

Competition and Management Issues of SME Entrepreneurs in Laos: Evidence from Empirical Studies in Vientiane Municipality, Savannakhet and Luang Prabang

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Abstract: This study analyses competition and management issues of Small and Medium Enterprise (SME) entrepreneurs in three provinces of Laos: Vientiane Municipality (the capital city), Savannakhet (an important economic development zone) and Luang Prabang province (a famous historical site and tourist destination). Competition and management have changed dramatically after the introduction of the New Economic Mechanism in 1986, which moved the economy from central planning to market-based economic management. Qualitative research was used, with 52 in-depth personal interviews conducted and combined with behavioural observation and content analysis of secondary sources of data. Results indicate the importance of SMEs in the Lao economy, with some 74% of total enterprises being family-owned SMEs. These concentrate on food processing, garment production, construction materials, wooden furniture, tourism, education, trading, transportation, internet services and others. Increases in the SME sector have contributed to job growth and overall GDP growth. Findings also showed increased competition in the sector as substitute products are introduced, with significant bargaining power for buyers and a high rate of new entrants into a limited range of product/service markets, without much competition in terms of price and quality of goods and services. Entrepreneurs find it difficult to access modern technology and finance, have limited resources in terms of capital and skill and must also negotiate unfair treatment by officials. Management styles usually focused on short-term day-to-day objectives and few were able to consider longer-term considerations or business sustainability. Skills management and capacity building in these SMEs were narrowly conceived and required to be profit-based. Training and development of human resources was seen as a cost rather than an investment. Recommendations are made for enhancement of SME productivity and capacity.

Key words: Competition, entrepreneurs, Laos, small and medium enterprises

INTRODUCTION

Laos has been officially known as Lao People's Democratic Republic (Lao PDR) since 1975 and is also one of the Mekong Sub-Region countries (Pandey, 2004). Aiming to strengthen the socio-economic growth of the country and release it from least developed country status, the Government of Laos (GoL) planned to enhance national economic performance through a market-oriented approach known as the New Economics Mechanism (NEM), which was officially launched in the 1980s. According to Souvannavong (2006), who is Vice-President of the Lao National Chamber of Commerce and Director of the Industry Executive Board, the private sector now dominates the economy of Laos, with 99% of enterprises in terms of numbers and 94% in term of employment located in that sector. The Lao economy is composed of large enterprises (5%); medium enterprises

(16%); small enterprises (58%); and micro enterprises (21%). Significant growth in private enterprise Small and Medium-sized Enterprises (SMEs) has occurred in such sectors as handicrafts, small-scale agricultural processing, timber production, textiles manufacturing, trading and internet services and this has engendered more new job opportunities, reduced the unemployment rate and contributed to national income as a whole. A research study of Vietnam-Laos-Cambodia, Overview of SME Development, by the Asian Development Bank (ADB) in 2006, demonstrated that SME development plays important roles in national economic growth. However, SME development goals were not easy to accomplish because several constraints have been encountered, especially in terms of the lack of capital, limited demand in the market, highly competitive environment as a result of many substitute products/services and numerous competitors, lack of access to modern technology and

inconsistent application of macro-policies for SME development. In response to those existing and potential restrictions, entrepreneurs are often required to obtain business knowledge, marketing and management skills in combination with personal ethics and leadership competencies, and obtain adequate capital to deal proactively or actively with current trends among service-based transactions where consumers have high bargaining power. This study attempts to investigate in particular the nature of the development of SME entrepreneurs in three provinces of Laos, Vientiane Municipality, Savannakhet and Luang Prabang, concerning how businesses were initiated; what kind of challenges were faced and how entrepreneurs coped with those challenges and sustained their ventures, as well as what supporting requirements are needed for SME promotion and development in Laos.

LITERATURE REVIEW

Concepts and characteristics of entrepreneurs: The term ‘entrepreneur’ is broadly defined as one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them (Zimmerer and Scarborough, 2005). Entrepreneurs are individuals or groups of individuals who act independently or as a part of a corporate system to create new organizations or influence innovation within an organization (Sharma and Chrisman, 1999). However, in regard to academic entrepreneurs (Brennan *et al.*, 2005), the research entrepreneur is viewed as part of the category of technical entrepreneurs who are most likely to be involved in a university/academic setting, and has knowledge-oriented, science and technology background. Barrow and Brown (1997) summarised the common characteristics of entrepreneurs as being people who are always bursting with new ideas, highly enthusiastic, hyperactive and insatiably curious. To manage a business successfully, an entrepreneur has to (1) be highly committed and diligent; (2) accept uncertainty to minimize risk by either calling up more information or delaying decisions until every possible fact is known; (3) have sufficiently good health to be able to plug any gaps caused by other people’s sickness, (4) be a self-confident all rounder by putting their willingness to turn their hand to anything that has to be done to make the venture succeed, and (5) consist of innovative skills to tackle the unknown or do old things in new ways. There are eight successful traits for an entrepreneur. They are (1) the desire for responsibility, meaning that they prefer to be in control and use their resources to achieve self-determined goals; (2) have preference for moderate risk - meaning that they are able to calculate and evaluate risks before deciding on realistic

Table 1: Categories of SMEs in Laos

Categories	No. of Employees	Annual turnover (US\$)	Total assets (US\$)
Small enterprise	1-19	<40,000	<25,000
Medium enterprise	20-99	<100,000	<210,000

Source: PMO. Lao PDR (2004a)

and attainable risk levels; (3) have confidence in their ability to succeed; (4) desire for immediate feedback - meaning that entrepreneurs like to know how they are performing; (5) have high levels of energy to launch a start-up company, spending long hours working and sacrificing other interests; (6) have future orientation in searching for opportunities and looking ahead; (7) have skills at organizing and allocating the right people into the right jobs; and (8) valuing achievement over money. Similarly, Barringer and Ireland (2008), described common traits of successful entrepreneurs as (1) a passion for the business and belief that the products/services selling in the market could make the world a better place to live in; (2) a product/customer focus on inventing products to meet the unfilled needs of customers; (3) tenacity despite failure – meaning that the entrepreneur typically tries to create something new to sustain loyalty and convince potential customers of the firm’s future prospects; (4) execution intelligence by constructing a solid idea into a viable business by developing the business model, putting together a new venture team, raising money, establishing partnerships, managing finances, leading and motivating employees and related tasks.

Definitions of small and medium enterprises and competition: Definitions of SMEs vary according to country and in time. According to Kotey and Folker (2007), a small firm is defined as employing between 5-19 workers and a medium firm as having between 20-199 employees. In Laos, SMEs are viewed differently. The Decree on the Promotion and Development of Small and Medium Sized Enterprises (No. 42/PM) defines SMEs as dependent enterprises that are legally registered and operate in accordance with prevailing laws (Prime Minister’s Office of Lao People’s Democratic Republic (PMO. Lao PDR, 2004a). Small enterprises normally have an annual average number of employees of not more than 19 persons, with total assets not exceeding US\$25,000 or an annual turnover not exceeding US\$40,000. Medium sized enterprises have an annual average number of employees not exceeding 99 persons, with total assets not exceeding US\$210,000, or an annual turnover not exceeding US\$100,000 (Table 1). With more than 99 employees, the enterprise is generally defined as a large enterprise.

Enterprises of all categories are, therefore, considered to be quite small in Laos, partly owing to the low level and density of population and the limited size of the

economy overall. In Malaysia, for example, the definition of SMEs is generally based on the two criteria of employee numbers and annual sales turnover; while distinctive definitions are reserved for different sectors (e.g., primary agriculture; manufacturing (including agro-based), Manufacturing-Related Services (MRS) and services (including Information and Communications Technology) (The Secretariat to National SME Development Council, 2005). Perrini *et al.* (2007) explain that SMEs have specific characteristics that distinguish them from large corporations: SMEs are generally independent, multi-tasking, cash-limited and based on personal relationships and informality, as well as being actively managed by owners, highly personalized, largely local in their area of operation and largely dependent on the internal sources to finance growth. Sivalingam (2004) said that if the government provides the framework for competition in the form of policy and law, then competition between firms including SMEs will see the "survival of the fittest." Inefficient firms will be forced out of the market. In other words, the more efficient firms will emerge and consumers will benefit from better quality products, more choice and more affordable goods and services. According to Singleton (1997), there is no need for competition policy because the threat of entry forces enterprises to increase efficiency and pursue product and process innovation. The 1947 Havana Charter and the International Trade Organization highlighted the need to prevent "Restrictive Business Practices" and "to prevent, on the part of private or commercial public enterprises, business practices affecting international trade which restrain competition, limit access to markets or foster monopolistic control and so on" Sivalingam (2004). All in all, to manage and develop SMEs effectively, they should be encouraged to compete with each other fairly, while being competent enough to ensure the success of their businesses.

Effective strategies for successful entrepreneurs:

Barrow and Brown (1997) explained that the function of the business plan is to reduce risks as it helps the entrepreneur to determine (1) definite market opportunities; (2) potential team working; (3) suitable marketing entry strategy; and (4) profitable ventures to operate. For a start-up business, the entrepreneur needs to research who the customers are, define strengths and weaknesses vis-à-vis competitors, spell out how particular products/services can meet customer needs, define reasonable prices and what promotional materials are needed to attract targeted customers as well as where to locate customers most easily. Starting-up a business is easy but keeping the business running, sustaining it that is, is more difficult. To sustain the business, SME entrepreneurs might associate themselves with specific corporate social responsibility (CSR) strategies, environmental and financial benefits, while achieving

business goals in order to contribute to society, as this may create a good image for the venture (Friedman and Miles, 2002; Perrini *et al.*, 2007; Petts *et al.*, 1999). Both managerial and non-managerial employees should be concerned with CSR and the environment and understand that their compliance also has important implications for corporate behaviour. In addition, Bennett and Robson (2005) noted that information exchange was very important to enhance the value of anticipated outputs and services of the business. To achieve useful information exchange, particularly relating to the key objectives of service marketing and delivery, advice from both internal and external stakeholders should be considered value added instruments.

SMEs are faced with a number of constraints, including financial resources, inadequacies of management and marketing, lack of skilled workers, weaknesses in external information and linkages, difficulty in coping with government regulations, inability to exploit new products because of limited organizational and marketing capabilities, reluctance to change, tendency to ignore procedure, focus on short-term requirements, lack of strategic vision, diffusion of a blame culture and scanty attention to innovation (Tanabe and Watanabe, 2005; Scozzi *et al.*, 2005). Lu (2006) described strategies categorized as passive rather than active; to develop a successful plan with a strategic focus, the entrepreneur must initially assess external opportunities and select the most appropriate methods and timeline for growth. Another strategy that SME entrepreneurs can apply is the six sigma strategy - which is a customer-focused method which defines their priorities and provides a way of improving processes so that firms can more efficiently and consistently produce world-class products and services to fulfill customer needs, as described by Thomas and Barton (2006). SME entrepreneurs should seek internationalization by expanding their branches to potential customers in foreign countries, in particular when they found larger and better endowed multi-national enterprises (MNEs), as specified by Etemad (2004). To enter the international market, Etemad (2004) observed that entrepreneurs must be ready and place much heavier emphasis on having potent strategies well-constructed for their businesses to ensure other typical or regional firms can not routinely attack them. It would be more beneficial if the entrepreneur had a good network with local stakeholders as business management is not only dependent on physical resources but also relies on entrepreneurial traits, social relations, social capital and even friends and family networks. In brief, there are several strategies to manipulate the venture successfully and effectively but the key concern is how competent the entrepreneur is.

Previous studies regarding SME performance and management in Laos: Since the market was reformed

under the NEM, many stakeholders have benefited; about 2,000 women in Vientiane have engaged in opening small business establishments and become both producers and managers (Pandey, 2004). Various researchers have discussed poverty reduction through economic growth in Laos. The World Bank (2001), for example, agreed to foster economic growth through free and open markets to alleviate poverty. The ADB supported an investment of around \$5million in the Mekong Enterprise Fund (MEF) to support SME enhancement for Cambodia (25%), Laos (10%) and Vietnam (25%) (PR Newswire, 2001). To contribute to economic growth, the development program for SMEs should assist and stimulate entrepreneurs with the potential to utilize existing resources and invest in society to grasp the advantages of globalization and to meet the commitment of investment in a sustainable way. Entrepreneurs should differentiate products/services and segment markets (Low, 2001). According to the study *Generating Employment through Micro and Small Enterprise and Cooperative Development in Lao PDR*, produced by Enterprise Development Consultants Co. Ltd. (2002), it confirmed that small enterprises were contributing positively to economic growth and the development of the country, particularly in terms of employment creation with approximately 259,000 full-time positions created, which is ten times the employment created by large enterprises in 1996. The promotion and development of the small business operations provided alternative opportunities for farmers and senior governmental employees to obtain jobs after retirement. The study also noted that 43% of former farmers and 30% of retired government employees were pursuing careers in small business, mainly in the commerce and manufacturing sectors. Moreover, the study also pointed out that around 6.8% or 162,420 were persons with disability, many of whom suffered from triggering unexploded ordnance in the North of Xieng Khoung and the South of Savannakhet. Government agencies and international donors have cooperated with each other to help these people by organizing rehabilitation and other technical training schemes, usually related to agriculture, carpentry and electronics and traditional crafts such as weaving and crafting. This training provision was anticipated to improve competencies and competitive skills of people with disabilities to enhance their performance and productivity or even to help them create jobs and generate their own income through running a micro business and to become SME entrepreneurs of the future.

Key internal agencies for SME development in Laos include the Japan International Cooperation Agency (JICA), ADB and the United Nations Industrial Development Organization (UNIDO), which supported the creation of mainly rural access roads, power generation and distribution. With support from the GoL, NGOs and international organizations, the number of

SMEs in Lao significantly increased from 10,735 in 1995 to 25,993 in 2005 (Ministry of Industry-Handicrafts, 2007). Support from governmental and other agencies, however, was still implemented in a very limited way as it has not yet become a priority. Unfair practices in accessing finance, equipment, credit and raw materials appeared as the larger enterprises often received more support; while SMEs faced complicated and lengthy administrative procedures and corrupt practices by officials. Further, SMEs continued to be less competitive in terms of price, quality and distribution because they still had limited knowledge in business, law and taxation (Enterprise Development Consultants Co. Ltd., 2002). Entrepreneurs hoped to obtain assistance from governmental agencies in terms of infrastructure development, accessible credit unions, marketing research and the development of transparent macro-level policies. They were advised to target different markets and required dissimilar aids and strategies (Thikeo, 2006). In short, to deal with these challenges, SME entrepreneurs should urgently develop both conceptual and technical skills and adopt modern technologies for business management and communication. Medium-sized entrepreneurs were advised to improve the business environment, apply the concepts of Total Quality Management (TQM) and the Balanced Score Card (BSC), while obtaining updated market information.

Business competition policy and awareness in Laos:

For a country to gain competitiveness, it is important to make its SME sector strong and competitive (Business World, 2001). Competitiveness must first be built at firm level, then sectoral level and then industry level. The privatization policy and relevant liberalization programs were introduced since 1986 after the transformation from Centrally Planned to Market-Oriented Economy under the NEM. According to the research on *Competition Policy in ASEAN* (Sivalingam, 2004), privatization is perceived to be pro-competition as it opens markets to private participation in the production of goods and services under competitive market conditions. There is no need for government intervention to correct for externalities because economic agents can bargain to achieve a Pareto optimal allocation of resources. In order to stimulate the business competition of the country, the GoL has tried to convert State-Owned Enterprises (SOEs) to other forms of ownership and has also motivated Lao entrepreneurs to integrate with regional and global markets. The GoL, moreover, amended the Foreign Direct Investment (FDI) Law of 1988 in 1994, as well as the Domestic Investment Law in order to reinforce competition. Under the NEM, the state encourages all economic sectors to compete and cooperate with one another in expanding their production and business opportunities. All economic sectors are equal before the Business Law No. 03/NA, dated July 18th, 1994, Article 5, which specifies that "All types of

operations conducted by enterprises in all economic sectors are inter-related and compete on an equal footing before the law.” Nevertheless, some barriers to competition enhancement still existed, especially in terms of administrative and other policy-induced barriers and barriers created by private sector anticompetitive practices.

Although Laos does not have a comprehensive policy or specific law on competition, the GoL has been exerting a strong effort to support market liberalization since joining ASEAN in July, 1997, and also in the accession process to becoming a full member of the WTO with a full commitment to liberalization efforts to dismantle tariff and non-tariff barriers on trade. Based on inappropriate initial conditions such as weak institution building and lack of experience and competition culture, it has not been an easy task for Laos to adopt a comprehensive competition policy (Rattavong, 2006). Nevertheless, the GoL has strongly attempted to promote fair competition with the primary purpose of improving economic efficiency and benefiting society as a whole by the ensuring economic system and market mechanisms work well and run smoothly; avoiding a situation in which economic power resides in the hands of a few businesspeople; and eliminating unfair treatment. So, consumers enjoy lower prices, increased choice and better quality products/services. In regards to the Decree on Trade Competition (No. 15/PMO), Article 7, which relates to promoting fair trade competition, the GoL encourages business entities of all economic sectors to undertake businesses under competitive conditions with equality, fairness, and cooperation. Article 10 relates to the elimination of other business entities and aims to prohibit business entities from acting in a way that causes losses directly or indirectly, by such conduct as dumping, limiting or intervening with intent to eliminate other business entities. Article 11, which relates to collusion and arrangements, prohibits any business entity from illegally colluding with another in fixing the sale and purchase price of goods and services; stocking goods, limiting and reducing the quantity or limiting distribution or import of goods and services; fixing conditions that force their customers to reduce production, purchase or sale; limiting the customer's choice to purchase; entering into allocation arrangements of markets; and so on (PMO. Lao PDR, 2004b).

METHODOLOGY

To explore the context of the development of SME entrepreneurs in Laos, a qualitative approach was mainly applied. The qualitative findings were assumed to add holistic illustrations and focused on natural occurrences and ordinary events in SME entrepreneurs' real lives (Miles and Huberman, 1994). The qualitative findings were, furthermore, presumed to reveal complexity and

enabled deeper probing to obtain results that have strong impacts on readers (Prongjit, 2006). Secondary data from online databases, journals, internet websites, recent statistics and primary data were also utilized. The primary data were collected by applying direct personal observations, documentary reviews and in-depth interviews; 52 key informants were interviewed face to face; all individuals were randomly selected in SMEs in three provinces: the capital city Vientiane Municipality, which is a key driving force for economic growth of the country (Walsh and Southiseng, 2009); Savannakhet Province, a special economic-zone and ASEAN-designated area (American Embassy of Lao PDR, 2005); and Luang Prabang Province, which is a well-known destination for tourists and was designated as a world heritage site by UNESCO in 1995 (UNESCO, 2004). The qualitative sampling method design was non-probabilistic, meaning members of the sample population did not have an equal chance of being selected. The interviewed entrepreneurs were involved in various business activities, such as commodity and grocery shops, boutiques, gift shops, college businesses, office equipment shops, furniture, restaurants, tour operators, guesthouses, hotels and so on; they were randomly singled out by using convenience and snowball techniques. These approaches were considered to be useful and suitable for this empirical study since, by interviewing unknown entrepreneurs in the private sector, it was assumed that they might be hesitant to share information, opinions or experiences of their business fields, in particular information regarding costs, revenues and profits. Consequently, convenience and snowball approaches were chosen as it was believed that these approaches would provide valid and reliable information if both interviewers and interviewees were recommended by third-party connectors.

With 52 interviews, it is believed that the obtained information does represent the managerial and development practices of SME entrepreneur in Laos to a reasonable degree, especially since the interviewed entrepreneurs willingly answered questions and shared experiences and opinions about their business management and development style, in addition to support from external governmental and donor agencies. They willingly shared information as they presumed that this study would lead to recommendations to the relevant agencies in terms of developing SMEs. Besides the 52 interviews, the authors also applied the behaviouralism method to observe the dynamic behaviour patterns of individuals (Krook and Squires, 2006). This approach was considered to offer a window into the individual and social behaviour that shapes collective results concerning the services, operation and management of SME ventures. Interview agendas were initially designed and discussed with experienced academic researchers with expertise in entrepreneurship management to avoid any potential

misunderstanding among the interviewees and enhance the validity of the data.

The prepared questions were firstly developed in English before being interpreted into Lao. Four question strategies were used: closed-ended questions; open-ended questions; role playing and constructed questions. Each interview lasted about one hour. Notes were made during interviews and subsequently transcribed and integrated with the observational data. After each interview, the data were immediately corrected, edited, typed up and re-corrected. A content analysis method was used for measuring the semantic content of the communication (Cooper and Schindler, 2006) and diagnosing the findings of both the primary and secondary data. Before the results were finalized into this study, steps were taken to ensure consistency of results, validity and reliability of data analysis.

RESULTS AND DISCUSSION

Nature of SME management and development in Laos: According to the Decree on the Promotion and Development of Small and Medium Sized Enterprises (No. 42/PM), the Small and Medium Sized Enterprise Promotion and Development Office (SMEPDO) is the key regulator of GoL and it executes the establishment and sustainable development of SMEs. It aims at expanding commercial goods production, trading and service to contribute to employment creation and raise living standards of Lao people, as well as laying the foundations for gradual industrialization and modernization of the national economy. SMEPDO has roles in issuing development standards, monitoring and evaluation of program implementation and a further 11 critical functions. Besides SMEPDO, the Lao Trade Promotion Centre (LTPC) also supports the growth of SMEs through assisting Lao manufacturers and exporters to fulfill production potential and marketing ability; doing research related to export and trade promotion; exhibition and trade fairs. The Lao National Chamber of Commerce and Industry (LNCCI) is another institution that provides information about SME activities; negotiates with respect to commerce, industry and services; issues certificate of origin; approves establishment of Business Organizations; and promotes trade and investment and SME development. Finally, another 25 Official Professional Business Associations such as Lao Handicraft Association; Lao Consulting Company Association; Lao Hotel and Restaurant Association (LHRA) also support SME promotion and development.

Case study of vientiane municipality and savannakhet province:

Entrepreneurs and business profiles: All 13 interviewees were of Lao nationality and Buddhists (7 from Vientiane Municipality and 6 from Savannakhet).

Many of them (11) were female entrepreneurs and married, one was single, and one was widowed. They were categorized into different age groups; the largest proportion (5) were 21-30 years old; three were between 31-40 years old; three were between 51-60 years; and two were 51-60 years old. A few held undergraduate degrees majoring in business administration or engineering; and the rest had various educational backgrounds, such as Lower-Secondary School, High School and Vocational School with electricity and teaching backgrounds. The entire sample had officially registered their businesses in accordance with the law before starting operation; most SMEs were under family ownership and control, meaning that businesses have family members as employees, influence in decision-making, and exist with a particular intent to transfer the family firm from one generation to the next generation. A limited company also existed, but was still owned by a single family. According to documentary review, SME business ventures have been continuously established from 1991 until 2007. As start-up businesses, the number of employees employed ranged from 2-4 and 5-8 persons; eight employees represented the highest number hired including the owner, family members and others which means most of the start-up businesses were likely to be small rather than medium enterprises; and females were more likely to be employed than males were. The capital for start-up investment was certainly dependent on the nature of the business and ranged from US\$1,000-8,000; US\$8,000-13,000; and US\$13,000-200,000 as a maximum. The businesses that initially invested around US\$1,000-8,000 and US\$8,000-13,000 mostly appeared to be commodity grocery shops, copying and office equipment, bicycle shops, gift shops, clothes boutiques, and so on; meanwhile the businesses which invested higher capital (around US\$8,000-200,000) were in wooden furniture, colleges, tourism and car retailing, and food manufacturing. The 13 entrepreneurs revealed average annual revenues of US\$1,000-3,000; US\$3,001-7,000; and maximum US\$7,001-54,000. These figures show some businesses were loss-making and others profitable. However, it was common for many businesses to sustain losses for the first or early years of investment as investors had to add up several operating costs, especially for fixed assets for first-year establishment. Few of them obtained higher revenues in comparison to the initiate capital, showing that it was not always true that the businesses suffer losses as a start-up business.

As an on-going operating or existing enterprise, most of the business owners accepted that they still kept increasing the capital for operating costs annually, based on social and economic circumstances (ranging from US\$500-11,000; US\$11,000-42,000; and US\$42,000-56,000); and the number of hired employees also increased, ranging from 2-8, 9-19; and 20-25 employees of which again many women were included. These figures

indicate that the performance of SMEs develops as the size of their businesses grows, with higher levels of capital for investment and were required to employ more employees to facilitate business operation. In addition to operating their own businesses, some respondents argued that only to run their own business was not enough for them and they also worked simultaneously for the government or other private companies in order to earn sufficient income. It was also found that most investment capital was provided by self-contributions and firms were owned jointly or shared by family members, as it was common for family members to lend to each other to contribute to business investment even if they feared that they would lose capital early in the business venture. It is very important for business initiators to have their own financial liquidity before outsourcing to start-up a business; otherwise it would be uncertain whether they would be able to repay their creditors. However, it appeared that very few entrepreneurs intended to borrow money from other lenders as it was difficult to convince the informal lenders if they did not already know one another well. Approaching formal creditors was even more complicated and difficult since they had limited knowledge and also had to prepare many official documents, property certificates, and many steps to be processed. The main reasons that the entrepreneurs opted to invest in the business areas mentioned above was because they expected (1) firstly to be their own boss and manage the business with their own management style, (2) to pursue their personal interest such as inventing wooden objects which illustrated their abilities, talents and experience, (3) to seize advantages where there was high customer demand in the market; and (4) some of them saw their friends doing good business and they viewed it as something which was not difficult to manage. The products which are currently available in the market are mostly imported products - from Thailand (food commodities, office equipment, bicycles and clothes), China, Vietnam (books and some food commodities), Hong Kong (clothes), Japan and Italy (cars) respectively; whereas few of them are domestic-made – mostly Lao cigarettes, Lao plastic bags, Lao soft drinks (Mirinda, Pepsi, Coca-cola), Lao beers, sweets, papers, garments, powder and others.

Context of competition environment and business management: As business owners, the entrepreneurs absolutely held the entire decision making process for business operation and benefit management by their own hands. In the context of managing business by their own style, they tended to find this enjoyable and felt relaxed about doing so. With independent lifestyle and flexible management style, they had more opportunities to meet customers directly and create new network connections with suppliers and other stakeholders. Furthermore, the entrepreneurs' skills and abilities improved in terms of

business administration and they undoubtedly had opportunity to spend time with their families. Besides, the entrepreneurs added that not only did entrepreneurs acquire these advantages but the SMEs also contributed to poverty alleviation in terms of unemployment rate reduction, household income generation and national income contribution through taxation and other supporting fee payments as defined by the law. With this view of the advantages of SMEs, the number of new entrants in the sector tends to be high. To gain high returns or sustain a continuing concern in a competitive environment was not an easy exercise owing to the many substitute products/service and competitors, which gave customers more bargaining power. Technology development and economic dimensions were further constraints to business growth as many small entrepreneurs have not yet been able to access modern technology in their business operation and services, while the inflation and exchange rates had strong influences on product/service prices. Social and geographic phenomena were also important since 80% of the population lives in the countryside and the population density is generally very low. Many villages remain quite remote. The customers of SMEs largely tended to be regular customers but their numbers have started to decrease due to the growth of other SMEs with similar products/services while their own businesses became less competitive regarding product/service price, quality and distribution. Other restrictions that were mentioned included: inadequate capital for business expansion and development, lack of management skills and limited experience, unfair support from relevant authorities, for instance, slow processing of documents. In brief, these constraints possibly made some businesses close down after a few years of operation when better conditions might have made them sustainable.

In terms of managing these problems, many entrepreneurs chose just to let things be, while others assessed customers' needs and provided a variety of products or offered more choices to meet demand, while also adjusting business strategies in response to the market environment where they are operating. Some ventures used strategies of price discounting, sales promotions and giving extra gifts, coupons etc; in the education business, for example, business owners opted to recruit skillful and qualified teachers, adapt the teaching curriculum, set appropriate rules and regulations and facilitate targeted customers to ensure the quality of products/services. Providing a variety of products/services and expanding new branches to different markets in combination with suitable location selection were other techniques that had been applied to develop business performance, according to some entrepreneurs. Shop decoration, cleanliness and the convenience-focus organization of stores was observed in almost every venture. It is not surprising that very few ventures planned to go to international markets such as Europe, Japan,

Vietnam and others because the products to be exported would be required to meet international standards, while most of the products available in the Lao market are in fact imported from neighbouring countries. In addition, SME entrepreneurs reported that they also suffer from the limitations of existing logistic channels, knowledge and capital capacity, and the high labour costs in other countries; it is, therefore, difficult to expand the business in regional/international markets. Hence, for the GoL to attempt to boost the performance of SMEs, it should facilitate infrastructure development in education to strengthen the competence and managerial knowledge of entrepreneurs; remove some tariffs and non-tariff barriers in line with international bilateral and multilateral agreements and more where possible; while at the same time stimulating competition in terms of price, quality, distribution and domestic production to enhance the development of domestic manufacturing. Regarding new potential entrepreneurs, it was initially suggested that they should be clear first of what their target market is, have adequate capital in hand and be ready to cope with any potential challenge. Additional requirements included being willing to bear risks and being brave in investment decisions, as well as cultivating good social network connections since experience alone was insufficient. Briefly, Lao SME performance is highly associated with the assistance of GoL agencies and, predominantly, with the strong endeavour and capacity of venture owners. The entrepreneurs, therefore, are required to understand precisely what they are doing and where they are for the moment in order to bring their own capacity to bear and to minimize risks.

Successful traits of SME entrepreneurs and characteristics of expected employees: Based on the interviews, the first characteristic of successful entrepreneurs was to be highly educated and have both conceptual skills to form ideas and direct their thinking, and technical skills in terms of marketing, finance, business administration and practical experience. It was also important to the entrepreneur to obtain the involvement of employees - since listening to customers certainly helped the entrepreneurs to adapt their service to satisfy customers' needs; to be initiators to introduce new ideas and confident and certain of what will happen and that it will follow a defined direction; to have competitive endeavour to accomplish objectives and be passionate about business that will bring financial rewards to the enterprise. Entrepreneurs should develop traits enabling them to be ready to deal with problems openly and honestly in order to create organizational trust and make employees feel that they are of value to the firms. The interviewees, furthermore, observed that entrepreneurs should be brave to take immediate decisions and take risks in the event of either pleasant or unpleasant unexpected events. However, surprisingly, even though it

is largely known that the business operation would not be able to achieve its goals without managerial capacity and the contribution of employees, entrepreneurs neither prioritized skill development nor planned to reward employees for their capability building. Employee motivation was, in short, little regarded. Referring to employment, most of the entrepreneurs said that they initially preferred to hire employees who have good interpersonal skills and the ability to interact well with customers. Potential employees should be honest and share sincere opinions towards a particular situation, as well as having a high level of responsibility in dealing with their duties. Besides, potential employees should be cheerful, friendly and good looking to attract new customers and treat the existing ones fairly. The ability to speak other languages such as Vietnamese, Chinese and, principally, English, was also valued. Women were preferred by most entrepreneurs, who believed they would be more diligent and better able to work well with clients. Family membership (i.e., nepotism) was another critical attribute to which business owners gave priority in employment decisions. It emerged that educational levels were not very important in recruitment decision-making as long as applicants had working experience related to the particular job being considered. In addition, several entrepreneurs had some intent to hire relatives before considering employing other people like neighbours and friends who were already known to them.

Case study of luang prabang province:

Venture management and competition environment in tourism SMEs: Luang Prabang is becoming a well-known tourist destination and was officially proclaimed and indexed as one of the UNESCO World Heritage Properties in 1995 (UNESCO, 2004). The number of tourists in Luang Prabang has increased yearly and created more opportunities for both business ventures and local employment, according to the SUNV in collaboration with Provincial Tourism Office Luang Prabang (2002). The number of tourists in Luang Prabang rose dramatically from 141,569 in 2002 to 261,950 in 2005; most of them were international tourists from the UK, Thailand, Germany, Australia and the USA (National Tourism Authority of Lao PDR [NTA. Lao PDR], 2005) and the four main business sectors that have been chiefly developed are hotels, guesthouses, restaurants and tour operators (Lao National Tourism Administration [LNTA], 2006). The Department of Finance in Luang Prabang (2006) reported that the total revenue gained by the four tourism business sectors almost doubled \$3,059,110 in 2002 to \$5,097,742 in 2005. The GoL has strongly attempted to stimulate the tourism industry by promoting construction and maintaining the infrastructure of roads, telecommunications, electricity, hotel, and airports, while also relaxing immigration restrictions; adapting legislation and policies; developing human

resources, ecotourism guidelines and environmental impact assessments (Yamauchi and Lee, 1999; Aas *et al.*, 2005).

The number of hotels established in Luang Prabang increased from 14 units in 2002 to 18 units by 2006, which belonged to both local people and foreign investors (mostly British, French and Hong Kong Chinese). The hotel management seemed systematic and strategically executed as the owner/managers obtained the hotel and hospitality managerial skills and capability for improving the quality of tourism-related products and services. They therefore operated the business through a customer-oriented channel and were more independent in making decisions (World Bank, 2006). Guesthouse entrepreneurs increased from 114 entities in 2002 to 146 entities in 2005 and 134 guesthouses have been officially registered. Almost 99% of guesthouses were family-based businesses and privately owned by local entrepreneurs. A majority of the guesthouse entrepreneurs have run their businesses according to the experience curve, meaning that the more they did, the more experience they gained to improve their business and provide innovations to satisfy customers. Regarding restaurant entrepreneurs, the number of restaurants almost doubled from 58 in 2002 to 102 in 2005; it was nevertheless found that only 12 restaurants had been legitimately registered as SMEs and around 67% of market share is owned by foreign entrepreneurs. This has resulted in high competition among the restaurants businesses in order to sustain continuous operations and attract more customers. For tour operators, there were 24 agencies existing in 2006, with 13 having been in business since 2002. However, accurate market share of tour operators has not yet been calculated owing to the lack of monitoring and evaluation as well as the scarcity of experienced officials to update the information of the Provincial Tourism Office Luang Prabang. Apart from these four business sectors, local entertainment establishments extended from three entities in 2004 to seven entities in 2005, which is essentially a new business sector. In brief, Luang Prabang is using the tourism industry to drive local economic development; stimulate competition among SME operators and attract more tourists and new ventures, particularly in aviation and bus, car and taxi services (Local Case Study Team, 2000).

Skill and capacity management and development: According to 39 interviews among SME entrepreneurs, employees, tourists, NGO representatives and governmental agencies in Luang Prabang, there is a lack of regional/national capacity in planning, implementation and management, which can place business development at risk of straining government services and degrading businesses (Engelhardt and Rattanavong, 2004). It was observed that many business owners operated multiple businesses and usually delegated partial empowerment to managers to take charge of business administration and

operations. Meanwhile, the decision-making was not undertaken by managers in the absence of employers. In particular, decision-making in employing new employees is consultative in nature. As repeatedly claimed by employees, their contributions were neither systematically monitored nor evaluated, even when they had various kinds of responsibilities to discharge. Belau (2003) explained that employees were encouraged to increase their versatility and induced to acquire additional skills and accept more flexible working hours when needed, in the same way that employees were assigned to handle many tasks at hotels and resorts in the U.S and Canada. Some local entrepreneurs/employees were often hesitant and unwilling to give information if the guests were not their potential customers. Owing to language barriers, the issue of misunderstandings between visitors and local employees could not be avoided and this certainly resulted in lower levels of satisfaction. Dealing with such constraints, financial compensation was intrinsically selected as a better solution to motivate employees to contribute at a high level and, to enhance employees' capacity, training and education were vital tools for enhancing skills and capacities, as defined by the WTO, Tourism Labour Market Observatory and ILO. In practical terms, on-the-job training was most commonly offered; with the basic tasks related to individual job descriptions put across by supervisors or senior employees. Each employee received immediate feedback whenever inappropriate behaviour was displayed. Some entrepreneurs invited external experts to 30-45 days training courses. However, outside trainers were only rarely invited because of the high costs involved and the belief that they were not in any case very effective in producing high-quality employees.

Some employees were sent to join outdoor training organized by cooperation between the Provincial Tourism Office Luang Prabang and NGOs. Another couple of businesses chose to send their workers to upgrade their knowledge and technical skills at famous restaurants, hotels and tour companies in Vientiane, Vangvieng of Lao PDR or Pattaya in Thailand. However, because of budget limits, external training rarely occupied more than around 30-45 days annually. Others opted for an inspection program for knowledge sharing with other similar operators. Some other operators appreciated the value added to employees by capacity development and they granted opportunities for their employees to obtain informal education in terms of computer skills, English and French, flower decoration, guiding and others. Most of the medium enterprises, such as hotels and restaurants, were likely to let employees participate in external training, while many in small businesses, notably guesthouses, employers or managers preferred to do their own training. All in all, both in-house and external training schemes were irregularly arranged because of the personal credos of the business owners. Various

entrepreneurs did not much believe in the value of training since the employees themselves were not keen to improve their own competences; some employees, especially, the young, frequently were not ready to pursue skills training or higher education (New Orleans Jobs Initiatives, 2003). Hence, many of them viewed employee training as a cost rather than an investment.

Employment opportunities and the development of rural entrepreneurs: A tourism job is largely a part-time or seasonal occupation (Christensen and Nickerson, 1995), and it is certainly true that the tourism workers in Luang Prabang were seen as seasonal employment and mostly hired during the high season from September to May. In the interviews, many hotel managers said that “For any one who expects to work in the hotels, English ability and being honest are the most important criteria to be recruited.” A majority of restaurant employers anticipated hiring employees who were well-motivated, good looking and experienced, had service-mindset and high levels of responsibility and accountability. Likewise, applicants who were healthy; had historical knowledge and knew ethnic languages were promising candidates for tour agencies. A majority of SMEs was family-based ventures and several business owners explicitly preferred employing their relatives, neighbours and friends. So, it was not necessary to spend money on vacancy announcements unless a managerial position was involved, according to hotel managers. Many employees, on the other hand, decided to work as tourism workers as they planned to obtain experience and then utilize that knowledge to establish their own businesses in the future.

Aside from service-based entrepreneurs in the city of Luang Prabang discussed above, other respondents were engaged in different sectors, for example internet cafes, construction, food production, handicrafts and personal transportation, among other activities (UNESCO, 2004). Many were involved in micro-level production and retail of Lao-themed souvenirs and hand-made inventions such as bed sheets and covers; scarves, pillow cases, handmade aprons, silks, lamps made of recycled paper and silver products. Since the tourism SMEs in Luang Prabang have largely been flourishing, the GoL has continued to attempt to fortify the quality of life of local residents so that they are enabled to run their own micro businesses and become registered as SMEs. The GoL consequently uses community-based development projects to intervene in entrepreneurial development in rural areas by convincing rural people to engage in micro transactions by offering alternative natural resource use and traditional cultural practices to gain benefits from the tourism boom (Schipani, 2007). A community-based development project in Luang Prabang has been initially launched at the four target districts of Xiengneune, Chomephet, Ngoy and Luang Prabang districts, by supporting basic infrastructure installation (e.g., toilets, roads, stairs,

bridges and hospitals) to facilitate travel and safety. Engelhardt and Rattanavong (2004) and Oula (2006) pointed out that the rural entrepreneurs should be involved in all forms of tourism promotion planning.

CONCLUSION

This study empirically found practical evidence in the real life management of business of the SME entrepreneurs in three provinces of Laos. A majority of SME entrepreneurs in Vientiane Municipality - the capital city of Laos and Savannakhet province - a special economic zone - were likely to form family-based business to deal with day-to-day operating objectives and rarely planned ahead for their business operations. Finance and operating costs were often informally sourced by self-contribution and shared among the family/relative members; and decision making was mainly executed by the business owners/partners. Commercial and trading businesses related to products selling goods imported from Thailand, China and Vietnam were found in every part of Laos. Most of the entrepreneurs managed their businesses on the basis of experience and the learning curve as well as having business transferred from generation to generation. The competitive environment among SMEs in Vientiane Municipality was more intense than in Savannakhet since the former has a larger number of residents and SMEs. However, they shared similar constraints such as the existence of many substitute products/services; high rate of new entrants; few customers with high bargaining power, inadequate finance for business operation and expansion; lack of business administration and managerial skills and limited experience; lack of connections and inability to follow-up/update rules and regulations regarding competition and promotion in SMEs; inability to access credit; unfair support from relevant authorities and no application of modern technology and business/service management. Very few SME entrepreneurs utilized the internet to advertise and sell their products because (1) they do not have the proper education to utilize computers; (2) lack of knowledge about marketing and e-commerce; (3) expensive cost of investment in computer equipment, website design and maintenance; (4) the market is limited locally to within Laos; (5) there are limited supporting institutions and, finally, (6) there are limited “Logistic Chains of Supply” linking the local to the world market (Souvannavong, 2006). Despite competition becoming intensified; they still pursue uncompetitive policies in terms of price, quality and distribution; and the GoL does not yet have appropriate competition policies.

To manage SME ventures successfully, the entrepreneurs should be knowledgeable, tolerant and motivated; have experience and obtain adequate capital; be optimistic, persuasive, visionary, and self confident; and they should be alert to opportunities, brave in taking

immediate decision and risks as well as being self-starters. And, of course, they should precisely understand the nature of the market and understand target customers. Additionally, it appeared that very few entrepreneurs had a focus on developing and strengthening employees' skills and performance even though they recognized that the employees are the ones who most closely work with customers. To sustain the development of business, both entrepreneurs and government agencies are the main stakeholders to intervene and contribute support in all capital investment efforts and regulation reinforcements.

For the SME entrepreneurs in Luang Prabang, it appears that most may be defined as tourism-based entrepreneurs since many enterprises were in the areas of hotels, guesthouses, restaurants, tour operators, entertainment, food production, construction and so on. Luang Prabang has become a destination for both international tourists and foreign investors. This has made the competitive environment fiercer, especially among medium-sized ventures which have tried to improve the quality of tourism-related products/services to satisfy the customer needs. However, the formal administration and management of SMEs in Luang Prabang was found to be weak as they were not able effectively to reinforce the rules and regulations regarding tourism enterprises. They were, for example, incapable of updating and providing accurate records of the registered SME establishments as well as the precise information of SME business performance to the public. A majority of SME ventures in Luang Prabang were in the same case as in Vientiane Municipality and Savannakhet in that they belonged to families. The lack of both regional/national capacity and weak management of the entrepreneurs in planning, implementation, monitoring and evaluation were observed to place the business development at risk. It also disappointed employees who felt their performance and productivity were devalued. To solve problems, financial compensation was selected as the common solution to motivate employees; and in-house training, external training and, in particular, on-the-job training were all seen as key tools to drive the development of skills. Nevertheless, the expenses for training provision were often seen as cost rather than investment because only irregular training was offered. Tourism SME ventures were, however, perceived as a key sector that employed a large number of local residents in Luang Prabang. As a result, people in minority groups enjoyed advantages from SME expansion due to tourism growth.

In brief, several small enterprise entrepreneurs of Laos challenges with the lack of awareness of skill deficits; low competition in terms of price, quality and distribution; productivity enhancement, and marketing. The medium venture entrepreneurs, whereas, are highly challenging with the products/service quality improvement, scale of production, unit and transaction costs. Aiming to improving business administration and

management system of SMEs in Laos appeared challenging as the checks and business performance evaluation in this market were usually absent and there was no need for directors to supervise management.

IMPLICATIONS

To improve the climate of competition for SMEs, collaboration among the government, private sector, academic institutions, international organizations and non-governmental organizations (NGOs) should be supported, according to Federico M. Macaranas, Asian Institute of Management Policy Center executive director (Aquino, 2005). He also asserted that "Governments are required to promote free and fair competition, and improve regulatory schemes for credit/financing, science and technology transfer and from market pressures to ensure a stable macroeconomic and political environment to thrive SMEs" (*ibid.*). This indicates some methods and measures to boost the growth and competitiveness of SME entrepreneurs in Lao.

Goals: economic growth/SME competition: To enhance competition among SME entrepreneurs, the first priority is a set of clear objectives to be developed and transparently communicated to every government agency, entrepreneurs and other relevant organizations. The clear objectives are to have direct linkages between social needs and development strategies to ensure program implementation concerning consistent targets and to help to reach the program's goals. At the stage of designing the strategic plan, each section, module, project and activity should reflect the values of the strategic goals/objectives. However, it does not matter how impressive the strategic goal/plan is unless the support and involvement of the implementers and can be ensured. Thus, this implication addresses only what the relevant stakeholders should urgently perform.

Governmental agencies: The government plays a very important role in eliminating all the barriers that prevent fair competition in the SME sector (Hughes, 1998). Without a legal framework to enforce contracts, private business activities would not work. The government should enact the concept of good governance in promoting the national economic development; its "steering instead of rowing" policy is believed to promote a dynamic and prosperous private sector. Instead of administering on the basis of the bureaucratic model, the government should instead let the market freely compete to satisfy customers and have participation replace hierarchy (International Labour Organization, 1998). The government has to reform the institutional, legal and regulatory norms at all levels so as to make government become a facilitator instead of a controller of social-economic development by improving the investment and

business climate to promote the competitiveness of enterprise. The liberalization of trade, investment and other form of economic cooperation, exchanging lesson learnt with neighbors and maintaining the effort to join the World Trade Organization (WTO) were critical for SME development in Laos. Consequently, the GoL should eliminate all the constraints that prevent action being taken about price dumping, quality deterioration, biased distribution, attempts to create a market monopoly, devaluation of the currency and so on. The government has to support fundamental infrastructure such as roads, public transportation, water supply and electricity installation, hospitals, environment and community care, as well as the removal of tariffs and improving access to technology and information management systems. For example, with a good internet service and availability of modern technology and information systems, as well as business management know-how, this can facilitate long distance communications among entrepreneurs and employees, their customers and other stakeholders.

Apart from this, the government should engage in stimulating market demand by encouraging buyers to consume products/services which are available in the market; developing a set of clear policies and procedures regarding how to create, organize, manage and close businesses in different sectors. More importantly, policies for fair competition among entrepreneurs in particular business sectors are needed and should be transparently communicated and strictly reinforced among the public. Entrepreneurs should be urged to develop their own business models in order to be unique and, eventually, become business leaders whom it is difficult to imitate and hence compete with in the market. This mechanism is believed to drive the development of creative and competent entrepreneurs in Laos and enable them to develop their products/services to meet international standards and shift their target market to regional/international levels. Comprehensive and easy-to-understand policies, regulations and directions are to be effectively communicated and disseminated for all departmental managers; with the policy maker/leader at the top conducting programs in a decentralized format throughout all regions and locations. Further, it is necessary to obtain involvement and participation from the bottom-up and take this into consideration during policy adjustment. The GoL is committed to ensuring that the Lao people are closely consulted in all areas of decision-making and that they are able to participate fully in all areas of the socio-economic development of the country. This participation includes not only the economic life of the country but, also, the social, cultural and political life of the country (Round Table Meeting, Lao PDR, 2006). An effective leader of the GoL has to empower line managers in decision making and help them to solve problems when needed. Experience and lessons

learned from past mistakes should be taken into account when creating development policies and regulations.

Academic institutions: Academic institutions are vital stakeholders in developing and enhancing the capability of SME entrepreneurs. They should offer subjects relating to effective development of entrepreneurs and business management from the Lower-Secondary School level since, at this level, students are assumed to require such knowledge. In reality, many students at Lower-Secondary Schools nowadays help their parents/relatives to deal with micro/SME businesses in terms of selling, providing services to customers, preparing shops, collecting bills and so forth. This is not considered child labour but is seen as good and meritorious behaviour in enabling children to share their force and ability to help their parents/family business. On the one hand, to enhance entrepreneurial education, it would be helpful if academic institutions consist of academic entrepreneurs (Brennan *et al.*, 2005) who have expertise in terms of entrepreneurial research and integrate technology and science in business administration into entrepreneur-related teaching materials. With this form of education curriculum development and academic engagement, it should be possible to build the capability of young entrepreneurs for future success. The Entrepreneur Development Centre should be established in assisting young entrepreneurs with documentation, assessing financial sources, advising on relating to the wider community and establishing partners, while making some overlaps among businesses to drive competition and create additional economic activities (Ganus, 2007).

International organizations and non-governmental organizations: Since Laos still lacks competent human resources, one of the goals of SME promotion and development in Laos is highly associated with the support of international organizations and NGOs, especially in terms of policy development, advice, market assessment, research and development (R&D), capability building and financial support. International organizations and NGOs should work closely with relevant government agencies and academic institutions to provide entrepreneurial training activities to government officials, while also organizing entrepreneurial training and mentoring for ventures that have competitive advantages and intend to expand their businesses. NGOs are critical in organizing and driving the growth of rural entrepreneurs as well as engaging women and people with disabilities to form SMEs aimed at boosting sustainable community development.

Private sector and entrepreneurs: To operate ventures competitively and successfully, entrepreneurs/managers of the private sector are required to obtain knowledge and

managerial skills of laws and regulations, finance and accounting, marketing - particularly customer focus, human resource development and management to develop employee capacity and allocate the right job to the right person and organize teamwork to facilitate the growth of business and so forth (Pasanen and Laukkanen, 2006). Ruzzier *et al.* (2007) explain that entrepreneurs require the managerial skills and know-how to identify appropriate partners, investors and advisors and to undertake more promising competitive strategies for a particular business opportunity. Entrepreneurs should have a clear business vision that matches the business environment, including not only short and long-term planning but also business strategies (Prongjit, 2006). The Entrepreneurs Enterprise Development Consultants Company Limited (2002) should embody deep understanding in organizing and managing business with emphasis on Total Quality Management (TQM) to ensure the quality of products/services and application of the Balanced Score Card (BSC) in business management. It should also apply technology in business management and communication and exhibit market-orientation by constantly gathering information on customers and competitors. Business success requires understanding of the changing marketplace to guide strategy, understand customers and the creation and modification of products/services to satisfy customers' needs (Keskin, 2006). Customer satisfaction should be prioritized by entrepreneurs as it helps to increase sales because of product acceptance and the generation of repeat customers (Gumbus and Lussier, 2006). Learning is another important activity for the survival and growth of SMEs (Sullivan, 2000; Keskin, 2006), learning can be gained both from using previous and existing entrepreneurs as mentors to support and advise about business operations and management.

To sum up, SME promotion and development in Laos is highly interrelated with the contributions and support of all stakeholders, including the government, academic institutions, international organizations and NGOs and, of course, the entrepreneurs themselves who need to be highly competent in both managerial and technical skills. Eventually, SME growth will not be achieved without the participation of customers and community.

RECOMMENDATIONS

From the findings obtained in this study, entrepreneurs in Vientiane Municipality, Savannakhet and Luang Prabang provinces suggested that the income tax rates should be decreased as their daily revenue was very low in comparison with annual capital investment; everyone should get an equal chance to access credit; and the process for credit accessibility should consist of fewer steps or one-stop service where every formal document

can be processed and officially processed swiftly. With the aim of consistently improving entrepreneurs and employees, entrepreneurs SMEs should particularly obtain training regarding product design, quality focus, product presentation and packaging. Entrepreneurs should be educated in terms of laws and commercial regulations, international insurance policies; payment through banking (letters of credit, bank drafts, credit cards etc.); as well as methods of how to access finance fairly and expanding to regional and international markets. However, before training and communicating rules and regulations, appropriate collaboration in design, planning and supervision are required. Both short and long-term planning for skills improvement and employee compensation should be systematically developed if entrepreneurs expect to maintain the leading position in competitive surroundings. Entrepreneurs should be enthusiastic in innovating with their skills and with the acquisition of continuous-learning attitudes to ensure the sustainability of their own enterprises. To strengthen the development and competition among the SMEs in Laos (Souvannavong, 2006), an e-commerce platform for each specific group of products for SMEs is recommended to be introduced in order to develop a directory or database of Lao products and services and incorporate this into the e-commerce platform. At the same time, a logistic chain of supply including payment system through e-finance and banking for each professional business association should be securely developed; as well as linkages among the GMS region through an e-commerce portal in accordance with the a set of clearly defined GMS standards and certification for SME products based on well-established and documented rules.

Female entrepreneurs and people with disabilities should be more recognized and supported by vocationally training and education. People with disabilities should get opportunities to demonstrate their skills and even to establish their own businesses in order to improve their quality of lives. Women should be encouraged to join as members of the Lao Business Women's Association (LBWA), which tries to unite Lao women to contribute to the implementation of the National Socio-Economic Development Plan (NSED) aiming to collect the wisdom and creative ideas of Lao business women and, together, improve productivity and services, as well as promoting Lao business women who are working in creative industries, business management, services and other activities (Vonsay, the Vice President of the Lao Business Women Association, 2007).

ACKNOWLEDGMENT

We gratefully acknowledge the support of Shinawatra University for research support and we would also like to express our sincere thanks to the all the interviewees and government officials of Laos involved.

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