



# Finding the Right Path: Towards a Buddhist Sense of Corporate Ethics in Bhutan

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Is there such a thing as a “Buddhist” sense of corporate ethics? In this article, the authors propose a contribution to that question by drawing on their personal experience managing or supporting the development of an innovative new business venture in Bhutan, a small and primarily Buddhist country. The authors propose that one salient feature of a Buddhist business ethic might be a conscious choice by an entrepreneur to encourage and facilitate the full agency of those communities that stand to be impacted the most by a business’ operations. This business ethic intentionally empowers communities to speak on their own behalf, and consciously embraces a consensus-oriented decision-making process, even in situations when the logic of power, status, or wealth would not demand such a commitment. We describe this business model as one of intentional interdependence with affected communities, and describe how this logic is not only ethically the right thing to do, but also valuable from a business perspective, especially during turbulent and unpredictable times such as our own.

**Keywords** Social Enterprise, Bhutan, Consensus Building, Corporate Ethics, Rural Livelihoods, Social Origins theory, Gross National Happiness

## I. Introduction

This is a story of a social enterprise in Bhutan, the creation and design of Druk Metho<sup>1</sup> (later renamed Bhutan Blossoms, and hereinafter referred to alternatively by its full name or simply “BB”), a Bhutanese social enterprise that produces organic

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<sup>1</sup> Druk Metho means “Bhutanese Flower” in Dzongkha, Bhutan’s national language. The enterprise is still widely known in Bhutan by its Dzongkha name, but has been rebranded to “Bhutan Blossoms” to be more immediately recognizable in foreign markets.

and edible foods and food supplements. BB was intentionally designed as a social enterprise, structured to generate sustainable livelihoods for its owners and co-workers while also promoting rural biodiversity in Bhutan and bringing tangible social benefits to the communities from which it sources its products.

The setting matters, to an extent,<sup>2</sup> because this story might have unfolded differently in another cultural, political or social milieu. As we explain below, we believe that the lessons learned in this Bhutanese context are also relevant in other settings however, especially where companies find themselves in strategically interdependent relationships with their host communities.

This paper is co-written by three authors.<sup>3</sup> (from this point forward we will refer to ourselves in the first-person plural). Each of us brings a unique voice and disciplinary background to this writing project. All of us were involved—in one capacity of another—in the creation and design of BB. This article is the fruit of numerous conversations where we managed to find our own consensus about the broader theoretical lessons we believe can be learned from this case study. This resulting paper seeks to fill a gap in the literature on corporate ethics that draws on Bhutan’s rich cultural and philosophical

<sup>2</sup> See Kerlin, note 9, at 177-8.

<sup>3</sup> Mr. Thinley Namgay is founder and CEO of Bhutan Blossoms. Mr. Adrian von Bernstorff and Mr. Stephan Sonnenberg played supportive roles in this process, working in a consultative capacity as faculty members with the legal clinic of JSW School of Law (Bhutan’s first and only law school), which in 2017 agreed to provide Mr. Namgay and Bhutan Blossoms with legal and technical advice as it developed its business model. Their work with Bhutan Blossoms began even before the clinic opened its doors to JSW Law’s students and counted as one of JSW Law’s first three “demonstration projects,” designed to give an identity to the clinics and showcase the potential of law clinics to potential clients and community partners in Bhutan. The authors would also like to thank their anonymous reviewers, as well as Mr. Yong Guk Lee for their insightful and helpful questions, comments, and discussion on previous drafts of this article.

heritage.

BB, on its own merits, stands as an interesting example of how to structure a business relationship with a rural community, and thus an important contribution to the already voluminous literature on Corporate Social Responsibility and Corporate Entrepreneurial Ethics. But this case study is also noteworthy in that the first two years of BB's existence were defined by the devastating and completely unpredicted COVID-19 public health emergency. In Bhutan, COVID-19 was the ultimate *force majeure*<sup>4</sup> event. Across the country, in almost every sector of the Bhutanese economy, even the most carefully crafted business plans were rendered virtually irrelevant overnight. Remarkably, Bhutan Blossoms has managed to weather this storm by refocusing its product line, attracting new customers, and building new revenue streams. Although Bhutan Blossoms has struggled, it is one of the few Bhutanese businesses that managed to survive the crisis *without* accepting direct or even indirect financial support from the Bhutanese government.<sup>5</sup> Herein lies the second important take-

<sup>4</sup> By "force majeure," we are referring to the legal doctrine common in contract law that allows parties to either suspend or set aside their contractual obligations in light of certain unpredictable and unpreventable disasters—either natural (e.g., floods, hurricanes, or COVID-19) or manmade (e.g., riots and wars). Here, we are using the term to suggest that COVID-19 had a similarly devastating effect on business as usual, not just for individual business relationships but for entire economies as a whole.

<sup>5</sup> The most prominent form of government support that was extended to Bhutanese businesses came in the form of "Kidu". *Kidu* is a uniquely Bhutanese manifestation of justice, which can loosely be described as an equity-based form social justice. (Sonnenberg and DeRemer, 2020, 38 & 82; Shaw, 2015, 1). By March of 2021, the Druk Gyalpo's Relief Kidu (DGRK) program had provided a monthly stipend of up to 12,000 Bhutanese Ngultrum (approximately 160 USD) to almost 7% of Bhutan's population, primarily those "who ha[d] been laid off, or placed on unpaid leave or reduced salary from businesses affected by COVID-19 [ . . . ]; Bhutanese who were working abroad and have returned home and do not have any other source of income; [and] Self-employed individuals who have lost their earnings either partially or completely." (Druk Gyalpo's Relief Kidu, April 30, 2020; Druk Gyalpo's Relief Kidu, April 23, 2021). The DGRK also offered to subsidize interest on business

away from our study, namely that the business model we describe below is the right thing to do from both an ethical as well as from a business perspective, especially during times of instability or unpredictability.

We argue that this story of business adaptation and survival was possible because of the uniquely Bhutanese (and we argue uniquely Buddhist) sense of business ethics embraced by BB's management team. BB's ethical orientation allowed it to cultivate a resilient partnership with the communities from which it sources its raw inputs, while also helping it attract the right kind of investment—drawn as much to BB's successful product line as it was to its inspiring social vision. After two years in business, the company is generating modest but sustainable profits, and has already created tangible benefits for the isolated mountain community where it sources most of its produce.<sup>6</sup> In this article, we describe and analyze the effort to design—from the ground up—BB's community engagement strategy and examine why it has proven to be such an asset during times of flux.

Our analysis promotes a business model that we show to be particularly well suited for enterprises that depend on the maintenance of mutually beneficial relationships with specific communities to meet its business objectives. We refer to this idea as “**intentional interdependence**” between a business and a community.

First and foremost, this includes businesses that must maintain

loans that had been taken prior to April of 2020. (Druk Gyalpo's Relief Kidu, May 24, 2021). Numerous other support schemes, including tax relief, working capital support loans, and other incentives were also put in place (United Nations ESCAP, 2021).

<sup>6</sup> The model of intentional interdependence described below is designed to be replicable. This description focuses on the relationship between Bhutan Blossoms and one Bhutanese community (Drachukha). Bhutan Blossoms is currently developing similar relationships with other communities, again based on the same strategically interdependent relationship model described in these pages.

fundamentally constructive (i.e., mutually beneficial) relationships with certain communities in order to succeed. If a company prides itself, for example, on selling a certain kind of fruit that only grows in a certain region of the world, then that company's management would be well-advised to maintain a constructive relationship with those communities where that type of fruit is grown. At the same time, the farmers in that region also have an incentive to interact constructively with the company, since on their own they would be unlikely to succeed in marketing and exporting their unique produce to the select markets willing to pay a premium for their fruit. Neither the company nor the community in this example are—strictly speaking—*dependent* on the other, since both still have alternatives to their relationship, albeit perhaps less appealing ones. Nor, however, are the two entities entirely *independent* of one another either, since both need the other to succeed, at least within the contours of this existing relationship. In the truest sense of the word, therefore, they are *interdependent*, with important dependencies and spheres of autonomy on both sides.

This principle holds for a wide range of industries where the output (the products or services being marketed by the company) depends on one or more unique inputs (either specialized labor, access to a scarce commodity or service, or some other unique input) that can only come from a limited region or specific community. It also holds for situations where a company or outside investor decides to make significant investments in the form of infrastructure or human resource capacity building within the community. Those investments functionally tie the interests of a company to those of a community (and vice-versa), even if at the outset of their relationship the two were functionally isolated and independent from one another.

Intentional interdependence also holds for companies that depend on a favorable regulatory environment for their continued business success.

Many businesses, once they begin to operate in a community, depend on the goodwill of local authorities or other relevant stakeholders to succeed. Sophisticated companies (and especially their legal departments) often attempt to use contracts to eliminate the risks associated with waning support among local elites (Post et al. 2002). Others try to coopt the decision-making elites by ensuring that the business yields tangible benefits for them, often at the expense of the interests of the broader population. These strategies are often legalistic, and sometimes questionable from an ethical or political perspective. As most Lawyers will point out, however, even the most “watertight” contracts have their limits. Some contracts are simply difficult to enforce, for example when local stakeholders have extra-legal (or perhaps informal) means of influencing litigated outcomes. Other situations may offer an illusion of contractual certainty that can nonetheless quickly get bogged down in the quicksand of bureaucratic complexity, especially when local stakeholders no longer feel the motivation to support the efficiency of those processes. Furthermore, the process of litigation, which remains as the final remedy in a contractual framework, is itself cumbersome, legalistic, lengthy, costly, and often disastrous for a working relationship.<sup>7</sup> As most business managers know at an intuitive level: “good faith” is easy to declare and terribly difficult to *enforce* within a business relationship that has gone sour.

Importantly, our analysis holds for businesses that embrace a socially inspired mission in addition to their regular business prerogatives. Some businesses, for example, seek to embed directly into their business DNA a set of socially beneficial outcomes, such as the employment or

<sup>7</sup> The same is true, perhaps to a lesser extent, for commercial arbitration. See e.g., JSW Law Class of 2022 and Stephan Sonnenberg, with Migmar Lham and Tashi Delek (2020). “Arbitration in Bhutan: A Primer,” Thimphu, Bhutan: JSW Law Publishing Series.

empowerment of a specific vulnerable group of individuals, environmental conservation, or community development. These types of businesses are commonly referred to as **social enterprises**,<sup>8</sup> and are typically characterized by their “problem solving” approach to social entrepreneurship and the goal of “creat[ing] and sustain[ing] social value.” (Galera and Borzaga, 2009). Such businesses must maintain constructive and mutually advantageous relationships with the intended beneficiaries of their social mandates.

Bhutan Blossoms falls into each of these categories. It is a for-profit enterprise, and one that explicitly sources its raw inputs from a few specific communities in Bhutan. It has also made substantial investments into a few rural communities, having spent years building new infrastructure and training villagers in the highly specialized skills to produce its raw materials. Absent a healthy and good-faith relationship between the company and those villages, BB as a business could not succeed in its current business strategy. BB is *also*, however, a social enterprise that has hard-wired into its business strategy the twin objectives of building resilient and biodiverse rural ecosystems<sup>9</sup> while at the same time empowering the

<sup>8</sup> The term “Social Enterprises” has proven to be quite difficult to define, and varies along a continuum spanning from a very broad definition of social entrepreneurship that requires only the existence of some peripheral social goals as part of an enterprise’s business model—whether motivated by principle, consumer pressure, or even just a concern for public perceptions—all the way to a much narrower definition of social entrepreneurship demanding a strictly subordinate relationship between an organization’s social mission and its income generating activities. See Galera, G. and Borzaga, C. (2009), “Social enterprise: An international overview of its conceptual evolution and legal implementation”, 5 *Social Enterprise J.*, 210, 211. See also Janelle Kerlin (2010). “A Comparative Analysis of the Global Emergence of Social Enterprise”, 21 *Voluntas* 162 (description of Social Enterprise models globally, breaking them broadly into 7 different regional models, each influenced by the degree to which social entrepreneurs in that region have access to a functioning market, international aid, state support, and a pre-existing civil society base).

<sup>9</sup> A full discussion of Bhutan Blossoms’ commitment to biodiversity goes beyond the scope of this paper, and must be left to another forum. Beyond its commitment to source organic farm produce, Bhutan Blossoms is designing its food product portfolio to support farmers’

villages from which it sources its raw materials. BB is therefore an excellent example of a corporation that is interdependent with the communities along its supply chain.

We dwell only in passing in this article on the particular elements of BB's business model, which is a dynamic work in progress.<sup>10</sup> Rather, we focus on the procedural aspects of *intentionally designing BB's interdependent relationship with the communities in which it operates*. BB's business model, we argue, is socially sustainable *primarily because* it treats small holding farmers as partners and not merely as interchangeable suppliers of raw inputs.

This paper proceeds in five parts. It begins with a discussion of the national and economic context for this case study, starting with an introduction to Bhutan and a description of the business opportunity that presented itself and eventually gave rise to Bhutan Blossoms. Second, the paper proposes a Buddhist model of business ethics, based on the pursuit of personal moral virtue (Karma). In the third section, we explore how this uniquely Bhutanese (or Buddhist) sense of ethics might impact the decision-making process of an entrepreneur subscribing to those values. Fourth, we describe how these largely abstract ideas manifested in concrete actions for

transition from traditional mono-cropping systems to regenerative agricultural systems, which increase soil fertility and nurture biodiversity. The agri-business and the various small-holding farmers in this model also share the risk of crop failure and work jointly to ensure appropriate knowledge transfer. *See also* Ellen MacArthur Foundation, *The big food redesign: Regenerating nature with the circular economy* (2021).

<sup>10</sup> Bhutan Blossoms' business model continues to evolve. Beyond its origins cultivating edible flowers for export as raw materials to Switzerland, it has also produced a variety of its own added-value products for sale in Bhutan, as well as a number of other products (such as Tofu) driven by a need to develop a comprehensive and organic crop rotation strategy for its fields. Currently, Bhutan Blossoms is again pursuing export markets—in Australia and elsewhere—driven by a commitment to supply chains built around a passion for the values and social mission of Bhutan Blossoms.



BB in its relationship with local Bhutanese communities. Reflecting on that process, we finally highlight what we consider to be the key ingredients for this more Bhutanese (or Buddhist) sense of business ethics to be successful.

## II. Background and Context: Edible Flowers? From Bhutan?

We begin, therefore, with a cursory introduction to the country of Bhutan, primarily for the benefit of those who have never had the good fortune to visit this country. Landlocked and tucked deep into the southern Himalayan mountain range, Bhutan's population of just over 760,000 people is spread across a landmass approximately the size of Switzerland, which has over 11 times Bhutan's population.<sup>11</sup>

Bhutan is also strikingly beautiful and acknowledged as one of the world's most fascinating places (Lonely Planet, Best in Travel 2020). The uniqueness of Bhutan is not just for the benefit of its tourists, however. It is also at the heart of the Bhutanese identity. Most Bhutanese are deeply attached to their country, its culture, and its landscapes.<sup>12</sup>

For centuries Bhutan was largely isolated from the rest of the world. Its isolation was not accidental, but rather the outcome of skillful diplomatic

<sup>11</sup> World Bank "Population, total-Switzerland" <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=CH> (last accessed Aug. 31, 2021)

<sup>12</sup> Their sentiments are not those of a xenophobic nationalist, but rather the quiet pride of being part of what is increasingly described as one of the world's most inspiring development success stories; a country that for a variety of reasons has repeatedly beaten the odds and proven that an alternate path—a more sustainable way—is actually within humanity's reach. *See e.g.*, Rob Dube, "GDP vs. GNH: Rethinking What A Healthy Economy Means. Sept. 21, 2020, Forbes, <https://www.forbes.com/sites/robdube/2020/09/21/gdp-vs-gnh-rethinking-what-a-healthy-economy-means/?sh=1912879255df> (last accessed Nov. 20, 2021); Emma Bryce, "The Flawed Era of GDP is Finally Coming to an End, March 8, 2019, WIRED, <https://www.wired.co.uk/article/countries-gdp-gross-national-happiness> (last accessed Nov. 20, 2021).

maneuvering by Bhutan's Monarchs.<sup>13</sup> For Bhutan—quite in contrast to the rest of the world—the 20th century was a period of relative tranquility. While most of the world was being violently buffeted by globalized wars, globalized commerce, globalized ideological battles, globalized mass media, globalized fashions, and globalized development ideologies, Bhutan had the privilege to pursue its own “middle path” of steady, balanced, and locally-grounded development.<sup>14</sup> But Bhutan did not naively avert its eyes from the outside world. Quite the contrary, its policy makers saw what they liked and did not like about the outside world and—with some inevitable debates along the way (Kyentse, 2015; Dorji, 2016)—for the most part took the time to bring in the good and attempt to keep out the rest. In the 1970s the country's Fourth King announced first to domestic audiences and later to an incredulous foreign press that Bhutan wished to maximize its Gross National Happiness (GNH), rather than its Gross National Product (GNP) (Dorji, 2016; Verma, 2019). Bhutan has since become famous for this idea. Similarly, Bhutanese policy makers realized—long before environmental sustainability had become a catchphrase among progressive policy makers—how important it was to preserve Bhutan's rich biodiversity. The Bhutanese government has accordingly embedded environmental conservation deep into its Constitution<sup>15</sup> and (more importantly) its people's popular mindset. Bhutan's Monarchs are also perhaps alone among their peers to have

<sup>13</sup> The authors here choose to respect Bhutanese conventions when it comes to demonstrating respect for Bhutan's Monarchs by capitalizing their names or any other references to them.

<sup>14</sup> See e.g., Ross McDonald (2010), *Taking Happiness Seriously: Eleven Dialogues on Gross National Happiness*, Thimphu, Bhutan: Centre for Bhutan Studies, 107 (quoting Dasho Kinley Dorji: “We call this the middle path or the balance. [ . . . ] it means slowing down which is why the caution approach to development is important. [ . . . ] It is no to the power of the dollar because people's sentiments can be more important than money.”)

<sup>15</sup> Article 5 of the Constitution of the Kingdom of Bhutan, 2008.

voluntarily pushed their own kingdom towards democracy. That process began in the 1950s and 1960s and culminated in 2006 when Bhutan's Fourth King voluntarily stepped down from the throne in favor of His Son, the current Fifth King, who finished the process of shepherding the country towards its 2008 transition to become a constitutional democracy (Kinga, 2009; Phuntsho, 2013).

As part of their modernization efforts, Bhutan's policy makers decided gradually and selectively to open Bhutan's borders to foreign expertise, inviting in, for example, large numbers of foreign teachers, doctors and engineers from India to help design and strengthen its civilian infrastructure.<sup>16</sup> Crucially, however, the impetus for reform, or for the introduction of foreign technical experts and their outside ideas and expertise, was always at the behest of Bhutanese decision makers. Bhutan is thus truly a "sovereign" developing nation, not just by virtue of having the formal trappings of sovereignty (its own national flag, a seat at the United Nations, etc.), but also according to a more subjective and post-colonial analysis that focuses on the degree to which a country manages to retain control over its own destiny.

This sovereignty allows Bhutan to continue to engage seriously with some of the ideas and norms that have governed its society for centuries: Buddhism, Bonism (a pre-Buddhist form of naturalism that continues to thrive, typically interwoven with Buddhist belief structures), and Hinduism (which is practiced primarily in Bhutan's southern regions), a sense of trust in one's community, and an appreciation for the interconnectedness of everything—communities, ecosystems, and economic livelihoods. Unlike many other countries where

<sup>16</sup> See P.P. Karan (1990), *Bhutan: Environment, Culture and Development Strategy*, New Delhi, India: Intellectual Publishing House, 51, 56 & 96 (estimating that 44% of Bhutan's teachers, 70% of its Doctors in, and 75% of its industrial labor force in 1985 were non-Bhutanese, primarily from India).

elites are sometimes inclined to dismiss or downplay the relevance of such “indigenous” traditions, in Bhutan these older ideas are still celebrated and allowed to co-exist and cross-fertilize with newer and perhaps more globalized modes of analysis, thus creating a new and hybridized sense of Bhutanese modernity.

That said, Bhutan is also changing, along with the rest of the world. Bhutan’s population is still predominantly rural. That situation is likely to change within the next decade, however, due to an accelerating trend of rural-to-urban migration.<sup>17</sup> This demographic tipping point represents a potential identity crisis for Bhutan. The idea that Bhutan’s population will soon be predominantly urban will come as shock to the many Bhutanese who still consider their families’ (rural) land to be their emotional and spiritual anchor. It will also come as a shock to Bhutan’s economy, which still relies on the agricultural sector as one of Bhutan’s five “economic jewels.”<sup>18</sup> Left unchecked, the continued outmigration of rural youth to urban centers will inevitably result in more fallow land and even greater opportunities for cheaper agricultural imports from abroad to flood the market and drive the dwindling number of rural landowners even further into debt. In 2014, the 56% of Bhutan’s workforce that was employed in the agricultural sector divided between itself a mere 18% of the national income. Who in such circumstances would blame Bhutan’s rural youth

<sup>17</sup> Bhutan’s National Statistics Bureau estimates that this tipping point will come in 2037 (National Statistics Bureau, 2019, Population Projections Bhutan 2017-2047, Thimphu: National Statistics Bureau). This may be a conservative estimate, given the accelerating trend of rural-to-urban migration in the past decades. The World Bank reports that in 2000, only approximately 25% of Bhutan’s population lived in urban areas whereas by 2019 that figure had grown to almost 42%. If those demographic trends continue, Bhutan within the next five to ten years will become a predominantly *urbanized* country. (World Bank Data might suggest a tipping point as early as 2024).

<sup>18</sup> Bhutan’s five “economic jewels,” as Hydropower, Agriculture, Tourism, Cottage and Small Industries and Mining. (<http://www.bbs.bt/news/?p=60329>)

for abandoning their rural livelihoods? There is a sense in many rural communities that the future belongs to those who can leave the village in search of better opportunities in the cities. Unfortunately, however, many of those rural migrants soon find that they are only poorly prepared to compete in Bhutan's cities, and most fail to realize their dreams of urban affluence and upward social mobility.

Bhutan's Fifth King, HM Jigme Khesar Namgyel Wangchuck (HM Jigme Khesar Namgyel Wangchuck, 2016), as well as policy makers (Tshering, 2020) and prominent intellectuals (Von Bernstorff and Sangay, 2017; Dorji, 2018), have increasingly emphasized the urgent need to strengthen Bhutan's rural economy. What then, should be the role of private sector enterprises in the pursuit of that vision, and how can Bhutan's policy makers facilitate that role?

### III. Bhutan Blossoms (Druk Metho)

Rebuilding healthy and vibrant rural communities, while also developing a viable business model, is at the heart of Bhutan Blossoms' business model. Globally, there has been a small but growing market for organic edible flowers.<sup>19</sup> Often these flowers serve decorative or flavoring purposes. High-value Risotto, for example, looks and tastes great with little petals of decorative and edible flowers mixed into the rice grains. Salads also take on a new flair with beautiful and mildly spicy orange, pink and

<sup>19</sup> See Global Industry Analysts, Inc., *Nutraceuticals - Global Market Trajectory & Analytics* (April 2021), <https://www.researchandmarkets.com/research/v799j5/nutraceuticals?w=4> (estimating a Compound Annual Growth Rate (CAGR) in the "Functional Food and Beverages" segment of the Nutraceuticals market of 6.7%, reaching an estimated overall market of approximately 200 billion USD by 2027).

indigo flower petals strewn into the mix. Many such flowers are prized as so-called Nutraceuticals, when they contain a compound demonstrated to have a [health] benefit or provide protection against chronic disease.<sup>20</sup> Growing such flowers and drying their delicate petals is extremely labor intensive, and can only be done in ecologically pristine locations. Switzerland is one such region. The market for edible flowers in Europe was driven by traditional European alpine cooking, and has recently seen substantial growth because high-end gastronomy and specialized food manufacturers are showing increased interest.<sup>21</sup> But the high labor prices in Switzerland limit the capacity of Swiss agriculturalists to meet the growing demand for such high-value products.

Swiss Alpine Herbs Alpenkräuter AG (SAH) is one of the few companies specializing in organic food products embellished with edible flowers, among numerous other products. The company has a significant social mission, focused on the empowerment, protection, and preservation of Switzerland's culturally unique highland communities. After a series of

<sup>20</sup> T. K. Lim (2014), *Edible Medicinal and Non-Medicinal Plants*, Vol. 7: Flowers, Heidelberg: Springer, 1 (the source goes on to list a list of “biologically active components” in functional foods that may impart health benefits or desirable physiological effects that include: “carotenoids ( $\beta$ -carotene, lutein, lycopene), dietary fibres ( $\beta$ -glucans, soluble fibre), fatty acids (omega fatty acids, conjugated linoleic acid), flavonoids (anthocyanins, flavanols, flavanones, flavonols, proanthocyanidins), isothiocyanates, phenolic acids, plant sterols, polyols and prebiotics/probiotics (fructooligo-saccharides—inulin), vitamins and phytoestrogens (isoflavones—diadzein, genistein). Many plants with edible flowers contain many of these bioactive components and essential mineral elements [...] carbohydrates and amino acids in the flowers and other plant parts, imparting a wide array of health benefits and pharmacological properties.” Food additives with such health benefits are termed Functional Food and Beverage products).

<sup>21</sup> See e.g., Bluehendes Konfekt, <http://www.bluehendes-konfekt.com> (last accessed August 29, 2021); Pfeffer, “Kornblumenköstlich” (online magazine, available at <https://pfeffer-magazin.de/grandits/>). See also Hauenstein, “Essbare Blüten als Delikatesse” (website) 2021, <https://www.hauenstein-rafz.ch/de/pflanzenwelt/sammelsurium/Essbare-Blueten.php> (last accessed August 29, 2021).

chance encounters, facilitated in part by JSW Law's legal clinic, SAH came to know of the entrepreneurs behind Bhutan Blossoms and eventually decided to partner with its managers, committing to help them start their company and support a series of short- and medium-term investments that would allow one "pilot" community in Bhutan to cultivate edible organic flowers that could eventually supplement SAH's supply chain.<sup>22</sup>

The relationship between SAH and BB was never based on an arms-length "strictly-business" contractual model that might be more standard for such partnerships. In reality, SAH likely did not even *need* BB to meet its supply needs, certainly not on the terms it offered to BB's management. Instead, it was a relationship built on a shared commitment to the viability of mountain communities and ecosystems. SAH's motives were grounded in ideology, not economic necessities. As we discuss below, this values-overlap between SAH and BB was more than just rhetorical, and proved of crucial significance as the relationship progressed. The terms that SAH offered to BB were extraordinarily generous. SAH agreed to send its technical experts to Bhutan to help get the Bhutanese business off the ground, offered an up-front payment (even before receiving the first batch of produce) to provide BB with some much-needed operating capital, and negotiated a host of other extremely favorable terms.

Most remarkably, SAH shared its expertise about the creation of value-added products with BB from the outset of its relationship, thus essentially giving the Bhutanese firm the tools it needed to succeed *even independently* of its relationship with SAH. A cynic might argue that SAH gave BB the

<sup>22</sup> SAH's products branded in its name contain only ingredients sourced in Switzerland. In light of SAH's commitment to high-quality organic food products *as well as* the well-being of mountain communities globally, however, SAH also owns a sister brand called Alta Terra, which incorporates products not available in sufficient quantities from Switzerland. The products sourced from Bhutan feed into this subsidiary line of food products.

know-how that it would need to compete against SAH, even though the relationship between SAH and BB was never built around a zero-sum competitive mindset. While SAH did not articulate it in specifically these terms, its support for BB may be described in terms of its overall embrace of ESG business practices (in other words, doing business in a way that reflects a profound commitment to environmental and social sustainability as well as good governance practices).

This excursus into SAH and its support for BB illustrates how an intentionally interdependent business relationship at one level of a supply chain can open up space for additional intentionally-interdependent relationships to emerge along other rungs of that same supply chain. SAH's support presented Bhutan Blossoms' management with the rare opportunity to *itself* also be proactive and intentional about the kinds of relationships it wished to cultivate with its supplier communities. Assuming it could work with a community to cultivate flowers to the exacting specifications required by SAH, the question became what to do with the expected profits of those sales? Would BB's managers simply pocket them for themselves? Would they set them aside to fund other future business ventures? Or would they share them with the community in some way? And if the latter—how broadly should BB define the idea of a “community?” These were the probing questions that the three authors—with BB's management taking the lead—were able to ask themselves when designing Bhutan Blossoms' business model.

Luckily, Bhutan Blossoms already had a perfect community in mind to which it could “pitch” the idea of growing edible flowers. From his previous experience with another agricultural cooperative, BB's CEO already knew a group of three dynamic young women from the village of Drachukha. Their village is composed of approximately 20 households spread along the steep slopes of the Mo-Chuu river valley in the northern



reaches of Bhutan's Punakha district. The village is remote. Accessing Drachukha by vehicle during the monsoon season is difficult if not impossible. In such times, the only way to reach the village is by foot, along steep footpaths ascending through Punakha's thick jungle. Once arrived, the steep valley flattens out and villagers cultivate a range of agricultural products, primarily for local consumption. These include rice and a range of fruits and vegetables. Indeed, the only goods that households in Drachukha traditionally had to import were salt and oil; otherwise the village was entirely food independent.

Demographically speaking, Drachukha was slowly growing older. BB's primary contacts in the village were the only young women left in Drachukha. Everyone else had gradually moved either to Punakha (the district capital), Thimphu (Bhutan's largest and capital city), or further afield, where they usually worked as day-laborers or in other positions. Left behind was a gradually greying population of parents and grandparents, with the result that some of the village land was already going fallow. BB's CEO convinced some of the households in Drachukha to lease a plot of fallow land to the three women, who then convinced others in the village to join their enterprise and produce the flowers for BB. After numerous consultations, the nature of which is described below, the women agreed to partner with BB. With the support of JSW Law's Social Enterprise Clinic (SEC), they went on to form the Drachukha Flower Group (DFG)—a legal entity that ensured that their cooperative<sup>23</sup> would have a built-in governance structure and legal identity.

It must be noted that Drachukha, in a direct echo of the authentic sense of national Bhutanese "sovereignty" described above, is no more likely to

<sup>23</sup> The DFG is organized as a Farmers Group, which is classified as a "primary cooperative" under The Co-Operative Act of Bhutan, 2001, 2009. Art. 2:2. See *infra* note 45.

trust a relative outsider such as BB's CEO, along with his foreign colleagues and friends, than one might suspect of any other such isolated community in any other part of the world.<sup>24</sup> Given this context, it is understandable why the topic of trust-building took on supreme importance in this relationship.

#### IV. Of Capitalism, Buddhism, and Business Ethics in Bhutan

As mentioned above, many of the assumptions about how to run a business that seemed so obvious to BB's management would have seemed extraordinary in a non-Bhutanese context. We therefore hasten to acknowledge the undeniably Bhutanese characteristics of this case study.

Bhutan is a primarily Buddhist country. As described above, Bhutan is famous for the concept of GNH, which articulates a set of principles that govern its overall policy environment and development objectives. Those principles are frequently said to have unmistakably Buddhist origins, notably the focus on maximizing well-being, rather than accumulating wealth for its own sake (McDonald, 2010). That said, Bhutan's laws and regulatory institutions are designed, broadly speaking, to resemble those in most other countries.<sup>25</sup> One will therefore search in vain for any significant

<sup>24</sup> Indeed, many farmers in Drachukha had an especially hard time trusting Thinley Namgay and his colleagues. Prior to 2017, both Thinley Namgay and Adrian von Bernstorff worked for another business that sourced crops from farmers in Drachukha, who were organized in a cooperative called the Happy Green Cooperative. When the company eventually disbanded due to a management dispute, the cooperative lost its market and promises made to farmers could not be honored. The difficult lessons learned from these previous experiences in many ways motivated the founding of Bhutan Blossoms, but also represented a potential trust deficit for this new business venture.

<sup>25</sup> Bhutan's contract law, for example, is almost entirely transplanted from the Indian Contract Act, with only one very minor material deviation (a clause encouraging informal dispute

examples of specifically Buddhist influences on the formal rules and regulations governing Bhutan's economy.<sup>26</sup> The discussion that follows, therefore, focuses largely on the informal and private level—the result of hundreds upon thousands of personal and uncoerced choices made by entrepreneurs, consumers, and other economic actors—often trivial on their own but noticeable in the aggregate—that collectively nudge Bhutan's market to operate in unique (and perhaps uniquely Buddhist) directions.

There exists a small but vibrant literature on Buddhist economics, one that has attracted renewed interest in recent years as the ecologically, socially, and psychologically unsustainable implications of consumption-based economic models have become increasingly obvious to all but the most willfully blind (or stridently dogmatic) free marketeers. Much of that literature has focused on the set of norms that might influence an economy governed by Buddhist principles. Unsurprisingly, Bhutan's embrace of GNH features prominently in many of those discussions, given how vivid an illustration it is of these Buddhist ideals (Tideman, 2004; Long, 2019). Beyond GNH, Schumacher's 1966 essay on Buddhist economics (Schumacher, 1966) is often cited as one of the cornerstones of this literature (Bunting, 2011). In it, Schumacher calls for a system of economics where “the ownership and the consumption of goods is [considered to be] a means to an end,” not the end itself. The true “end” of economics, according to Schumacher, should be the overall well-being of humans, other sentient beings, and

settlement as part of the remedies section). Stephan Sonnenberg, 2021, Contract Law as Culture in Bhutan: Modernity, Tradition and the Prerogative to Preserve Culture 1 GNH & Law 273.

<sup>26</sup> This is more true today than in the past. Bhutan's formal legal system was introduced only in the 1950s prior to which Bhutan's regulatory and institutional environment would have looked quite different from what one finds today in Bhutan. Perhaps the only vestiges of that former system continue to exist in the domain of family law, although there too Bhutan's modern-day laws are increasingly coming to resemble global standards. See Sonnenberg and DeRemer, B-LNA, *supra*, note 4, at 29-35.

the broader natural environment. Resources are treated as precious, and the focus must be on maximizing communal well-being while minimizing the consumption of those resources. Thus, if a business were to produce seductive products that fly off the shelves, but do so at the expense of the environment, or of the social harmony that exists in affected communities, a Buddhist economist would ignore the profits generated and describe this business as a largely *undesirable* economic activity. For a Buddhist economist, profits on their own are not an indicator of value, only a necessary pre-requisite for the survival of that business. More important is whether those profits come at the expense of a larger sense of community well-being (Harvey, 2000). Numerous other authors have expanded on those ideas, in ways that go beyond the scope of this article (Bunting, 2011; Brown, 2017; Shi, 2018).

But what of the personal relationships that collectively govern the way an economy works? Here too, Buddhism plays a significant role. In Bhutan, individual ethics are described as *Sampa Sempki* (translated loosely as “the brave maintenance of a pure mind”) (Sonnenberg and DeRemer, 2020). The idea of maintaining a pure mind—of cleansing oneself of delusions and abstractions—is deeply personal, and requires constant quiet reflection, meditation, and self-correction. It requires an embrace of the concepts of impermanence and the interdependence of everything. This “emptiness”<sup>27</sup>

<sup>27</sup> See Dzongsar Jamyang Khyentse (2007) *What Makes You Not a Buddhist*, New Delhi: Timeless Books. According to Khyentse, the Buddhist concept of “emptiness,” holds that “everything we see, hear, feel imagine, and know to exist is simply emptiness onto which we have imputed or labeled a certain ‘trueness,’” (id., at 57), and that clinging to these labels is like chasing after a mirage in the desert. “[B]y understanding emptiness [Khyentse claims], you lose interest in all the trappings and beliefs that society builds up and tears down [. . .] like an adult who is not so interested in children’s games.” Crucially, Khyentse claims that an embrace of emptiness does not require one to “drop out of society,” but rather that it leads to a “feeling of responsibility and compassion,” (id., at 79), the essence of what we are here referring to as the Bhutanese idea of *Sampa Sempki*.

only relies in a secondary sense on external codes of conduct for reinforcement (the way a more deontological ethical system might seek to develop one universally valid 'golden rule' for guidance, for example),<sup>28</sup> nor would it evaluate the desirability of an action based on some external and supposedly objective criteria (such as profit maximization, for example), the way a utilitarian logic might proceed.<sup>29</sup> In this way, *Sampa Sempki* can be compared to the Aristotelian "virtue-ethics" tradition,<sup>30</sup> where individual virtue is a product of profound personal reflection, education, and philosophical engagements (Brown, 2017a). It requires an embrace of nuance—of a Buddhist middle path—in recognition of the fact that our own "truths"—no matter how ardently we believe them to be righteous—are usually incomplete. Accordingly, life decisions cannot be made on the basis of dogmatic purity, but must inevitably involve compromises in the name of inclusivity, social harmony, compassion and balance.

For a Buddhist, the pursuit of *Sampa Sempki* in all domains of one's life is of supreme importance. Actions taken with a purity of mind inure to one's Karmic merit, whereas actions taken with an impure mind do

<sup>28</sup> While Buddhism certainly has many rules of ethical conduct, there also exists a strong tradition of "uncrowning" the sacred in Bhutan. This "debasement of sacred norms and canons [...] articulates lay misgivings about the constraints and demands of the religions-political orthodoxy." Sonam Chhoki (1994), Religion in Bhutan I: The Sacred and the Obscene in Bhutanese Religion, in Michael Aris & Michael Hutt (eds.) Bhutan: Aspects of Culture and Development, Scotland: Paul Strachan—Kiscadale, 118-119. Great Buddhist teachers also describe Buddhism's many rules and conventions as a mere "placebo"—intended for those of us who are "not [yet] ready to be introduced to emptiness," to "pacify[ly them] and make [them] ready for the real teachings." Khyentse (2007), *id.*, at 75-77.

<sup>29</sup> Of course, for a Buddhist Karma is that ultimate utilitarian benchmark, with the crucial distinction that "At the end of the day, it was not for Buddha to judge; only you can truly know the motivation behind your actions." Khyentse (2007), *id.*, at 76.

<sup>30</sup> For an excellent and accessible description of virtue ethics, see Rosalind Hursthouse and Glen Pettigrove (2016), "Virtue Ethics," in Stanford Encyclopedia of Philosophy, <https://plato.stanford.edu/entries/ethics-virtue/> (last accessed Aug. 31, 2021).

the opposite. The belief in Karma, or the idea that one's personal Karmic merit influences one's rebirth in a subsequent life, motivates Buddhists to behave ethically (Kyabgon, 2015). To behave in such a way is known in Bhutan as acting with *Tha-Damtshi* (integrity) (Whitecross, 2010; Phuntsho, 2013). Thus, in a Buddhist setting, one's personal ethics as a business person have *everything* to do with one's personal well-being—not in a financial sense as might be assumed by mainstream economists (since a Buddhist would also hold that any attachment to wealth is illusory), but rather in a Karmic sense. Business owners inspired by Buddhist norms cannot delude themselves into thinking that there would be a distinction between personal social responsibility and corporate social responsibility. Nor can they afford to hide behind the supposed profit-maximizing imperative, shareholder interests, the existence of legal and regulatory loopholes, or a general resignation to capitalist market forces to justify sacrificing the interests of other concerned stakeholders (including non-human stakeholders) who might be negatively impacted by their business' operations.

## V. A Corporate Manifestation of Buddhist (or Bhutanese) Tha Damtshi

Much of the above may sound aspirational and philosophical but difficult to translate into practice. Here then, we highlight two concrete innovations that were incorporated directly into Bhutan Blossoms' business strategy that we argue breathe life into the Buddhist economic principles described above. We make no claims that this is "*the definitive*" Buddhist business model. Instead, we propose these two innovations as one possible *manifestation* of a Buddhist-inspired or Bhutanese approach to corporate ethics.

The first is a structural innovation. From the outset, BB chose not to pursue a classical hierarchical pyramid-style management strategy. Instead, it made the strategic decision to give local communities the agency to make decisions about those parts of the value-chain that pertained directly to their lived realities. In Bhutan, this meant supporting villagers wishing to supply raw materials to BB to first form the DFG legal entity with its own governance structure and bylaws. The DFG could then act as the formal counterpart to BB within the supply chain. To put this in perspective, BB invested its own corporate time and resources to facilitate the formation of formal legal entities that were subsequently empowered—theoretically as well as in actual practice—to act as negotiation counterparts to BB itself. This mirrored precisely the approach that SAH had also taken towards BB in the first place. The DFG then went on to represent the interests of the villagers and producers vis-à-vis the interests of BB. This is the opposite of micro-management: it is an intentional devolution of decision-making authority to those stakeholders along BB's supply chain who stand to be impacted by its business planning.

The second innovation is a procedural one. Flowing from its first systemic innovation, BB also insisted that any decisions that touch directly on the interests of both the villagers *and* BB be decided by virtue of a **consensus building process**. Consensus building, for those not familiar with the term, is a decision-making process whereby a group of stakeholders attempt in good faith to find collaborative solutions to common problems, especially in situations where those stakeholders might have differing interests (Susskind et al. eds. 1999). Managers who endorse consensus building reject other forms of decision making—those based on a “majority wins” parliamentary model, for example, or those built around a top-down decision making model based on status, hierarchy, or wealth. It is instead a proactive and good faith effort to build consensus among all concerned

stakeholders, regardless of their power. Achieving unanimity whenever possible is the goal of a consensus building process, even if decisions can also be made by an *overwhelming majority* of stakeholders to avoid potential blackmail by particularly stubborn or bad-faith stakeholders (Susskind et al. eds. 1999).

For BB's management this was a *principled* and *proactive* choice. There was never a power struggle between the villagers and BB's corporate management where the villagers demanded this type of co-decision-making power. There were no threats, no lawsuits, no work stoppages, no picket lines, no human rights campaigners, and no consumer boycotts. Such more contentious tactics can, of course, be effective, but they usually squander a great deal of trust and mutual goodwill between stakeholders, a prospect that BB's CEO simply wished to avoid. BB proposed this model on its own initiative, in line with its internal sense of corporate virtue. It is for this reason that we refer to the interdependence BB cultivated with its partner communities as "intentional" interdependence (as contrasted with "forced" interdependence).

Consensus building is time intensive and requires skillful communication and facilitation—often from a third party.<sup>31</sup> It is therefore also important to delineate which kinds of decisions are worth the time and resources required for a full consensus building decision making process to succeed, and which are not. Some decisions, for example, are likely to impact one

<sup>31</sup> In this case, Stephan Sonnenberg, who is a trained facilitator and well-versed with dispute system design and consensus building, helped structure the initial consensus building processes, jointly with the other co-authors of this article. In subsequent iterations students enrolled in Adrian von Bernstorff's SEC Clinic who had also already taken Sonnenberg's course were given the task to prepare for and facilitate subsequent consensus building efforts. This proved to be a great success, although of course it depended on the availability of competent and enthusiastic students who understood this as a valuable experiential educational opportunity, and required no separate remuneration for the service. In other contexts, such services would require hiring paid professionals.



of the parties only *indirectly*. A decision about which outside contractor to hire to design a new marketing strategy, for example, might only indirectly impact BB's partner communities, perhaps in the form of greater demand for their raw materials subsequent to a successful marketing campaign, and the decision about whom to hire might therefore not be appropriate for a consensus building effort. To involve the village fully in such a decision-making process would require that everyone *understand* the nature of that decision. Involving the village in a genuine way would require fully educating all involved stakeholders about the finer details of marketing and budgeting. In a worst-case scenario, it might even inadvertently convey to the villagers that they are somehow inadequate, incompetent, or irrelevant, only because they do not fully comprehend the nature and implications of this type of business decision.

Similarly, a decision over how many laborers to hire on a contractual basis to harvest the villagers' fields might best be made directly by the DFG *without* the input or necessary consent of Bhutan Blossoms. Of course, that decision might also have potential repercussions for BB (e.g., if the DFG decides to hire a smoker who then contaminates the dried flowers with tobacco smoke). But here too the downsides of involving BB as a co-decision maker far outweigh the benefits, in that such procedural rigidity might contradict and undermine the idea that the DFG is empowered to manage its own affairs.

BB's strategic embrace of consensus building therefore applies only to decisions that touch vitally on the interests of both parties. An example might be a decision about how to allocate the expected profits at the end of a year (see footnote 33 below). Such decisions are made by virtue of a facilitated consensus building process and would be revisited periodically as the business relationship between BB and the DFG continues to evolve and mature. By relying on this method of joint decision making for certain crucial decisions, BB can sidestep the critique that business ethics rest in

the eye of the beholder, and the idea that “my” sense of an ethically sound decision might be biased by my perspective and my experience (perhaps also my power in a relationship), and thus might not correspond with “your” sense of right and wrong. A commitment to consensus building, therefore, tethers the ethics of a business more closely to those of the community—an ethical “insurance policy” of sorts to ensure that BB’s actions remain tied to the dictates of *Tha Damtsbi*.

## VI. A Fusion of two Business Models:

Bhutan Blossoms’ business model brings together two prominent forms of business organization—the cooperative and the private enterprise. As part of the process to found BB, the authors of this paper had extensive discussions about the benefits and drawbacks of these corporate models on their own in a Bhutanese context. These discussions centered primarily on how best to encourage the *agency* of all involved stakeholders, and specifically how to ensure that leadership decisions—no matter how charitable or personally well-intentioned the leader—would remain true to *Sampa Sempki*.

In Bhutan as elsewhere, the standard corporate organizational structure represented the most obvious choice for Bhutan Blossoms. Its structure is simple, and its rewards flow directly and clearly to those who assume the most risk to start the corporation: the entrepreneur and her or his investors. That said, from a Buddhist / Bhutanese corporate ethics perspective, this model also entails significant risks. Its reliance on startup capital often necessitates a more aggressive approach towards profit generation, which can come at the expense of those who help generate those profits—the workers and community partners. Any decisions to move away from a

strictly profit-generating model, for example a decision to share funds with local communities, would be understood as a strictly voluntary choice within such a traditional corporate model—a “nice to have” or “feel-good” element of charity, but certainly not a corporate necessity.

The cooperative model of business organization contrasts sharply with the private corporate model. Bhutan enacted its Co-operatives Act in 2001 as a way of encouraging pro-poor social enterprises (The Co-Operative Act of Bhutan, 2001). By ensuring that a cooperative’s business model balances profit generation with the well-being of its employee-owners, cooperatives globally have shown great promise as resilient alternatives to the prevailing private corporate model, (Iliopoulos and Valentinov, 2018) and Bhutanese policy makers subsequently embraced that concept wholeheartedly.

Of crucial relevance to the viability of cooperatives in Bhutan, however, is the capacity (or motivation) of the members of the cooperative to oversee the decisions made by their own managers. In smaller cooperatives, the members can themselves make all decisions collectively—in a form of direct workplace democracy. In larger cooperatives, however, members must select their managers to run the cooperative in their name and subsequently exercise effective oversight over those managers to ensure that they remain subordinate to the collective interest. The cooperative governance model gives members the *formal* mandate to exercise such oversight. But what of the other factors that contribute to such empowerment—factors such as education, voice, and a cultural acceptance of workers exercising oversight over their own management team? If those other factors are lacking, a cooperative’s members will not easily be able to oversee their own managers. Sometimes in such situations, managers may in fact begin to make decisions that no longer correspond to the interests of the members (Fulton and Giannakas, 2007). Just as frequently, however, managers might still be making sound business decisions, but

the cooperative members might be inadequately prepared to understand the logic of those decisions, ultimately leading to the breakdown of trust between management and the cooperative members.

Especially in a Buddhist or Bhutanese context—where respect for authority figures still features prominently in how most people understand their place in society—cooperatives are difficult to realize in practice when they involve people from different stations in life working together. Bhutan’s experience with cooperatives unfortunately includes many examples of irreparable breakdowns between cooperative membership and management (Sonnenberg and DeRemer, 2020). Quite often, these breakdowns have to do with the outsider-driven process that led to the formation of many Bhutanese cooperatives, (Sonnenberg and DeRemer, 2020) for example when an energetic government official or dynamic entrepreneur convinces a group of villagers to join a promising cooperative. Initially things might go well, and the cooperative might even attract a good degree of support from enthusiastic promoters. But even despite such initial support, the cooperative members themselves do not always feel themselves to be truly empowered as co-owners of their own enterprises. Sometimes they might feel an overwhelming sense of gratitude (a “debt” of gratitude) towards those who had “gifted” them a job in the cooperative, and thus reluctant to exert any pressure on their managers. In other situations, the members are simply under-educated to properly understand the challenges that their managers face, and therefore excessively deferential to their supposedly more well-trained or well-educated managers. In still other situations, cooperative members make their conclusions about their managers based on personal considerations, such that personality clashes often lead to the turbulent dissolution of otherwise promising cooperatives.

In light of such observations, BB chose the middle-path of an intentionally interdependent business relationship with its supplier

communities. BB's model harnesses the dynamism of a company by structuring a central entity as a corporation, and tasking it with what might be described as various "white collar" tasks, such as marketing, business planning, and the management of logistical systems. That central corporation is then partnered with various farmers groups (cooperatives), which are all based around a community of small landholders. After significant efforts to organize these partnered communities, working with them to build their governance and technical capacity to make effective decisions about issues that concern them, these cooperatives then enter into an intentionally interdependent relationship with BB as the "central" coordinating company. To ensure that the central company and the various cooperatives along its orbit remain in sync with the demands of *Sampa Sempki*, the consensus building model of joint decision making ensures that any crucial decisions are made based on a balanced embrace of the interests of *both* entities.

Once conceptualized on paper, the first challenge for Bhutan Blossoms was to communicate the virtues of this model to its counterparts in the village. To do so, it asked the JSW Law School's SEC to convene an initial consensus building decision making exercise—the first of several such sessions that would take place in subsequent years. Over the course of several days, the SEC organized a series of exercises—some for the village as a whole and some only for the leaders of the DFG—to explore various business management models. Using a series of interactive exercises, games, scenarios modeling, and facilitated discussions about the norms that participants wanted to embrace in this joint business venture, Bhutan Blossoms and the DFG finally agreed to the model of intentional interdependence described above. They also agreed on a provisional profit-sharing arrangement that would govern the first phase of the relationship between BB and the DFG.<sup>32</sup> The outcome of these discussions continue to

define the relationship between BB and the DFG, and is currently the basis of other similar relationships being negotiated with other rural communities in Bhutan to fuel BB's growing product line.

## VII. Lessons and Conclusions

The business model we described above, which is built around a Buddhist-inspired business ethic and designed to combine the dynamism of private enterprise with the egalitarian ethic of a cooperative, is one that has already begun to flourish in Bhutan. It has brought a sustainable source of income to stakeholders at all levels of the supply chain. Just as importantly, profit shares allocated to Bhutan Blossoms at the center of the system, and its partner communities along the supply chain, are divided

<sup>32</sup> This profit-sharing arrangement called for a division of BB's net profits at the end of the year into five equal portions, allocating them respectively to (1) members of the DFG and (2) BB employees; (3) a DFG reserve and reinvestment fund as well as (4) a BB reserve and reinvestment fund; and finally (5) a Community Development Fund. That final fund was intended for community improvement projects in Drachukha village, and required a separate decision-making process on how to allocate those funds in which all households in the village—regardless of whether they were involved in the DFG or not—had to agree before making any expenditures. This profit-sharing strategy was pre-negotiated to reflect the shared ideological commitment of BB's management and the DFG about the venture's desired social impact, and contractually memorialized in order to avoid any disagreements later in time. See Druk Metho, Annual Report 2019 (April 20, 2020), 6, *on file with author*. This was the first time the designers used a consensus building process to make a crucial decision that affected both DFG and Bhutan Blossoms, and served as much as a decision-making process as well as an opportunity to demonstrate Bhutan Blossoms' fundamental approach to co-decision making with its partner community. At the end of 2019, BB divided its profits in line with the above framework, and formally issued a check to DFG and the Drachukha community, in the presence of local government officials and other onlookers, to celebrate its first successful year of operations. The Drachukha community used the funds allocated to the Community Development Fund to defray the annual costs of maintaining the village access road, a cost that previously had to be borne by the village households themselves.

in a much more egalitarian fashion, and determined jointly in a periodic consensus building process. If replicated on a nationwide scale, this model of doing business would have the potential to substantially reduce rural-urban inequality and diminish the incentive for young and entrepreneurial farmers to leave their rural communities in search of illusory promises of greater happiness in the cities.

Business wishing to cultivate relationships based on intentional interdependence should prioritize four key “ingredients” for the efforts to succeed:

**Leadership:** The first, is the element of leadership. Bhutan Blossoms benefitted from a CEO who had a vision for how he wanted to run a business. He was confident, demonstrated a significant capacity to tolerate risk, but also exuded a calm confidence that problems were solvable, relationships manageable, and logistics surmountable. Without such a leader at the helm, Bhutan Blossoms would not have been able to succeed. BB’s leadership was complemented, however, by similarly robust leaders at the village level as well as in Switzerland (SAH). Entrepreneurs at one rung of a supply chain need not feel threatened by the emergence of other strong leaders along that same supply chain. Quite the contrary: visionary leaders at one level often specifically invest in the capacity of other entrepreneurs with whom they can subsequently collaborate.

**Values:** The second crucial ingredient making this model a success is having an ethical commitment that a business should benefit all involved stakeholders. In this case, Both BB’s management as well as its counterparts at the DFG and at SAH had a robust commitment to equality—equality between men and women; between villagers and urbanites; between Bhutanese and foreigners. This commitment was perhaps driven by a profound humility, shared by all, that no one

perspective should predominate in determining right-mindedness. All stakeholders agreed that time and patience were essential for this venture to succeed. No one demanded for there to be immediate and short-term results. Rather, business plans were designed to generate profits over the course of several years, and expectations managed accordingly. This patience allowed relationships to be built gradually, and for there to be ample time for consensus-based discussion of crucial decisions. Finally, there was an unspoken norm to cultivate trust and transparency between all concerned stakeholders. Farmers were encouraged to seek answers from Bhutan Blossoms, and Bhutan Blossoms managers spent significant time trying to understand the realities of their suppliers. This trust became especially relevant during the time of the COVID-19 pandemic, when Bhutan Blossoms had to make drastic management decisions that might not have succeeded absent a strong foundation of reciprocal trust between Bhutan Blossoms and DFG.<sup>33</sup> The Buddhist values described above—which were motivated by *Sampa Sempki* and not economic calculations—also ironically enabled Bhutan Blossoms to survive and pivot when faced with the unprecedented economic turbulence caused by the global pandemic.

**Helpers:** The third factor is that of a helping hand. Here, undoubtedly SAH and the many supporters who invested in Bhutan Blossoms' crowdfunding request played a crucial role. But so too did the general regulatory environment in Bhutan. Throughout its existence, the Bhutanese authorities played a major role supporting, cheerleading, and promoting

<sup>33</sup> As a result of COVID-19, Bhutan's tourist industry ground to a halt virtually overnight. Correspondingly, BB's primary profit center—selling high-value products to tourists in Bhutan—also collapsed. BB in response pivoted to development of more affordable products for the local market—requiring different inputs and different marketing strategies—as well as a successful campaign to cultivate new markets abroad for an entirely new line of value-added products.



this example of Bhutanese entrepreneurialism. Local regional and national authorities took note of the experiment and provided in kind and financial support to its ultimate success.<sup>34</sup> These authorities—at any level of authority, play absolutely essential roles in either facilitating or coopting such initiatives. Here governance integrity—and ultimately a parallel sense of *tha damtshi* among local government officials—plays a crucial role in facilitating the growth of sustainable and ethical local businesses. Finally, JSW Law, in the form of the SEC Clinic and its enthusiastic students and faculty supervisors, provided BB with crucial technical expertise, consulting services, facilitation and networking support that allowed it to overcome some of its early challenges.

The impact of such tangible and intangible support cannot be overstated. Crucially, all of these helpers spoke a *lingua franca* of sorts—articulated in an enthusiasm and excitement about the values described above. These helpers would not have been motivated nearly as much to lend their support had BB been designed only to generate profits. Indeed, as we saw above, these value-based relationships opened countless possibilities for resources and investments that might otherwise not have been available, certainly not at below-market rates.

**Process Facilitation:** The fourth and final ingredient that proved relevant to Bhutan Blossom's success was the element of process facilitation. We described above the centrality of consensus building, and showed how important that was to cultivate trust and transparency between Bhutan Blossoms and DFG. Consensus building proved to be a surprisingly effective procedural mechanism to avoid an adversarial confrontation in

<sup>34</sup> This support was given to BB *independently* of any COVID-19 relief funds, and was given on the same terms as any other Bhutanese Cottage and Small or Medium Sized Enterprise (CSME) would have also been eligible to receive.

the face of unexpected events (such as the business disruptions that arose during the pandemic). But consensus building cannot succeed without skilled facilitators, trained in mediation, stakeholder analysis, and group process design. Facilitation is a skill that can be learned (and taught), and one that can be applied repeatedly over the course of a business relationship. In that sense, any businesses interested in the idea of cultivating intentionally interdependent relationships with partnered communities might need to develop robust working relationships with trained facilitators.

### VIII. Remaining challenges ahead

It would be inappropriate to end this article without a transparent discussion also of the challenges that still lie ahead for Bhutan Blossoms. With BB's initial success comes the potential for future growth, and with that growth would come a need for additional supply chain relationships. Can BB manage to replicate the success of its initial relationship with Drachukha also in other communities, and will its commitment to consensus building anchor a similarly robust and flexible relationship? As we draft this article, BB is actively pursuing several other partnerships with new communities, all premised on the same approach and model as its existing relationship with Drachukha.

Second, one worries how Bhutan Blossoms will surmount the transition from startup to established corporation. In Bhutan as elsewhere, there is tremendous enthusiasm and support for innovative startups. Bhutan Blossoms also benefited from this support. During its first two years of operation, for example, it was able to manufacture its products in the Thimphu Startup Center, a government-subsidized "incubator" designed to give new startups like Bhutan Blossoms a helping hand. But what now?

The startup center provides support only to startups that are actually *starting*. Now that Bhutan Blossoms has matured, and especially now that it is actually finding new markets for its products, it needs to expand, invest, and grow. And it needs to do so quickly, to capitalize on the excitement and momentum that drove the growth potential in the first place. But given Bhutan Blossoms' innovative decision-making processes and its generous profit-sharing arrangements, can it still attract the attention of the necessary investors to fuel this growth? These are crucial questions that have the potential to determine the long-term viability of Bhutan Blossom's Buddhist-inspired model of corporate ethics. In our opinion the fate of BB's model of doing business depends crucially on the shifting ethics of global investment: the more investors are willing to temper their relentless pursuit of profits with considerations of personal virtue (*sampa semphi* in Bhutanese parlance), the more likely it will be for small enterprises like Bhutan Blossoms to thrive.

Our description of Bhutan Blossoms' evolution focused on the crucial role that helpers such as SAH, JSW Law, and local regulators played in its evolution. For this kind of a business model to flourish, new communities of values-driven investors must come together specifically to seek out corporations like Bhutan Blossoms to support. Perhaps the growing global demand for more environmentally, socially, or governance friendly investment opportunities (ESG investments) will help attract more such supporters. As this case study shows, such investments are not only good for an investment fund's overall ESG score, but they also open the space for ESG-based business practices to emerge along other rungs of the supply chain.

Governments can also do their part by creating favorable regulatory environments specifically for enterprises that demonstrate a commitment to this and other types of ethical business practices. In doing so, we

would propose that they look towards additional markers of corporate ethics, in particular concrete procedural provisions that reveal a genuine commitment to consensus-based decision making with affected stakeholder communities.

Finally, and perhaps most crucially, the long-term question remains if a personal virtue-based commitment to corporate ethics, grounded in *Sampa Sempki*, will be enough to sustain the individual entrepreneurs committed to the pursuit of such a business model. Will Bhutan Blossoms' managers continue to feel good about their commitment to this model even while watching other businesses generate potentially greater profits, with fewer strings attached, and without needing to periodically accommodate the interests of its associated stakeholders? Will Bhutan Blossoms' partners continue to recognize a good thing when they see it, and offer up their own good will and good faith in exchange? In the end, even the most virtue-based managers need to feel incentivized and acknowledged for their efforts. Here again, regulators, investors, helpers, and ultimately also consumers have a significant role to play in incentivizing the commitment of business owners to act with *Tha Damtshi*.

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