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Spawning Social Enterprises Across Asia - An interview with Mechai Viravaidya

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SPAWNING SOCIAL ENTERPRISES ACROSS ASIA

An interview with Mechai Viravaidya



Mechai Viravaidya founded the Population and Community Development Association (PDA) in 1974 to address the unsustainable population growth rate in Thailand and then later, HIV/AIDS which first appeared in Thailand in the mid-1980s. In between running PDA's activities, he was appointed to such key positions as Thailand's Cabinet spokesman, the Minister of the Office of the Prime Minister, and chairman of several of Thailand's largest government-owned enterprises. He was also elected to the Senate between 1987-1991, 1996-2000, and 2000-2006. He was in Singapore in March 2012 to speak at SIF's "Ideas For A Better World" Forum.

Mechai Viravaidya, also known as "Mr Condom," believes that Asia is fertile ground for promoting social enterprises. He tells Social Space why and how he thinks this should be done.

Social Space (SS): You are well known for creating the Cabbages & Condom Restaurant in Bangkok as well as the Birds & Bees Resort as social enterprises to fund the work of the Population and Community Development Association (PDA). How did this come about?

Mechai Viravaidya (MV): Well, every non-government organisation (NGO) needs money to survive. Most depend upon donations and grants, but it is not sustainable.

I have tried different methods of raising money. I have begged; I have tried praying. They don't work. Even if you get some money, it only lasts you one, two, three years, then what? You have to go begging again. Making your own money through social enterprise is the most certain and

sustainable way of fundraising.

We called and themed the restaurant and later the resort along the line of our work at PDA then—which was population control. So come to our Cabbages & Condoms Restaurant and you will see condoms of different shapes, sizes and colours being used to decorate the restaurant. When you leave, you get a new one to use or keep as a souvenir.

SS: You have spawned quite a number of other social enterprises. How successful are they?

MV: We run 26 social enterprises in the PDA at the moment. They include souvenir shops, mobile exhibition vans, food and agricultural products, research and consultancy services, training, healthcare,

construction and building materials, factory real estate, manufacturing and ecotourism. Financially, it's a mixed bag; the high-performing ones make up for the low-performing ones.

Altogether, these social enterprises generate about US\$15 million in profits every year. Seventy-five percent or US\$12 million of this goes directly towards PDA's charitable work and the education efforts in the rural areas. The other 25% goes to expand the business or into our reserves, so that we can potentially fund more charitable work in the future.

SS: So 100% of the profits is ploughed back to the community eventually? None of it goes to benefit the shareholders? As you are aware, many so-called social enterprises channel some of the profits back to the owners.


MV: Yes, I am aware of that. There are some people who run a profitable business and donate a percentage of the profits to charities while distributing the rest to shareholders. It may be socially responsible of them to do so, but that is not strictly a social enterprise. It is a distortion of the term.

Mind you, the concept of social enterprise has been around for a long time in this part of the world. Professor Muhamad Yunus, Fazle Hasan Abed and I have been doing this since 1974. And we have been channelling all the profits to the charitable cause. Then the West came along and started using the term "social enterprise," but they tweaked the model and created many variants. Oh well, that's what they do, they like to hijack what we do.

SS: How about giving equity to the workers of the social enterprise?

MV: Our social enterprises cannot afford to do that. However, we have sought to put in place an arrangement of five joint ventures with external companies that manufacture shoes, ice skates and brassieres to introduce social capitalism. After the company has recovered its initial losses, the workers are allowed to buy shares starting with 10% every year until they reach 40%. Population and Development International (PDI), our US-based charity that addresses poverty worldwide, gets 30% and the external company gets 30%. Not all companies are enlightened enough to do this, but we keep trying.

SS: You have touted social enterprise as the most certain and sustainable way of funding for NGOs. But studies have shown that most social enterprises do not really make a lot of money. In fact, most of them require grants and subsidies to cover their costs. Why do you still think it is a panacea for the social sector?



The ideal of "human rights," in its modern incarnation, is only about 60 years old.

MV: Yes, I have seen social enterprises fail. But I have also seen many commercial enterprises fail too. If you think about it, business is about failure. Even Kodak failed. What matters are the learning points from these efforts.

The point is that charitable handouts are never sustainable. You have to make your own handouts.

As you learn from your failures, you must be adaptable. You can change a business from Type A to Type B. If it is wise to change, then change.

Most social enterprises fail because they don't have enough business-minded people, with the right skills and insights, to advise on the execution. So go to companies that have the business skills to advise you on what business to do. Recruit people with business experience to help drive the processes and implementation. Or get companies to attach their retiring employees to social enterprises in their last one or two years with the company. This can be done.

Now think about this possibility—one day, your Singapore Airlines can change ownership and be run as a social enterprise. The hotel that you are familiar with may go down that same path too. Is it impossible? No. You remember communist Russia? It has changed ownership and now a different kind of economic system is in place. So we should keep our mind open to possibilities.

SS: Would you say that those companies that actively practise corporate social responsibility or CSR have made a first step towards attaining this vision of yours?

MV: No, CSR is pseudo. Quite often, when you see companies engaged in CSR, they're really just angling for that newspaper picture of the company leader handing over a gigantic cheque to a charity organisation. For companies that practise real CSR, it is always driven by the leader. But CSR should be an individual responsibility for everyone, even before he goes to work, before going to the company. It should start with "I-Responsibility."

SS: Do you think we can end up with a world where all companies are social enterprises?

MV: Oh no, but we should certainly convert some of them into social enterprises. It is my hope that if we educate the new generation to share, then we can get there closer and have more and more of such companies. Teach them to share and find joy in public good.

SS: Perhaps through the MBAs that are being taught in universities, we can breed the right business leaders?

MV: The MBA programmes now teach smart people to be greedy people. MBAs should be renamed as Masters of Business Administration and Philanthropy. Let's get the MBA graduates to help or work in social enterprises. Get companies to each foster, say, 14 young people who want to be social entrepreneurs. Imagine the different foundations and capacity-builders getting each company to foster 14 young social entrepreneurs, we could end up with thousands of them!

Greed is always wrong. But there is nothing wrong with benefiting from hard work and reaping its success. But if you are greedy, you will want to keep your resources to yourself.

SS: We have examples of people who become rich through the traditional capitalist system of greed and then contribute to society in their retirement years. In this sense, greed serves a purpose, doesn't it?

MV: No, there is no place for greed. Greed is always wrong. But there is nothing wrong with benefiting from hard work and reaping its success. But if you are greedy, you will want to keep your resources to yourself.

It starts with little, actually. It takes a bit of sharing of time, mind and the heart. And when you have the resources, then it will be easy to share.

SS: Speaking of greed and capitalism, in your Birds and Bees Resort, there is a Capitalist Walk and there is a Communist Walk. On the Capitalist Walk, there is a sign that says "Uneven Distribution of Wealth." On the Communist Walk, the sign says "Even Distribution of Poverty." You created those slogans, we hear. Are there other Walks you have in mind?

MV: Yes, of course. We are going to have the Walk of Ignorance with a sign that says "Ask questions that you think you know, but you are wrong." For instance, do you know what the biggest man-made structure in the world is? You might say the Great Wall of China, right. But you are wrong. It is a rubbish dump in New Jersey!

SS: What would the Mechai Walk say?


MV: If you go to the resort, you will see that the Capitalist Walk branches to the right and the Communist Walk branches to the left. But after some time, the Capitalist Walk will take one round and turn left into the Communist Walk and vice versa. These two Walks are essentially the same!

If I have a Walk, it would be to turn regular capitalism into social capitalism. Say you have ten family businesses, why don't you turn one of the companies into a social company whereby the workers own some shares? That's a tremendous pride for them. You earn so much, you won't feel it. It's like a spoonful of rice for you.

SS: What else in your view is pseudo in this world?

MV: Democracy in Thailand, for one, is pseudo, which is why we pay attention to institution-building, gender equality and participatory movements at the grassroots level. We get our students in the Bamboo School to start young in organising and running things.

There are unmet needs everywhere, but that is not the primary reason that social enterprises succeed. They succeed because the community wants to succeed, and we work hard to succeed.



SS: Yes, your Bamboo School, or Mechai Pattana as it is known in Thailand, is making waves. What does it do and how much does it cost to build and run?

MV: The Bamboo School is an endeavour to create a revolution in education. It goes beyond the teaching of literacy and numeracy skills to promote environmental protection, education, poverty eradication, philanthropy, integrity, and democracy and gender equality amongst its students.

Students do not need to pay school fees. The US\$2,000 that it takes to school a student per year is funded by the social enterprises set up by PDA. For instance, a substantial portion of the profits generated by the Birds and Bees Resort goes towards the running of this school. But the students and parents work for a place at the school—they plant 365 trees and undertake 365 hours of community work. Students also carry out one hour of community service for lunch.

The school also serves as a lifelong centre for learning where anyone who wishes to learn to improve agriculture or business or pick up general vocational skills can come and benefit.

Our teachers have basic university degrees and we pay them a fair salary. We are also in the process of grooming current students to become future teachers for the school.

We invested more than US\$2 million in the school and this includes the building and infrastructure, while the annual operating cost is about US\$300,000 for six grades of education.

SS: Some will say that democracy-building comes with a big price tag.

MV: We should stop complaining about spending money on doing good. People can spend so much on their watch, cars and diamonds. Well, the school is a diamond.

SS: What do you teach at Bamboo School that you can't find in other Thai schools?

MV: First, something is wrong with the education system in general. It teaches us to be parrots. Students don't ask questions and they learn to grow to be accepting about whatever they are taught. This is creating the perfect environment for corruption to thrive because the population will not be able to ask the basic questions: "Why should I give you the money?" and "Where does the money go to?" It breeds people who are gullible and easily convinced.

At the Bamboo School, we give the students opportunities to exercise leadership when they are young. They select the Grade 7 incoming students and they make decisions about teacher selection and evaluation. They also participate in the purchasing committee where they learn how to budget, negotiate and ensure transparency.

SS: While your work with PDA has primarily been in Thailand, you are now expanding your contribution to other countries to build entrepreneurial capacity and foster community empowerment for health development at the village level. Is it fair to say that Thailand has a unique context in that it is deferential to authority and has an internal economy, but it may not be so easy to scale your model to other countries such as Cambodia? Might cultural differences be an impediment?

MV: I don't think that should be the case. The language may be different, but the same basic needs occur in most Asian countries.

Most importantly, you go into these countries to build trust and goodwill with the local population first. Respect the people you are working with. Let them take the lead, let there be people empowerment. All people should be encouraged to play a major role. For instance, in exchange for an amount of money put into the community fund, a tree must be planted by the villagers in their area. In the process, the world gets changed, and money goes into a microcredit fund that benefits the village.

We start small with mini-businesses run by the family, and then we move outwards to running social enterprises with the community. It could also be something as simple as transporting them to Angkor Wat, a 40km distance from their villages. We did that, and the villagers were so grateful for the chance to appreciate their culture.

When the villagers see that they can benefit and make money out of these efforts, they will come forward and participate, and the programme moves very fast.

SS: You are now visiting Singapore. You have been here a few times and are familiar with the country. Can you share your insights from your experiences on some of our issues? For example, while you have succeeded in bringing down Thailand's population growth rate from 7.7% in 1974 to 0.5% in 2005, Singapore has had similar success with its "Stop At Two" programme. In fact, it was so successful that our fertility rate is now not high enough to sustain the country. What should we do?

MV: You import all kinds of things in Singapore, so why not import people? Why must you breed your own blood? Are you horses? Your ancestors will be saddened.

Nationalism is irrelevant. In Thailand, the students sing the national anthem every morning in the hot sun. At the Bamboo School, we do it in the afternoon when it is cooler and we do it once a week. On any other day, we sing songs of hope, such as "My Highest Dream."

You are fortunate that in Singapore, you are prosperous and have good infrastructure. Getting people to want to come to Singapore should be easy.

SS: With such limited unmet needs in Singapore, would you say there is a correspondingly limited role for social enterprises or, for that matter, social organisations?

MV: There are unmet needs everywhere, but that is not the primary reason that social enterprises succeed. They succeed because the community wants to succeed, and we work hard to succeed.

And yes, Singapore doesn't need much as compared to the surrounding Asian countries. But there will be compensation and de-compensation to everything. Yes, you have plenty, but you also have frustrations and restrictions.

But you can't have everything. I would say that people in Singapore are better off than most other people. With what they have, Singaporeans just need to smile a bit more. They can also do more with regards to the unmet needs in the region. With the resources and experience that it has, Singapore should get ready to be the star of ASEAN, the star of Asia.

SS: How so?

MV: You have a clean little place here amongst a lot of junk. So, Singapore should project its positive influence out towards other ASEAN countries. There are many things that Singapore has achieved for itself, and there are many things it can do for the region.

For a start, Singapore can lead the ASEAN cooperation for the promotion of social enterprises. Get the Singaporean and ASEAN secretariat to do a seminar to have a clearer understanding on what a social enterprise is and what the government can do to support these models and movements. It can contribute much to the country's GDP.

SS: Why do you think government can help? Haven't social enterprises been driven by the private and people sector so far, and aren't they, in fact, the best people to lead it?

MV: Well, I am not asking the government to lead this initiative. It will be like giving you a rope and asking you to tie yourself up with it. But I think it is important that the government sees the importance of this set-up and ensures an enabling environment for it to thrive. It can put in place regulation that allows social enterprises to grow. For instance, governments can enforce a rule that states that the social enterprise cannot distribute profits to shareholders and that it should instead be channelled back to the charity cause that it supports. In return, the social enterprise pays less or no taxes.

For your efforts in development and education, you have received numerous awards: the United Nations Population Award; the Bill and Melinda Gates Award

for Global Health; the Prince Mahidol Award for Public Health; the Ramon Magsaysay Award for Public Service; and the Skoll Award for Social Entrepreneurship. You were also named one of Asiaweek's "20 Great Asians," and one of TIME Magazine's "Asian Heroes" together with Mahatma Gandhi and the Dalai Lama. How does it feel to be among the giants in the world of doing good?

MV: I feel embarrassed. I think people have overestimated me and the work that I do.

SS: You use humour a lot. Does this detract from the seriousness of your message?

MV: I will let you be the judge on that one. Have I failed? Would you like me to just sit and be dull? Did I get my message across? These are serious issues, yes. But can't we smile? We can laugh at ourselves and laugh with others. Humour doesn't hurt at all as long as we are not frivolous in our work.

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SS: How did you become the Mechai that you are today? Was it your upbringing as a child?

MV: My mother is Scottish. You would have thought that I would then be the best in class when it comes to English but I never was. I was top in class only once, and that was because the top student was ill.

I was never a keen student when the teacher was dull. I remember attending this terrible lecture in accounting and I kept failing the subject and ended up being a fourth year student amongst freshmen. I couldn't pass until I took up a holiday job at Dunlop and was taught the basics of accounting. And I thought, "Oh this is what accounting is about. I didn't know it's that easy!" And I passed the accounting paper after that. I even managed to finish the paper half an hour earlier than the rest. I learnt then that universities don't make education interesting.

SS: What's your succession plan like?

MV: I have many capable people working under me, starting with five who are directly assisting me. Each one of them has someone under 30 years old who can take over. So I have, not one, but five different types of people to keep this thing going. You don't need so many of me. One Mechai is enough, thank you.