

**THE STRATEGIC FRAMEWORK FOR ENHANCING GROWTH AND
DEVELOPMENT OF COMMUNITIES AND THE NATION: AN INTEGRATED
APPROACH OF THE CO-OPERATIVE ACADEMIC INSTITUTE**

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**POVERTY ALLEVIATION AND RURAL DEVELOPMENT THROUGH
ALTERNATIVE SOCIO-ECONOMIC REGIMES:
FAIR TRADE MOVEMENT AND THE ECONOMY OF VIRTUE**

by

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The Strategic Framework for Enhancing Growth and Development of Communities and the Nation: An Integrated Approach of the Co-operative Academic Institute

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Abstract

With realization of the need to focus on social in addition to economic development, Thailand's paradigm of national development planning has been shifted to focus on people. The aim is to achieve balanced and sustainable growth. This paper presents research findings and lessons learned by Co-operative Academic Institute (CAI) over the last 10 years, including their implications on economic and social changes in communities under this new paradigm. Local communities and enterprises were provided with suggestions and supervision to run their businesses based on value network and fair trade principles. Recently, a revised business model, social economy enterprise (SEE), which was based on research findings, was proposed. The CAI identified five important characteristics of the SEE and defined it as a formally-organized, market-oriented, people-centered, mutual and self-help enterprise. The strategic framework is being developed to feature the SEE as one of its important mechanisms to achieve the goal of balanced and sustainable growth in communities.

Keywords: Balanced and Sustainable Growth, Value Network and Fair Trade, Social Economy Enterprise (SEE), Strategic Framework, Co-operative Academic Institute (CAI)

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1. Introduction

Thailand's undergoing of serious economic crises partly implicated the conventional development approach, which narrowly focused on economic growth. The approach also led to many social problems and increased deterioration of natural resources and environment.

Over the past decade, the average GDP growth of Thailand was 3.8 % per annum. The country's economic structure was changed from agricultural to industrial and service base. Contribution of the industrial sector increased from 36% of GDP in 1999 to 40.8% in 2010. Although the agricultural sector became smaller, it still played an important role in the economy. It was an important source of income among households in rural communities, which comprised around 25% of all households in the country. It also generated a lot of foreign exchanges to help support the expansion of industrial and other sectors as Thailand was one of the major food producers and exporters of the world. However, many farm households suffered from serious indebtedness and poverty. There was a growing concern that many of them would lose their lands and become tenants and landless households. Serious social problems and conflicts could arise, especially among the grass roots, if nothing was done to change the direction of the nation development plans.

Everyone in the country realized that social issues were as important as economic issues. Therefore, in the formulation of the recent five-year National Economic and Social Development Plan, a new paradigm of human-oriented development was initiated. A way to achieve a more balanced development was believed to be possible through broad-based participation and a linking among society, private sector and academia (NESDB, 2010). This new paradigm of development is fully embedded in the Eleventh National Development Plan (2012-2016), the inclusive plan that shifts from the business owners- to people-oriented focus. The shift is made more explicit so that it is apparent in the first objective of the Plan.

The development strategies under the Eleventh National Economic and Social Development Plan cover six objectives: (1) to create a quality society by building the intellectual basis to create resilient citizens and society, (2) to achieve an innovative green economy through restructuring based on integration of knowledge and Thai identity, (3) to connect effectively with the regional and global economies, (4) to foster sustainability in the agricultural sector and prosperity in the food and energy sectors, (5) to sustainably manage natural resources and the environment, and (6) to reinforce good governance and harmony in all sectors and at every level. The accomplishment of these objectives will lay a foundation for balanced and sustainable development and lead to a just and happy society.

The purpose of this paper is to present Co-operative Academic Institute (CAI)'s research framework, "The Value Network and Fair Trade Development," and its implications on the people-oriented development, which targets grass roots. Based on the research findings, a social economy enterprise (SEE) is proposed as a revised business model for implementing the people-oriented paradigm.

The paper has four parts. The first one is an introduction. The second one describes and summarizes the strategic framework to promote application of the value network and fair trade principles among grass-roots organizations. The research has been conducted by the CAI since its origin about a decade ago. The third part describes three

case studies of grass-roots organizations that applied the value network and fair trade principles to the running of their businesses. The last part presents a strategic framework to introduce a social economy enterprise platform to develop grass-roots communities across Thailand during 2013 and 2016.

2. The Strategic Value Network and Fair Trade Framework

2.1 From the Beginning

Since 2001, the CAI conducted a research program entitled “The Development of Co-operatives and Fair Trade”, with the financial support from Thailand Research Fund (TRF). The program was in line with its roadmap to accomplish the ultimate goal of harmonizing people to develop the country and promote happiness in the society (see Figure 1).

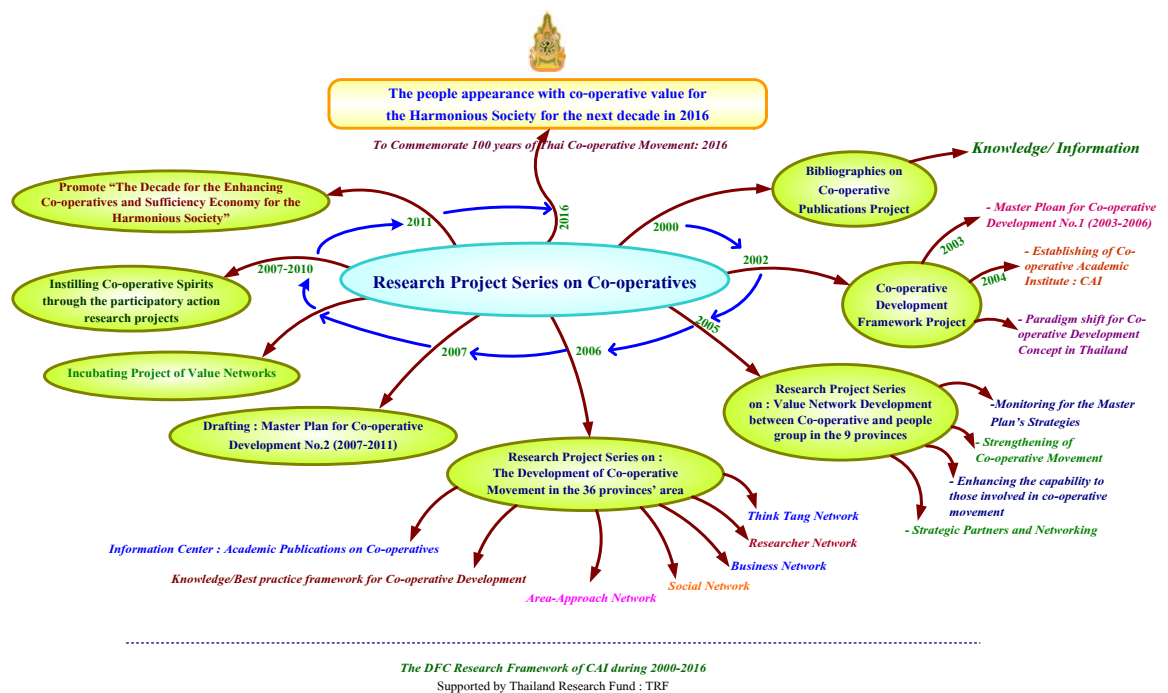


Figure 1: The CAI’s Value Network and Fair Trade Research Framework

The research on networking was identified as one of the key strategies in the 1st National Co-operative Development Plan (2003-2006). The term, “networking,” refers to networks linking among agricultural and non-agricultural co-operatives. Based on the ex post evaluation in 2006, the networking strategy generated 127 networks that spread to 45 out of a total of 72 provinces throughout the country. They were participated by 42,353 co-operatives/groups. (Patrawart et al., 2006)

In the final workshop of the research project in 2006, all participants contributed and defined the “value network” as “the relationships among network members that promote mutual learning toward sustainable business operations and well-being of

people in the ever-changing conditions.” The participants in the workshop were grass roots from self-help groups, co-operatives, and local communities.

At the beginning of 2007, the National Co-operative Development Committee entrusted the CAI with a task to formulate the 2nd Co-operative Development Plan, which is known as the Co-operative National Policy, 2007-2011. Then, the concept of value network was employed as a main strategic element in the plan. However, the concept was modified to include all participants in the supply chain. In other words, this revised or improved concept aimed to create a new form of business networks that linked grass-roots organizations, business partners, suppliers and customers together in order to strengthen their cooperation and increase efficiency throughout their supply chains. During 2007 and 2011, the CAI conducted many research projects to encourage implementation of the modified concept of value network among co-operative societies and local communities.

At the end of 2011, the research projects created some interesting business models—e.g. Rubber Value Network, Thai Hom Mali, etc.—that led to formulation of new business models in the agricultural sector. The findings revealed that the value network framework was able to successfully support the participants, cooperatives or grass-roots organizations, so that they could pass both tangible and intangible benefits back to their members. More importantly, it was helpful in the preservation of their well-known socio-economic and cultural identities. (Patrawart, 2011)

Based on the lessons learned from these experiences, the CAI proposed a Value Network and Fair Trade Platform (VN&F Platform) as a strategic framework to achieve the inclusive development goal in the future.

2.2 A Conceptual Framework of Value Network and Fair Trade Platform

The Value Network and Fair Trade Platform (VN&F Platform) is a basic framework for designing and implementing research activities over years. A variety of fair trade value chains emerge out of a large number of different arenas of application, geographical locations, commodity types, target groups, business partners, customers, and desired outcomes. The platform becomes a means for identifying open opportunities and monitoring ongoing performance of commercially viable groups.

The VN&F Platform comprises three key strategic pillars as follows: (Patrawart et al., 2007) (see Figure 2)

1. Creation of four-dimensional leaders, who believe in the co-operative principle, encourage the co-operative spirit, shift to the new paradigm, and follow good practices
2. Enhancement of business operation based on strategic management
3. Operation of business based on integrated supply chain management and the fair trade principles

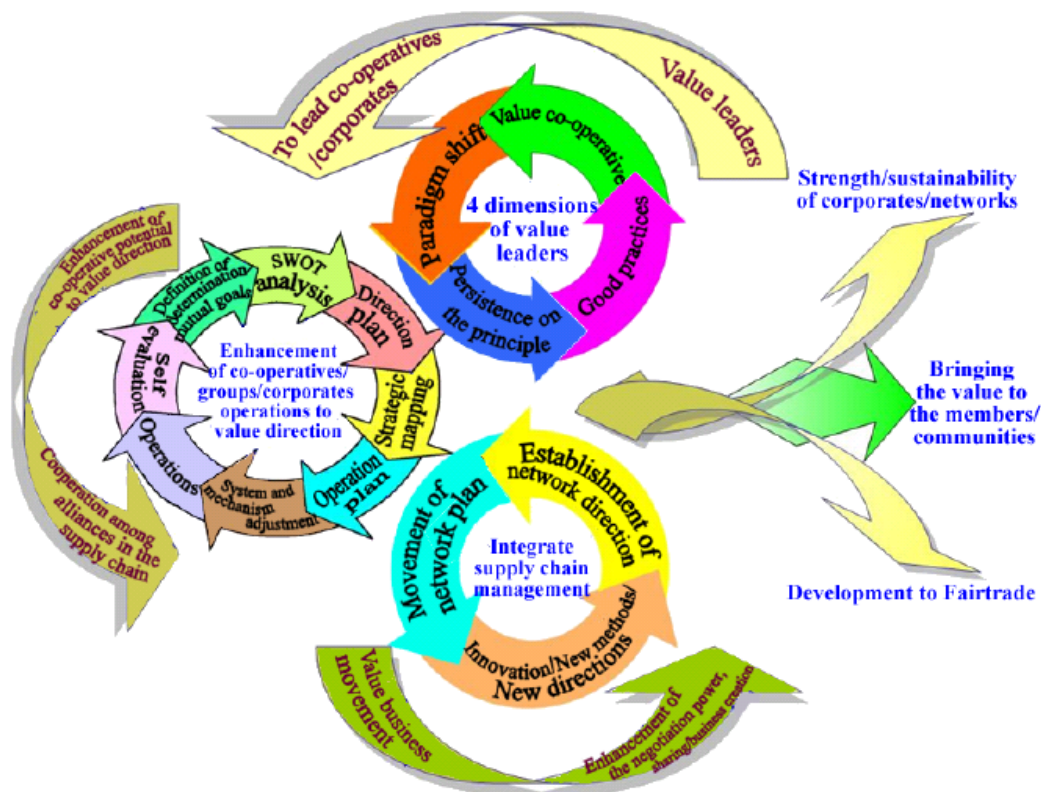


Figure 2: The Value Network and Fair Trade Platform

3. Case Studies of Value Network:

This section presents three case studies of successful businesses implemented through the VN&F Platform.

3.1 The Moral Rice Value Network

The Moral Rice Value Network is a business model of multi-partnership that includes business enterprises throughout the supply chain of organic Hommali rice. All participating farmers in the project vowed to observe a set of moral codes i.e. abstinence from alcohol drinking, smoking and gambling. These farmers create a brand, “Moral Rice,” which is meant to induce trust in their customers that the product is genuine organic Hommali rice. Eventually, the new brand has successfully helped farmers overcome the falling prices of rice.

Altogether, there are 119 moral rice farmers, who are members of the Dhama Ruamjai Group in Yasothon Province. The group has its own motto, “Strong Moral Codes, High Working Skills and Good Knowledge,” to guide their farming activities in the supply chain system, which makes it unique.

Figure 3 describes the strategic framework for the creation of Moral Rice Value Network.

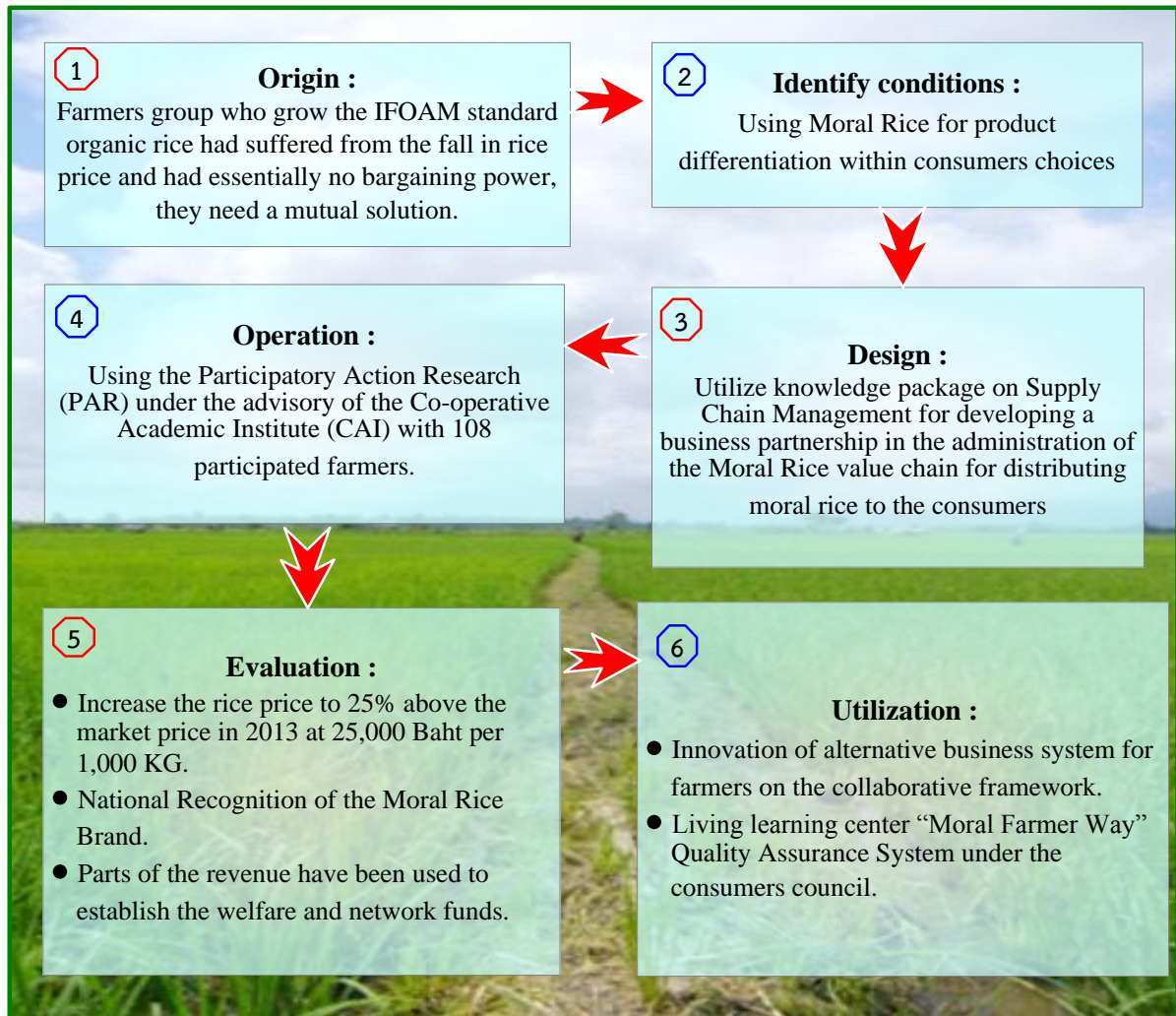


Figure 3: The Strategic Framework of the Moral Rice Value Network.

3.2 The Fruit Value Network

The Fruit Value Network is a model of the Kitchakut Agricultural Co-operatives Ltd. in Chanthaburi province. It adopted the VN&F platform in search of a solution to the highly volatile fruit markets, the challenges faced by the co-operative members. The strategic framework for creating the Fruit Value Network and its economic and social implications for the communities are shown in Figure 4.

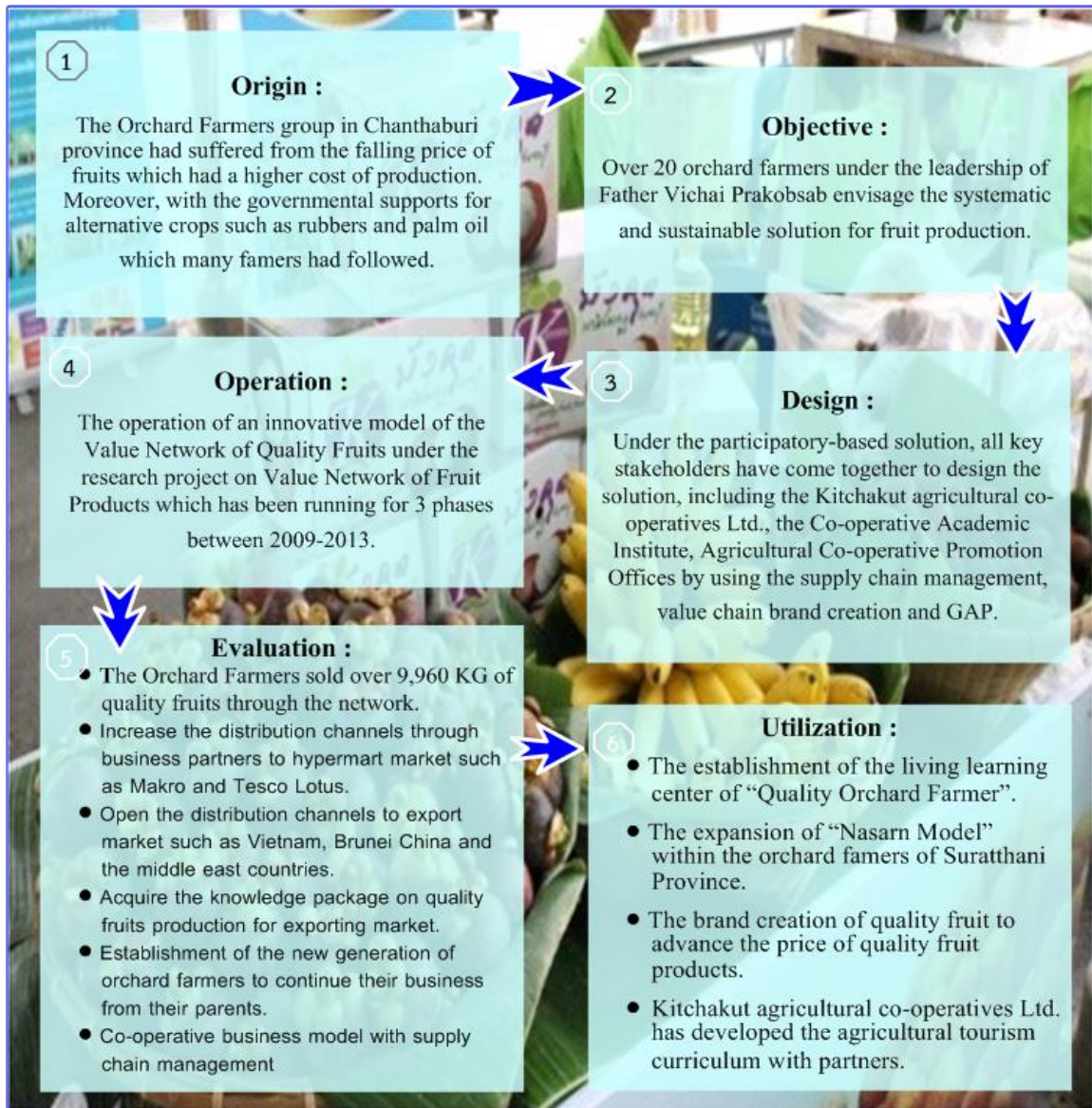


Figure 4: The Strategic Framework of the Fruit Value Network.

3.3 The Sampran Value Business group

The Sampran Value Business Group is another innovative value network business model. It is located at the Rose Garden Hotel, Sampran district, Nakorn Pratom province. The business group was founded by the owner of Rose Garden Hotel. The CAI provided the group with technical support in applying the principles of self-help and mutual help to overcome pollution from chemical-based farming in the neighborhood. The model promoted farmers' understanding and awareness of the benefits of organic farming that could contribute to their better living conditions and economic success.

In this project, the “Sukjai Market” (Happy Market) was set up as a weekend market, where orchard farmers in the surrounding communities could bring their organic products to sell free of charges. The production of organic products was under

close supervision of the CAI and the Rose Garden Hotel. Participating farmers did not only earn more than 1 million baht a month from selling their organic products, but they also learned about the principles of marketing, food safety as well as Good Agricultural Practice (GAP). Hence, the Sukjai Market has become the living learning center for everyone in the community (see Figure 5).

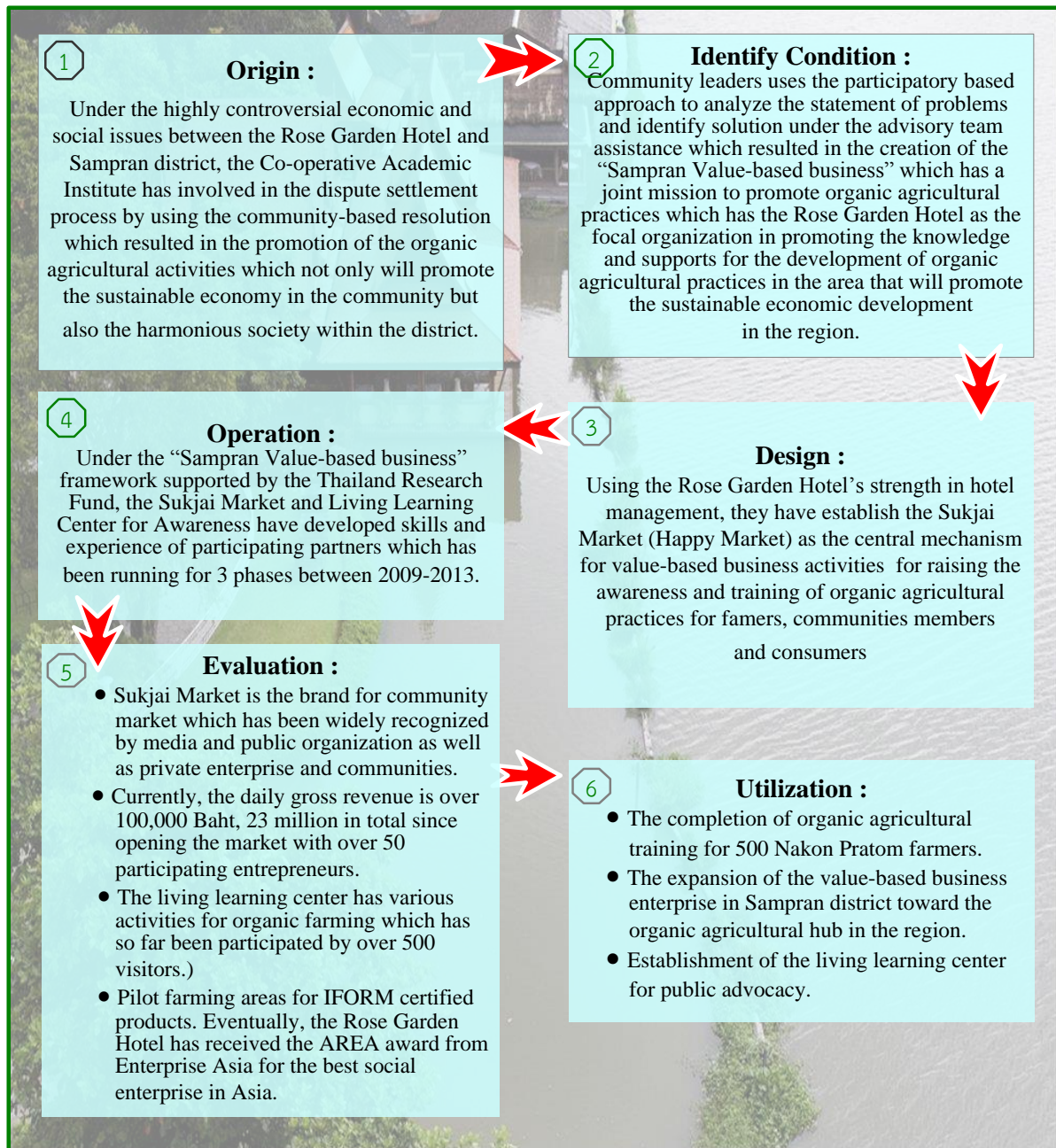


Figure 5: The Strategic Framework for the Sampran Value Business Group.

4. Research Findings

Lessons learned by the CAI from previous research projects indicated that the creation of the value network and fair trade is only a necessary condition. In order to reach the ultimate goals of people living in harmony, development of the country and promotion of happiness in the society, other sufficient conditions are needed. Innovative business models and supporting systems have to be developed. Based on the research findings and many discussions among stakeholders and academics, the CAI proposed a social economy enterprise (SEE) as an extension of the former VN&F Platform to support future grass-roots and community development. It is a collectively owned business organization that uses market mechanisms, with supporting systems, to pursue their mutual economic and social goals. The SEE must have five characteristics as follows:

- 1) Aiming to serve their members and communities to pursue their mutual economic and social goals
- 2) Operating with the principles of participation, empowerment, individual and collective responsibility, and mutual help
- 3) Being a autonomous organization and following a democratic decision-making process
- 4) Utilizing market mechanisms to meet and satisfy needs
- 5) Endorsing the principles of integrated supply chain value network and fair trade when managing the businesses

5. New Challenges

The SEE is an extension of the VN&F Platform. The CAI and related parties found this approach to be a better response to the complex relationships across supply chains. It is about farmers and entrepreneurs taking action together, with intellectual support from the CAI and other government agencies, to meet their needs and work in harmonious collaborative ways to pursue their mutual economic and social goals.

The SEE is formulated as a more formally organized, market-oriented, mutual and self-help organization. In the 6th CAI's research framework between 2013 and 2016, the SEE is chosen as a strategic mechanism for organizing people to improve their economic and social lives. The new research theme during this period will be "The New Strategic Framework for the Evolutionary Development Process of SEE (2013-2016)" (see Figure 6). It is a development process that expects a building-up of social, intellectual and human capital over time. To build up financially viable grass-roots business organizations is only part of the total picture. To reach the goal of happy society, other parts of the framework are as important to make the business organizations successful.

This framework focuses on the utilization of SEE as a means leading to the realization of the broader National Economic and Social Development Plan's vision of "a happy society with equity, fairness and resilience." The CAI will undertake activities in the following five important areas:

1. Setting up a prototype of grass-roots organizations that run their businesses on the SEE platform, and turning them into living learning centers to disseminate any knowledge related to the SEE
2. Expanding establishment of business operations, by using SEE's as a foundation, in rural farming communities and other economic sectors, including partners from the public and private sectors, and urban communities
3. Designing educational curricula for vocational diplomas, associate degrees and bachelor degrees in SEE
4. Enhancing the capacity of change agents among strategic partners to promote SEE's in order to reach the goals of the National Development Plan
5. Turning the CAI into a research and development unit that will create, with strategic partners, innovations and a body of knowledge in SEE

At the beginning of 2013, the CAI entered into memoranda of academic cooperation with four agencies i.e. Agricultural Land Reform Office (ALRO), Ministry of Agricultural and Co-operatives, Thailand Research Fund (TRF), and Agricultural Development Agency (ARDA). From 2013 to 2015, the agencies will implement collaborative projects to transfer knowledge from the CAI through the ALRO's officers to encourage rural farm communities to utilize the SEE platform to run their business organizations apart from performing production activities. It is predicted that the SEE platform will help ensure that the benefits derived from the use of their land, labor and capital will be maximized and the development of businesses in local-communities will lead to better lives for people in the communities.

During 2013 and 2015, the four collaborative agencies has planned to work together and use the SEE platform as a means through which knowledge gained from research under the Development of Co-operative and Fair Trade (DCF) framework will be transferred to grass roots and organizations in all ALRO areas over the country.

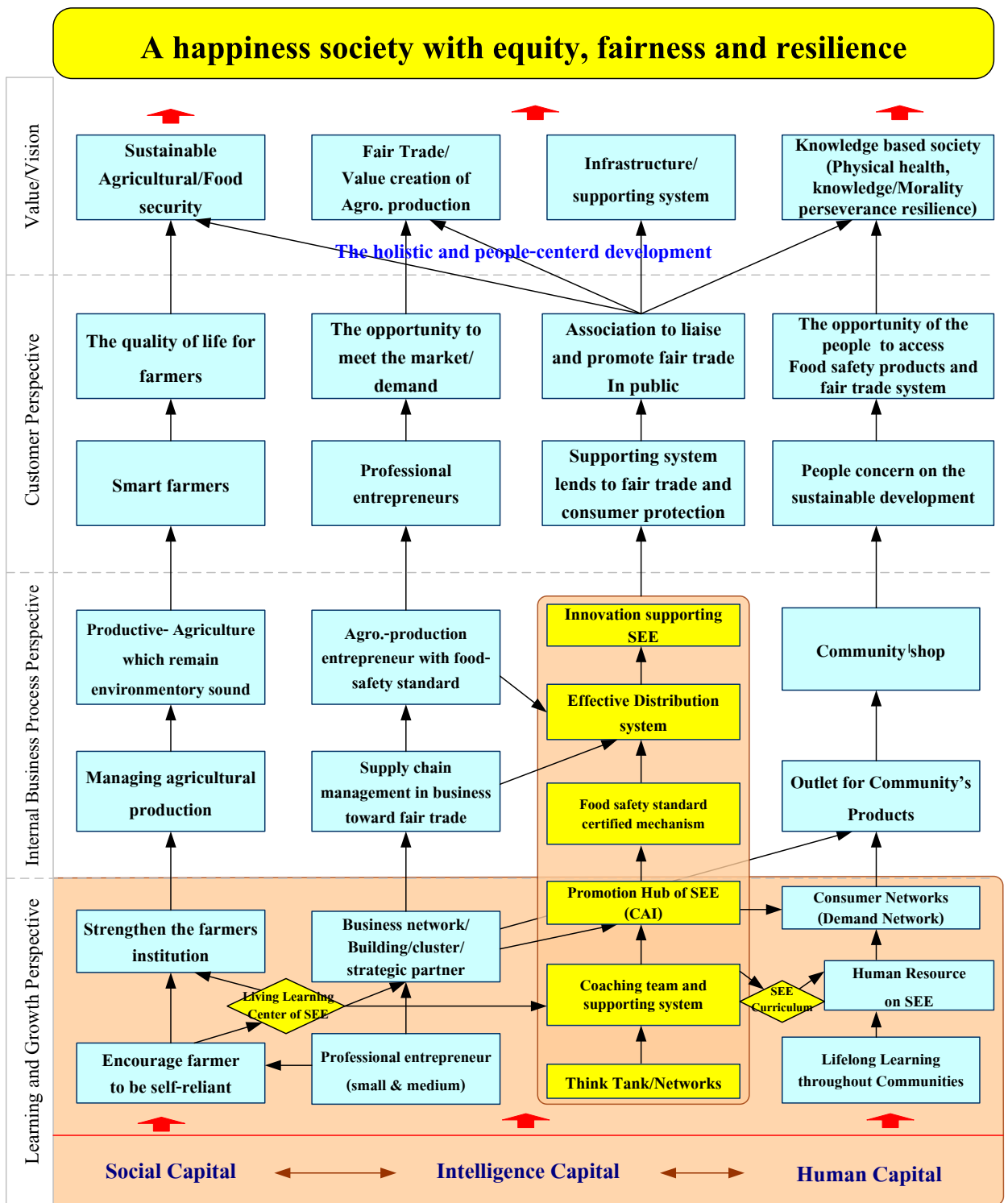


Figure 6: New Strategic Framework for Evolutionary Development Process of SEE (2013-2015)

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