

MANAGEMENT PROCESS AND ENCOURAGEMENT OF SMES IN BUSINESS MEMBERSHIP ORGANIZATIONS IN LAOS¹

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Abstract: *This study attempts to discover management and encouragement processes of SMEs in business membership organizations (BMOs).² The overall framework covers two concepts: (1) four fundamental management process dimensions: planning, organizing, leading, and controlling and (2) encouragement. This study was conducted using the qualitative research method. Data was collected through in-depth interviews and non-participatory observation of 33 subjects: leaders of enterprises, BMOs, and related civil servants of Vientiane municipality during August-December, 2014. The study utilized content analysis for data analysis, presentation of results employed the descriptive analytic method. **The results found** that the Lao BMOs managed along concept deliberated in the theoretical references: planning, organizing, leading and controlling, but in detailed components BMOs have ways and conduct that diverged both on principle and between groups. The findings also found limitations (not focused on individual decision making, methods of training, formalization, standardization and quality management controls, research activities within firms, modern and improving infrastructure, low cost capital, and direct subsidies) and potentialities (enhancing participation and engagement in organizations by reward system: Development Decoration, Labour Decoration, Certificate of Merits, supporting low interest rate, and role of the state in guiding the operations) of BMOs. This reflected dynamic position of the Lao BMOs' management process and encouragement, which was adjusted along with social, economic and culture of their organizations and country, particularly supporting operational guideline from the government and technical assistance provided by international organizations.*

¹ This article is a part of the dissertation named, "The Development of Collective Competency of the Lao SMEs", PhD program in Development Science, Faculty of Humanities and Social Sciences, Khon Kaen University, Thailand.

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² BMOs refer to various organizations where firms are members: Chamber, business associations and groups.

Recommendations proposed to increase competitive advantages in solving problems concerning the “free rider”, burdensome membership fees and charges, ineffective communication and enhance transparent information exchanges, and interest in training members. The government should consider the encouragement on more focused effective policy founded in the limitation of BMOs.

Keywords: BMOs, Encouragement, Laos, Management process, SMEs.

INTRODUCTION

The Small and medium enterprises (SMEs) have been used as a tool for the economic development of Laos, but there are many restrictions in the management process. Since, the opening up the country inviting competition and implementing the market-oriented economy, SMEs in Laos has been recognized as the engine for the economic growth, employment, and poverty alleviation of the national economy (MPOI, 2011), because the Lao SMEs account for more than 90 percent of all enterprises (National Statistics Center, 2014). Like many countries worldwide, Lao SMEs have common constraints in terms of size, capital, and innovation (Daft, 2012), incapable of competing in the market due to a lack of managerial skills, insufficient market information, shortage of capital and resources, and lack of access to technology (Department of SME promotion, 2014; GTZ, 2014). These are some of the factors causing underperformance of SMEs (Sisan, 2012).

The business membership organizations (BMOs) are one of many alternatives which many countries employ to strengthen their SMEs' competitive advantage, so too in Laos. The experiences of smaller businesses in many countries have revealed one of many appropriate ways to cope with uncertainty; the *needs for alliance or cooperation* (Faulkner and De Rond, 2000). In this relation, the form of BMOs like chambers, business associations, business groups, and so on, which refer to the non-governmental, not-for-profit organizations that represent, and provide services to member businesses, have emerged as a choice of development partners in promoting a business enabling environment (Irwin, 2015; Enable, 2013; World Bank, 2005). In addition, many empirical studies have revealed the central roles of the BMOs in influencing public policy (Irwin, 2015; Enable, 2013; dela Rama, 2012; GTZ, 2011; Hultén et al., 2011); as an organization who seeks to lower transaction costs and capable of overcoming market imperfection (Domingo, 2008); and display higher profitability than independent or stand-alone firms (Domingo, 2008; Pyle, 2006).

Based on the practice of other countries stated above, the Lao government has placed importance on supporting and encouraging Lao SMEs in order to compete in both local and foreign markets. It does so by initiating policy directions towards encouragement and creation of favourable conditions for the *establishment of BMOs* (Prime Minister Office, 2004), for the SMEs to join forces and offer each other

assistance. Moreover, the national government has a decisive role in influencing and pushing industries as well as encouraging competition to improve the success rate of the organizations (Porter, 1990).

BMO promotion in Laos in the early stages has been very successful, but their performance has decreased in recent years. Since the founding of BMOs in Laos in the year 2009, the process has gone smoothly; longitudinal survey studies have reported a positive correlation between business success and BMO membership. For example, BMO members invested and hired more, and their revenue increased more than that of non-members (GTZ, 2009). In addition, the aggregation of firms into the BMOs has a positive impact on the SMEs survival (Stirbat et al., 2013). Nevertheless, alliance and collaboration encompasses complex human interactions; hence the organizations should bring about managerial ability so as to enhance their competitive advantage (Gulati and Zajac, 2000). *As a result, the 2014 longitudinal survey study reported a decline of 13 percent in the number of the business organizations and BMO satisfaction among members* (GTZ, 2014). This situation shows that the Lao government has encouraged BMOs' development, but the number of SME members has no tendency to increase. This instability phenomenon in Laos illustrated the complexity of the management process of BMOs in handling SMEs. Hence, the researcher argues that management process and encouragement of BMOs in Laos is different from the concept developed by the western theorists and experts. Evidence shows that the management process is an outstanding resource for an organization, the improvements and changes in this asset might advocate enduring competitive advantages. It also could support the process of creating new strategic resources and capabilities (Foss et al., 2012). The role of managers and management is necessary and grounded in task and function of organizations in the competitive economy (Drucker, 2007). Management is "a multi-purpose organ that manages a business and manages managers and manages worker and work" (Drucker, 1954, p. 17). According to the new era of management, it refers to "the attainment of organizational goals in an effective and efficient manner through planning, organizing, leading, and controlling organizational resources" (Daft, 2012, p. 6).

Since the social, economic and cultural context of Laos is different from the other countries and it is also a least developed country, it may have constraints on budget and effective management as well as knowledge and capacity for BMO promotion. Therefore, the objectives of this research is to examine the management process of BMOs handling with SMEs who are embedded in their organizations, and to investigate the encouragement of SME participation in BMOs in Laos in order to enhance their competitive advantages and perform effectively. The research findings contribute to understanding the process of how BMOs manage and encourage SME members in the Lao context. The result will also benefit both

public and private sectors through policy implication in providing the appropriate SME promotion and development strategies and policies to reach the BMOs' potential and strengthen their services to the SME members. This enables them to raise satisfaction, awareness and participation in the BMOs' undertakings as well as to foster member' proficiency and abilities to succeed in their highly competitive market.

THEORETICAL ANALYSIS/RESEARCH FRAMEWORK

The framework of this research was based on two concepts: management process and encouragement. The first concept, management process, involves planning, organizing, leading, and controlling the use of organizational resources to achieve high-performance results. The management process categorizes the four functions of management developed from the management theory of Peter Drucker by Richard Daft (Daft, 2012, p. 7). These are: (1) Planning; the process of setting performance objectives and identifying the actions needed to accomplish these objectives, goal setting; (including *societal goals and the organization's mission* that aim to work for society surrounding an organization, and *system goals and organizational survival* that focus on organization's survival); strategy formulation and implementation; and decision making (involving: *individual, consultation, and group decisions*). (2) Organizing is the process of dividing up the work to be done and then coordinating the results to achieve a desired purpose. They are assigning tasks (that is dividing work into manageable activities including *required and emergent activities*; grouping tasks into departments or division of labour (namely *vertical and horizontal structures*); delegating authority (including *a servant leader* who has self-interests to assist their subordinate to meet their goals and needs, and organizational achievement; *an authentic leader* who understands his purpose, high self-discipline, openness and builds sustainable relationships; and *an interactive leader* who has the ability to actively listen, responds to feedback, and ideas offered by subordinates by an open communication); and human resource management comprising *recruitment or members' enrolment, selecting, termination, and training and development of people* (on-the-job-training, corporate universities, promotion from within, and mentoring and coaching). (3) Leading is the process of directing and coordinating the work efforts of other people to enable them to accomplish their assigned tasks successfully. They involve using influence to motivate and inspire people (*decision to pay, promotion, etc.*), and communicate goals to people (*face-to-face, make a telephone call, use text message, electronic message, letters or memos, and reports/bulletins*); and (4) Controlling is the process of monitoring performance, comparing the actual results to the objectives, and taking corrective action as necessary. They are *policies, rules, and procedures; formalization and standardization; and quality management controls*.

The second concept is encouragement. In order to be successful and survive in the face of competition as well as to promote and develop SMEs to enable them to improve their performance, there are suggestions of effective policy: *education and training, encouragement of research activities within firms, modern and improving infrastructure, low cost capital, the amount and quality information, direct subsidy, and indirect subsidy* (Porter, 1990).

EXPERIMENTAL/RESEARCH METHODOLOGY

This research was conducted employing the qualitative research method. The unit of analysis in this study is the organization. In this research, *in-depth interviews with guidelines* have been performed with thirty-three key informants (KI): twenty-five males and eight females who were distinctive in terms of *positions, age, education, experiences in the field of business, language ability, background, status, and legal entity*. Heterogeneous features enables this group to be divided into three groups: **The first group** composed of three government officials responsible for SME promotion and development. These are two deputy director generals, and one director of division. They provided information about the background of the establishment of the BMOs, related institutions and policy, and the current situation of these organizations. **The second group** is from the BMOs and consisted of the secretary general of the Lao Chamber of Industry and Commerce, five chairs and one secretary of business associations, and six heads and one deputy head of business groups. Most of them were *former government officials of the ministry*, only two KIs are working for business and district cooperatives and only one of them has a business educational background. They clarified the background, organizational structure, mission and undertakings of their organizations as well as the management process and encouragement of SMEs. **The third group** are people from SMEs comprised of the owners of nine small-sized enterprises and six medium-sized enterprises, as well as one manager of a medium-sized enterprise. Most of them are *former government officials*, particularly among the medium-sized enterprises. The remaining informants are business people, district cooperative managers, and employees. They are *members* of at least one organization. Only two small-sized enterprises and one medium-sized enterprise are *not members or stand-alone firms*. They elucidated their awareness and perception, benefits, and problems of membership of BMOs. *The non-participant observation* was also employed simultaneously with in-depth interviews by observing their products, their business environment and by discussing other issues. The data was gathered during September-November, 2014 in the Vientiane Capital City, the largest concentration of the country's SMEs; 28.2 percent (MOPI, 2014).

This research utilized content analysis as the chosen method for **data analysis** in order to interpret management process and encouragement of SMEs in BMOs.

The collected data was categorized and classified by sub-topic, coding, and quotation. The resulting presentation employs descriptive analysis.

RESULTS AND DISCUSSION

The research results and discussion are discussed by dividing them into three parts: 1) Background and nature of SMEs and business membership organizations (BMOs) in Laos, 2) Management process of SMEs in the BMOs in Laos, and 3) Encouraging the SMEs in Laos.

1. Background and Nature of SMEs and BMOs in Laos

The definition of SMEs in Laos given by the Prime Minister Decree on the promotion and development of SMEs is an enterprise that is independent, legally registered and operating in accordance with the laws of Laos. The size of an SME is taken into account by the following criteria: (1) **The small-sized enterprises** are those with an annual average number of employees not exceeding 19 people, or total assets not exceeding 250 million kip (US\$ 31,250), or an annual turnover not exceeding 400 million kip (US\$ 50,000); (2) **Medium-sized enterprises** are those with an annual average number of employees not exceeding 99 people, or total assets not exceeding 1,200 million kip (US\$ 150,000), or an annual turnover not exceeding 1,000 million kip (US\$ 125,000) (Prime Minister Office, 2004). This is unlike the definition of SMEs in other countries. For instance, in Europe, the definition in Germany had a limit of 255 employees, and in Belgium an SME can employ 100 employees. In addition, in Laos there is *no specific definition of the micro enterprise*, while in Malaysia and India, they have three enterprise categories; micro, small, and medium enterprises (Timimi, 2010). An interview with an official of the Department of Industry and Commerce of Vientiane Capital revealed the flexibility of the Lao government in allowing the businesses to apply for different categories pertaining to the size of their enterprises. He said:

“...in practice the businesses, define their enterprise’s size by their own criteria. For instance, most of the SMEs define their size by asset. Only the garment firms classify their size based on the number of sewing machines they own, while the number of workers is used to categorize petrol stations, animal farms, trading firms, and charcoal producing firms ...”.

In the global environment, where there is high competition, some of the Lao SMEs do not operate alone; they engage in the business membership organizations (BMOs) in order to increase their competitive advantage. The BMOs in Laos are the Lao Chamber of Commerce and Industry (LNCCI), business associations (BAs) and business groups (BGs), where enterprises voluntarily applying for membership and work together to exercise mutual understanding, common interest, as well

as develop and improve the business environment in order to meet their goals of efficient and effective performance. Before 2009, the establishment of the BMOs was disorderly due to the **lack of common rules for formation and operations** of these organizations. As a result, many business associations and groups were not functioning properly and remained disorganized.

Therefore, the Decree on Association has been promulgated to set standards and rules for BMO establishment and management. According to that decree, BMOs are social and non-profit organization. The process of establishing LNCCIs, BAs, and BGs is a norm for all business organizations approved by the Department of State Administration (DSA), Ministry of Home Affairs (MOHA) of Laos. The LNCCI is authorized to manage and governed business associations and groups after their legitimate establishment as well (Prime Minister Office, 2009). The Lao government has placed great importance on BMOs due to the crucial roles of these organizations, particularly, the LNCCI which functions to represent SME members in defending their interests, assisting, managing their operations and undertakings, influencing the SMEs into an appropriate system as well as to supported the government in terms of information about business activities and policy recommendations to government. An official of the Lao National Chamber of Commerce and Industry (LNCCI) informed the researcher during the interview:

“... the LNCCI has gained attention from the government by appointing a few government officials in positions in the LNCCI organizational structure...”

In this research, the BMOs consisted of the LNCCI; six business associations active in *agro-processing, luxury products, garments, petroleum and gas, handicrafts, and drinking water associations*; and seven business groups operating: *swine, poultry, and fish farms, rice processing, organic and vegetable, white charcoal production, and phaylom wood carving groups*. The **purpose of the establishment** of these organizations was diverse. However, the most common purposes were to achieve solidarity, share technical expertise, and to build a link with government. In the Lao business community, the majority of firms, which can afford it in terms of capital and which enjoy high profits from their business, do not associate with other enterprises, nor are members of any business organization.

But, these *stand-alone firms* still benefit from BMOs collective bargaining which include tax privileges, zero-tariffs on import products, amendment of regulations in favour of businesses, and many others. Their reasons for non-membership are awareness of membership benefits and additional costs for them to pay membership registration and fees and other contributions. In the literature, these enterprises are called “**free riders**”, who act independently and still enjoy the benefits of what others have done (Todaro, 2011). In Laos, these people are foreign enterprises and informal business traders. Especially foreign people who entered

the country in as tourists, then decided to settle in Laos, and the local middlemen. They not only benefited, but also created problems, particularly the middlemen, who have the bargaining power over the producer in buying at lower price than the cost of production and sell at high prices in the local market. This affected both the local producers, who have a small working capital and had to close down their businesses, and the consumers who pay high prices.

2. Management Process of SMEs in the BMOs in Laos

This study found that the management process of SMEs in the BMOs according to the concepts deliberated in the theoretical references as follows:

1. Planning: According to the framework, the planning dimension consisted of *goal setting, strategy formulation and implementation, and decision making*. The empirical study found that BMOs valued planning a great deal to help organizations with direction and run their operation effectively. In general the BMOs incorporated three elements of planning reflected in the theoretical framework. The BMOs approved their **three-year master plan** as their functional mechanism and *policy formulation and implementation* at the general meeting. In addition, their one-year plan was drawn up based on the three-year master plan by adjusting activities in accordance with the current situation and business climate. In the plan laid down, the *societal goals and organization's mission* that has been guided by the government for the BMOs effective performance on three main tasks: (1) to support members in developing their production and business activities including, training, advice, consultation, networking services; and to share resources such as equipment or facilities; (2) to protect members' interests such as solving a common problem, defending specific rights or interests of smaller member firms, and representing them in policy formulation and implementation; (3) to coordinate and regulate the business activities in terms of setting quality standards for the members' products, regulating prices, and regulating production capacity in order to maintain a constant price. However, in practice the BMOs are not able to perform certain duties like training, advice, consultation, networking services, and representing members in policy formulation and implementation *due to the lack of ability*. Sharing resources has been found implemented among the LNCCI in the form of sharing facilities like offices with members and Phaylom wood carving handicraft groups in sharing input resources among members. The successful implementation and setting quality standards for products, regulating prices, and production capacity had been found among the BAs operating in luxury products, garment, and petroleum and gas, and BGs such as organic and vegetable, white charcoal production and Phaylom wood carving handicraft groups. There is intention towards production control among the animal rearing farms due to attention paid to the balance between market demand and supply that dictate

price equilibrium in the local market (Samuelson and Marks, 2010). However, they face control difficulties with non-members ("**free riders**"), discussed in sub-section 4.1. In a discussion, an official of the Department of SME Promotion, Ministry of Industry and Commerce complained:

"...The government encourages the business alliance in the form of BMOs to help SMEs overcome their shortcomings, however, they can perform only a few functions and the government has to assist in resolving all the business problems..."

In their plans, the BMOs also lay down their regulation to lead the organization. For example, they cited members' responsibilities and benefits, responsibilities of organizations towards budgets and carried bank account as well as designated the terms of payment by the Executive Board and Board of Directors. As non-profit organizations, the BMOs were allowed to choose their **source of income** based on their regulations. Their source of income was quite similar coming from registration fees, membership fees (yearly or monthly), contribution fees for supporting events like meetings, document approval charges, service charges for training courses, consultation, dispute settlement, fines, support from other agencies, providing information to students or scholars, and garden tours for tourists. However, the amounts collected from fees varied. During the interview with an enterprise, the informant expressed dissatisfaction about BMOs' fees and membership benefits:

"... There are too many charges for membership status. In fact, I am not concerned about the contribution, but the benefits from being membership instead..."

The decision making among the Lao BMOs for *required activities* is made by the Executive Board of LNCCI and BAs, and Board of Directors of BGs. Decisions on *emergent activities, consultative and group decision making* is required to be done through a general meeting with a majority vote by participants. *Individual decision making* was not found among the BMOs due to *the nature of the Lao context that values common interest rather than individual ones*. However, there is a positive and negative side to group decision making. According to literature, using group decision making assisted organizations in behaving rapidly in fast changing environments. On the other hand, the desire to maintain harmony in a group might make people slip into **groupthink** that leads to poor quality decision (Daft, 2012). This fits in *the Lao culture which is governed by the principles of control and conformity*, thus people learn to be passive and shy away from participative decision making. Based on the critique from an official who works for the LNCCI

"... We have called for the participation from all members in decision making for some important issues, but sometimes we didn't get it much because there was little collaboration from them..."

2. Organizing: This consists of (1) *assigning tasks*, (2) *grouping tasks into the department or division of labour*, (3) *delegating authority*, and (4) *human resource*

management in the position framework. This research found that overall, the BMOs **manipulated all four organizing** dimensions, however **practices was found to vary by group** of BMOs. For example, the distribution responsibilities or **assigning tasks** both *required and emergent activities* are done by the executive board of the LNCCI, and BAs and consist of a chair/ president, one or two deputy chairs/ presidents, and an inspection committee that consists of two or three people, and the treasurer/bookkeeper; and the board of directors of the BGs comprised of a head, one or two deputy heads, or group board, or croup controller/ inspector. All members consisted of owners or heads of enterprises, who were members and serve the BMOs by the election, have a three-year term in office and work *voluntary without remuneration*. However, they can get some consideration on miscellaneous expenses like gasoline, a charge for telephone calls, attending meetings, and so on. The LNCCI, all BAs, and white charcoal production groups hired a **secretariat office**. The secretariat office of the LNCCI and BAs consist of a secretary general, one or two deputy secretary generals, officers for administration, finance, and other divisions. These people receive appropriate payment and remuneration. The BMOs, who are endorsed by related establishment offices and the ones who are members of the LNCCI, BAs and BGs, have *vertical coordination* with those offices. The BMOs, who are able to afford to establish a secretariat office that comprises of support sections like administrative, membership sections, and so on have *horizontal coordination* between the executive board and board of directors and the divisions inside the organizations. This research found that the BMOs' **delegate authority** through their general meeting **that consists of** ordinary, yearly, executive board, monthly, and extraordinary meetings to **assess the implementation of previous activities, discuss and resolve problems, and plan for future ones**. *The ordinary meeting* is held every three years in order to elect an executive board and board of directors and appoint the secretariat, report on work and finances over the past three years, to adopt regulations and working plan for the next three years. *The executive board and board of directors meeting* is held every 3 or 6 months to review implementation. *The monthly meeting* is organized on a monthly basis when appropriate to assess monthly implementation of activities and address problems and issues related to businesses. *The extraordinary meeting* is organized upon request of the executive board and board of directors to discuss special cases and issues.

For **communication** with members, the BMOs use telephone calls, letters, and reports as well. The majority of BMOs leaders are *servant leaders*. *Authentic leaders* are found among the garment, petrol and gas, and handicraft associations. *Interactive leaders* are located in the luxury products association and Phailom wood carving group. The current research also **found consistent practices in human resource management**. For instance, *member enrolment and selection* among BMOs

is done by setting **heterognious criteria for membership**. . The LNCCI requires SME members to have a registered capital of at least 450 million kip (USD 56,250) among other criteria. The BAs require business and tax licenses, while the BGs are essential to obtain registration within agriculture authority, because of quota issues, particularly among the white charcoal and wood carved firms. The requirements for water processing associations is registration with the food and drug authority, because they are involved directly with health and sanitation of the consumers. Overall, it is necessary for the firms to have a legal status. The BMOs also set the **criteria for termination of membership** which is found to be similar amongst them. For example, personally submission of letters of resignation, declaring bankruptcy of their business by the court, being sentenced by the court to serve a jail term from the criminal case, being voted by 2/3 members of the executive board because of abusing rights, power and duties resulting in damage to other members directly or indirectly, not following regulations of organizations like, not paying membership fees for two years in spite of receiving warning notices. The researcher discovered *on-the-job-training* at the work place among the garment and handicraft associations and Phailom wood carving group. It was the only approach of on the job training and development among BMOs members. An interview with an enterprise who is funded for this project by the government, expressed:

"...The SME promotion office had sent the local expert to help us in designing and improving the quality of our products many times. Our leader was also trained by the authority in management and accounting skills in order to effectively advance our group. We gained attention from the higher level authority and remained close with them to obtain advice and backing..."

However, *corporate universities, promotion from within, and mentoring and coaching methods* have not been utilized due to the heterogeneous characteristics of the SMEs engaged in the BMOs and the inadequate capacity of the BMOs to handle such things.

3. Leading: The concept applied was (1) motivate and inspire people through pay and promotion decisions, and (2) communication. The research found that BMOs motivated and inspired members by reinforcing the *incentive policy*, such as a **reward system**, which was carried out every three years at the ordinary meeting session to individuals or legal entities or members for their contribution and outstanding performance. An official of LNCCI explained by naming the different kinds of rewards: *"...The decision to reward is divided into three levels: (1) the government level Development Decoration, Labour Decoration, and Certificate of Merits; (2) the ministerial level (Certificate of Merits); and (3) the BMOs level (Certificate of Merits)..."*

The decision to pay and promotion was not employed as the BMOs are non-profit organizations. For the **communication**, *face-to-face communication* was utilized **in the form of meetings, consultation and dispute settlement** among the BMOs. Another popular method used among them was *telephone calls, letters or memos, and reports or bulletins*. The LNCCI, most of BAs, and the white charcoal production group had ability to issue *text and electronic messages*. The research also found **inefficient communication** between the BMOs and their members which **caused the members to be uninformed about changes in policy and regulations**. The small business complained that “...we were not informed about the projects due to infrequently meeting with the head of groups and other members. We only connected through telephone calls and sometimes receiving a notice from the group ...” A study from Xiao on the evaluation of the regulatory policy from the perspective of organizational cost under uncertainty confirmed the complaints of a few key informants about the sudden change of regulations and flexibilities in adapting it. This involved **organizational cost** (Xiao, 2011). He continued to criticize about the loss of opportunity in business operation caused by ineffective information received. He said: “...We need more times to get used to the changes in regulations, because they consume time and resources...”

4. Controlling: Setting framework: (1) policies, rules and procedures; (2) formalization and standardization, (3) quality management controls. The study found that BMOs have control systems for *policies, rules and procedures*, which are exercised during the yearly meeting by assessing past performance, and modifying them to the current situation. It was also structured in the executive board of the organizations with the financial controller to oversee financial issues, and the committee to watch over behaviour of members in conforming to the regulations, quality and production control of the members. This is done in order to gain customer trust and attention. A study by Kumar on the topic of entrepreneurial motivation in a small scale sector in India stressed the change in attitude of entrepreneurs under the new economic regime due to the need to achieve higher needs and the provision of quality goods and services to society (Kumar, 2011). The formalization and standardization, and quality management controls have not yet been performed due to the lack of managerial skills among the BMOs. In addition, at the present, SMEs are in the early stage of development; the application the mentioned controls may harm their growth process.

3. Encouraging the SMEs in Laos

This research found two dimensions in the encouragement process of SMEs embedded in the leading element of the management process of BMOs. This concerns the motivation and inspiration of people in order to encourage participation and attract membership. For example, BMOs' *self-encouragement* and *encouragement from*

government and international organizations. **Self-encouragement** is evident in the BMOs trying to adapt and respond to change by self-reliance in terms of increasing the capacity of their members by *organizing training* to develop management and accounting skills for the owners and managers of the SMEs as well as technical skills for labourers. In addition, the BMOs have tried to solve the problem of access to capital by *establishing group funds* to generate money from members and provide credit or loan members with low interest rates. **Encouragement from government**, is detected where BMOs received regular *education and training*, and *the amount and quality of information*. In addition, the government provided **indirect subsidies** in the form of **interests support schemes** in helping agro-processing associations, including animal rearing farm groups and organic and vegetable groups in which partly pay for their interests. The government could not afford to provide *research activities within firms, modernizing and improving infrastructure, offering low cost capital, and direct subsidies* due to budget constraints. The BMO also received aid from many **international organizations** for encouragement and development in the field of **capacity building**, and **technical assistance** from the United Nations Industrial Development Organization (UNIDO), Japan International Cooperation Agency (JICA), and European Union (EU). In addition, the NGO from Sweden helped the organic and vegetable group in businesses. As a result, the LNCCI and some of the BAs can **hire the lecture or experts in specific jobs** to train and consult on particular knowledge but **participants must pay for the service charges**. However, a discussion with an official of the Department of SME promotion revealed that **training organized free of charge received less attention** from the SMEs including those organized by the government. He expressed:

“...at the training courses that are organized by the government offices, the participants did not need to pay for the service charge, and they receive per diem and gasoline instead. Even with these privileges, there are less interested in participating in the training course...”

CONCLUSIONS AND ACKNOWLEDGEMENT

The results of this study revealed heterogeneous characteristics of the Lao SMEs and the BMOs from key informants. In general, the researcher noticed that the professional background as **former government officials** that reflected well-known public system helped in having close relations and a network of coordination. Thus was essential in reflection on the ability to advance the businesses and organizations. In regards to the **management process** and **encouragement** of the BMOs, it was found that *the situation of the BMOs in Laos is dynamic and has a steady downward trend despite the backing and sponsorship provided by the government* since the opening up the country to the market economy. **The researcher argues** that

besides the preparedness and shortcoming of the BMOs along with the economic, social and cultural context of Laos, the BMOs is likely to have management process and encouragement which differ from the management process ideologies reflected in the theoretical references. **Conversely, the study shows** that **(1) most of the results validate the main dimensions set forth by literature.** That is, in general, the BMOs operate along the principle of management comprising four processes: planning, organizing, leading, and controlling. However, *comparing the methods and practices in detail shows components* of the management procedure, it was discovered that *BMOs have ways and conduct that varies both in principle and among groups.* *The findings also show limitations and potential for BMOs.* **(2)The limitations** are in terms of capital, management and human resources skills as well as coordination with other groups in the BMOs. **(3)The potentials** are the creation and adaptation of methods and procedures for management in order to survive. Moreover, it also shows the **role of the state** which values and supports BMO operations by formulating guidelines for the BMOs to follow. This phenomenon is only found in the context of Laos. Based on the findings, the conclusion is as follows:

- 1. The results confirm the concepts set forth in literature, but diverged in detailed components in principles and between groups:** *In the planning process,* the BMOs formulate three-year master plans with annual adjustment based on the situation and business climate as the *strategy formulation and implementation.* The plan lays down the number of *societal goals and organization's missions* guided by the government which expected to be completed as goals to develop SME members and towards successful performance. However, only a few tasks of these organizations' missions could be fulfilled by the BMOs differently in each association and group. *The decision making* for the required activities was made by the executive board of LNCCI and BAs, and board of directors of BGs. In place of emergent activities, the *consultative and group decisions* were required to be made through general meetings with the majority vote of the participants. In the **organizing process**, overall the BMOs manipulated all four organizing dimensions; however the details were found to vary in each group of BMOs. For example, the BMOs' **delegate authority** through the meeting that consists of ordinary, yearly, executive board, monthly, and extraordinary meetings. The distribution responsibilities or **assigning tasks** both *required and emergent activities* are done among the executive board of the LNCCI and BAs, and the board of directors of the BGs who are elected at the ordinary meeting, had three-year terms of office, and worked voluntary and without pay. Therefore, they are *servant leaders*. This research also found consistent practices in **human resource management.** For instance, the *member enrolment and selection,* and BMOs set criteria

for membership and termination was dissimilar among them. The only approach arranged for training and development of BMOs' members in the workplace, was the *on-the-job-training*. **In the leading process**, popular communication methods used between BMOs and their members is *face-to-face communication* meetings, consultation and dispute settlement, *telephone calls, letters or memos, and reports or bulletins*. In the **controlling process**, BMOs are able to introduce only *policies, rules and procedure* control.

2. **The limitations found in applying concepts are: In the planning process**, the BMOs were not focused on individual decision making and system goals and organizational survival for goal setting. The focus on the group decision making would lead to the *groupthink problem*. In addition, some BMOs operated on the margin of the formal economy and were aware of the market supply and demand principle of control, the number and quality of products, particularly among the agro-processing businesses. However, they are facing the "free rider" problem. There were complaints from members about the burdensome fees and charges of the BMOs for effective service from the organizations. **In the organizing process**, *the corporate universities, promotion from within, and mentoring and coaching methods for training and development* had not been utilized, because the BMOs were not capable to do so. In addition, the *authentic and interactive leaders* were found less among BMOs. In the **leading process**, *text and electronic message* methods have been utilized little. It has been used only among the LNCCI, and most of BAs due to the lack of proficiency. In the **controlling process**, *the formalization and standardization, and quality management controls* had not yet been performed due to the lack of managerial skills among the BMOs. **On the encouragement issues**, some of the members did *not value the training and it was less popular*. Among the policy recommendation, *the research activities within firms, modern and improving infrastructure, low cost capital and direct subsidies* have not yet implemented.
3. **The research found new findings in the practices: In the leading process**, the research found that the BMOs motivated and inspired people to participate and engage in the organizations by introducing a **reward system** by offering the *Development Decoration, Labour Decoration, and Certificate of Merits* in three levels as well as self-encouragement by creating group funds to provide loans to members with lowest interest rates. Also they did so by *upgrading their members and organizing training courses*. The BMOs also received from the government and international organizations technical assistance in trainings to attract new and maintain current members. However, some of the members did not value the training and it was unpopular.

RECOMMENDATIONS

Based on the conclusion stated above, the recommendation are that the BMOs should discover the needs of the members in terms of method, style, and topic for training in order to please them. In regard to fees and charges for membership, the BMOs should weigh the benefits and costs that SMEs encounter. This means that the BMOs must review their activities and services provided to members to make them feel that they receive more benefits than costs in order to retain current members and attract new ones. In this connection, the positive communication and transparent information exchange should be provided to the members. It was also recommended to solving the free rider problem. by coordinating with the authorities concerned. The government should consider the encouragement in providing the research activities within firms, modern and improving infrastructure, and low cost capital. **A possible future study** could be about the satisfaction of members engaged in the BMOs, and find out the reasons why training had gained less attention among the SMEs in order to find the solution to enhancing their competitive advantage.

ACKNOWLEDGEMENT

I would like to thank the Thailand International Development Cooperation Agency (TICA) for providing me the academic scholarship. And I appreciate the Graduate School, Faculty of Humanities and Social Sciences, Khon Kaen University, Thailand for funding support this article. I am grateful to my adviser, Assistant Professor Dr. Dusadee Ayuwat, and my co-adviser, Assistant Professor Dr. Jongrak Hongngam for their insightful suggestion and constructive comments to improve this paper. I would also like to express my sincere gratitude to all key informants such as the related government officers, the Secretary General of the LNCCI, and the directors of business associations and groups as well as the SME members and non-members who contributed and delivered valuable information for this research.

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Descriptions	Concept	Guidelines	BMOs' Practices in Laos													
			LNCCI	Business Association						Business Groups						
				AgroProcess	LuxuryProd	Garment	Petro&Gas	Handicraft	DringWater	SwimFarm	PoultFarm	FishFarm	RiceProd	OrganicVeg	WC Prod	PhayLan
In the form of Meeting, consultation, dispute settlement			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
In the form of training, seminar			✓	-	-	-	-	-	-	-	-	-	-	-	-	-
- Make a telephone call	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
- Use text message	✓	✓	✓	-	✓	✓	✓	✓	✓	-	-	-	-	-	✓	-
- Electronic message (e-mail, Twitter, Line)	✓	✓	✓	-	✓	✓	✓	✓	✓	-	-	-	-	-	✓	-
- Letters or memos	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
- Reports/bulletins	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Controlling	✓	✓														
4.1 Policies, rules & procedures control	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4.2 Formalization & standardization control	✓	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3 Quality management control	✓	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note. Source: elaborated by the researcher.

New findings: small and bold texts