and business side. The devil, however, is in the details.

The **social** side refers to social objectives accompanying every social enterprise—its *raison d'être*. While everyone, first and second generations of social enterprise, government officials and the academic, agrees that having social objectives is a key to the definition of social enterprise, their opinions differ in details. In particular,



practitioners emphasize more on clarity and measurability of the social objectives. On this note, Dr. Siyanee further explains that social impact is the only common currency for social enterprises to communicate their works across spectrum of social issues. But both sides agree that the social objectives should exist at the very beginning of the entity. Interestingly, the new social entrepreneurs, such as Siam Organic and Heartist, also think that defining social enterprise, the scope of social issues is important. That is any proposed social objectives must be commensurable to resources and business solutions at hand.

On the **business** side, there are more varied opinions among interviewers. There is a clear division between those who regards business as a part of social enterprise's being, and those

who regards business as a tool or a solution for social enterprise to be more independent and sustainable. On the one hand, those who think social enterprise must be a business entity in nature, e.g. corporation or limited partnership, tend to stick to the form of the social enterprise itself. Hence, it should be in a certain form of legal entity, understandably for clear legal standards. However, those who consider business as a tool have a more expanded and flexible view on the legal entity of social enterprise. They emphasize, instead, on viability or sustainability of the enterprise, rather than the form of legal entity.

Although everyone agrees that a social enterprise should be financially sustainable in order to expand its social impacts, practitioners and government officials hold differing

opinions on **profit-sharing** scheme. Most practitioners would allow social enterprise to have profit-sharing among its shareholders/owners, seeing that it would be considered a reward for efficient management of the enterprise. For government officials, the use of profits for social causes is what setting social enterprise apart from normal small-medium enterprises (SMEs).

When asked what is the most important factor to **qualify as a social enterprise**, the answers vary. All of them would regard clear social objectives and efficient business solutions as two equally important factors. However, practitioners also consider social impacts as a proof of their work another key factor. The issue of whether the linkage between social and commercial aspects of social enterprises is needed also causes disagreement. On the one hand, a question is raised on how to distinguish between social enterprise and corporate social responsibility (CSR) of profit-maximizing corporation if there is no linkage between its social causes and its business endeavor. On the other hand, some people think that the linkage is only supplemental to the definition of social enterprise; it is simply easier to communicate with the public how it creates social impacts. Therefore, it should be sufficient to

maintain transparent and show proof via social impacts in place of the direct linkage between the business and the social sides.

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# The Game — — of Survival

Like any ordinary business, social enterprise is about survival. Using business as a tool or as a being and not depending on donation, any social enterprise must play this great game. In this section, we focus on critical moments of social enterprises and key surviving factors for social enterprises. First, we examine the critical moments of social enterprises. Based on the interviews, there are four types of critical moments: finding identity and values, adopting business mindsets, and maintaining relevance. It should be noted that one common thread in all critical moments mentioned above is that these critical moments emerge when a social enterprise is scaling up too fast and spreading itself too thin.

The first type, **finding identity and values**, is common among new generation of social enterprises which are relatively smaller than the first generation. The issues involve unclear business solutions and value propositions. An example is when, for the sake of survival, a social enterprise must expand from one type of business, providing education, to another, gift packaging, but later found itself struggling to maintain its relevance vis-à-vis its social objectives. Another example is when a social enterprise is hiring more people without regards to its organizational values. Ultimately, it ended up with employees who did not fit in and created internal conflicts.

The second type is **adopting entrepreneurial mindsets**. Interestingly, many of the social entrepreneurs in Thailand come from a non-profit sector. This is the case for Heartist, for example. In the beginning, Ms. Poster had certain reluctances relating to seeking profits from consumers. She did not think that being financially sustainable is as important as helping people or solving social issues. Then, came the day when there was no cash flow left and she realized that she could not possibly make any impact without making profits. The shifting in her mindset is thus a critical moment for Heartist. From her own experiences working with various social enterprises, Dr. Siyanee emphasizes that the moment when social enterprises are on the brink of bankruptcy, they are forced to rethink about their social and business models.

The third type, **maintaining relevance**, is more common in the first generation of social enterprises. Maintaining relevance can be viewed from two fronts, externally and internally. An external aspect refers to the situation when the starting social objective is no longer socially relevant or is not sufficient to address the issue systematically. An example

is in the case of Abhaibhubejhr Foundation, when it has to expand its focus from reactive medicines to proactive medicines that would also promote health, rather than cure diseases only. An internal aspect deals with generation gap issues. Mae Fah Luang Foundation, for example, has to rethink about its organizational structure and find a new way of communication to its younger generation of employees. It also has to bridge the gap in how the older and younger generations are working together. The nature of the third type largely occurs as a result of working across different generations and different social context.

Lastly, the key **surviving factors** can be concluded into three points, as follows. First, practitioners overwhelmingly regard human resources as the key surviving factors. The right person for a job is certainly not easy to find in general but it is particularly hard for social enterprises. Based on their experiences, in addition to the general management skills, working in social enterprises requires having shared social values, right attitudes and understanding the nature of social enterprises. However, as social enterprise is a relatively new concept, not many newly graduates understand what exactly is a social enterprise, a concept that we sometimes struggle to understand.

The second factor is how to sell products and services. All practitioners agree that the market in Thailand for social enterprises has not yet developed. That is consumers still compare products and services from social enterprises, in term of price and quality, to products and services from normal for-profit businesses. There is a need to raise awareness for social values among consumers and enhance market access for social enterprises. This is an important factor to set social enterprises apart from typical SMEs for consumers. Last but not least, the third factor is the

personal strength and entrepreneurial spirit of the founders. Based on his experiences working with many social entrepreneurs, Mr. Nhum and Dr. Siyanee agree that the most important factor for social enterprise is not about the entity itself, but rather about the people in the organization. They think that in every social enterprise, there should be at least one person who is entrepreneurial and more business-minded for the long-term operation and particularly the founder him/herself should be open and highly adaptive for radical changes.

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# Expectations

— versus —

# Reality

Mismatches between social enterprises' expectations and the reality of government's roles in supporting and fostering social enterprise ecosystem and infrastructure in Thailand exist. In this section, we look at both the past, i.e. pre-SE Promotion Act era, the present, and the potential of SE Promotion Act. Finally, we conclude with what kind of supports are needed from the government going forward.

In the pre-SE Promotion Act era, we are talking about two timelines: first generation and second generation of social enterprises. The first generations, both Mae Fah Luang Foundation and Abhaibhubejhr Foundation have maintained close relationship with the government and frequently collaborate with the government on issues of their specializations. To them, the government has played an important role as the

supporter of their causes such as collaborating on the government projects and providing technical and R&D assistance. However, those causes are not directly related to social enterprises. The second generations, who have been social enterprise since the beginning of their existences, have a different opinion. In a nutshell, they do not think the government has played a significant role in supporting their journeys. Not surprisingly, the hybrid nature of social enterprises does not fit with any traditional mode of government operation and is certainly unfamiliar to the government's framework and, hence, it naturally requires the government some times to adapt.

More recently, the growth of new social enterprises in Thailand spurs the interests in supporting them from the government. As mentioned earlier, one of the first moves from the government was setting up TSEO and including agendas relating to social enterprises in its national strategic plan, resulting in the enactment of the SE Promotion Act. So far, the enactment of the SE Promotion Act has triggered formal legal recognition of social enterprises and tax incentives for investors and social enterprises. Everyone agrees that tax incentives for investors and for social enterprises are untimely largely

because most of social enterprises are not profitable—majority of them are less than 3 years old and still at a growing stage. Tax incentives would only answer the need of certain big players who were spinning off from big businesses.

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On The positive side, the SE Promotion Act, as the main legal framework, does open up so many possibilities for the government to support social enterprises and shape its ecosystem through the operation of the Social Enterprise Promotion Office. For example, it empowers the Social Enterprise Promotion Office to set up social enterprise fund, and implement integrated policies across different ministries. Based on the analysis of critical moments and surviving factors above, we can arrive at four directions that would more or less match current needs of social enterprises at this stage.

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## First

Peer sharing programs focusing on personal journeys of experienced social entrepreneurs and how to shape organizational values and identities

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## Second

Capacity building and coaching programs to foster entrepreneurial mindsets among social entrepreneurs

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## Third

Promoting human resources by partnering with higher educational institutions to equip new generations of graduates with well-versed skills and understanding of social enterprises

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## Fourth

Developing social enterprise market and correcting market failures by raising awareness among consumers, creating social enterprise branding and promoting preferential purchase programs for social enterprises



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It should be noted that development of social enterprise ecosystem in Thailand is not one person's or one organization's job. It requires collective efforts—the government to listen and answer the needs of social enterprises, and social enterprises to reach out, inform and communicate to the government of their needs, and the community to support each other in whatever ways that are constructive. Finally, in reading this article, the readers should take any answer with a grain of salt and try to reflect on their own experiences and positions vis-à-vis social enterprise and how to move forward.

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