

THE COMPETENCY OF STRATEGIC LEADERSHIP FOR SUCCESSFUL REAL ESTATE BUSINESS IN THE LAO PDR.

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Abstract: *This paper aims to present a study framework of the competency of strategic leadership for successful real estate business in the Lao PDR. The objective was to study the competency of strategic leadership and successful real estate business management in Laos. This study used qualitative research methods with in-depth interviews and literature review. The results obtained from this research can be applied to increase the performance of strategic leadership required to succeed in the real estate business. As well, entrepreneurs and real estate business owners in Laos who can adopt the underlying competencies of successful leadership from this study as a model of practice. This should contribute to effective management of enterprise, task management, human resources management.*

Keywords: *competency / strategic leadership / Real Estate / Lao PDR.*

1. INTRODUCTION

The Lao People's Democratic Republic or Lao PDR. has officially joined the WTO in 2012 and the ASEAN Economic Community (AEC) in 2015. This resulted in a number of reform and changes in regulations on trade and investment to make them more universal. It improved the country's infrastructure, especially the development of transport logistics which is to gain higher credibility with foreign investors. The fundamental economic figures (ZGDP) of Laos is likely to rise steadily and shows increasing income of the consumers in Laos, and thus it is a good opportunity for entrepreneurs to invest in real estates. Stogdill, R. M. (1974). Handbook of leadership. New York: The Free Press.(Department of Export Promotion, 2011).

The economy of the Lao PDR has grown steadily over the past 20 years since the change from Socialist Economic System into the Free Market in 1986.

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The economic growth average is at 6.2 percent per year, the highest among all Asian countries. However, in 2013 the economic growth rate (GDP) was up to 7.6 percent which was even higher than China's growth rate at 7.5 percent in the same year. However, Laos is facing a high deficit in the current account at 21.9 percent of GDP, as a result of higher demand for imported goods and services and its limitations in potential in production for export.

Table 1.
Indicators for Economic Growth of Lao PDR

	2013	2014	2015
GDP(US\$bn) Current Prices	10.8	11.7	12.5
GDP Per Capita (US\$)	1,594	1,693	1,785
Real GDP growth (%)	8.0	7.4	7.5
Current account balance (US\$b)	-3.0	-3.2	-3.6
Inflation (%)	6.4	5.5	5.3
Unemployment Rate (%)	n/a	n/a	n/a

Source: Department of International Trade Promotion 2016

As for real estate market especially for people living in the country in the past, there was no private housing or condominium project. Since there was no legal support, only a few of the government housing projects were available at the time. At present, there are more housing projects developed by Lao private investors and the public. The people can have ownership and it also offers real estate investors the opportunity to co-invest with the Laotian government, such as the AAC Green City Company which has undertaken a joint venture with South Korean businessmen. The ongoing construction in Laos is granted a concession to develop continuously for up to 40 years by the Lao government and is eligible for renewal for another 40 years. This project is known as the largest and fully integrated real estate project on over 1,200 acres and is ongoing since 2007.

Real estate in Laos is being expanded and continuously improved based on Real Estate Investment Laws in Lao PDR. However, the world is rapidly changing as both information technology and globalization currents have a great impact on corporate management to succeed amid competition from both domestic and foreign entrepreneurs and investors in real estate business. Therefore, any executive with strategic leadership competencies will be more likely to lead a successful business. The researcher is interested to study the competency of strategic leadership of a successful real estate in Laos. The results obtained from

this research can be applied in the developing strategic leadership competencies required to succeed in the real estate business, as well as to real estate entrepreneur and/or business owners in Laos. They can adopt the strategy of the underlying competency of successful leaders in this study as a model of practice as this will contribute to the effective management of enterprise, task management, and human resources management.

2. RESEARCH OBJECTIVES

1. To study the competency of the strategic leadership of successful real estate business in Lao PDR.
2. To study the factors that led to the administration and management of the strategic leadership of successful real estate business in LaoPDR.

2.1 Research questions

What are strategic leadership competencies of successful real estate business in Lao PDR.? Is there any particular significance competency? What are they?

2.2 Expected Benefits

1. Learning the competency of strategic leadership in successful real estate business in Lao PDR.
2. Competencies learned from the study can be used as a guide and model for the real estate business entrepreneurs in order to bring their administration to succeed

3. LITERATURE REVIEW

The researcher has reviewed related literature as follows:

3.1 Background and Definition of Competency

The idea of competency was first presented in an academic journal of David C. McClelland, a psychologist from Harvard University in 1960. It mentioned the relationship between nature of an excellent performer in organization and the level of knowledge and ability. It said that the IQ and personality tests were not appropriate in predicting someone competency as it did not reflect true ability of a person.

In 1970, The US State Department had contacted McBer Company, of which McClelland was an executive, to find a new tool that could precisely predict the officer's performance. This intended to replace former test that was not coherent with the performance. In this test, although a person received high scores, they did not succeed in his performance. This resulted in a seeking of new

methods. McClelland wrote an article, "Testing for competence rather than for intelligence" published in the *American Psychologist Journal* to spread his ideas and created a new evaluation test called Behavioral Event Interview (BEI). BEI is an evaluation tool that would seek for a good performance in which McClelland called it, Competency.

In 1982, Richard Boyatzis had written a book, "The Competent Manager : A Model of Effective Performance" and defined, "competencies as an ability to work or a quality in a person led to his effective work performance.

In 1994, Gary Hamel and C.K.Prahalad wrote a book called, "Competing for The Future", which presented an important idea of "Core Competencies" as a main competency for business. As for business operation, one needs to possess core competencies such as fundamental knowledge, skills, and the ability to work (and to what level) to be able meet the highest expectation of the organisation.

At present, higher number of leading private organisations are adopting the idea of competency and accepting it as a modern and satisfying tool. A survey has found that 708 companies around the world are using the 'Core Competency', which is 1 of 25 most popular tools and ranked third from 'Corporate Code of Ethics' and 'Strategic Planning'. (PasuDacharin, 2003) This demonstrates that 'Core Competency' will play an important role in leading a successful management, thus more people are interested to study the principles of competency and adapt it to their works.

There are different definitions of competency given by scholars as follows;

Scott B. Parry defines that 'competency' is a group of related knowledge, skills, and attributes which affects work competency in one position. These knowledge, skills and attributes related to the work performance of such position. It can be measured against accepted standard performance and can be improved through trainings and development. (SukanyaRatsameethamachot, 2004)

McClelland said that 'competency' is a personality of an individual which can lead him to a good performance or meet the standard of such work in his responsibility.

ArnonSakworawit (2004) summarizes that 'competency' combines a person's attributes which are knowledge, skills, ability, and other qualities such as value, ethics, personality, physical attributes, and etc. necessary and relevant to the needs of the organization. It needs to be able to especially identify important and outstanding characteristics of a successful performer. On the other hand, what qualities in which someone who are not succeed at work needs to have.

3.2 Element of Competency

There are 5 elements of competency according to McClelland's principles as follows;

1. Knowledge: specific knowledge that is necessary and important such as the knowledge of engine
2. Skill: what needs to be done effectively for example computer skills, teaching skills. A skill is derived from based knowledge and can be performed with fluency
3. Self - concept: attitude, value and opinion on oneself or what one believes about himself for example self-confidence
4. Traits: What describes a person for example reliable and trustworthy or someone with leadership
5. Motives / attitude: motivation or inner drive that leads a person to achieve goals or success

3.3 Type of Competency

Competency is divided into 5 different types as follows;

1. Personal Competencies means an individual ability that is unlike others and cannot be imitated, such as the ability of a musician, gymnast or athlete. These competencies are very hard to copy or take much effort in doing so.
2. Job Competencies means an ability of a person to work his job or specific role for example, a surveyor must have ability to analyze numbers, calculate and accounting.
3. Organization Competencies means a unique ability of an organization.
4. Core Competencies means important abilities that someone needs to have or able to do in order to achieve a goal for example a secretary must have core competencies such as computer literacy and good coordinating skills, or a company manager must have core competencies of communication, planning, management and teamwork.
5. Functional Competencies means an ability of a person in charge; any individuals may have the same duty, but different abilities for example, police officers that one officer may have ability of investigation, others in repression

3.4 Determining Competency

Creating a competency model can be as follows: (ArnonSakworawit, 2004; SukanyaRatsameethammachot, 2004)

In determining competency, it starts from the vision, mission and values of the organization as a guideline for the direction of competency leading to continuous alignment. Beginning with the mission, vision and values and goals of the organization and define the strategy of the organization. Then thinking about what core competencies are needed to achieve the goals of the organization, what are the knowledge, skills, and attributes needed to achieve the goals.

Competency may be defined in other ways as follows:

The use of research to determine competency, for example a survey of core competencies of a person to be in a work position or in charge of a task. The results of the research will generate type of competency called Generic Model.

Another may require competency by the so-called Job / Task Analysis refers to the determination by analyzing the various jobs to design competencies. It's good for recruitment people into jobs, or Improved Productivity can determine the capacity of individuals to work and create desired output.

These methods are quick and convenient, but they do not show connections as in the first method mentioned, which takes a longer time and easier to be lost during the process. Example of competencies as follows:

1. Personal competency: Communications, Self-confidence, creativity, and innovation
2. Manager competency: Communications, planning and management, teamwork, Strategic talent, foreign language, and ability to manage oneself

4. CONCEPT, THEORY, LEADER, LEADERSHIP AND STRATEGIC MANAGEMENT

4.1 Leader

The subject of leadership has been discussed extensively in all organizations. In general, men tend to have faith and expect that a leader must have potential to lead an organization effectively. Leadership is a phenomenon that occurs in the organization, and noted that the general behavior of mankind to achieve the common goal. Not only human, but also a group of animals would have a leader acting in their positions with authority and responsibility of management.

Leadership is a dynamic administrative element, always creating movement in organization. Good leadership sometimes stimulates people to work with high productivity. But sometimes leadership would break down the strength of the organization. Thus it can be said that leadership can affect the effectiveness of the organization (Trewatha and Newport, 1982).

A leader is an executive with variety of names according to positions such as Managers, Executives, Heads, Principals Directors, etc. These people are trying to influence the members of the organization to act or refrain from acting or role playing. Defined In each situation, the leader will use his or her influence to urge members to collaborate. In general, organizations often consider that the unofficial leader would consider the satisfaction of the members first. The formal leaders will take into account the preferences of those on it as well as goals of the organization. The difference between the two leaders is not up to the job position itself, but rather depending on the extent of each other's role. This means that it will work in any position or duty when one shows his leadership, and there are people who follow such leadership. Leadership success depends on the ability to apply the skills acquired from the learning experience and the leadership does not depend on the use of authority, the prestige or power one or the either only. Effective leaders tend to reduce the use of power by position down to a minimum. What a leader needs is leadership from the consensus on cooperation rather than force. There is a saying in administration, "An executive who moves forward is a leader of hope. An executive who pushed back is a dysfunctional leader. (Trewatha and Newport, 1982).

4.2 Situational or Contingency Leadership Theories

This is a theory that take environmental factors into account that it is vital to the success of the management, depending on the environment or as the situation permits. It is based on study of the following theories.

1. 3-D Management Style Theory by Reddin (Reddin, 1970 cited in SermsakWisalaporn, 1993), talks about 5 main elements in identify situations which are Technology, Organization Philosophy, Commander, Workmate, and Subordinates. Reddin suggested that elements of the situation to influence good leadership include elements of technology, organization and people. It is therefore dependent on the management to choose any of these components as a main in appropriate and effective leadership.
2. Life cycle Life-Cycle Theory by Hersey and Blanchard (Hersey and Blanchard cited in SermsakWisalaporn, 1993) proposed a theoretical life cycle, influenced by the theories of Redding with the same principle. The principle of leadership may be effective or not depending on the situation. Elements of Situational Leadership theory by Hersey and Blanchard consists of The Volume of Orders, Instructions, or Work Behavior, The amount of social and emotional support or Human Relationships Behavior, The Readiness of a follower or followers.

Fiddler dealer (Fiedler, 1967 cited in SoitrakunAttamana, 2007) said that there are 3 variables which determine situations and contributing to leadership

are the relationship between the leader and followers, A leader's personality can contribute significantly to the acceptance of group. In the work structure aspect: if the work concerns primarily structure, then the power of the leader is reduced. If the job requires thoughts and planning, then leaders will have more power. In the Power of Leadership aspect: the best leaders are those who gives first priority to the task. The leaders who are able to do this have high power and influence. However if the leaders have low influence or power, such a leader will likely give first priority to the relationship between themselves and the follower, not the task. The researcher has concluded that effective leadership situational model comes from relationship between people, structure of the work and power of leadership. Altogether they can be conducive to the effective executive leadership, and control of the organization.

4.3 Transformational Leadership Theories

As a result of situations which are constantly changing, and high competitiveness for excellence, the only way to reach the best executive success is the need for the executives to transform themselves.

Burns proposed the Transformational Leadership Theory. Originally Burns believed that an executive should possess Transactional Leadership. He explained that it is the way in which the executive can convince his followers to perform expected tasks by clear job descriptions and rewarding for their hard works to achieve goals. This exchange will keep them happy in working together to achieve goals. Target Leadership can be efficient in a stable condition. The executive will be able to adopt this leadership to reach their goals but only a short term. As the situations now are not stable, but changing quickly.

As there is more competitiveness among organizations, Burns therefore proposed a new leadership method that creates motivation to the workers to perform higher than expected which is called, "Transformational Leadership Theory". It is that the leader and follower support each other in order to lift up spirits and motivation of both. Burns' new theory believes that the Target Leadership and Transformational Leadership are completely different from each other. Transformational Leadership illustrates an effective leadership for current situations. Three types of the Transformational Leadership as summarized by Burns are as follows:

1. Transactional Leadership: Leaders who contact with their followers by exchanging. What they exchange will later become a common interest. This manner can be found in any organization for example, if you worked well, you will be promoted, or that we are working in exchange of wages, and in voting, the candidate will promise to a community about what he will do if elected.

2. **Transformational Leadership:** Leaders who aware of the needs of their follower, and try to make sure that the follower get better response than they may anticipate, focus on developing the follower, motivate and encourage each other to the point of exchanging roles which creates the Domino Effect. Later on this transformational leader will become a moral leader. An example of this type of leader is a community leader.
3. **Moral Leadership:** Leaders who can create changes that meet the needs of the followers. This leader would have a relationship with the followers according to their Needs, Aspirations, Values. Leaders should hold the highest morals which is the justice in the society. This type of leader aims to create the kind of changes that truly respond the needs of the followers.

The researcher concludes that the transformational leadership can inspire followers to wisdom, new ways in problem solving, creativity, vision in working leading to success. By using varied commands depending on situation, creating interaction by transforming concepts into practice, it can be said that leadership is a dynamic interaction.

4.4 Strategic Management

In organization management, the executive would hold on to his principles and priority in achieving the organization effectiveness. This is to manage in order to achieve the organization objective in development to keep up with rapid changes of environment. While keeping the organization efficiency in mind at the same time by using the least or appropriate resources.

Thompson and Strickland (2003) definition of strategic management is any operational process related to preparation of strategies and follow them. These two things are relevant.

Strategic Management Process

Whether the strategic management will lead an organization to success or not, part of it is the right implementation of the strategic management process is required. This helps the organization to adapt to environmental compliance. The strategic management process is consisted of 4 basic components (Wheelen and Hunger, 2004).

Step 1 Environmental scanning: Strategic management process starts from an analysis and evaluation of the environment both inside and outside the organization. The information obtained is to be communicated to people within the organization to know. It aims to identify “Strategic factors”. Such strategic factors will determine the future of the organization. As for the verification of

environment the most common analytical methods used is called “SWOT analysis”.

External environment analysis is an analysis of two variables which are opportunities and threats which are outside the organization. Generally, this is an environment that can not be controlled in the short term because they are moving and changing over time and have a direct impact on an organization. They consisted of:

The societal environment factor analysis, including the economy aspect, such as interest rates, level of unemployment, inflation, deflation; Political and legal aspect such as the stability of the government, tax laws, labor laws or environmental laws; Social and cultural aspects such as the age distribution of the population, the rate of population growth, attention to the environment.

As for the internal environment analysis in an organization, it is concerning analysis of two variable factors: Strengths and Weaknesses of the organization. This includes organizational structure, organizational culture and human resources. The weaknesses are what organizations need to take action either to modify or cut and transform them into strength. As for the strength of the organization, the critical strength can become core. Competencies, which will be used to create a competitive advantage in the future.

Step 2 Strategy formulation: Preparation of strategy is the long-term plans and to be used to the current situations in the operation and must comply with the strengths and weaknesses of the organization as well. In terms of the preparation of the strategy, it is consisted of defining Mission, Organizational objectives, Strategies and Policies in practice.

Mission is the aim in which the organization has established and informed the society of its products or services. A good mission will identify what makes the organization different from others, whether it is the type and extent of operations of the organization and the firm’s philosophy. This is to indicate how it is operating, and how it treats employees. The objective is the goal that the organization set to achieve. It indicates what and when the organization needs to do in order to succeed. This should be written in terms of volume or sheer numbers, and should be challenging, measurable and must be consistent with the mission of the organization.

Strategies are what an organization creates in order to show how it will operate in order to succeed both mission and objectives. Strategies are using the organization’s existing strengths to the fullest, while reducing its weakness in business to the minimum as well. For example, after analyzing some of Strategic business Unit (SBU), it is found that those units have no strength or ability to

generate any profit which may result in not achieving the business goals. And if the organization continues to use these strategies on expanding to new kind of business or diversification, the organization may sell these business units and use the money to invest in some existing business units that have more potential for growth.

General Strategies for Organization is divided into 3 levels; Corporate strategy, Business strategy and Functional strategy (Wheelen and Hunger, 2004).

1. Corporate strategy: a strategy that shows the overall direction of the organization to which way to operate. It is the main strategy of the organization as a template and guidelines for strategy and planning at other levels which the top management of the organization will determine the strategic in this level which generally done in 3 ways; growth, stability and retrenchment.
2. The Business strategy is a strategy that focuses on improving the competitiveness of the products or services of the organization in the industry or market segment that are exposed to competition in the present. It may be called "Competitive Strategy" which middle management determined strategy at this level. Strategy that is commonly used in business is the competitive strategy including low cost, creating a difference, focus, cooperative strategy or the Strategic Alliance in terms of operations, marketing, management or investment.
3. Functional strategy or operational strategy is strategy at department level. It aims to improving the operational efficiency to the best use of their resources, as well as achieving goals both in the organization level and business level. At this level, the operational management will determine the strategies according to different departments for example marketing, production, research and development (R&D) and human resources.

Step 3 Strategy implementation: Strategy Implementation is a process in taking both strategy and policy into action by setting programs, budgets and procedures. At this step, it may involve the changes in the organization work culture, structure and management system. Generally, this is the job for the middle and lower management. Following the strategy requires decision making on day to day decision in using resources to the best use.

Step 4 Strategy evaluation and control: Evaluation and Control is to monitor all of the activities and performance of the organization to compare the actual performance with desired performance whether the goals are achieved or not. Essentially, there are 3 types of control.

Strategic Control is a strategic assessment, which is done after the completion strategy has been prepared, in compliance with the strategy, and after the implementation of strategies and practices. This is to ensure whether the strategy is appropriate to the mission of the organization or not.

Management Control is a process to ensure that the various subsystems contribute to the strategic goals in a satisfactory level or not for example employees have been satisfied with the human resources operation or not.

Operational Control is a process to ensure each role of individual employee in their performance, and each working group has accomplished their works as defined or not for example, production staff can produce according to the production target or not

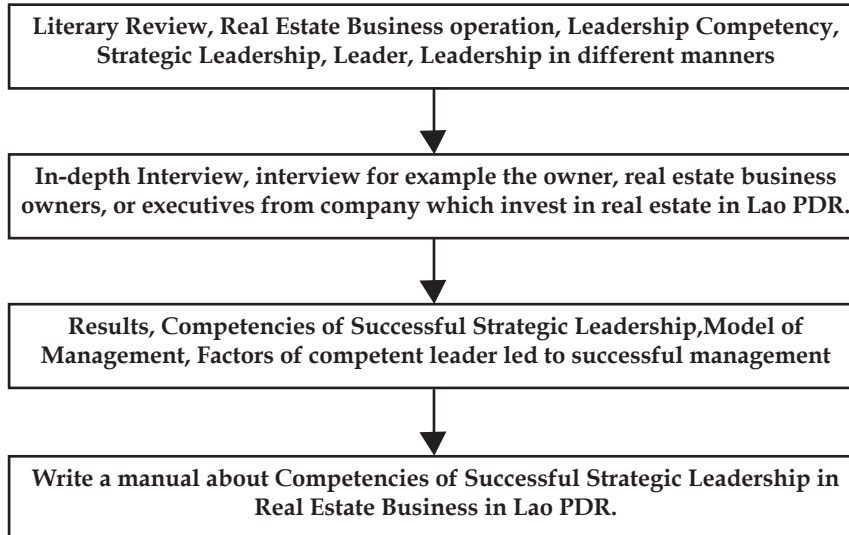
5. METHOD

The Study of Strategic Leadership Competency for Successful Real Estate Business in Laos is a Qualitative research in which the researcher has designed the study process as the following:

1. Study related documents, literature, theory, policy and law concerning economic policy, Trade and Investment Guide in Lao PDR, competency, leadership types, successful real estate operations.
2. In-depth Interview is used to support research by defining population and the sample used in the study. This research used the purposive sampling to select the sample based on the decisions of the researcher. The appearance of a selected group is in accordance with the purposes of research, for example, 20 real estate business owners, or executives of real estate companies which invest in Lao PDR or interviewed until data saturation.
3. Write a manual on strategic leadership competencies of successful leaders and present to experts for guidance and approval. To use as a guide for real estate business owners as well as new business entrepreneurs as a model to succeed in doing business in this field.

The content of the interview consists of a general sample interview questions and in depth questions about leader's competency, nature of strategic leadership, forms of administration, and behavior conduct, as well as process of implementation, investing in real estate business in Laos, Questions range of issues from difficulties in administration, troubleshooting, building morale among staff, etc.

6. RESEARCH FRAMEWORK



6. CONCLUSION

The review of literature on competency, leadership, strategic leadership and leadership in different manners, to use as a guideline on the strategic leadership competencies for successful real estate business in Laos, has shaped the study framework as shown. The researcher has selected the Qualitative study to answer the research questions. Moreover, the results of this study will be used in a manual writing on the competencies of strategic leadership. Therefore, it will serve as a model for real estate business owners and businessmen in effective administration under conditions of competition in the future.

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