

Putting Rhineland Principles Into Practice in Thailand: Sustainable Leadership at Bathroom Design Company

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Enterprises in less developed economies that wish to sustain success have a choice of business models to follow. This case study investigates the extent to which a Thai corporation engages in management practices matching the 19 sustainable leadership criteria attributed to Rhineland organizations and distills those practices into six categories: a focus on long-term perspective, staff development, organizational culture, innovation, social responsibility, and ethical behavior. In sharp contrast to the prevailing Anglo/US business model of short-term maximization of profitability, these practices offered the company a solid framework for evaluating its corporate sustainability. © 2012 Wiley Periodicals, Inc.

Corporate sustainability is becoming increasingly significant for business leaders concerned with energy and resource shortages, global warming, unethical business practices, and enhancing corporate reputations (Wong & Avery, 2009). Numerous scholars (for example, Avery, 2005; Avery & Bergsteiner, 2011; Kantabutra, 2006; Kantabutra & Siebenhüner, 2011; Piboolsravut, 2004; Wilson, 2003) are seeking an alternative to the prevailing Anglo/US business model that promotes short-term, shareholder value even though it does not always lead to sustained business success.

In Europe, Rhineland capitalism is seen as an alternative philosophy to promote corporate sustainability (Albert, 1992). It is concerned with the long-term sustainability of an enterprise and its relationships with many interest groups, not just with

shareholders (Albert, 1993). The quest for corporate sustainability appears similar in Asia. One alternative is Japanese human capitalism, which with its strong employee focus places Japan at the most advanced stage of capitalism (Ozaki, 1991). Another variation comes from Southeast Asia, where governments take an active role in creating, shaping, and guiding markets and require firms to take considerable responsibility for the social welfare of their employees (Stiglitz, 2002). Singapore is a highly successful example of this business model. In Thailand, the Sufficiency Economy Philosophy, which aims at creating balance and sustainability for society, has been widely acclaimed as a viable approach to corporate sustainability (Kantabutra & Siebenhüner, 2011; United Nations Development Programme, 2007).

Independent of geography, sustainability in business organizations goes beyond the traditional view of adding on being “green” and “socially responsible” to business as usual. Sustainable businesses need to do more than merely comply with internationally accepted rating systems, such as ISO 14001, the Triple Bottom Line, or the Global Reporting Initiative. Instead, sustainability needs to be fully integrated and embedded in every aspect of the organization (Van Marrewijk & Werre, 2003). Avery’s (2005) Sustainable Leadership Grid of 19 elements offers a relatively comprehensive approach to assessing embedded sustainable leadership practices in organizations. The leadership philosophy and practices underpinning the Rhineland approach

provide the research framework in the present study for examining business practices in Thailand's leading innovative sanitary products producer. This study's purpose is to assess the applicability of this framework, developed from observations in Western economies, to an enterprise in Thailand's less developed economy.

Traditionally, sustainability grounds the development debate in a global framework, within which continuous satisfaction of human needs constitutes the ultimate goal (Brundtland, 1987). Accordingly, corporate sustainability refers to meeting the needs of a firm's direct and indirect stakeholders (for example, shareholders, employees, clients, pressure groups, and communities), without compromising its ability to meet the needs of future stakeholders as well (Dyllick & Hockerts, 2002). Toward this end, firms are required to maintain and grow their economic, social, and environmental capital bases. Sustainability is not inevitably achieved at the expense of business performance; rather, research suggests that adopting management practices aimed at promoting sustainability can enhance a firm's performance (Avery, 2005; Doppelt, 2003; Dunphy, Griffiths, & Ben, 2003; Stone, 2000). According to Avery (2005), an enterprise is regarded as sustainable when it meets the following three conditions:

- It delivers strong financial performance.
- It demonstrates the ability to endure economic and social difficulties.
- It demonstrates the ability to maintain a leadership position in its relevant market.

A Study in Sustainable Leadership: The Objective and Research Framework

Given the enormous diversity throughout the world, it is not a surprise to find different leadership philosophies operating in different regions, sometimes coexisting, sometimes competing. Avery (2005) uses 28 case studies from regions as diverse as Asia, Europe, South Africa, and the United States to

identify two fundamentally different approaches of leading organizations in the developed world. In line with Albert (1992, 1993), she refers to these as Anglo/US and Rhineland leadership principles. These labels are not to be understood in a geographic sense but denote different approaches to creating value.

The more socially oriented Rhineland model stands in sharp contrast to leadership based on traditional Anglo/US capitalism.

Research suggests that firms led by Anglo/US principles are less sustainable overall than Rhineland enterprises (Albert, 1992, 1993; Avery, 2005; Avery & Bergsteiner, 2010), and tend to perform less well than Rhineland organizations—even on promoting overall shareholder value, which is probably the core aspect of the Anglo/US model. Rhineland-led companies also outperform their Anglo/US-led competitors on a range of other criteria, including environmental and social measures. The supporting evidence for the greater sustainability of Rhineland enterprises on all three of these dimensions—financial, social, and environmental—is substantial (Avery & Bergsteiner, 2010, 2011; Bergsteiner & Avery, 2006).

The more socially oriented Rhineland model stands in sharp contrast to leadership based on traditional Anglo/US capitalism (Avery, 2005). Nineteen criteria distinguish the two approaches, which support opposing sets of self-reinforcing leadership practices on each criterion. Although each criterion may be found in non-Rhineland enterprises, the criteria are highly concentrated under Rhineland leadership. Avery (2005) derived her 19 leadership practices initially from a major study of 13 European firms but tested the model in another 15 enterprises from all over the developed world. The extent to which Rhineland leadership is relevant to less developed economies, however, remains to be seen.

Using the experiences of a leading bathroom products producer in Thailand to test the proposition that Rhineland leadership is relevant in a developing economy, the researchers of this study adopted Kantabutra's (2011) and Kantabutra and Avery's (2011) approach and have grouped Avery's elements into six categories:

- adopting a long-term perspective,
- developing leaders from within the business,
- establishing a strong organizational culture,
- supporting incremental and radical innovation,
- acting socially responsible, and
- practicing ethical behavior.

The Anglo/US emphasis on immediately maximizing profits can mortgage a firm's future position, jeopardizing its sustainable prosperity.

Long-Term Perspective

Rhineland enterprises emphasize the long term, which influences every aspect of Rhineland organizations, including strategic thinking, planning, investment, growth and work processes, human resource policies, and stakeholder relationships (Avery, 2005). Rhineland leaders regard themselves as being entrusted with the well-being of the business for future generations. The Anglo/US emphasis on immediately maximizing profits can mortgage a firm's future position (Kennedy, 2000), jeopardizing its sustainable prosperity. Some firms have removed themselves from the influence of the financial capital markets and outside investors to enable them to focus more on the long term (Avery, 2005).

With a long-term perspective, Rhineland enterprises avoid abrupt new changes and strategies. In particular, a long-term focus helps ensure corporate sustainability by reducing disruption when CEOs leave (Avery, 2005). Through compensation schemes based on the long-term performance of the business, top managers become committed to the

consequences of its decisions and can plan and invest over many years, which may involve accepting no short-term growth. This contrasts sharply with the Anglo/US requirement for continuous quarterly growth.

Staff Development

Developing staff is core to Rhineland businesses. They prefer to grow their own managers rather than bring in outsiders (except when special skills are needed or internal candidates are unavailable). A global study of CEOs leaving office found that appointing CEOs from outside the company is a high-risk gamble (Lucier, Spiegel, & Schuyt, 2002). The initially high performance of external CEOs slumps during the second half of their tenure and their organizations significantly underperform those led by insiders by 5.5 percent (Lucier et al., 2002). Insiders value and continue the culture and values; outsiders can come close to destroying them. By preserving core values and ideals, firms strive for progress that enables them to continuously change and adapt. This cohesive culture holds corporate members together even in difficult times.

Rhineland enterprises typically have extensive management and leadership development courses in place, and senior management takes a direct interest in these offerings. Rhineland enterprises also develop employees' skills, making heavy financial investments in training and development, with training available to all employees. Continuous staff development is consistent with adopting a long-term perspective, including with retaining staff. Development pays off in numerous ways, including through increased productivity, profits, share price, and shareholder value (Aguinis & Kraiger, 2009; Becker, Huselid, Pickus, & Spratt, 1997; Ichniowski & Shaw, 1999; Jacobs & Washington, 2003).

Organizational Culture

As noted earlier, Rhineland enterprises nurture a strong organizational culture. Culture can be defined in terms of shared values or beliefs that influence

people's behavior and help employees identify desirable behaviors (Deal & Kennedy, 1982). Corporations often manage their culture through statements of vision, values, and/or philosophy designed to express core beliefs and the soft rules that guide members' behavior (Avery, 2005). Plenty of evidence suggests that organizations with clearly articulated vision statements tend to perform better than those without (for example, Hamel & Prahalad, 1989; Kantabutra & Avery, 2002). There are also indications that visions tend to be more effective for leaders who have a high level of discretion or control within their firm (Larwood, Falbe, Kriger, & Miesling, 1995). At first glance, top Anglo/US managers would be expected to wield significant discretion and control. These managers, however, often are measured on short-term criteria and can be easily removed, potentially disrupting the organizational culture.

Rhineland enterprises' strong cultures make them special places to work (Avery, 2005), and their long-term perspective allows Rhineland enterprises more time to communicate a vision and have it take effect. Although the nature of this "specialness" varies significantly in the details of a specific organization's culture, values, and philosophy, many values recur within enterprises characterized by Rhineland leadership: innovation, customer focus, high quality, excellence, protecting the environment, and valuing people. By recruiting and retaining people who already share the organization's core values, there is no need to mold them. Focusing on the short term does not give organizational members time to integrate their own values with those of the organization, nor does it communicate consistent values to members (Schnebel, 2000). For these reasons, developing a strong organizational culture can be difficult where staff turnover is high, and individual and organizational values are not aligned.

Innovation

Innovation is a main source of technological progress and economic growth (Kantabutra &

Avery, 2011). Radical innovation refers to major shifts in product lines and processes or developing entirely new goods or services. Incremental innovation entails continuous, small-scale improvements to processes, services, and products to enhance quality (Hall & Soskice, 2001). Rhineland enterprises are champions of both kinds of innovation (Avery, 2005; Lawler, Mohrman, & Ledford, 1995), which helps make them very competitive. They invest in long-term research and development (R&D), maintain it even in times of financial crises, and continuously improve processes, services, and products.

Rhineland enterprises take a much broader view of innovation than simply R&D investment; for them, innovation involves turning inventions into customer solutions (Avery, 2005). They approach innovation management systematically, gathering ideas from the entire gamut of organizational stakeholders, including employees, customers, and suppliers. In general, the Anglo/US short-term approach does not nurture an innovative culture designed to increase the long-term wealth of companies (Mitchell, 2001), despite the fact that innovation and change become the preferred strategy in an increasingly boundary-less and interconnected world (Meyer, 2002). For example, reducing R&D and change budgets to meet quarterly growth targets make long-term innovation particularly difficult.

Social Responsibility

Traditional shareholder-first leadership philosophy does not focus on corporate social responsibility (CSR) or environmental protection, although pressure is mounting for firms to adopt this approach. The alternative is short-sighted because substantial research shows that socially responsible firms in Europe, the United Kingdom, and the United States match or outperform their counterparts commercially (for example, Gelb & Strawer, 2001; Schueth, 2003). Most interestingly, among 500 Standard and Poor firms, the socially responsible ones are associated with improved shareholder value and have been found to financially outperform their competitors

in other indices as well (Hillman & Keim, 2001; Morgan Stanley and Oekom Research, 2004). Most recently, a study of Thai businesses by Kantabutra and Siebenhüner (2011) found that geosocial development and broad stakeholder focus are direct predictors of a firm's capacity to deliver competitive performance and indirect predictors of a firm's capacity to endure social and economic crises in Thailand.

Social responsibility, including responsibility for the environment, underpins the organizational philosophy of Rhineland enterprises. Where there is a need to invest in being responsible on social and environmental issues, Rhineland companies will do so. Although there are clear economic gains in being a good corporate citizen, for many Rhineland organizations this is simply the right thing to do, which leads to the next topic of ethical behavior.

Although corporate leaders perceived as having high ethics have greater success in obtaining employee understanding and commitment to realizing a strategy, it is challenging for managers operating on a short-term focus to act ethically, given the pressure to show quarterly growth and profits.

Ethical Behavior

Basically, ethical behavior involves “doing the right thing” and is strongly evident among Rhineland enterprises. It is regarded as essential for organizational sustainability, given the exposure of unethical accounting and other practices in failed public corporations, such as Enron and many others during the 2008 global financial crisis. Ethics are a form of risk management and can enhance a firm's reputation (Avery, 2005). Companies that operate in transparent, ethical ways can retain investor confidence and maintain their reputations over time. At the enterprise level, ethics start with instilling desired values and behaviors into employees. Although corporate leaders perceived as having high ethics have

greater success in obtaining employee understanding and commitment to realizing a strategy (Recardo, 2000), it is challenging for managers operating on a short-term focus to act ethically, given the pressure to show quarterly growth and profits.

The aforementioned sustainable practices and financial performance are linked because sustainable practices reflect good management, often lower costs, and enhance a firm's reputation and brand (Mays, 2003; Morgan Stanley and Oekom Research, 2004). They also can lead to better management of risks and opportunities, which also benefits investors and may make the enterprise less vulnerable to adversity. Designing products and operations to be more sustainable also frequently increases profits and can generate savings through improved operational processes (Dunphy, 2004). These effects create a virtuous cycle in that better-performing companies have more resources to invest in improving their sustainable practices. This, in turn, should make them more robust to external events and more attractive to long-term investors and customers and, hence, enhance their business value (Avery, 2005).

Bathroom Design: Meeting the Criteria for Sustainability

Based in Bangkok, Bathroom Design Co., Ltd. was founded in 1996, one year before the 1997 Asian economic crisis. Its vision is to be among the top five sanitary products producers in the world, with a focus on innovative design and technology. It is also determined to prove that Thai designers and manufacturers are able to produce well-recognized products and brand names for a global market.

Having approximately 500 employees, the company has sustained growth and diversified its markets to more than 30 countries in Asia, Europe, and the Middle East. It also provides competitive advantages to its agents and customers with a full range of innovative bathroom-related products and accessories based on its “universal design concept” to

meet global consumer satisfaction. Bathroom Design is the first Asian sanitary products producer to win a number of the world's prestigious product design awards.

Bathroom Design appears to meet all three criteria for sustainable enterprises. With a total income of US\$9.3 million in 2011, its financial performance has been strong. It commands a significant share of its market, and more than 50 percent of its customers represent repeat business. The company has operated with a sound return. For each year from 2007 to 2010, its total asset turnover ratio, which measures sales generated per one unit of asset, remained strong at 1.29, 1.25, 1.29, and 1.19, respectively. In 2011, it was 1.12, even though Thailand experienced a flood disaster during the last three months of that year. Moreover, Bathroom Design had a time interest earned ratio of 1.17 in 2011, which signifies its ability to repay debt on time and in full.

The company also has demonstrated the capacity to endure a number of difficult economic and social situations in addition to the 2011 flood disaster, such as the 1997 Asian economic crisis, the subprime crisis in 2007–2008, the 2008–2009 petroleum crisis, and ongoing political unrest. During the 1997 Asian economic crisis, the company almost went bankrupt because its foreign debt increased 100 percent because of the need to import products and low demand in the domestic market. Since 1997, the company has taken a long-term perspective by preparing itself for unexpected crises. For example, it has expanded its domestic market by introducing a different brand of products to mid- and low-income customers. In general, the company has the ability to quickly get back on track after a crisis.

Bathroom Design has clearly maintained a leadership position in its relevant markets over time, as it continues receiving a number of international design excellence awards. These include the Design Excellence Award from Thailand's Export Promotion

Department in 2011, Japan's Good Design Award in 2008 and 2011, and the Red Dot Design Award in 2008, 2009, 2010, 2011, and 2012. Just one year after the company received the 2008 Red Dot Design Award for a bathtub design, Chinese manufacturers copied it. But management was not concerned because they had already developed a new design,

A multi-data collection approach was adopted to investigate whether Bathroom Design engages in management practices that match the 19 sustainable leadership criteria that Avery attributes to Rhineland organizations. The research teams collected case-study data that was supplemented by nonparticipant observations made during four visits to Bathroom Design in 2008, 2009, 2010, and 2011, and by documents and information supplied by or published about the manufacturer. Semistructured interviews were also held with the president of the firm, two managing directors, four managers, five staff members, three customer representatives, and an external researcher and award judges to determine whether there was a fit between the research framework and Bathroom Design's business practices. Observations and responses to interview questions were recorded on paper and videotape. A critical incident technique was also used during the interviews to generate qualitative data. Probes and document analysis were used to explore interview answers in greater detail (Hussey & Hussey, 1997).

Overall, findings were matched to Avery's (2005) research framework and found to encompass many sustainable leadership elements. The extent of conformity with Avery's elements, based on the data, was classified as "least evident," "moderately evident," and "most evident," as shown in **Exhibit 1** (page 12), where "moderately evident" was suggested to fall in the middle of the two extremes of the spectrum. Moreover, the extent to conformity was cross-checked with the six categories by using the following criteria: "least evident" (fewer than 9 elements), "moderately evident" (at least 9 but fewer

Exhibit 1. Criteria to Assess the Extent to Which Data Conformed With Avery's Elements

No.	Avery's Grid Elements	Least Evident	Most Evident
1	CEO concept: top team speaker	CEO is recognized as the hero.	CEO is not recognized as the hero, but another member of the organization.
2	Decision making: consensual	Decisions are being made by managers.	Consensual decision making abounds.
3	Ethical behavior: an explicit value	Ethics are not considered to be part of any decision making at all levels.	Ethics are taken into account in decision making at all levels.
4	Financial markets: challenge them	Organization tries to maximize its quarterly profit by all means.	Organization does not try to maximize its quarterly profit, but a long-term one.
5	Innovation: strong	Organization focuses mainly on R&D.	Organization focuses on both radical and incremental innovation.
6	Knowledge management: shared	Knowledge is not being systematically managed throughout the organization.	Knowledge management is an essential process of the organizational practice.
7	Long-term perspective: yes	Organization is not willing to invest in advance for long-term benefits.	Organization is willing to invest in advance for long-term benefits.
8	Management development: shared	Many outsiders are appointed to management team.	Internal promotion abounds.
9	Organizational culture: strong	No common values are shared within the organization.	Shared common values are demonstrated throughout the organization.
10	People priority: strong	Organization focuses on shareholders rather than employees.	Organization is willing to invest in employees, despite times of crisis.
11	Quality: high is a given	Top quality does not necessarily have to be maintained due to cost cutting and speed.	Investments are made continuously to improve quality.
12	Retaining staff: strong	Layoffs are frequent.	Organization avoids laying off staff, even in times of crisis.
13	Skilled workforce: strong	People bring in generic skills.	Firm-specific skills are developed and nurtured.
14	Social responsibility: strong	Social responsibility is considered an expense.	Social responsibility is considered an ethical behavior and investment.
15	Environmental responsibility: strong	Environmental responsibility is considered an expense.	Environmental responsibility is considered an ethical behavior and investment.
16	Stakeholders: broad focus	Organization mainly focuses on shareholders.	Organization focuses on a wide range of stakeholders, including society, environment, customers, shareholders, future generations, minority groups, and the rest of the society.
17	Teams: self-governing	Teams are directed and managed by employees, but with intervention from managers.	Teams are directed and managed by employees, without intervention from managers.
18	Uncertainty and change: considered process	Uncertainty and change are not managed at all, given relevant expenses.	The organization anticipates uncertainty and change in the future and is willing to invest to prepare for the change and uncertainty.
19	Union-management relations: cooperation	Unions and the top management have an adversarial relationship.	Unions and the top management work together constructively.

Exhibit 2. Sustainable Leadership Grid Comparing Rhineland Criteria and Bathroom Design's Practice

Rhineland Elements on the Sustainable Leadership Grid		Bathroom Design	Extent to Conform			Relevant Categories						
			Least Evident	Moderately Evident	Most Evident	1	2	3	4	5	6	
1	CEO concept: top team speaker	√	██████████			█	█					
2	Decision making: consensual	√	██████████									█
3	Ethical behavior: an explicit value	√	██████████									█
4	Financial markets: challenge them	?	██████████									
5	Innovation: strong	√	██████████									
6	Knowledge management: shared	√	██████████									
7	Long-term perspective: yes	√	██████████									
8	Management development: grow their own	√	██████████									
9	Organizational culture: strong	√	██████████									
10	People priority: strong	√	██████████									
11	Quality: high is a given	√	██████████									
12	Retaining staff: strong	√	██████████									
13	Skilled workforce: strong	√	██████████									
14	Social responsibility: strong	√	██████████									
15	Environmental responsibility: strong	√	██████████									
16	Stakeholders: broad focus	√	██████████									
17	Teams: self-governing	√	██████████									
18	Uncertainty and change: considered process	√	██████████									
19	Union-management relations: cooperation	?	██████████									
Total elements in conformity		18										

Legend: √ = conforms; — = does not conform; ? = not known.
 Category no.: 1 = long-term perspective; 2 = staff development; 3 = organizational culture; 4 = innovation; 5 = social responsibility; 6 = ethical behavior.

than 13 elements), and “most evident” (13 or more elements).

Findings Point to Sustainability

The observations and interviews revealed that Bathroom Design’s leadership philosophy appears largely consistent with the research framework using the six core categories introduced earlier. Findings for each core category are discussed below. The core categories encompass a range of elements that Avery (2005) would predict in a sustainable Rhineland enterprise, and this framework is then used to summarize the results in Exhibit 2.

Long-Term Perspective Leads to Innovation and Diversification

Like other Rhineland enterprises, Bathroom Design maintains an informed long-term perspective that

commits to being adaptive and innovative. Its three main missions are to:

- maintain sufficient incomes and profits for sustainable growth,
- always return added values and benefits to all stakeholders, and
- debut new products with innovative design and function every six months.

Given those missions, the company heavily invests in many aspects for long-term gains while carefully expanding its business. This is evidenced by its conservative debt-to-equity policy. According to the company’s risk management manager, the company’s policy is to keep its long-term debt-to-equity ratio under 1. “We don’t want to take a too risky approach,” he said.

Risks are managed in many areas at Bathroom Design by an office dedicated to risk management. The company has diversified its markets and minimized risks in the domestic market by increasingly exporting its products overseas. It also uses several currencies to diversify risks from exchange rates. All intellectual properties are registered patents.

Taking a long-term perspective, Bathroom Design has carefully evolved from being an importer of bathroom shower enclosures to a producer of bathroom accessories and products under its own brand. It has also diversified its brands nationally and internationally. Clearly, this requires a long-term vision.

International market expansion has been undertaken conservatively. Bathroom Design entered Hong Kong and Malaysia in 2004 and slowly expanded to more than 30 countries at last count. It primarily focuses on tourist destinations with high demand for luxurious bathroom ware, such as Bali, Cyprus, Hawaii, Japan, and the Maldives.

In terms of sales growth, one major client noted that sales representatives are not always trying to sell new products. This is consistent with the company's policy of normalizing profits, as opposed to maximizing them, which requires a long-term perspective.

Taking a long-term perspective also includes investments for customers. Of all its competitors, Bathroom Design has the longest warranty period for its products. It also gives its bathtub customers an every-six-month checking service without charging an extra fee for the first three years. Even though it is an SME, it invests in 11 service centers, including a 24-hour call center, throughout Thailand to ensure that customers receive the best services no matter where they are. This is not a usual practice for companies of its size.

With 17 of Avery's 19 elements in place, it is "most evident" that Bathroom Design has formulated long-term strategies and plans that are not greatly

affected by short-term decisions and events or by just maximizing short-term profits. Long-term strategies and plans are often involved with investments for future growth and competitiveness. Clearly, uncertainty and change are also considered and managed here.

With 17 of Avery's 19 elements in place, it is "most evident" that Bathroom Design has formulated long-term strategies and plans that are not greatly affected by short-term decisions and events or by just maximizing short-term profits.

Staff Development Fosters Retention

People are given priority at Bathroom Design, and it is reflected in the fact that the staff retention rate is very high, with that of the R&D staff 100 percent. As one R&D staff member said, "I have been with Bathroom Design since I graduated. I am among the first four to five persons who have worked in R&D. Now, we have about 30. I enjoy doing what I'm allowed to do here, since I can utilize my ideas. I am given a lot of opportunity to grow." The R&D retention rate is particularly noteworthy in Bathroom Design's industry, where R&D personnel are highly sought after.

Like other Rhineland enterprises, Bathroom Design prefers to promote from within. It does not prefer to appoint outsiders to the top management team. This practice is unusual among Thai organizations, where promoting an outsider to the top management team is prevalent. Moreover, Bathroom Design considers employees its most important asset. Overall investment in employees amounts to an estimated of 7 percent of net profit per year, well above the average of 1 to 2 percent at most companies in Thailand.

Executives at Bathroom Design are also encouraged to study abroad and are given financial support as

well as work exemption to do so. Even children of general staff are given scholarships until they finish their undergraduate studies, as they might just be the next generation of labor force. “We are like a family here and so I consider my employee’s children to be my children, too,” noted the company’s president. Staff development goes beyond the borders of organizational needs. Employees are also trained in life skills that are not work-related, such as meditation, savings management, stress management, and time management, and they are generally given the day off on their birthday.

Such investments in employees appear to pay off. Gradually, the president has been able to reduce his participation in the day-to-day management and control of the company and, thus, is free to focus on overall strategy and policy development. Employees are encouraged to manage and lead themselves within their own roles and responsibilities. “I had expected that the president would be a heroic leader, but I was wrong,” said an external researcher with the Institute of Knowledge Management. Instead, he saw evidence of self-governing teams.

With 15 of Avery’s 19 elements in place, it is “most evident” that Bathroom Design develops its staff by growing its own managers and developing its general employees, even in skills beyond those needed to conduct their daily work.

Organizational Culture Supports a Global Vision

The organizational culture at Bathroom Design is deeply rooted in shared values and vision. The company’s vision is to be among the world’s top-five leading producers of bathroom products with innovative design, function, and technology. Although Bathroom Design has confronted a number of crises throughout its lifetime, it has been able to survive because of a strong bond of loyalty that has harnessed the full cooperation of its employees. As it steadily grows the business in the direction defined in its

vision, even in the midst of tremendous challenges, keen competition, and rapid change, the company realizes the importance of the effort and support of its employees, who share the organization’s values and vision.

Although Bathroom Design has confronted a number of crises throughout its lifetime, it has been able to survive because of a strong bond of loyalty that has harnessed the full cooperation of its employees.

Bathroom Design’s strong organizational culture—characterized by ethics, diligence, perseverance, social responsibility, and innovation—is supported by its no-layoff policy, strict employment entry practice, low staff turnover rate, performance evaluation, and promotion from within. The recruitment process includes selecting individuals who display diligence, perseverance, honesty, integrity, dependability, generosity, frugality, and other virtues. Social and environmental responsibility and “Thainess” are also part of the desired personal values. It has always been part of the company’s philosophy to foster a culture of respect and cooperation among employees. Consequently, they look after not only themselves but also one another. In addition, the performance evaluation process includes evaluating values associated with morality. Only “good” and “capable” employees are promoted.

With 13 of Avery’s 19 elements in place, it is “most evident” that Bathroom Design has nurtured a strong organizational culture. The company has never laid off employees in its history, even in times of economic difficulty. With a low staff turnover rate, shared vision and values are preserved and passed on to the next generation of employees. Top managers are promoted from within the company, thereby promoting existing core values and culture among employees.

Innovation Yields a Competitive Edge

Like other Rhineland enterprises, Bathroom Design is committed to research and development. In order to create more value for products and processes, it devotes an estimated 7 percent of net profit to R&D. In terms of product innovation, the company has continued to introduce innovative products to the world, including I-Spa (the world's first intelligent spa bathtub) in 2004, I-Touch (the world's first intelligent bathroom touch system) in 2005, I-Aroma (the world's first aromatherapy system) in 2007, I-Wave (a sensing system to control bathtub mechanics) in 2009, I-ZECURE (a bathroom safety system) in 2010, and I-Silence (a quiet whirlpool bathtub) in 2011.

In addition to developing innovative products, Bathroom Design has actively promoted incremental innovation throughout the entire organization. This involves soliciting ideas from individual employees, many of which often stem from Thai wisdom and involve the application of local materials. These ideas are often presented during "creative Saturdays," when employees gather to make suggestions for improvement.

With 13 of Avery's 19 elements in place, it is "most evident" that Bathroom Design has made many major innovations within its field, extending the benefits to stakeholders, and simultaneously enhancing product quality while managing knowledge, uncertainty, and change. Innovation here also includes small, continuous improvements in organizational processes, as suggested by employees. Both types of innovation help the company maintain a leadership position in its field.

Social Responsibility Permeates the Organization

Bathroom Design conducts business with the philosophy that the company must demonstrate a keen sense of responsibility toward the best interests of its stakeholders. Simultaneously, the company must be acutely aware of all environmental considerations, and of the well-being of the society and the

nation as a whole. As an inspector with the Royal Development Projects Board of Thailand noted, "We have been observing this business closely for over two years. The first time, Bathroom Design was the second runner up in our national Sufficiency Economy [sustainable] business contest. The second time around with significant improvements in many areas, it won the first place to receive the King's trophy. Basically, it's a business that has a genuine concern for the society and environment."

Bathroom Design intends to continue to conduct its business in accordance with its corporate governance principles. It has supported numerous environmentally and socially beneficial projects that its employees initiated, and which are *not* publicized to benefit the company.

Bathroom Design conducts business with the philosophy that the company must demonstrate a keen sense of responsibility toward the best interests of its stakeholders.

Bathroom Design frequently performs such socially responsible activities, using 7 to 10 percent of its net profit. For example, employees are encouraged to donate a part of their salary, which Bathroom Design will match, to various charities. Employees also are encouraged to take care of orphans every Wednesday on company time, help build schools in remote areas, and install bathroom equipment donated to temples in rural areas of Thailand. Undertaking social responsibility efforts not only for its external stakeholders, but also for its employees, Bathroom Design supports its less privileged staff with free food packages. Social responsibility is even integrated into its products. For example, a bathroom product that sends out an emergency text message when an accident occurs during the bathing procedure was designed to meet the specific needs of elderly people.

A study by the Sasin Graduate Institute of Business Administration of Chulalongkorn University (2010) indicated that Bathroom Design is among a very few companies that have established a coordinating office to develop, manage, execute, and evaluate the company's alignment with its corporate sustainability standard. Findings indicate that the company's practices earned either "Excellent" or "Best Practice" in all aspects of corporate governance, sustainability, risk management, and relations with customers, employees, owners, creditors, suppliers, competitors, the community, and the environment.

With 11 of Avery's 19 elements in place, it is "moderately evident" that Bathroom Design is a socially responsible company that conducts its business to pursue not only its own interests, but also those of stakeholders. Clearly, social responsibility is a core value of the company, as CSR practices are found throughout the whole operation at all levels.

Ethical Behavior Imbues the Corporate Culture

The way in which Bathroom Design treats employees and acts within the broader realm of society demonstrates that ethics is an integral part of the company's culture. It regards competence and moral integrity as inseparable in contributing heavily to sustainable growth and prosperity for an organization and society. As a result, moral integrity is considered a basic quality in every Bathroom Design employee. Employees are encouraged to be good citizens for the benefit of the community, and to live happily with others wherever they work. According to the company's president, "All Thais have the King as their 'father.' Therefore, we treat all stakeholders equally. Employees are our brothers and sisters. If they feel we're a big family, they will help us to go through times of both difficulty and happiness. Customers are like our parents. We will just do our best to serve. All of this comes from within. Nobody forces us as a child to do the best for his/her parents.

We must treat the society and environment as if they were our relatives."

The way in which Bathroom Design treats employees and acts within the broader realm of society demonstrates that ethics is an integral part of the company's culture.

At Bathroom Design, ethical behavior is a strong theme in its own right. Employees, who are paid more than the industry standard and promised a bonus every year, are encouraged to adhere to the five Buddhist commandments: (1) to abstain from taking life, (2) to abstain from taking what is not given, (3) to abstain from sexual misconduct, (4) to abstain from false speech, and (5) to abstain from intoxicants causing heedlessness. The company also frequently invites Buddhist monks to preach to employees.

The company's ethical standards extend to the way employees are to deal with all stakeholders. According to one written policy statement, "Bathroom Design must be honest with all trade partners by strictly adhering to agreements and contracts, the state law, and regulations in terms of cheating, corruption, and bribery. Bathroom Design must also avoid any actions that lead to conflict of interest."

With 15 of Avery's 19 elements in place, it is "most evident" that Bathroom Design has made a strong sense of ethics part of its culture. Bathroom Design's ethical principles and focus on social responsibility and stakeholders' interests can be observed in many aspects of the business. With ethics and social responsibility at the core of their company's values, employees have a strong compass for guiding the firm's progress, not only in Thailand but also internationally.

Rhineland Elements Offer a Path to Sustainability

The close fit between the Rhineland elements and Bathroom Design's practices endorses Rhineland leadership as relevant to an enterprise in less developed economies, such as Thailand's. The results of this study suggest that enterprises in Thailand (and beyond) that are seeking to sustain their organizational success can usefully adopt the 19 elements from Avery's Sustainable Leadership Grid to guide their progress. This grid provides a framework for corporate leaders to examine their leadership practices and, if necessary, adjust them in order to become more sustainable. The results here have outlined a path for future researchers to follow in examining the experiences of other Southeast Asian companies as they strive to accomplish their organizational goals.

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