How do we Conceptualise the Entrepreneurial Capacity Building (ECB) of Small and Medium-sized Enterprises (SMEs) in the Least-Developed Countries (LDCs), particularly in Laos?

By
Kalakate Xaythanith

A thesis submitted in partial fulfilment of the requirements for the degree of
Master of Business
Unitec Institute of Technology
New Zealand

2012
DECLARATION

Name of candidate: Kalakate Xaythanith

This Thesis entitled: “How do we conceptualise the entrepreneurial capacity building of SMEs in the least-developed countries (LDCs), particularly in Laos?” is submitted in partial fulfilment for the requirements for the Unitec degree of Master of Business.

Candidate’s declaration

I confirm that:

- This Thesis/Dissertation/Research Project represents my own work;
- The contribution of supervisors and others to this work was consistent with the Unitec Regulations and Policies.
- Research for this work has been conducted in accordance with the Unitec Research Ethics Committee Policy and Procedures, and has fulfilled any requirements set for this project by the Unitec Research Ethics Committee.

Research Ethics Committee Approval Number: 2011-1212

Candidate signature: .................................. Date: 12 June 2012

Student number: 1348780
ACKNOWLEDGEMENTS

First and foremost, I would like to take this opportunity to express my sincerest gratitude to my primary supervisor Dr. Robert Andrew Davis for his dedication, professional support and guidance as well as valuable comments during the research. Your patience and knowledge whilst showing me an academic researcher’s pathway went beyond the mainstream studies to see the best in me. Thank you so much for simply being there. You have been a constant source of motivation throughout this thesis. I could not have asked for a better supervisor.

I would also like to thank my secondary supervisor Ravi Bhat for his contributions and comments as well as motivational encouragement from the initial stage until the completion of this thesis. I have been blessed with a friendly and cheerful group of fellow students from the Unitec Master of Business Thesis Support Group, including Mary Lim, Daniel Bourne-Hunt, Soukphaphone Phanith and team -Thank you so much for keeping me on track on this journey. All of you have contributed towards my new perspective on life and I am very grateful for this.

My deep appreciation goes to the New Zealand Aid Programme (NZAID) for provided me with a great opportunity to study at Unitec Institute of Technology. This study may not have been completed without this support. Moreover, I would like to thank all Unitec staff I met during my study for their friendly support including Raewyn Castle from the International Office and Cynthia Almeida from the Research and Postgraduate Centre.

I would like to offer my sincere gratitude to owners-managers of SMEs in various industries, government agencies and the international organizations in Laos who have made significant contributions to the completion of the field research.

Finally, I wish to express my gratitude to my father Khambarn and my brother Vongxay, who have passed away, but I believe they are watching my success. Last but not least, my mother Marla who is always there with motivation, strengths and unconditional love when I am in harsh circumstances and misfortune.
ABSTRACT

The aim of this study is to explore and conceptualise the entrepreneurial behaviour and entrepreneurial capacity building (ECB) of small and medium-sized enterprises (SMEs) in the least-developed countries (LDCs). The case site for this study is Laos. This country was chosen because of its unique political and cultural aspects. In essence, most SMEs in Laos are called “family economies” (Set Tha Kid Khop Khoua). It is proposed that these SMEs may exhibit unique approaches to entrepreneurial behaviour and ECB.

The research question is ‘How do we conceptualise the entrepreneurial capacity building of SMEs in the least-developed countries (LDCs), particularly in Laos?’

This research project employed in-depth interviews using grounded theory and thematic coding as the mode of analysis. Eleven respondents were interviewed in Laos including SME entrepreneurs, regardless of business industries and policy makers from government agencies concerned and other international organisations. It was found that there are three significant themes that define entrepreneurial behaviour and capacity development in Laos: new initiatives, efficiency of government policy and ECB value.

At the same time, key challenges that prevent SMEs in Laos from having access to effective entrepreneurial development are identified, including financial resources, information resources, low awareness of ECB and low ECB qualifications. The research findings suggest that strategic conceptualisation for an effective ECB framework should be formulated, based on the local context of SMEs. It should act as a guideline to facilitate SME access to finance and become a mechanism for implementing a government policy of SME promotion and development. It should also be the basis for the promotion and development of entrepreneurial education.
TABLE OF CONTENTS

Declaration.................................................................................................................................................. i

Acknowledgements .................................................................................................................................. ii

Abstract................................................................................................................................................... iii

Table of Contents ...................................................................................................................................... iv

Abbreviations .......................................................................................................................................... viii

CHAPTER I: INTRODUCTION ...................................................................................................................... 1

1.1 Background ......................................................................................................................................... 1

1.2 Problem Orientation .......................................................................................................................... 5

1.3 Research Question ............................................................................................................................ 10

1.4 Research Strategy ............................................................................................................................... 11

1.5 Contribution ....................................................................................................................................... 14

1.6 Chapter Summary ............................................................................................................................... 14

CHAPTER II: LITERATURE REVIEW ............................................................................................................. 15

2.1 Introduction ......................................................................................................................................... 15

2.2 Entrepreneurial Capacity Building (ECB) Approaches and Definitions ........................................... 16

2.3 SME Entrepreneurs’ Perception of Entrepreneurial Capacity Building (ECB) ................................. 19

2.4 Current Challenges for Effective Entrepreneurial Capacity Building (ECB) ................................. 23

2.5 SME Development Strategies .......................................................................................................... 28

2.6 SME Entrepreneurial Capacity Building (ECB) Training .................................................................. 34

2.7 Generic Business Management (GBM) Education ............................................................................. 40

2.8 Government Policy on SME Promotion and Development ............................................................... 46

2.9 Entrepreneurial Capacity Building (ECB) Framework Practice in Other Countries .................... 55

2.10 Recommendations for an Effective Entrepreneurial Capacity Building (ECB) Framework ............ 65

2.11 Future Challenges for SMEs ........................................................................................................... 74

2.12 Chapter Summary ............................................................................................................................ 86
CHAPTER III: RESEARCH METHOD................................................................. 88

3.1 Introduction.......................................................................................... 88
3.2 Methodological Approach .................................................................. 88
   3.2.1 Thematic Coding Approach......................................................... 89
   3.2.2 Sample Selection Approach......................................................... 90
3.3 Operational Approach......................................................................... 92
   3.3.1 Pilot Study..................................................................................... 93
   3.3.2 Data Collection ........................................................................... 93
   3.3.3 In-depth Interview .................................................................... 94
   3.3.4 Secondary Data ......................................................................... 96
   3.3.5 Ethical Considerations............................................................... 97
3.4 Validity ................................................................................................. 98
3.5 Qualitative Results Presentation ....................................................... 100
3.6 Key Respondents .............................................................................. 102
3.7 Chapter Summary ............................................................................. 104

CHAPTER IV: RESULTS.............................................................................. 105

4.1 Introduction.......................................................................................... 105
4.2 Research Setting.................................................................................. 105
4.3 Entrepreneurial Capacity Building (ECB) Conceptualisation (P1) .... 106
4.4 SME Entrepreneurs’ Perceptions towards ECB (P2) ....................... 107
   4.4.1 New Initiative............................................................................. 107
   4.4.2 Efficiency of the Government Policy ........................................ 107
   4.4.3 ECB Value ............................................................................... 108
4.5 Current Challenges to Effective ECB (P3) ........................................ 109
   4.5.1 Financial Resources .................................................................. 109
   4.5.2 Information Resources .............................................................. 110
   4.5.3 Low Awareness of ECB............................................................. 110
CHAPTER V: DISCUSSION AND CONCEPTUAL MODEL........................................ 129

5.1. Introduction........................................................................................................... 129
5.2 Conceptualisation of ECB..................................................................................... 130
5.3 Perceptions on ECB Development in Laos......................................................... 134
   5.3.1 Concept of General Business Management (GBM) Education in Laos ........ 138
   5.3.2 Strategic Government Policies for SME Development in the LDCs.............. 140
5.4 Challenges to Effective ECB Development......................................................... 141
5.5. Recommendation for an Effective ECB Framework........................................... 145

CHAPTER VI: CONCLUSIONS.................................................................................. 155

6.1 Managerial Implications....................................................................................... 156
6.2 Research Limitations............................................................................................ 160
6.3 Future Research Direction.................................................................................... 161

References................................................................................................................ 162
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AFTA</td>
<td>ASEAN Free Trade Areas</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of the South East Asian Nations</td>
</tr>
<tr>
<td>ECB</td>
<td>Entrepreneurial Capacity Building</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GBM</td>
<td>Generic Business Management</td>
</tr>
<tr>
<td>GMS</td>
<td>Great Mekong Sub-region</td>
</tr>
<tr>
<td>HRD</td>
<td>Human Resource Development</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>LDC</td>
<td>Least-developed Country</td>
</tr>
<tr>
<td>MIDC</td>
<td>Mekong Institute of Development &amp; Cooperation</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprise</td>
</tr>
<tr>
<td>SMEPDO</td>
<td>Small and Medium-sized Enterprise Promotion and Development Office</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
</tr>
<tr>
<td>UREC</td>
<td>Unitec Research Ethics Committee</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WTO</td>
<td>The World Trade Organisation</td>
</tr>
</tbody>
</table>
CHAPTER I: INTRODUCTION

1.1 Background

The phenomenon of globalization\(^1\) is bringing opportunities for development and growth to many countries across the globe. However, the attached challenges and promises of a sudden increase of liberalisation of cross border trade and finance have not been fully achieved in many developing countries, especially in the least-developed countries (LDCs). Nevertheless, LDCs are confronting various economic challenges, both external and internal, in their effort to achieve economic development and poverty alleviation (United Nations, 2007).

According to ASEAN Secretariat (1999), the definition of LDCs is based on three primary criteria: low incomes, human assets weakness and economic vulnerability, which are partly the result of the unstable production of agricultural goods that rely on rainfall and its vagaries. The unfavourable issues that globalisation contributes to LDCs includes the liberalization of markets, the decline of domestic revenues and jobs, economic volatility of integrated markets, non-tariff barriers, cyclical crises and intense competition. LDCs have no capabilities to deal with those challenges (Awuah & Amal, 2011). (United Nations Conference on Trade and Development, 2009) emphasises that greater attention is now being given to the economic impacts of the loss of production and employment. In addition, “most advanced economies are in recession and emerging markets have slowed. But the major victims of this contagion are likely to be the least developed countries (LDCs), many of which are still suffering the adverse impact of recent energy and food crises” (United Nations Conference on Trade and Development, 2009, 2009, p.1).

Manufacturing economies of LDCs are also suffering from the impact of the global slowdown due to the fact that their production and export capacity is relatively limited to low-skilled manufacturers. Meanwhile, service exporters will have adverse impacts from the contraction in developed country spending, especially those who rely on tourism (United Nations Development Programme, 2011). Many LDCs are confronting issues related to the fall in export revenues resulting from the decrease of commodity prices and less demand for manufactured exports.

\(^1\) Globalization refers to the world-wide phenomenon of technological, economic, political, and cultural exchanges among nations, organizations, and private individuals. These exchanges have led to interdependencies at all levels (national, firm, and private individual levels) (Awuah & Amal, 2011).
LDCs’ economic prospects, particularly for commodity exporters, are severely affected by volatile prices (United Nations Conference on Trade and Development, 2009).

In order for LDCs to overcome these economic challenges more attention was given to the creation of small and medium-sized enterprises (SMEs) and entrepreneurship. By the end of the 20th century, the development of specific poverty reduction programs became vital for the survival and growth of the world economy. Therefore, poverty reduction programs were initiated by an intensive collaboration between the World Bank and the UNDP to create integrated conceptual schemes. One of these, eradication of extreme poverty and hunger, was one of the key UN millennium development goals (Papava, 2009).

Kongolo (2010) argues that one of the best ways to maintain a flourishing and growing economy is “SME blooming and booming”. In fact, SMEs play a vital part in the process of economic transition from agriculture-led economies to industrial ones by providing opportunities for processing activities. This leads to sustainable sources of revenues as well as enhancing development. SMEs also shore up production capability, which helps to absorb productive resources regardless of economic levels and contribute to the flexibility of economic systems. Small and large scale enterprises also become interlinked.

Bonaglia & Fukasaku (2007) support this argument by stating that many policy makers have paid great attention to the strengthening of private sector development (PSD) as a strategic key to a national economic development strategy. In addition, it is widely acknowledged that small and medium-sized enterprises (SMEs) are playing a vital part in the mechanism of socio-economic development in many countries, especially the least-developed countries. In fact, it is the highest employment generator and provides a level of income to maintain the living conditions of the people in the country (Organisation for Economic Co-operation and Development-OECD, 2010b). According to Siu, Lin, Fang, & Liu (2006) SMEs are considered as a prolific job creator and the foundation of large scale businesses as well as the fuel of national economic engines. Organisation for Economic Co-operation and Development-OECD (2010) emphasizes that SMEs maintain a stable economic development momentum even when the countries are facing economically turbulent times.
In addition, Southiseng & Walsh (2010) state that SME operation does not require a large amount of capital nor huge intangible assets, which mean SMEs are not severely affected when crisis comes and they are in a better situation in the recovery process. Etemad (2004) claims that SMEs are the foundation of an industrialized and modernized economy. Being more specific, Tolento, 2000 (as cited in Sultan, 2007) summarised the economic potential and social benefits of SMEs to the national development: (a) they create jobs at low capital cost, (b) they make a positive contribution to the national gross domestic product (GDP), (c) they generate opportunities for expanding entrepreneurial base, (d) they create the required flexible mechanism for market challenge adaptation, (e) they provide a foundation for large-scale enterprises, (f) they penetrate niche markets that are not profitable for large enterprises and (g) they strengthen the policy development that is based on decentralisation and local development (Sultan, 2007).

In 1992, the Greater Mekong Sub-region (GMS) Program was established, covering Cambodia, Lao People’s Democratic Republic (Lao PDR), Myanmar, Thailand, Vietnam, and Yunnan Province of the People’s Republic of China (PRC). This program was also known as an activity-based sub-regional economic cooperation program that was facilitated by the Asian Development Bank. The program has achieved significant successes in fostering cooperation in these countries at the inception of the program. This involved a sub-regional infrastructure system development, a cross-border power supply, promoting regional cooperation in contributing to poverty reduction as well as addressing regional public good. (Asian Development Bank, 2010).

The Indian Institute of Foreign Trade (2009) shows that SMEs are playing a significant role in their economies. In fact, SMEs are not only the majority of enterprises, but they are also an important proportion of the mechanism of national production among the countries in the same region. It can be seen that 99 per cent of enterprises of most GMS economies are SMEs, which employ 75-90 per cent of the national workforce, particularly women and young people across the country. Moreover, SMEs act as the backbone of the market economy as well as the prime vehicle for economic sustainability and private sector development during economic transition (Indian Institute of Foreign Trade, 2009).

According to Souvannavong, 2009 (as cited in Southiseng & Walsh, 2010), the Lao economy is dominated by the private sector, especially small and medium-sized firms that account for 95 per
cent of the total employment in the country, generating more than 400,000 labourers nation-wide regardless of type of industry.

SMEs are the key integral machine that drives the Lao economy. According to the Small and Medium-sized Enterprise Promotion and Development Office, 2007 (as cited in Mekong Institute Development & Cooperation, 2009) more than 134,000 SMEs were established in 2007, representing 95 per cent of the total business establishment nation-wide. According to the census brought about by the cooperation between the National Statistics Office and the Lao-Swedish Statistics Program in 2006, more than 14,420 businesses were established, which accounted for 11.4 per cent of the total businesses in the Lao PDR. This generated more than 400,000 job opportunities, which could be seen as an important advance in human development (Mekong Institute Development & Cooperation, 2009).

However, despite the fact that this large number of local and regional SMEs has a huge potential for growth, these firms are not involved in international trade and investment. These firms suffer from a lack of competitiveness in regional and international markets mainly due to poor advocacy, SME owners lacking general business management skills, a lack of trade negotiation capacity, difficulty in having access to finance, and their inadequate skills in cross-border trade (Mekong Institute Development & Cooperation, 2009).

Furthermore, several market failures prevent domestic enterprises from building competitive advantages because most SMEs are often at a disadvantage in terms of finance, human resources development, technology and business networking. In addition, globalized markets generate both opportunities and threats for SMEs, but most SMEs lack strategies to overcome the threats and seize the opportunities (Karami, Jones, & Kakabadse, 2008). Hence, it is widely recognised that improving the relevant skills will contribute to the increase of labour productivity. In other words, when individuals become more capable of generating more outputs in a certain amount of time and effort, the benefits of up skilling and training will have an impact on their increasing adaptability (Brown, Davidsson, & Wiklund, 2001).
1.2 Problem Orientation

Laos is also officially known as Lao People’s Democratic Republic (Lao PDR), which is one of the Mekong sub-region countries that are located in South East Asia (British Broadcasting Corporation-BBC, 2011). The economy of Laos is composed of five per cent large enterprises, 16% medium enterprise, 58 % small enterprises and 21% micro enterprises (Southiseng & Walsh, 2010). The primary problem can be traced to the time after the Indochina (Vietnam) war ended in 1975, which left the country with countless and unfavourable negative impacts since Laos was the most bombed country in the world. Therefore, for many years Laos suffered from political turmoil and severe damage to lives (United Nations Development Programme, 2006). Meanwhile, people who had been well educated migrated to other countries as refugees to pursue a better life, so that Laos needs to wait for new generations to develop both the political and economic sectors of the country (Asian Development Bank, 2008).

Since 1980, the government of Lao PDR has been opened widely to both local and foreign direct investments (FDI) as part of the socio-economic reform processes (Mekong Institute Development & Cooperation, 2009). The government is committed to strengthening the National Socio-Economic plan in order to release the country from the ranking of least developed countries. Therefore, the government of Laos (GoL) is gearing up to applying the “New Economics Mechanism” to transform its economy from a centralised to a market-driven economy (Southiseng & Walsh, 2010). This mechanism is designed to expand the country’s economic mechanism from central planning to a mixed system which encourages private enterprises to be established (United Nations Industrial Development Organization, 2009a).

However, as a result of the former central planning economy and the drastic change of economic mechanism, newly established ventures and firms have encountered various issues over the last decades. These include the lack of generic management skills among SME entrepreneurs, being unable to have access to financial resources, a shortage of skilled workers, no strategic long-term vision, reluctance to change the technology and environment, a focus on short-term interests and the diffusion of a blame culture (Southiseng & Walsh, 2010).
Laos joined the Association of Southeast Asian Nations (ASEAN) and ASEAN Free Trade Area (AFTA)\(^2\) in 1997 and 1998 respectively. Being a member of both associations, Laos has been committed to reducing the tariff rate to 0-5 per cent by the year 2008 (Kyophilavong, 2008). Therefore, if Laos increased the FDI it would also increase imports and generate negative impacts on the domestic economy. Moreover, it is believed that increasing FDI would greatly encourage SMEs to be more productive (Economic and Social Research Institute, 2008). However, FDI could also bring a number of unexpected impacts including the decrease of domestic investments, especially SMEs in Laos which are facing a number of challenges including inadequately skilled entrepreneurs, a lack of financial support and a low level of competitiveness (Kyophilavong, 2008).

In the mission to change Laos’s economy from a central planning to a market-oriented economy, the legal frameworks of the business enabling environment have been improved. Meanwhile, private enterprise, especially SMEs, are being encouraged to function as the “engine of growth” in order to lift Laos from the current status of the least developed country as well as achieving its ambitious development goals by the year 2020. In addition, the fact that Laos, as part of ASEAN membership, is planning to join the World Trade Organization (WTO), means the Lao political system will have to integrate with the world market. However, the low rank in the “ease of doing business” index by the World Bank and the generally weak competitiveness of enterprises indicate that Lao SMEs, other business communities and the government are facing a number of challenges (Small and Medium Enterprise Promotion Development Office, 2009).

According to Dutta, 2008 (as cited in Mekong Institute Development & Cooperation, 2009), SMEs can be found in several fields of socio-economic activities and services in both urban and non-urban areas, but SMEs in Laos largely serve local markets. A small number of SMEs are successful in their outward orientation as direct exporters or suppliers to domestic exporters. However, the majority of Lao SMEs are owned and operated by extended family members as entrepreneurs, but those entrepreneurs are labour-intensive and are using typical methods in

---

\(^2\) ASEAN Free Trade Area or AFTA was established in 1992. The objective of AFTA is to increase the ASEAN region’s competitive advantage as a production base geared for the world market. A vital step in this direction is the liberalization of trade through the elimination of tariffs and non-tariff barriers among the ASEAN members (ASEAN Secretariat, 1999).
operating, managing and technology. Therefore, these SMEs are unable to deal with international markets and across border trade (Mekong Institute Development & Cooperation, 2009).

Regarding the internal constraints, Small and Medium Enterprise Promotion Development Office (2009) indicates that the lack of management skills, lack of capital and lack of skilled labours are the most prominent issues that Lao SMEs are facing according to the three enterprise surveys of 2005, 2007 and 2009. This leads to the problem of incapability and low productivity among SMEs in Laos, which are perceived as constraints for SMEs development in the long run (Small and Medium Enterprise Promotion Development Office, 2009).

Looking at the entrepreneurial education providers, Laos has two main universities and many other private business administration colleges to provide the fundamental knowledge of business management. However, these educational institutions do not possess the level of contemporary entrepreneurial knowledge and skills that are required for the today’s businesses and emerging markets. In fact, the teachers and lecturers of those educational institutions needs capacity building training to upgrade their skills and knowledge with real world experiences in order to apply pragmatic knowledge and practical case studies to the learning and teaching processes (United Nations Industrial Development Organization, 2009a).

During the period of 1986-1990, government enterprise promotion prioritized public enterprises acting as importers and exporters. The trading policies were mainly focused on socialist countries, but no progress and improvement was made in terms of strategic business management. Although main provinces like Vientiane, Luangprabang and Champasack were the key economic zones, by the end of 1990 they were still confronted with the same business management issues (Fernandez-Ortiz & Lombardo, 2009).

During the Soviet Union, some Lao students were sent to study in many other countries that practiced the same communist political system including the Soviet Union, Bulgaria, Poland and Ukraine. However, the major subjects offered were for the brewery industries and railway engineering, which are not relevant to today’s business world. Following the business blooming after the government introduced the new economic mechanism policy; new enterprises were encouraged to set up, based on certain experiences among those new entrepreneurs. However,
they lacked entrepreneurial and generic management skills, which caused the ventures’ business failures (United Nations Development Programme, 2006).

Following the emerging markets and the increasingly competitive nature of business today means that entrepreneurs, including local SME entrepreneurs, need to develop their entrepreneurial skills in order to meet the dynamic demands of customers and stay competitive. In addition, the future challenge will require both an increased concentration on entrepreneurial skills and an increase in the volume of management development (Awuah & Amal, 2011). Given the fact that SME numbers have been increased over the past 20 years in Laos, there is a significant implication for the nature of entrepreneurial skills and the knowledge required by the growing number of local SME entrepreneurs as well as the large-scaled business entrepreneurs that are interacting with SMEs. In the words of Johnson and Winterton, 2009 (as cited in Awuah & Amal, 2011) the skills and competencies that are required to run a SME are different both qualitatively and quantitatively from those needed in a large-scaled enterprises.

To support this, SME competence and success should be underpinned by a comprehensive set of skills and competencies among SME entrepreneurs, including strategic skills, small business management skills and entrepreneurial traits. These skills can be obtained from proper educational institutions and from continuing professional development (Marchese & Potter, 2011).

In order to achieve competitive advantage, entrepreneurs should make entrepreneurial skills part of management innovation. This means that the competitive advantage occurs in the organizational and management processes that are determined by the exclusive asset configuration and the evolution path of the corporation. In fact entrepreneurs should enhance their utilization capabilities and make better use of the firms’ resources to conduct more effective management (Xun, Jie, & Wen, 2009). These skills are generated from the entrepreneurial orientation, and are methods, practices and decision-making processes that stimulating new SMEs performance and combine new business ideas or existing markets with new or surviving goods and services (Jitnom & Ussahawanitchakit, 2009).

However, despite the fact that there are a number of quantitative studies and researches to investigate the performance and development of SMEs in the LDCs, qualitative researches and
studies to explore the nature of entrepreneurial behaviour of SMEs in the LDCs are limited. Therefore, this qualitative research aims to investigate the entrepreneurial behaviour of SMEs in the LDCs by using Laos as the case study, particularly in the key business zone of the capital city of Vientiane. By doing this, the key barriers to the acquisition of business and entrepreneurial knowledge and skills among SME entrepreneurs will be identified. This includes an extant literature review into existing frameworks and primary research in the form of in-depth interviews among the currently promoted areas of SMEs. Ultimately, an effective SME entrepreneurial capacity building (ECB) model for up skilling SME entrepreneurs will be conceptualised.

In essence, a new effective ECB framework will be formed and based on the local context of SMEs to resolve the unique SME issues for SME development. This study will enrich the growing body of literatures around SME development and promotion, and provide some suggestions for private sector development. In this manner, an effective entrepreneurial capacity building (ECB) conceptual model for entrepreneurial up skilling will be formulated. Thus, SMEs will be able to improve their business strategies and management processes, which will eventually enhance their business competence and performance. This will also benefit the whole economy.

Laos is increasingly moving in the direction of a market-oriented model of economic development. This research will be crucial in generating outcomes that recommend effective and practical managerial processes for the survival and growth of current SMEs. The recommendations of this research project can also be integrated into the new socio-economic strategic development plans of both the local and central government of Laos. For these reasons, this research project focuses on the conceptualisation of an effective ECB model for up skilling SME entrepreneurs in Laos.

According to Hutchinson & Quintas (2008), the combination of entrepreneurial usefulness, entrepreneurship and competitive advantage can maintain the creativeness of new firms within existing firms and the renovation of existing firms. It will also spur the enhancement of SME competence and performance in general and identify the key obstacles to acquisition of entrepreneurial development in particular. Moreover, it will construct the training schemes to
meet the specific needs of local SMEs and resolve business related issues (Jitnom & Ussahawanitchakit, 2009).

However, the current knowledge related to these strategic approaches for SME entrepreneurial development is diffuse. There is a limited number of effective ECB conceptual models for SME entrepreneurial up skilling, especially on the local context-based model of the LDCs like Laos. Thus, this research attempts to empirically investigate and explore the natural context of SME entrepreneurial behaviour in order to conceptualise an appropriate ECB model for SME entrepreneur up skilling (Tambunan, 2011).

1.3 Research Question
Since the Lao economy has moved from a central-planned to market-driven one, the general business environment has become more competitive and is generating more pressure on SME entrepreneurs to be more capable of adapting their strategic business plans. SME entrepreneurs must be able to adapt their generic business management skills and entrepreneurial knowledge in order to meet the unstable demand of customers in the emerging markets. This includes skills for planning business strategies, marketing approaches, human resources management, financial control and staying competitive (Abor & Quartey, 2010). Thus, an effective entrepreneurial capacity building (ECB) framework is significant to the company’s success and the general development of SMEs, especially during the economic transition when Lao SMEs are experiencing business-related difficulties due to the lack of entrepreneurial knowledge and skills among entrepreneurs (United Nations Development Programme, 2006).

The general purposes of this research project and part of the research objectives is to understand the entrepreneurial behaviour of SMEs in the LDCs, and to discover the most practical conceptual framework for the development of entrepreneurial knowledge. Thus, the key research question for this thesis is:

*How do we conceptualise the entrepreneurial capacity building of SMEs in the least-developed countries (LDCs), particularly in Laos?*

Many scholars have attempted to answer this question by conducting researches on SME entrepreneurial development and producing conceptual models and frameworks for entrepreneurial development, including the research of Murphy (2010); Brown, Davidsson &
Wiklund (2001); Rae & Carswell (2001) and Valliere (2010). However, these studies failed to take into account the vital factors of SMEs in the LDCs, particularly the context of Laos, and these conceptual models for entrepreneurial development need to be empirically tested (Kreiser & Davis, 2009).

Since the primary purpose this research is to deepen the understanding of entrepreneurial behaviour of SMEs in the LDCs, literatures related to entrepreneurial process, development and strategic transformations are significant to this research project. In fact, strategic transformation is the process of re-defining and transforming key ideas and structures in the organisation in order to enable the organisations to redefine themselves so that they can seize opportunities and take advantage of them in the external environment (Kreiser & Davis, 2009).

Among these researches, focus is placed on strategic enterprise creation and entrepreneurship development in a certain SME industry, such as manufacturing in high technological-based firms. However, they lack discussion and exploration of other SME industries in the LDCs. Thus, the researcher is encouraged to consolidate a tandem approach for further investigation, with more valid evidence of the SME settings in the LDCs in order to redefine the empirical context-based model for entrepreneurial capacity building (ECB) for SME entrepreneurs in the LDCs, especially the case of Laos. Readers are invited to explore Chapter II for an extensive literature review.

1.4 Research Strategy

This research project lays out the strategic research process and conceptual output in five chapters, which can be seen from Figure 1. This conceptual structure can be used to guide readers to see the processes of this research, from the initial step of introduction until the ultimate step of producing the conceptual model of an effective ECB framework. The big picture of the research processes throughout this project is best described as a qualitative research, gathering data from in-depth interviews and employing a thematic technique as the mode of analysis. Throughout the research processes, five chapters are outlined as follows: See figure 1
Figure 1: Thesis Structure

**Chapter One** presents the introduction to the research study. It introduces the broader title and observation of the current phenomena of the least-developed countries and their entrepreneurial behaviour. Specifically, SMEs in Laos are in a highly competitive business environment since the economic status has been transformed from centrally-planned to a market-driven economy. They are suffering from an uncompetitive business environment and a lack of entrepreneurial knowledge, apart from their fundamental economic disadvantages. This chapter also addresses the research’s aim, and how the research question guides the research objectives.

**Chapter Two** extensively reviews the literatures as key components for the critical examination of the existing knowledge on SME development, the definition and key terms, the SME development climate and the key barriers to effective entrepreneurial skill enhancement. It also covers the entrepreneur traits and concepts of entrepreneurial development. Propositions are formed to guide an exploratory study. It then looks at the current practice frameworks for entrepreneurial capacity development in other countries, which will be adopted for an effective entrepreneurial capacity building (ECB) framework in Laos.

**Chapter Three** discusses the selected research methodology and approach, the rational and justification for why this research employs the qualitative method and uses the thematic technique as a mode of analysis for this research project. The primary objective of this research project is to unearth knowledge on the key hurdles to acquisition of effective entrepreneurial development and to form an effective ECB conceptual model for up skilling SME entrepreneurs. Operational approaches and ethical implications are also covered in this chapter.

**Chapter Four** presents the qualitative results and findings generated from the data analysis. This chapter highlights the core themes that emerged from the thematic data analyses. Propositions are formed and validated by evidence derived from the field research.

**Chapter Five** discusses and analyses the key results and findings of this study. It critically examines other necessary data, which may be pulled out from the secondary data of this research. It continues by looking at the core theme that has emerged from the data investigation and validates it from the existing evidence. This chapter will be the chapter of conceptual model
formation, where the most effective ECB framework will be proposed for up skilling SME entrepreneurs for the enhancement and development of SMEs in Laos.

Chapter Six summarises this research project by presenting a synthesis of the research study, and highlights the important aspects of this research, which can pave the way for future research. The key challenges related to this research will also be mentioned in this chapter.

1.5 Contribution
These research outcomes will be an empirical and practical framework for SME entrepreneurial knowledge enhancement as well as the development of SME performance in the long run. It will be used as an important knowledge booster for many scholars and many educational institutions for further studies. The research will also positively contribute to SME entrepreneurial and managerial evolution for SMEs across industries. Specifically, this research’s outcomes will empirically contribute to the central government for the decision-making processes of policies on SME development in the future. This will make significant differences for Lao SME competence development in the long run, particularly on entrepreneurial knowledge enhancement.

1.6 Chapter Summary
Chapter one has presented the introduction of this research project and the overview and broad structure. This provided readers with the general ideas and direction of this thesis. The introduction starts with the conceptual knowledge of SMEs in the LDCs and the significant contribution of SMEs to the LDCs. It then identifies the emergence of the issue within the context of change in the business climate and the knowledge gaps of the previous studies that have led to the key research question of this thesis. The thesis structure is displayed, which can be used to guide readers through the rest of the research project as well as the presentation of the effective ECB conceptual model as the ultimate objective of this research.

The next chapter provides an insight into the literature review on SME definitions and key terms, entrepreneurial capacity development concepts, key barriers to SME entrepreneurial development. It also explores current practices on entrepreneurial up skilling in other nations. Arguments and propositions for discussion will be presented and addressed.
CHAPTER II: LITERATURE REVIEW

2.1 Introduction
This chapter explores the existing relevant literature pertaining to entrepreneurial behaviour and capacity building frameworks, the key concepts and ideas behind SME entrepreneurship and its significance to stakeholders. In doing so, the aim is to look for the knowledge gaps in the current literatures related to this research topic and build up interesting research teasers to generate the answer to the research question:

*How do we conceptualise the entrepreneurial capacity building of SMEs in the least-developed countries (LDCs), particularly in Laos?*

Four core overarching themes of the literature background will be identified, including various perceptions of ECB and entrepreneurship definitions among current literatures, different perspectives on SME entrepreneurial capacity building and development, key barriers and bottlenecks hindering current SME entrepreneurs access to practical generic business management (GBM) knowledge, and the proposition of an effective ECB conceptual model for enhancing local SME entrepreneur capabilities.

There are ten sub-themes to the questions for exploring SME entrepreneurs’ behaviour in the LDC, particularly in Laos. These sub-themes are vital to foster knowledge related to the entrepreneurial capacity development and to envisage the research pathways and knowledge gaps (Maxwell, 2005). Propositions will be formed with strong arguments and evidence from the literature integration. This will be combined with the research findings to generate the most practical conceptual models for SME entrepreneurial capacity development in the context of Laos. As noted by Morse & Field (1995), that proportions are subject to be discussed and statement to be upheld instead testing like hypothesis or principles in order to draw the conclusion.

Miles & Huberman 1994, p.75 (as cited in Maxwell, 2005) state that many qualitative researches clearly present the ideas and what is going on throughout the processes as part of theorising and data analysing. These processes are also known as “propositions” instead of hypotheses, but both serve the same function. The propositions of this research are broad concepts and statements for
discussion so that the relationship between concepts can be discovered before they are operationalized by a hypothesis and put in an empirically testable form (Boeije, 2010). For this reason, forming propositions is a justified approach for this research project.

This chapter also provides the background to the emergence, progress and development of entrepreneurial capacity building (ECB) definitions and other related concepts. The key themes and knowledge from the previous researches and studies are identified and will finally be discussed with the empirical supports and evidence.

### 2.2 Entrepreneurial Capacity Building (ECB) Approaches and Definitions

The extant literature and research contains definitions of SME entrepreneurial capacity building (ECB) and approaches to SME entrepreneurial capacity development and its relationship with stakeholders. Collins, Smith, & Hannon (2006) provide a fundamental definition of entrepreneurship on their research, aiming to describe and explore the use of synergistic learning methods in the delivery of an innovative pilot programme designed to teach entrepreneurship capacities. They define the term entrepreneurship as a pathway for entrepreneurs to take action in a situation or environment which is a holistic in approach.

They state that creation, enhancement and realization are contributed to by entrepreneurship, which benefits not only the business owners but also stakeholders and the other parties involved. They also comment that entrepreneurs deal with a demanding and unstable environment and embrace constant change. These authors assert that entrepreneurship exists in any kind of business regardless of the industry, so entrepreneurial skills need to be developed in order to meet the demands of an uncertain environment.

The research result guides researchers into the concept that the right “atmosphere” is the key for learning about entrepreneurship. In addition, everyone’s knowledge, skills and experienced are appreciated in a peer-learning atmosphere. They believe that a safe atmosphere is derived from the use of synergistic learning methods which make it easier for participants to share their experience in a positive way. The participatory methods, which required engagement by everyone involved, were employed to guide researchers for the assessment of the participants’ engagement. However, this research finding indicates only the fundamental concepts of entrepreneurship and seeks only a certain type of method for delivering the concept of
entrepreneurship for a specific group of participants. This research was neither conducted in a particular type of business nor in a business environment of least-developed countries where the local business climate and political influences are vital.

Cristina & Maiorescu (2009) completed a qualitative research on marketing entrepreneurship and SME competitiveness in Romania, employing the focus group discussion technique to collect data. Throughout the data collection processes, five focus groups were recruited, and data was analysed by a descriptive data analysis method. This research initially aimed to present the concept of entrepreneurial marketing and its models as well as being a preliminary test of such models. They presented a conceptual definition of entrepreneurship as a process of creating value by bringing together a unique set of resources for exploration. The process of creating value included a group of actions to identify opportunities, business definition, evaluation, acquiring the necessary resources, management and getting results.

Another concept of entrepreneurship identified in this research was that entrepreneurship was seen as the key mediator of change, leading to the elimination of economic equilibrium and the entrepreneurial phenomenon Schumpeter termed "creative destruction".

In addition, the concept of entrepreneurship was seen as an organizational orientation that focuses on three main significant aspects: innovation, taking calculated risks and proactive orientation. The findings of this research help researchers to come up with conceptual models and the related definition of entrepreneurship, which is an important component for the development of an effective ECB framework. However, this research was conducted in the Romanian SME context and failed to consider the influences of culture and entrepreneur traits and characteristics when defining the entrepreneurship conceptual models, and various important aspects were not covered when defining the ECB concepts.

Meanwhile, Schacter (2000) showed his key findings of qualitative research which was conducted among Canadian SMEs across various industries. He employed the descriptive analysis technique with the initial aim to explore the policies of the government on SME promotion and obtaining an overview of the hurdles faced by development assistance agencies as they seek to adopt a capacity building perspective. Since it is at a new technical level, this
research defined the term “capacity building” as the new fundamental approach for service providers to come up with ideas and implement their duties and responsibilities.

Both conceptualization and implementation of the service providers are believed to be significant to the success of businesses and they should be simultaneously applied. He also claimed that if “capacity-building” is seriously implemented, service providers should be more flexible and situational-based to help the businesses achieve their goals. Capacity building is also perceived as a component of entrepreneurial development and as “the process by which individuals, organizations, institutions and societies develop abilities (individually and collectively) to perform functions, solve problems and set and achieve objectives.” Martin & Osberg (2007) agree with this concept by showing the key findings from a qualitative study on social entrepreneurship research and stating that

“The social entrepreneur should be understood as someone who targets an unfortunate but stable equilibrium that causes the neglect, marginalization, or suffering of the segment of humanity, who brings to bear on this situation his or her inspiration, direct action, creativity, courage and fortitude and who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large” (p.39).

They claim that the definition helps them differentiate between social activists, including social service providers, and social entrepreneurs who generate a great deal of their adaptation to other strategies. This helps them to form a hybrid model, which is less confusing and more flexible and respectful than the unclear purposes of other approaches used, and it will generate better understanding among people who are committed to beneficial social changes. Nevertheless, this research was conducted in a developed country’s business environment, which is outside the scope of this research project, and the significant uniqueness and characteristics of local SMEs were not mentioned.

Looking at the above key findings of each article, the researcher can identify the knowledge gaps on the key concepts of entrepreneurial capacity building (ECB). Taking into account the fact that the above researches were conducted in different continents from the least-developed countries, especially Laos, they have failed to take into account the cultural and political influences and the entrepreneur beliefs of a local SME business context. In addition, some researches were done in a quantitative approach, and data was analysed by statically interpretation techniques, which left
out the exploratory insights of the phenomena. Therefore, these literatures leave large knowledge gaps and are an encouragement for further researches. Hence, they give rise to the following proposition:

\[ P_1= \text{How do SMEs in the LDCs define ECB?} \]

2.3 SME Entrepreneurs’ Perception of Entrepreneurial Capacity Building (ECB)

Bartlett & Bukvič (2001) review the key significant contribution of SME development to the transitional economies of many countries. Their qualitative research was conducted with the initial aim to identify differences and similarities in the institutional framework and policy environment for small business development in South East Europe. It was presented during the “Sixth International Conference on Enterprise in Transition”. The data was collected from the secondary data among various studies and researches carried out by the OECD and the European Commission, and recent research studies carried out by authors in Albania, Bosnia-Herzegovina, Croatia and Macedonia. Their comparative research provides the significant concept that SME development is the vital element for countries in East Central Europe to enter market economy transitioning.

They state that SME development is an integral part of the restructuring, competitiveness and innovation of the enterprise as well as employment creation. They draw two fundamental approaches to develop SME competiveness based on the different stages and condition of the transition of post-socialist countries. The first approach is spontaneous new enterprise creation by supporting the market potential for entrepreneurial activities, including financial resources, labour and management knowledge. The other approach is stimulation of the business environment to improve the growth of SMEs. However, this research was conducted on the secondary data-base and such data sources are from the context of the business environment in East Central European countries that has neither relationships nor similarities to the environmental context of the least-developed countries, especially in the South East Asian nations.

Fisher, Geenen, Jurcevic, McClintock & Davis (2009) completed a qualitative research called “Applying Asset-based Community Development as a strategy for corporate social responsibility
(CSR)”. Their initial aim was to explore a case study of one Canadian SME that uses a community development framework called Asset Based Community Development (ABCD) for its CSR programming. Their research approach was from the ethnographic perspective, and data was collected by interviews and records to evaluate the company’s activities and its application of the ABCD framework.

The research findings provide a strategic framework on how CSR can benefit ECB in a sense that the company can utilizes its priorities, strengths and abilities to solve the CSR related issues, which helps the firm to maintain its competitiveness and operational advantage. They also suggest that an additional framework for CSR would help SMEs to move beyond the current approach for entrepreneurial development by means of an additional framework that would provide entrepreneurs with a business strategic plan that can be integrated as a strategic comprehensive CRS.

This research has identified a significant further step on entrepreneurial capacity evolution, yet it has failed to consider the fact that it is not only good strategic framework or governmental policies that enhance the local SME capability. Local SME entrepreneurs’ perceptions feedback must be taken into account before framing or integrating an ECB framework. In addition, the ABCD framework is an integrated framework for firms that have a good foundation of entrepreneurial resources and environment, hence this framework is intended to maintain their achievement and stay competitive. However, local SMEs in the least-developed countries are suffering from a lack of entrepreneurial resources as well as fundamental disadvantages like economies of scale and financial deprivation. Therefore, the ABCD framework cannot be considered for an integrated framework for the SMEs in the least-developed countries at this stage.

Habaradas (2008) takes a further step in his research findings in the south East Asia region, Malaysia. He conducted a qualitative research to review SME development and technology upgrading in Malaysia and share such lessons with the Philippines. The aim of his research was to link SME development efforts to their industrial development goals, and it sets up effective mechanisms to coordinate various efforts to assist SMEs. The data was collected from in-depth
interviews among various assembly line employees of the electrical appliance manufacturing industry. It was semi-structured with open-ended questions.

His paper studied the lessons of entrepreneurial capacity enhancement and activities from Malaysia in the same industry on overcoming business related issues by promoting technology and innovation in the SME sector. He revealed a key challenge for most SMEs was innovation engagement and technological capacity development for keeping a competitive advantage and meeting the market demand while maintaining customer satisfaction. Throughout the processes, he uses a project from the Malaysian government in upskilling managerial and technical staff in SMEs, especially in the electrical and electronics, information technology and engineering fields. 22 training sessions on technical skills were given across several provinces in Malaysia. This project suggests that both Malaysia and the Philippines have formulated strategic policies and programs to support SME’s better economic competitiveness in a global environment. These researchers also hope that the strategic technology upgrading and experience in Malaysia will benefit SMEs in the Philippines and make significant progress in the stimulation of SME development while complying with the overall strategic socio-economic development goals.

However, although this research provides a constructive experience and strategic model for entrepreneurial capacity development by enhancing the technological skills for SMEs, this research was conducted in technological and electrical industries in Malaysia, a country that has a strong foundation in technology and the implementation of a SME promotion policy. In addition, promoting electrical and electronics upskilling is not a practical approach for entrepreneurial development in Laos where most SMEs are within the agricultural and handicraft sectors. Furthermore, this strategic model on electrical and electronics upskilling was deliberately formed to enhance the electronic manufacturing industry, so it is not compatible with other industries. Hence, it is not suitable for implementation in the local SME context of Laos.

Another research on competitive entrepreneurial development for SMEs was conducted by Widding (2005) with the topic “Building entrepreneurial knowledge reservoirs”. This research was completed with the aim to strengthen entrepreneurial knowledge by seeking the understanding on how entrepreneurs can build their knowledge reservoirs for entrepreneurial capacity development in order to make SMEs to competitive. He employed a longitudinal case
study approach with a sample of seven entrepreneurs from new technology-based firms the data was qualitatively gathered from interviews and conducted twice during the period of time from 1999 to 2001.

This research provides the recommendation that in order for SMEs to maintain and stay competitive, its entrepreneurs should build knowledge reservoirs, including internal, semi-internal and external knowledge reservoirs. The findings show that employees were the key actors of the internal reservoir because employees are the craftsmen who are engaged in production and operational and innovative development. Employees were the key factors in marketing activities including customer identification, new product launching as well as other strategic marketing activities. Semi-internal knowledge reservoir was related to business knowledge, which is somewhat more fragmented. This may be because the actions of the semi-internal reservoir were less homogenous. They can be in form of more involvement by the chairman of the firms because the contribution of the chairman has a greater impact on the other business knowledge areas in terms of business strategy and organization. Meanwhile, the external knowledge reservoir actions are obtained from the business networks and via marketing activities and assessment. It is in fact related to the gained professional knowledge and experience from stakeholders.

Widding (2005)’s research findings on entrepreneurial knowledge reservoirs contributes a significant concept for entrepreneurial capacity development for SMEs. However, although the research methodology and data gathering technique employed in this research are reasonable the fact that the data sample of seven entrepreneurs from new “technology-based firms” means that they are not applicable in the SME context of Laos where the technological issue is considered to be one the key barriers to SME development. In addition, despite the fact that human resources development (HRD) – the “internal knowledge reservoir” - is significant for business development, most SMEs in Laos are considered as micro-businesses and family business, where HRD is not of interests or value to entrepreneurs. Therefore, this conceptual model for entrepreneurial capacity development to maintain competitiveness is invalid and incompatible with local SME characteristics in Laos.
From the above literature integration perceptions and conceptual models for entrepreneurial capacity building, the researcher can identify a knowledge gap in three main areas: the sources of data sets, methods employed in data analysis and incompatible use of those conceptual models due to the uniqueness of the local business context and characteristics of Laos.

Most studies and researches gathered data from the secondary data of previous researches and these studies were intended for specific objectives that are not in line with the objectives of this research project. In addition, data was collected from technology-based industries, which is far from the main SME industries in Laos. Moreover, the data was gathered from interviews with various staff members in the same industries for a long period of time. This indicates that data samples did not represent other SME industries and SME environment in general is dynamic and unstable, so gathering data from a long period of time does not show contemporary information and the current business climate.

Although some studies completed employed similar methodology to this research, the data analysis processes was not started from the beginning on each research but the situation of the business and conceptual models implementing progresses was just updated. This shows that the processes of analysing data were not complete.

When looking at the research findings, it can be seen that some conceptual models were designed to maintain business competiveness for those SMEs that had reached a stable point of the business life cycle instead of building capacity for newly established and the existing SMEs from transition economies. In addition, implementing such conceptual models for entrepreneurial development requires rich sources of capital and technology, which are the key obstacles for local SMEs in the least-developed countries. Therefore, most of the entrepreneurial capacity development concepts from the above literatures are argued to be incompatible with the business environment in the least-developed countries, especially Laos and it leads to the following proposition.

\[ P_2 = \text{How do SME entrepreneurs perceive current entrepreneurial capacity building (ECB)?} \]

2.4 Current Challenges for Effective Entrepreneurial Capacity Building (ECB)

Aidis (2005) conducted a qualitative research to review the key issues surrounding entrepreneurship development in the transition economies in some countries in Europe. This
qualitative research employed the interpretative approach to analyse data that was gathered from previous studies among countries that had transformed from central-planned into market-oriented economies. He indicates that while economic transition makes progress, the entrepreneurship development in transition economies is an action of increasing divergence. His research provides background to transitional economies, and details the characteristics of entrepreneurs and the impacts of social and political transformation on entrepreneurship development.

The research findings also indicate that transition economies are characterized by trade and low-tech services, so most SMEs commonly face issues related to the lack of a skilled workforce and capital for entrepreneurial activities. Therefore, some entrepreneurs may know how but they are unsuccessful when it comes to market penetration. It also shows that the common issue related to entrepreneurship development in transition countries is the lack of strategic marketing skill. This is because once the country has transformed from central-planned into market-driven economy there is a mass creation of SMEs due the fundamental issue of unmet customer demand. In addition, in the majority of cases, government policy on SME promotion is not actively implemented and this results in the decrease of the number of enterprises. However, this research generates only two common issues related to the lack of marketing skills and government policies on SME promotion in the big picture, and it does not touch on the core issues related to entrepreneurial capacity development in the context of Laos.

Nkirina (2009) completed a qualitative research on “The challenges of integrating entrepreneurship education in the vocational training system: An insight from Tanzania’s Vocational Education Training Authority”. The aim of this research is to discuss the issues that have emerged concerning the integration of entrepreneurship education and entrepreneurial development into the vocational training system. The data was collected from in-depth interviews, focus group discussions and secondary data sources revision. Population sampling was a combined set of respondents from employees, training directors and students. Data gathered for this research was analysed by using the recommended techniques and the meaning derived from the data was found to be logical. Throughout the research processes, this study shows the challenges faced when trying to integrate entrepreneurship education and
entrepreneurial development into vocational training. The key challenges are time constraints, the course being too general, financial strain and shortage of models in entrepreneurship.

This research further points out that there is an issue concerning the collaboration between training centres and industry, which results in impractical entrepreneurship training and students reading just to pass the examination and not gaining a skill that will be utilized in the field. However, despite the fact that the research findings provide significant strategic plans to integrate entrepreneurship education and entrepreneurial development into the educational curriculum of vocational training, the issues of entrepreneurship education and entrepreneurial development foundation are not relevant to the foundation of SMEs in the least-developed countries.

Schaper (2010) goes further with his research findings on the challenge of environmental responsibility and sustainable development and its implications for SME and entrepreneurship academics. Data is gathered from interviews and case studies and analysed by the general inductive data analyse techniques. The study focuses on business and environment responsibly within the global business community. He states that the issue of environmental responsibility has become more prominent in business decision-making and strategic business management planning.

The research findings illustrate challenges that may affect SME development by focusing on the green movement and its implementation, along with the laws. The studies from various countries show that SMEs have become more concerned about this issue, but because of the weakness in management further comprehensive trainings and frameworks are required. This research finding also suggests that the adoption of “greener” business practices can create challenges. The emerging new paradigm of sustainable development creates many questions that need to be taken into account. This research creates a significant potential challenge that may affect the process of SME entrepreneurial development in the sense of environmental responsibility, which should be taken into account when forming a strategic ECB plan. However, at the early stage of enterprise creation and establishment, most green initiatives are not one of the priorities of local SMEs. Business survival strategies are more important-hence this study is argued to be not relevant.
Saleh & Ndubisi (2006) completed a qualitative research on an evaluation of SME development in Malaysia. The aim of this research was to review the current climate of SME development in Malaysia and its current challenges on SME development. The data was gathered from focus groups and literatures from the previous studies on related fields. It was then analysed by thematic techniques to see the emerging themes and commented on trends from the various perspectives of focus group participants. The research findings indicate that Malaysian SMEs are facing the same barriers as many developing countries due to the lack of a comprehensive framework, particularly on SME capacity building processes.

The research indeed points out the key challenges both domestically and globally to meet the economies of scale and competitiveness in the international arena. Major challenges result from lack of technological capabilities, shortage of skilled labour, a low level of technology for ICT penetration, low capacity of research and development (R&D), domestic market-orientation, high competition in international markets, high level of bureaucracy in government agencies and funds that are only internally sourced.

This research also suggests strategies to overcome these challenges by recommending that SMEs should come up with their strategic plans to access new markets and increase their revenues and customers, instead of relying solely on government agencies to support them. Their research also points out that these challenges have resulted from the integration of a liberalized world, including AFTA, ASEAN China. However, Malaysia can create opportunities out of strategic alliance formulation as an alternative option for SME capacity development. This concept is significant for a future strategic framework for SME entrepreneurial development but it needs to be further discussed and investigated before it is adapted in the least-developed countries due to the lack of readiness of the local SME environment in the least-developed countries, especially in the case of Laos.

A similar research on SME exporting challenges in transitional economies was completed by Neupert, Baughn, & Dao (2006). This research examined the challenges faced by SMEs along their path of internationalization. In particular, the internationalization process in transitional and developed economies was examined. The qualitative approach, using in-depth interviews in the investigation of “critical incidents” was employed, which reviewed an incident that firms had experienced as their “worst nightmare” or “biggest challenge” in accessing international markets.
Data was gathered from 16 export managers in Idaho and 13 export managers in Vietnam. The former were retrieved from a state trade directory of export firms and the latter, were selected from a business listing in Hanoi and Ho Chi Minh City. The research findings, particularly on the comparison of exporting challenges between Vietnam and USA, illustrate the export related barriers in a transitional economy and the challenges faced relating to recognition of product quality and logistics. Meanwhile, the developed economy faced export related barriers such as country differences, general business risks, and logistics.

The research also provides the issues faced by developed economies: “initiating” or “on-going” are the main categories for their export related issues. In developed economies, export related issues can be settled by the adaptability skills that result from the adequate training of the exporters. The export processes between exporters and importers are also clearly understood. Therefore, exporters tend to adjust their policies to avoid the issue being repeated. In transitional economies, the issues are associated with on-going export operations.

Although managers adapt their policies to anticipate such issues, there are no proper methods to anticipate them. In addition, Vietnamese exporters experienced issues related to poor product quality and the specifications required by business contracts between exporters and their customers. It is not solely an issue of exporting per se because they have to manage effectively the production process and value chain. Neupert, Baughn & Dao’s research provides an interesting comparison between the issues faced by both transitional and developed economies of solely the export sector. However, the scope of this research project focuses on the issues faced by SMEs in the least-developed countries, regardless of the industry.

Most researches in the above discussion provide a picture of the challenges and barriers faced by SMEs in various sectors and their implications to entrepreneurial development. Looking at the methodology employed in these researchers, it can be seen that most of them employed a qualitative approach to analyse the data and generate experiences from the operation of SMEs. Most of the key issues on SME development faced by SMEs are related to the common issue of the lack of skilled labour and big picture issues related to business capacity development and
international market expansion. However, one of the key objectives of this research is to identify the core hurdles. Local SME entrepreneurs need to have access to an effective ECB, which provides the fundamental skills for local SME survival. In addition, issues related to skilled labour seems not to concern the local SME entrepreneurs at this stage because of the fact that most SMEs in Laos are characterized as family businesses where HRM is not among their prioritised strategies. Hence, it raises the argument in the following proposition:

\[ P_3 = \textit{what are the current challenges to effective entrepreneurial capacity building (ECB) in Laos?} \]

2.5 SME Development Strategies

There have been many scholars conducting extensive research related to the strategic concept of SME competence development and enhancement. Night (2000) conducted quantitative research on entrepreneurship and marketing strategy by looking at SMEs under globalization. The initial aim was to provide critical roles of entrepreneurship and marketing to assist SME managers in coping with the business challenges that come with globalization. The research data was gathered in three stages and was from semi-structured interviews with executive managers and government officers to clarify the survey questionnaire. The questionnaires were circulated in 100 firms. Finally, the refined questionnaire was emailed to 800 chief executive officers randomly in manufacturing industries.

This research investigates the strategic plans and actions to deal with the issues contributed by globalization. It is also looks at the entrepreneurial orientation, marketing strategy, tactics, and performance of SMEs. The research findings show a strategic approach to the external environment relating to product innovativeness and a proactive approach that focuses on marketing plan modification because the marketing plans for the local market may be invalid when it comes to dealing with the international markets. Products for the international markets may need to be adapted in order to meet international market needs and customers’ demand. The research finally states that technological advance is a significant aspect that entrepreneurs need to take into account before penetrating international markets.

The key finding of this research project is the strategic tactical manoeuvres that are required for SME entrepreneurs to adapt to the environmental change under globalization. SME entrepreneurs can employ these tactics to maintain the firm’s competitiveness. Technological
advancement helps SMEs to be more effective in terms of product and service promotion and launching, while innovation arising from acquired technology is a great source of competitive advantage for product and service development, especially when SMEs are facing the turbulent times or in crisis.

This research provides significant strategic plans for SMEs to deal with domestic and international markets, especially for electronic product manufacturers. However, it raises questions on the research findings validation that is whether or not it suits the SME climate of the least-developed countries, especially Laos. This is because this research is looking at competence development for electronic manufacturers, and the survey data for this research is derived only from executive managers and government officers so that it lacks the points of view of SME entrepreneurs in other industries.

Hayton (2003) completed a quantitative research on human research development (HRD) as a strategic plan to promote entrepreneurial development for SMEs. The aim of this research is to understand the critical benefits of human capital development and management as well as other contemporary HRM practices. The data for this research was collected from 99 SMEs in the form of survey questionnaires with pilots tested by a panel of practicing HR executives. The feedback was gathered via focus groups. The SPSS computer aid was used to analyse the data and generate statistical means for result interpretation. The research finding suggests that promoting employee discretionary behaviour, knowledge sharing, and organizational learning are the key attributes that significantly contribute to the firm’s entrepreneurial development and performance.

Hayton’s (2003)’s preliminary research preliminary provides factor structures consistent with expectations and states that HR practices are categorized into two factors. The first factor is the traditional HR practices, including job analysis, job descriptions, and structured compensation systems. The second one is discretionary HRM, the practices that influence employee discretionary behaviour including employee empowerment, employee participation programs and compensation systems.

The research also points out that internal consistency, external congruence, and system flexibility are the key contributors to a firms’ performance. This investigation into the contribution of
human capital management (HCM) to a firms’ performance and strategic methods for SMEs to measure the effectiveness of its HRM practice will lead to firms’ competitiveness. Hayton claims that the research findings show that HCM provides a sustainable source of SME competitive advantage. This HRM capability fosters the system and its products by enhancing internal consistency among practices, adapting the firm’s strategies to meet environmental demands.

Hayton (2003)’s research findings provide a strategic approach to human capital development as a key for entrepreneurial enhancement for SMEs. However, looking at the local business environment and SME characteristics in the least development countries, strategic emphasis on HRM is not the key to entrepreneurial up skilling for SME entrepreneurs since they lack generic business management skills. In addition, the fact that his research was quantitative-based, looking for structured comments and responses among HR managers in a specific business industry, means that the day-to-day experience and perspectives of employees in other industries are not relevant. HRM is not the key for ECB for SMEs in the lease-developed countries, where the primary entrepreneurs’ need is generic business management skills to ensure business survival.

Similar research was done by Schmelter, Mauer, Borsh & Brettel (2010) on boosting corporate entrepreneurship through HRM practice. This quantitative research was conducted with the aim to determine the most practical human resource management (HRM) to promote corporate entrepreneurship (CE) in SMEs and to examine the interrelationship between HRM practices and CE. Data gathered from the cross-sectional data set of 214 knowledge-intensive German SMEs on an online survey. A statistical technique was applied to analyse the data by using software aid- SPSS to generate the means and results for analytical interpretation.

Their research provides the concept of corporate entrepreneurship (CE) as “a set of company-wide activities that centre on discovering and pursuing new opportunities through innovation, creating new business, or introducing new business models”. The results of this research indicate that HRM practices have significant a contribution to make SMEs stay competitive and have a high level of CE. They also show that the HRM practices of staff selection, staff development and training, and staff rewards are the key approaches for SME entrepreneurial development. The findings emphasize the impact of HRM practices on SME managers and their performance.
They elaborate on this by showing that SMEs are facing a growing organization barrier, bureaucratic structures and resources constraints. Therefore, a proper selecting and designing of HRM practices is vital for EC encouragement, hence building the firm’s competitiveness.

This research finding provides a significant conceptual model and approach for SME entrepreneurial development and performance by focusing on strategic HRM as a key to recruit employees as intangible assets of the company and increase competitiveness. However, this research has failed to take into account that one of the key issues for most of SMEs in the least developed countries is the lack of a skilled labour force. In addition, this strategic HRM practice is not applicable because most SME entrepreneurs lack the fundamental knowledge of business management and SME entrepreneurs in the least-developed countries are not aware of this significant approach at this stage.

Meanwhile, Sharma, Garg & Sharma (2011) completed a qualitative research on the strategic approach for SMEs to deal with the aftermath of the global recession. The initial aim of this research is to review the impact of the global recession on SMEs, especially on the manufacturing industry, and determine the survival strategies for SMEs. The data gathered from secondary data was source-based, using grounded theory techniques to analyse the data from the previous researches and studies. This research indicates that SMEs have been trying to mitigate global recession impacts, including cutting costs, pushing forward strategic initiatives and losing talented resources. SMEs are also gearing up to look for new strategies to increase their revenue channels.

They also show that the global recession not only brought negative impacts to the global economy but also created opportunities for innovation and strategic plans to increase the business competence and performance of SMEs. Therefore, the research findings generate conceptual survival and growth strategies for SMEs, including following leaner guidelines, networking and sharing, keep existing customers loyal, improving customer communication, improving manufacturing flexibility and keeping inventory levels to a minimum.
The research findings generated a significant prototype on strategic tools for SMEs growth and survival after the global recession impacts. However, this strategic tool is intended for manufacturing SMEs, so it might not be suitable or applicable for other businesses or industries. It introduces the question related to the validity of these research findings based on the fact that global recession impacts do not severely affect SMEs and micro business in the least-developed countries. This is because it is widely acknowledged that micro business characteristics are more flexible and do not require high capital, so it is not directly affected. In addition, data for this research was collected from secondary data, which suggests a lack of a contemporary business context. Moreover, this research aimed to form a strategic tool for survival and growth for SMEs in the manufacturing industry, which means there is no guarantee whether it will comply with other SMEs industries due to the unique characteristics of SMEs, which require different approaches to each one.

Khanka (2012) completed a research on a strategic approach to encourage entrepreneurs to strive for better business performances, with the topic “Motivational orientation of Assamese entrepreneurs in the SME sector”. This research focuses on the entrepreneur’s behaviour and motivation. This quantitative research gathered data from 243 first-generation entrepreneurs from the manufacturing and service industries in Assam in North-East India. The data gathered from the survey was analysed by SPSS to generate the attributes and variables for results and interpretation.

The research findings indicate that regardless of gender, the need for economic achievement, personal growth, autonomy and recognition are the primary motivation modes for entrepreneurs to increase their performance and become entrepreneurs, while the desire to contribute to communities was not found. This research also shows that entrepreneurial motivation also depends on the entrepreneurial experience. Khanka highlights that an interesting finding in the research is that the dramatic change in autonomy and power motives, which decrease over time depending on entrepreneurial experience, which means the role of entrepreneurs has change from doers to implementers as their enterprises grow.
The research also illustrates the motivational factor for entrepreneurs to build their own enterprises, including survival, financial independence and security, personal growth and recognition. Throughout this research Khanka also argues that the development of SMEs through entrepreneurship is the most effective approach to stimulate economic development in the region. This is because of the limited potential for agriculture development and large-scale industries due to the geographically constraints of the region. This research made a contribution to finding strategic tools for enhancing competence and performance by looking at the motivational aspects of entrepreneurs and entrepreneurial encouragement. However, although the nature of this research is to understand entrepreneurs’ behaviour, the research methodology employed was quantitative and the data gathered was only from manufacturing and services industries, which left out the perspectives and behaviour of entrepreneurs from other industries.

Technically, the findings seem to suggest that enterprise creation (entrepreneurship development) is approached for the economic development of the region, but this research project fundamentally focuses on entrepreneurial up skilling for existing SME entrepreneurs. Therefore, it has knowledge gaps in terms of having a strategic plan for SME entrepreneurial capacity development. The following table summarises the discussed literatures.

In the above literature discussion, it is widely acknowledged that SMEs are playing integral roles in boosting economic and social development for the least-developed countries. Therefore, there are many scholars who have completed researches that come up with strategies for SME development, especially for transitional economies. Most of the above mentioned studies are based on the qualitative research approach regardless of the data analysis techniques employed. It can clearly be seen that most research focuses on human capital development as the strategic approach for SME development in developing and developed countries. However, the key knowledge gap here is SME characteristics in the least-developed countries. It raises the question for further research whether or not those research findings that focus on strategic HRM as the key tool for SME development would suit SME characteristics in the least development countries.

Additionally, the enterprise cases that most researches covered are SMEs in the manufacturing, services and technological sectors. Therefore, the perspectives and experiences faced by many other SME industries are made not included-hence it indicates a knowledge gap and questions
the relevance of those research findings towards the SME characteristics of the least-developed countries. Looking at the data sources, most studies gathered data on secondary source-based data, but such sources were made and studied for specific purposes. This leads to a lack of current insightful data on the SME business climate, particularly in the least-developed countries like Laos. Therefore the efficiency and effectiveness of these research findings in terms of a strategic approach for SME development in the local context of Laos by mean creation of the following proposition:

\[ P_4 = \text{what are the strategic approaches to improve SME performance in Laos?} \]

2.6 SME Entrepreneurial Capacity Building (ECB) Training

As the global competition has increased, potential employees have become more aware of the need to improve their skills. At the same time, SMEs are gearing up to seek the most practical and effective methods to upskill its managers and employees. Many scholars have conducted studies and researches related to the effectiveness of capacity training and whether or not it meets the demands of the labour market. Meanwhile, the attention is being given to the quality of such training to improve SME competence and performance, and ensure that such training will make employees stay with SMEs or help them go off to a larger firm for their own career growth.

Chi, Wu & Lin (2008) completed a qualitative research to investigate the relationship between SMEs FDI and FDI related training programs and organizational performance. The initial aim of this research is to determine how the training programs facilitate the relationship between FDI and SME performance and to identify the alignment of training implementation and whether the training leads to a better performance of SMEs. This research was part of the 2002 annual SME training needs survey. Data was mainly gathered from large-scale enterprises in Taiwan via random sampling and subsequent telephone surveys. 1,510 SMEs were selected for interviews. The hierarchical regression technique was employed to analyse the data and test hypotheses.

The research shows that training implementation is merely facilitating the relationship between SME, FDI and firm performance. They indicate that human capital construction significantly contributes to the achievement of SME strategic goals by the improvement of firm performance it is important to, especially when SME managers making FDI outlays ensure that the training
programs support the international process. This means that when strategic goals are in parallel with HRM practice the firm’s performance will be enhanced.

The research findings provide a significant conceptual model for SME performance development by focusing on the importance of the training program implementation and ensuring that SME needs align with HRM practice. However, this research was intended to serve large-scale industry in Taiwan where technological advance is not an issue. In addition, the strategic approach for firm performance development generated from this research is a tool for SME internationalization, which is not relevant for SMEs in the least-developed countries that seek tools for survival.

Meanwhile, Jayawarna, Macpherson & Wilson (2007) conducted a quantitative research on “training commitment and performance in manufacturing SMEs”. The research aim is to investigate activities related to management development and its impact on the firm performance regardless of formal and informal trainings. Data collected for this research was from 198 manufacturing SMEs in the UK and analysed by using descriptive statistics, multiple regression analysis, and analysis of variance (ANOVA).

The research findings suggest that SMEs that invest in management capacity training show a statistically vital contribution to an increase in employees’ compensation and the firm revenues when compared to those SMEs that are not interested in management training. They also state that the number of training interventions is important because their research suggests that as the firm grows the intensity of training is likely to increase as the number of employee grows.

The research also indicates that formal training is likely to be targeted because it contributes significantly to the firm’s performance - more than informal training. It also statically shows that the use of outside providers for in-house courses and the use of in-house designed and delivered courses are the most positively significant approaches for formal training. They also point out that when we take the research findings into account we can clearly see that it is the incidence and not the intensity of the training that is important.
Therefore, they state that

“...both of these types of intervention are likely to be used to target a specific and identified need: the former when specific skills or knowledge are absent, but the failure to address the skill need is perceived to jeopardize the business; and the latter when there is an on-going skills need in the business that warrants training investment” (p.333).

This research provides important conceptual ideas on the significance of training to SME performance. However, this research is conducted by employing the quantitative approach for a certain industry in the UK, which is out of the scope of this research project. In addition, the strategic approach of training for SME performance development on this research is intended for the manufacturing industry, which is not the case of many LDCs key business industries. This research also has failed to cover the perspectives of SME entrepreneurs as the key measurement of firm performance as well as the effectiveness of such training approaches.

Furthermore, Macpherson & Jayawarna (2007) conducted a quantitative research on training approaches in manufacturing SMEs by looking at the measurement of ownership, structure and markets. This research used the same technique of descriptive statistics, multiple regression analysis, and data gathered from a survey of 198 manufacturing SMEs. The questionnaire was designed following extensive consultation with members of the academic community, as well as personnel who worked with, and in, the SME sector. The aim of this research was to investigate the influence of a range of contingent factors that define the approaches for training in manufacturing SMEs.

The research findings show that there will be times when formal training is appropriate for SME and it will be both required and encouraged by SME management, based on the SME size, product, market and organizational structures. The challenge will be identified and require a specific approach and condition based on the characteristics and uniqueness of the SME, and will require a deeper understanding of the context and issues facing a specific firm.

The research also identifies that in order for SME manager to address the idiosyncratic nature of SME requirements, the SME research management and policy development of training in SMEs should be more flexible and open. HRM practices in small firms are unique and a static model should be used to determine the SME of management and advice needs. This research, however, points out that formal training may be necessary to raise specific skills or development needs,
which requires a deeper understanding of the issues faced by SME managers. Therefore, the important aspect to be taken into account for SME training is not only the type of training, but also the interventions that will address specific barriers that need to be resolved and require a deeper understanding of the organizational context and situation.

This research reveals a deeper concept of SME training for enhancing SME performance. It points out the fact that SMEs vary greatly in characteristics and require a special approach to solve their issues. However, the data sampling for this research was gathered from the manufacturing sector and lacks the context of local SMEs in the least developing countries. The measurements of the research results and the implementation of training lack a local SME entrepreneur perspective.

Looking at this concept in the same region, Thassanabanjong, Miller & Marchant (2009) completed a research on capacity training of SMEs in Thailand. The aim of this quantitative research was to profile SMEs in Thailand and review the research gaps on investment and approaches to training. The data collected from the descriptive design with a drop-off survey among 438 SMEs in Thailand.

The research findings show that “the term HRD is used to signify more an advanced, extensive and strategic approach to individual and organization learning and development, which includes, but is not limited to, training”. It also states that the training is perceived as part of the overall HRD processes. HRD in turn is seen as one of the HRM functions, including recruitment and performance management.

This research also reveals that SME entrepreneurs with highly educated personnel and greater business longevity do not invest time and resources on training and prefer informal and unstructured on-the-job training. Most SMEs only conduct training for their employees for a few hours per week with low and tactical trainers, although there are some strategic trainers especially in contemporary industries such as IT and services as well as larger and higher-earning SMEs.

They state that training is more interesting to SMEs when they see that training improves their growth, when the SMEs serve multination corporation (MNCs), when they are facing specific
skills shortages and higher competition, as well as other disadvantages apart from cost and for those who have to deal with fewer employees.

This research provides a good profile on SME characteristics and the training needed in Thailand. However, the research only provides a “snapshot” of a specific viewpoint and does not cover how training in Thai SMEs changes over time. In addition, the research has left out the entrepreneurs’ attitude toward training and the use of such training over time and in a business context. These aspects were not discussed because this research employed quantitative methodology that failed to encapsulate the exploratory findings of the phenomena.

The review article of “Does training benefit the SME employee?” summarizes significant points regarding the employees’ benefits from SME capacity building training programs. “Does training benefit the SME employee?” reviews the article of Devins, and, & Sutherland (2004) on employer characteristics and employee training outcomes of SMEs in the UK. This research gathered quantitative data from a survey of 1,000 employees to investigate the impact of training intervention on employees of SMEs in the UK. The data was then analysed by the computer aid program SPSS to generate statistical outputs and interpretation.

In this extensive study and survey of David Devins, Steve Johnson & John Sutherland (2004), they define SMEs as “firms with up to 500 members of staff”. They indicate that many studies have shown that most SME employees are a “disadvantaged group” because most SMEs are only interested in benefits for the owners or managers without consideration of the benefits for employees. Moreover, smaller firms are reluctant to put effort into looking for any training for capacity development of their employees so that employees miss out on the opportunities that are offered by many larger firms as part of the human capital development processes.

This revised article also points out that it is more common for this sector to offer promotion and further training for employees than the manufacturing sector. This may be because service sectors can be more dynamic, which means “employees in the smaller half of the organizations benefited more across the whole range of factors”. The authors of this paper also indicated that apart from the positive benefits from the training and promotion of employees, there is a tension between the issues of training and promotion because some employees who benefited from training and promotion move to new employers, which means the challenge for SME managers
is to look for in-house promotion and training instead of investing in training and promotion for a competitor’s ultimate advantage. They conclude this study by stating the case for a win-win situation for training, which happens when such training is effectively based on the mutual benefits for both employers and employees.

This revision article identifies the challenge to the body of past research that has characterized these employees as a “disadvantaged group” and the research has investigated the impact of training provided by employers to employees in SME workplaces. The study also concentrated on the employability of SME employees, which increases the confidence and qualifications of employees. However, the SME definition in this research belongs to the UK where SMEs are defined as “firms with up to 500 members of staff”, which is completely different from the SME definition and characteristics in the least-developed countries. In addition, although the results of the research are clearly defined, suggestions on how to adapt this strategic training approach to the HR team of SMEs and identify which practical model or approach of training that would increase the entrepreneurial capacity and SMEs’ performance.

Many scholars have conducted research on SME capacity training extensively in order to find the most practical and effective approach for SME training so that these training methods meet the unique demands and challenges of different of SME industries. The above literatures have outlined a number of methods for enhancing SME competence and performance. However, it can be clearly seen that the knowledge gaps are on the research methods, sampling frames for gathering data and the validation of the research results. Most of the researches mentioned above are quantitative-based, have employed statistical analysis techniques to analysis data, so that there is a lack of insight data in terms of entrepreneurs’ viewpoints and behaviours.

It also clearly indicates that most researchers are mainly focused on the manufacturing and service SME industries in the developed and developing countries-where SMEs are defined different from those in the least-developed countries. This is not the research scope of this project, and data is gathered from a larger sampling frame to generate higher statistical results, which is an issue when we conduct this method in the least-developing countries due to a lower number of SMEs. Furthermore, the results from those researches are the need for strategic training approaches for successful SMEs to maintain their competitiveness and success, but the key objective of this research is to seek for the strategic key survival stand growth strategies for
SMEs who have been newly established from transitional economies. Therefore, the implication of the above research results is contextually and geographically invalid - hence it raises the following proposition for further study.

\[ P_5 = \text{what are the strategic approaches for SME entrepreneurial capacity training in Laos?} \]

2.7 Generic Business Management (GBM) Education

Despite the fact that generic management knowledge and skills are vital for business survival and growth, lacking GBM knowledge is a common issue that most SMEs in the LDCs are facing. Many researches and studies have sought the most practical and effective methods to build the capacity of SMEs. Pansiri & Temtime (2008) completed a study on managerial skills for SME capacity building. This quantitative research initially aim to identify the perceived critical managerial factors that contribute to business performance by exploring the relationship between SME characteristics and the critical managerial factors as well as further research implications. This research gathered data was from a survey questionnaire to collect entrepreneurs’ perceptions of how much critical managerial factors impact on business performance. Data was analysed by using factor analysis (principal component analysis), purified (Varimax rotation) and validated for reliability (Cronbach’s a values). Then descriptive and inferential statistics techniques were employed for data interpretation.

Throughout the research processes, the authors point out that it is difficult to come up with a solid definition and identify what factors contribute to poor management. This is because all aspects related to SME challenges, including organizational function, marketing, finance, operations, personnel and distribution are important managerial issues. Any issues related to these functions should be mitigated in order to maintain managerial effectiveness. Therefore, managers or entrepreneurs require fundamental managerial skills to build organizational goals and strategic plans to achieve such goals. They also state that successful SMEs in today’s turbulent markets are determined by the ability to engage in environmental assessment and come up with a strategic plan to meet the environment climate.

One of the research findings is that four critical managerial factors related to SME performance in the African economy are identified, including organizational design, managerial background, HRM development and managerial competency. They also state that SMEs need “a few highly
competent people, dedicated to the task, driven by it, working full time and very hard”. For many SMEs, maintaining highly qualified and dedicated employees is vital for the firm’s success. Therefore, one of the key challenges of many SMEs is recruiting employees, basically from social network channels, especially at the establishing stage. However, as the SMEs grow they start to look for external employees instead of suitable family members because the ability to recruit and maintain strangers is part of SME performance - hence fundamental managerial skills in HRM is vital for SME survival and growth.

This research provides a critical pathway for SMEs on knowledge management and identifies the relationship between critical managerial factors and business performance. However, this strategic plan does not answer the need for medium-sized enterprises based on SME characteristics in Laos, since it is not applicable for family owned businesses where the total of employees and owners is less than five people - hence such strategic frameworks for managerial knowledge management are invalid. In addition, despite the fact that this research is based on a mixed sample and limited to the examination of perceptions rather than actual problems, these research findings are more related to the planning of business support initiatives and training programs rather than the formulation of a practical model for generic managerial development.

These authors conducted another research in relation to the managerial issues of SME development and performance perceived by entrepreneurs in the same business context of the African economy, especially the case of Botswana (2006). They completed this research with a similar research method with the aim to investigate how managerial issues are affecting SME performance and development, and to analyse the relationship between managerial factors and enterprises’ demographical variables as well as their own challenges. Data gathered for this research was from 250 SMEs. 70 % of the sample was from small firms, 78 % owned by males and the focus was on non-manufacturing sectors (merchandising and service, 90 % of the economy) and data was also analysed by using both descriptive and inferential statistics.

This research provides further concepts and understanding of managerial issues related to the performance of SMEs. They state that managerial background a fundamental requirement to be a professional manager. The managerial background includes general educational background,
training in basic business management skills, and practical industry experience, which are considered critical success factors for business performance. The respondents of this research considered it a small business critical success factor with the lowest mean value.

They also point out that the inaccessibility/unavailability of low cost training facilities in the local community has a considerable impact on SME performance. There is a need to develop low cost training facilities that would enhance and enable skills (both operational and managerial) development if seeking better results is the case of the Botswana government. Vocational training programs should be based on the local context, which will meet the local needs of SMEs. This can be done by the utilization of consultants from both local and external sources.

This research enriches the understanding of fundamental issues and factors that contribute to the performance of SMEs. It points out the critical managerial skills and background for SME entrepreneurs. However, the measurement scale used in this research does not indicate the actual impact of the chosen factors. Rather, it shows the direction of the perception of the sample firms, particularly the identification of SME problems in Botswana, ranking from managerial action to managerial background. It can be noted that the result of these research findings is to show the lack of fundamental skills to operate business ventures. Moreover, this research focuses on the managerial issues and background, but has failed to cover the important environmental and political factors of the local SME climate.

Meanwhile, Gray (2006) goes a step further, researching the absorptive capacity, knowledge management and innovation in entrepreneurial small firms. The aim is to explore the SME’s capacity to absorb and manage knowledge as a prerequisite to the successful adoption of innovations and entrepreneurial growth. Data was gathered from a national UK survey from 1,500 SME owners selected randomly from 2003-2005. The data was analysed mainly as cross-tabulations to find the significance tests and the interpretation of the data by using SPSS software.

The research findings suggest that education and knowledge acquisition are influenced by age, educational and size. It indicates that small firms of 15 employees have the capacity to absorb and utilize new knowledge, especially those firms with higher educational background and clear
growth objectives. It also shows that educational level is significantly linked to levels of entrepreneurship, growth and the international development practices associated with absorptive capacity. This research further indicates that innovation and the competences that add to the absorptive capacity are not necessarily formal education or managerial skills.

This research states that technical competency is significant to absorptive capacity even though graduates are more growth oriented than owners with no qualifications; the most growth-oriented are the owners who have technical and vocational qualifications. Research shows that the owners’ strong strategic objectives and the business culture created within the firm are important to absorptive capacity. It is believed that if sustainable growth in sales and profits are set to a business direction, the use and development of innovation will follow from the drive to compete with other similar firms.

The research findings identify priorities for public SME development support and areas where business school and enterprise trainers can maximize the impact of knowledge delivery and economic benefits. It provides the understanding of key aspects that contribute to the entrepreneurs’ absorptive capacity in learning. However, this research was based on the UK SMEs and does not provide a clear indication whether these concepts are for SME entrepreneurs in the context of the least-developed countries.

Mumby-Croft & Brown (2005) completed another research on management development in SMEs by looking at the management program in a university. This research aim was to examine the management program provide by a West Midlands university to local small firms. It was intended to evaluate how successful the course had been in meeting its goals and which degree the participants had benefited from. It also aimed to establish the themes that could be utilized for managerial skills development for SMEs. This research employed a mixed methodology; data was collected by means of two questionnaires and one group discussion at the end of each course. The data was analysed by averaging scores to give a broad picture of participants’ perspectives. Data was collected by means of two questionnaires and one group discussion at the end of each course. They were analysed very simply by averaging scores to give a broad picture of the participants’ views.
This research evaluates the management development program that was based on a BBC programme consisting of 20 episodes named “20 Steps to Better Management”. The content of the program was made for participants in the form of a video entitled “Drama”, presented in a “soap” format, which allowed small firms to face various challenges and crises until the successful businesses. In each drama case study episode the individuals showed how they overcame challenges and problems that related to the 20 steps. Moreover, within “The Drama” the management teams were part of it and had to deal with related issues arising in sequence. “Snapshots” of a variety of businesses were presented to students of business management, and they learned with the characters on how they dealt with issues at each step.

The research findings provide an evaluation that participants’ acknowledgement of the opportunities to learn and be involved contributed to the bottom line of their business operation and it was very helpful to their business in both short-term and long term. They found that the mix of owner-managers, line managers, supervisors and administrators was very useful. The owner-managers were also interested to see the processes of dealing with the issues of the line managers and they benefitted more from the content of the programme. All parties acknowledged that the mixture of status and experiences was significant to the success of the course.

This research also points out that the business owner-managers seemed to see the course as a good introduction to issues from the long-term stand point, and the opportunities for organizational level change. Meanwhile, the line managers felt their confidence to experiment had increased and they seemed to focus more on applying special techniques to solve issues.

Mumby-Croft & Brown’s (2005) research provides a good revision and evaluation of the management programme for SME managerial knowledge up skilling. However, although this research is based on a mixed method in order to generate both statistical data and decode the contextual point of view from participants, these management courses are developed for the specific small firm context of the UK economy. In addition, this research does not mention what type of industry can most benefit from the “20 Steps to Better Management” and the programmes provided by the West Midlands University. Therefore, although it fills part of the knowledge gap
with its successful management program it is not clear whether it would work in the context of the least-developed countries.

Laukkanen (2000) conducted research to explore the alternative approaches in high level entrepreneurship education by creating micro mechanisms for endogenous regional growth for businesses. This qualitative research aimed to explore the alternative strategies of entrepreneurial education in university-based courses, describing, as a starting point, the dominant pattern of education based on an individual-centred mind-set. It also argued that despite the fact that the university is a regional evolution mechanism, it should also utilize the parallel educational strategy which is known as a business generating model. Data was qualitatively gathered from in-depth interviews among SME entrepreneurs and the university program practitioners. It was then analysed by descriptive analysis to generate the trends to be formed into a conceptual model. This strategy was to foster the prerequisite knowledge for local SMEs on strategic expansion, including the emergence and fusion of viable business concepts, entrepreneurial actors/actions??, resources and a munificent environment. These educational applications based on this logic are considered to be effective for meeting the new demands.

Throughout the research processes, Laukkanen’s (2000) research provides a review of alternative strategies on management education that universities can achieve, which is described as the dominant pattern of education for individuals. This research finding also recommends the adoption processes for business expansion for regional SMEs. The significance of fundamental business knowledge in SME entrepreneurs was also identified and the efficacy of the education was reviewed in real cases scenarios.

This research also claims that universities are an evolutionary system, and, apart from other things, instrumental in their impact on the region’s well-being. It also suggests that when entrepreneurial education complies with evolutionary systems it will not only be seen an issue of producing entrepreneurial, competent individuals but also as reproducing a generating mechanism. This will be conducive to environmental elements for new enterprises creation, growth and success.
This research suggests further steps in consolidating managerial education into the teaching and learning curriculum of universities. It reviews the significant factors and knowledge that contributes to enterprise creation, operation and evaluation for success. However, this research focuses solely on the big picture and on the alternative approaches for a high level of entrepreneurship education for business expansion. This research again neither suggests the specific approach for entrepreneurial up skilling for regional SME entrepreneurs nor strategies for survival for newly established businesses of transitional economies.

Most literatures and studies relating to entrepreneurial education development are mainly seeking to identify essential managerial factors and the business performance of SMEs. It also investigates and evaluates the existing managerial development programs offered by various educational institutions in order to discover the most practical strategies for business performance development. At the same time, these studies also look at the learning and absorptive capacity of entrepreneurs on such educational programs and come up with an alternative approach in redelivering such knowledge for better impacts on SME development.

However, most of the studies are conducted in the context of the developed countries—where technological facilities in delivering such programs have never been an issue. In addition, these studies have failed to differentiate which program or approach would suit which type of business, especially SMEs in the context of the least-developed countries. Moreover, strategic plans for managerial knowledge development are vital at the start up stage of SMEs in transitional economies. Therefore, while economic and business environments change, entrepreneurs’ perspectives on the current managerial situation are essential to the adoption of strategies on generic management knowledge development, which is the critical part that is left out from the above studies. Hence it presents the following proposition:

\[ P_6 = \text{How do SME entrepreneurs perceive generic business management education (GBM) in Laos?} \]

2.8 Government Policy on SME Promotion and Development

According to Altenburg (2011), it is widely acknowledged that government policies to support SMEs are the backbone of SME development and growth. Those countries that managed to catch up with the old industrialized, high income countries are the ones whose government proactively promoted policy and structural change. They promoted the discovery of new business models
and approaches to channel resources to meet the demand for socially desirable activities. Therefore many scholars have conducted studies regarding strategic SME development policy and approaches.

Tambunan (2005) completed a research and shared a policy experience in Indonesia on promoting SMEs, with a clustering approach. The data used for this qualitative research was primarily from government policy and previous studies, and it was analysed by descriptive analysis. The aim of this study was to review the Indonesian government’s policy on SMEs with a clustering approach.

This research provides a definition of clustering by stating that clustering is a common economic phenomenon. According to the definition of the United Nations Industrial Development Organization (UNIDO) “A cluster is a local agglomeration of enterprises producing and selling a range of related or complementary products within a particular industrial sector or sub-sector”

Throughout the processes of this research, Tambunan points out that from a public policy perspective, SME development policy with a clustering approach is significant and more effective for the government to provide the technical and management assistance, including training and other facilities. This can be seen in the case of large machinery for raw material processing into semi-finished products to a group of small businesses in the same location rather than having many firms located in different areas. This is also good for educational institutions providing training and support, for financial institutions providing funds and large scale enterprises offering subcontracting with firms located in one cluster. See Figure1.
This research argues that there have been several cases of unsuccessful policy development resulting from the absence of critical aspects for successful SME cluster development. One of the main reasons for the failure of SME policy development is avoiding cluster linkage. Clustering has the potential to access both domestic and overseas markets.

The research findings categorized three main contributions from this study. First, it indicates three types of clusters in Indonesia, including “artisanal” cluster, which dominates clusters in Indonesia, and indicates that the clustering status of Indonesia is at an infant stage. Second, “active” clusters, show the rapid development of skills improvement, technological upgrading and market penetrating regardless of whether it is domestic or international. The third type is modern or “advanced” clusters, which show the structural complexity of the cluster once it becomes more developed.

The second contribution from this study is how important a SME development policy with a clustering approach is from the public policy stand point, since it is more effective for the government to provide technical and general support for a group of firms than firms in dispersed locations.
The last contribution of this study is the indication of how policy development fails in many cases. Most failed cases are the result of “(1) neglecting cluster linkage to markets; (2) neglecting or even eroding SMEs’ self-organization potential; and (3) limited support from local government and private organizations”.

Tambunan (2005)’s research provides a fundamental concept for a cluster approach for government policy on SME development. The research findings illustrate the effectiveness of the cluster approach in facilitating technical and managerial support from the government to SMEs. This study also shows the government policies for cluster development while indicating the critical factors that caused the failure of policy development in various cases. However, this model and approach were generated from data gathered from the Indonesian manufacturing context, so it is obvious that this approach is solely for Indonesian manufacturing SMEs. It raises the question whether these findings can be extended and generalized if the data is derived from other countries in different contexts of local business and level of development.

Nguyen, Alam, Prajogo & Majumdar (2009) completed another research on public policy for the development of private sector SMEs in the context of a socialist market economy. The aim of this research is to examine the entrepreneurial role of the government to facilitate sustainable market factors and a healthy business environment to support SMEs. It also reviewed whether government interventions were too irregular and how well such supports facilitated the sustainable environment from the standpoint of SMEs.

This quantitative research applied a further approach of triangulation to investigate the research question. Data was gathered from the survey from the manufacturing industry of the south east Vietnam. The institutional approach was employed to examine the entrepreneurial role as part of policy formulation on the market factors that are conducive to the business environment to sustain SMEs.

The research findings strongly support the results from the qualitative approach and indicate that the Vietnamese government was gearing up to commitment and attracting external supports, laying the infrastructure foundation for a flexible environment for SME growth and
development. This research also points out that taxation, finance, land, trade, technology and information, training, legal and administrative reform are related to the policy barriers to some extent. Meanwhile, supporting institutions have been improved and have benefited SMEs. It nevertheless shows that several policy hindrances are consistently being found with the same results of both the previous study and the preliminary findings in the qualitative study.

Manufacturing SMEs in Vietnam are characterised by their business size into three main categories as follows:

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Type of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or equal 30</td>
<td>Small firms</td>
</tr>
<tr>
<td>31 to 300</td>
<td>Medium firms</td>
</tr>
<tr>
<td>More than 300</td>
<td>Large firms</td>
</tr>
</tbody>
</table>

The research findings further show that each policy factor was examined the level of importance perceived by the responding SMEs, ranking from the lowest to the highest score. It shows that SMEs that scored the most critical support policies are the creation of social awareness of the importance of SMEs and the solution for financial constraints. The least critical support policies are business cluster development in the industrial zone and strategic business networking.

Nhuyen, et al., (2009) emphasize in their research findings and the previous studies by other authors that government support on financial and taxation related issues are vital for SMEs. They also point out that the data survey for this was conducted during an uncertain period for the financial market in Vietnam and elsewhere.

The research findings of this study provide a further step of the entrepreneurial role of the government in developing policies to support SMEs in the context of a socialist market economy. They also identify the critical aspects and factors to take into account when forming the policy, critical supportive policies to encourage flexibility and conducive to business environment for SMEs are also identified. However, it is interesting to note that the characteristics of SMEs in the context of a socialist market economy are different from the context of a transitional economy in the least-developed countries. Therefore, it is questionable whether those policies for enabling a business environment for SMEs from this study are valid for the business context of the least-developed countries. In addition, the data gathered for this
research was collected from the manufacturing sector of south east Vietnam, so the research findings are intentionally for manufacturing industry development in Vietnam.

Looking at another business context and the intervention of the government on SME development policy, Chen (2006) completed research on the development of SMEs in China. The aim of the study was to review the progress and status of SMEs and the government initiatives and contribution to the development of SMEs in China. In order to fulfil this aim, extensive qualitative methodology was employed, using the exploratory technique to analyse the data, which was obtained from the archives of government documents and related statistics.

This research points out that the Chinese government understands the importance of SME development, and that small business issues are being included in the strategic planning of the national socio-economic development plan. Regulatory frameworks and policies are adjusted and launched in a series of policies and initiatives. Chen also indicates that the government initiates preferential taxation policies including income tax policies for small enterprises, taxation policies to promote employment, taxation policies for high-tech enterprises and taxation policies for service industries.

The findings of this research also show that the fundamental role of the market in allocating resources should be regarded as tool for industrial development. This is because it stimulates the industrial structure and complies with the management of the government in terms of policy formulation for macro management, which eventually is conducive to the business environment of SMEs.

This research also points out that the best lesson to be learnt from Chinese SMEs is good timing of launching the policy in parallel with the right strategy, which instigates development that answers the unique needs of SMEs rather than following the dated practices that focus on heavy enterprises. SMEs unique characteristics are micro investment, fast yield and operational flexibility as well as fast adaptability to the changing market. Therefore, SME development can be achieved if the government abides by the objectives of the market economy by bringing a marketing role to distribute resources understands the development needs of SMEs and provides a guiding framework with a proper follow up to the industries.
This research identifies a marketing role in allocating resources for industrial development and also emphasizes that this should be respected as a tool when formulating policy on SME development. It illustrates the best practice for Chinese SMEs in terms of the initiatives of the Chinese government to support and provide the foundation for SME development. Nevertheless, this research is based on the regulatory documents of the government, which has a different political system and practice from the least-developed countries, especially Laos where the critical legal foundation is not properly functioning, which is one of the many vital barriers for SME development. Therefore, this research has failed to justify any validation that it would fit the context of Laos.

Given the fact that access to finance is one of the key barriers for SME development, Zecchini & Ventura (2009) completed a research on the impact of government financial intervention in Italy, called “public guarantees on credit to SMEs”. The research aim is to provide in-depth evaluation of the contribution the policy of public guarantees to SMEs in terms of increasing the credit availability while decreasing the lending costs without compromising their financial sustainability.

This research focuses on the “Fund for Guarantee to SME” (SGS), the largest funding system out of three systems provided by the central government. The qualitative data was collected data from in-depth interviews with central government officers and the commercial banks. Extensive econometric tests were employed for the assessment of the business performance of the SMEs who benefitted from the credit guarantee system by looking at the sample of comparable firms.

Having said that the focus of this research is on the SGS, the authors explain that

“These parameters form an enterprise scoring system that is used by the SGS to order applications according to their guarantee-merit. Therefore, banks could, in principle, use the SGS guarantee just to improve the risk profile of a portion of their portfolio to free resources for lending to other sectors” (p.194).

This research also points out the cost of this credit guarantee system. The cost of the guarantee depends on the degree of government support because the SGS is ideally to promote SME development for some prioritized sectors. The subsidy mechanism of the government is just to cover some part of the principle in order to avoid the moral hazard problems.
The research findings also show that the SGS system has made Italy effective in reducing the cost of borrowing for SMEs and increasing their financial stability. It shows that the cost of reduction is in the range of 16-20%, while the additional supply credit by banks is 12.4% at the median. The research findings also confirm the presence of a causal relationship between the public guarantee and the higher debt leverage of guaranteed firms as well as their lower cost. The credit guarantee instrument in Italy is argued to be an effective instrument.

Zecchini & Ventura’s (2009) research also made an empirical contribution to the strength of a casualty test and this research application to Italy’s SGS had never been done before. This research shares a practical lesson on effective government policy in terms of a credit guarantee instrument to support the financial needs of SMEs. However, the question for further study is whether these findings would be applicable to the business context of the least-developed countries where the financial foundation is really weak and both central bank and commercial banks are reluctant to release supportive loans to SMEs due to the incapability of supplying the required paper work for a loan application among SMEs.

Meanwhile, Loader (2005) takes a further step by completing a study of policy to support small business development through government purchasing activities. This research aimed to investigate the policy to directly support small enterprises via purchasing policy and practices by looking at the experiences of UK SMEs. This research also aimed to determine whether the effectiveness of the government purchasing policies could successfully support the SMEs by means of the acknowledgement and perspectives of SMEs.

This qualitative research employed both of open and closed questions to enable respondents to express their points of view while obtaining the data for frequent analyses. Survey questionnaires were circulated by post to obtain as many SME views as possible. It was then sent to 283 SMEs selected randomly in the of north east of England in 2003 based on the criteria of location, size and the general conventions of SMEs that have employees up to 250 people.
Throughout the processes, the author indicated significant findings including the level of supply to public sector customers and the advantage of SME supply. The findings show the level of supply that the majority of informants had - about 60% currently supply public sector organizations, which indicates a level of success. It is also shows that 76% of respondents expressing their interest in continuing to supply goods and services to the public sector.

The research also points out that the public sector is an attractive customer for small enterprises, so it is appropriate for the government of UK to promote SMEs as suppliers. The research findings indicate that public sector organizations (PSOs) offer to be customers because of the SMEs’ effectiveness of supply. From the SMEs’ standpoint, they identify three main benefits purchasing from PSOs in the previous projects, including certainty of payment, speedier payment and greater security in the long run. The research finally shows the advantage of SME supply from the SMEs’ point of view. It shows that 75% of SMEs feel that they have something positive to offer PSOs, indicates 18 benefits in total. It further shows that seven benefits have been identified by the UK government, including bringing greater competition to the marketplace, lower cost, innovation, responsiveness, flexibility, quality of service and specialism. These responses emphasize the previous responses identified by the government of the UK.

This research study provides another strategic government policy of to support SME development by their purchasing activities directly. The research findings show strategic policy on how an effective government purchasing policy of the can support SMEs. However, based on the SME characteristics selected as samples for this research, SMEs are selected on the general convention of employees up to 250 people, which is completely different from the SMEs in the least-developed countries, particularly in Laos. In addition, the research findings only provide a broad picture of how government purchasing activities can support SMEs, but neither the details of the practical conceptual models nor the processes are mentioned in the results. Therefore, it introduces knowledge gaps for the researcher of this project to further study in the context of the least-development countries.

Given the fact that SMEs are acting as the economic backbone of many countries, their government are committed to looking for the most practical policy for SME development and
economic stimulation. Looking at the studies discussed above, most of them mainly focus on SMEs in the manufacturing industry. Despite the fact that these researches indicate that manufacturing SMEs are the most dominant SMEs, the key knowledge gaps among these studies concern the sampling selection and validity of those research findings from the point of view of the least-developed countries. It can be clearly seen that the policies related to SME development suggested by these researches are invalid when it comes to implementation in the context of the least-developed countries. In addition, the characteristics of the SMEs investigated in such studies are defined differently from SMEs in the least-developed countries. Therefore, it raises the following proposition:

\[ P_7 = \text{what is the current government policy on SME development in Laos?} \]

2.9 Entrepreneurial Capacity Building (ECB) Framework Practice in Other Countries

It is widely acknowledged that entrepreneurial incapacity is one of the key barriers for SME competence development. Entrepreneurial capacity building has thus received increasing attention from policy-makers in many countries who are seeking the most practical framework that utilizes existing resources to answer SME needs and entrepreneurial up skilling.

Given the importance of entrepreneurial knowledge, Laforet (2011) conducted research on the framework of organizational innovation and outcomes in SMEs. The aim of this study is to investigate innovation in SMEs and its impacts on the firm’s performance. It also aims to form a theoretical framework on how innovations contribute to the firm’s financial performance by focusing on three types of innovations. This qualitative research employs grounded methodology for interviewing SME entrepreneurs across industries and it forms the research propositions. The qualitative methodology also helps the researcher explore the constructs and attributes of organizational innovation outcomes in SMEs, especially the innovation process and new methods of achieving (working) outcomes that have been made obsolete in the previous researches.

Throughout the research processes, Laforet argues that innovation and innovative capacity occur simultaneously, that is, the two exist in parallel. He also defines innovation capacity as “the availability of resources, collaborative structures, and processes to solve problems. In the SME context, available resources are mainly finance and a skilled workforce. Collaborative structure
refers to multi-functional or cross-functional teams. Processes relate to systems, technologies, and “Investment In people” (IIP)

The research findings show that in spite of the environmental market, business and quality components, SMEs innovation is driven by the ambition to develop working conditions. Therefore, innovation positively contributes to firm enhancement, business reputation, and increases operational efficiency as well as cost benefits, which lead SMEs to financial stability and better performance results in skilled workforce recruitment and greater in-house expertise for further development and innovation. This research is also ambiguous on how innovation impacts on business networking. There is no explicit explanation on either how much networking leads to innovation or whether networking has a direct impact on the firm’s performance and product invention.

This research generates a conceptual framework of organizational innovation and outcomes based on three components, including innovation drivers, positive and negative outcomes of product, process and ways of working, innovation at the firm level or overall, and the impact of innovation on business financial performance. This framework is considered by the author to be suitable for innovation oriented SMEs because it provides SMEs with understandable innovation processes to generate better outcomes, which will lead to better monitoring and implementation of the organizational innovative activities.

Laforet (2011)’s research provides fundamental knowledge on how innovation impacts on the firm’s performance. However, this research has failed to indicate which type of SME industry is relevant to the proposed framework. In addition, there is no explanation on how SMEs can manage the negative outcomes of organizational innovation as well as a specifying which type of innovation should be used.

Mets (2009) completed a research on the innovation of global business models for knowledge-intensive SMEs by looking at small transition country cases. It explored the theoretical background of the topic and mapped out the main processes of global breakthrough as well as a “knowledge-market” framework of globalization of hi-tech small and medium sized enterprises (HSME). This qualitative research gathered data from the case studies of three main firms.
representing ICT and biotech companies completely or partly of Estonian origin: Regio, Skype and Asper Biotech.

Throughout this research process, research findings showed three main different trajectories including S-, Γ- and rotated L-curve. These cases are grouped by the different accumulated knowledge and learning during their selection of the following business model: B2B, P2P and B2C. The author gives the following conceptual model on Trajectories of HSME Internationalization. See figure 1.

Figure 1: Trajectories of HSME Internationalization

Source: (Mets, 2009)
The research findings also illustrate the experience of the three Estonian-related case study enterprises, showing how HSMEs can be very successful and achieve success by providing a better foundation of the knowledge economy of the country. This can be a good lesson to learn for entrepreneurs and managers of technology-intensive as well as the public sector related businesses.

This research provides a conceptual model OF HSME Internationalization by looking at the case studies of three different industries. This research claims that the conceptual model can be combined with technological competencies in order to build entrepreneurial skills for SMEs. However, this research has failed to provide details on how the proposed model can encourage the entrepreneurial capacity of SME entrepreneurs. In addition, it can be seen that this model can be successfully implemented only when SMEs have a great deal of technology competency. Therefore, there is no reason why this conceptual model should be implemented in the context of transitional economies, especially in the least-developed countries.

Meanwhile, Roxas, Cayoca-Panizales & Jesus (2008) completed a study on entrepreneurial knowledge and its contribution to entrepreneurial intentions and formed a conceptual framework. This qualitative research collected data from interviewing students throughout an entrepreneurship course. The analysed students’ perceptions towards the desire to engage in social norms to support entrepreneurship and also looked at the consequences of students’ entrepreneurial intentions before and upon the completion of an entrepreneurship course in secondary schools in the USA.

The authors state that this research mainly focused on the assumption that entrepreneurial knowledge and its availability is the vital resource in entrepreneurship. In the words of Jack & Anderson 1999, p.118 (as cited in Rae, 2005), “Entrepreneurial knowledge is a major manifestation of human capital necessary for entrepreneurial success and sustainability” and entrepreneurship is defined as "the concepts, skills, and mentality which entrepreneurs use or should use".

This research also summarises the key points of these definition, including entrepreneurial knowledge as seen as a means to an end. Even though skills are perceived to be different from knowledge, the two are interconnected (Rae, 2005). See figure1.

Page 58
Figure 1: The Conceptual Model of Entrepreneurial Study

The authors explain the conceptual model that illustrates the influence of entrepreneurial knowledge on how students perceive desirability of entrepreneurship, perceived social norms, and entrepreneurial self-efficacy that results in entrepreneurial intentions. They also state that other factors that cause variations in entrepreneurial intentions should also be taken into account including gender, ethnicity, entrepreneurial experience, and family business. This conceptual model is also justified since students attending the entrepreneurship course will gain knowledge and contribute to the students’ intention of enterprise creation. It is also argued that this model influences the individual’s intention to start a business overall because this model is supported by theoretical explanations and empirical evidence to justify the relationship of the components used in the framework.

Roxas, Cayoca-Panizales & Jesus’s (2008) study and conceptual model provide fundamental knowledge on the impact of the entrepreneurship course on students’ intention to build their own business. The conceptual model also indicates the related aspects that contribute to the perceived desirability of entrepreneurship of students. However, there is ambiguity in the proposed model, especially the entrepreneurial knowledge from such an entrepreneurship course. More
importantly, the authors of this research have failed to indicate how this conceptual model would encourage the entrepreneurial skills for those students once they become entrepreneurs.

Rae (2005) went further in a study on entrepreneurial learning by focusing on a narrative based conceptual mode. This study had two main objectives: to study how people learn to work in entrepreneurial ways by means of entrepreneurship and to interview three entrepreneurs from creative industries. A thematic technique was employed to analyse the data and to interpret the life story narrative of the interviewees. The researcher argued that the narrative approach is valid for this study because it helps researcher with the interpretive study of entrepreneurship. It is also helps to explore the entrepreneurial learning processes faced by entrepreneurs and see how they interact with the environment and their personal learning and business ventures.

This research indicates that personal and social emergence, negotiated enterprise and contextual learning are the three main themes that emerged during the data analysing processes. It also identified 11 sub-themes and incorporated these themes in order to form the triadic entrepreneurial learning model that follows: See diagram 1
The research findings elaborate on the key themes of this model as follows:

Personal and social emergence is the process of building entrepreneurial identity by the accumulated aspects of life and experience, including family background, qualification and career formation as well as social relationship. It is also motivation for future aims in a sense of how they want to be recognized as enterprising people and build their preferred identity in the social context.

Contextual learning involves the learning process of entrepreneurs in the community, industry and stakeholders in which the entrepreneurs learn from the shared experiences and lessons on a situational base. This provides a deeper understanding from such situational circumstances and relationships, so they can build intuition and the ability to recognize opportunities.

The negotiated enterprise is the concept that the business venture is not enacted by a person, but through negotiated relationships with others. The concepts and motivation of entrepreneurs result...
from the interaction among entrepreneurs, customers and stakeholders as well as business subordinates.

Rae’s (2005) research and conceptual model provides practical implications for the educator in a sense that students can use this model to guide and assess their entrepreneurial learning progress by means of students making sense of their learning, practice and development. In addition, this model helps practitioners in a sense that this model shows that personal and social emergence is a vital aspect of the entrepreneurial experience and it is different from simply skills and knowledge that are obtained from cognitive learning. However, the fact that this research gathered data from interviews of three entrepreneurs questions the results and the proposed conceptual model’s validity. In addition, the proposed conceptual model has failed to take into account cultural aspects, which is a vital value of the local SMEs in the least-developed countries.

Meanwhile, Politis (2005) conducted a research on the entrepreneurial learning process by looking at a different angle of the conceptual framework. This research aimed to understand the theoretical background of entrepreneurial learning and consolidate the existing researches and studies for formulating a conceptual model that illustrates entrepreneurial learning and explains its experiential processes. This qualitative research employed a descriptive analysis technique to review the literatures and researches.

This research provides definition of entrepreneurial learning as an on-going process that facilitates capacity development’s and knowledge enhancement’s effectiveness in creating business ventures. Throughout the research process, the researcher formed a conceptual model of entrepreneurial learning process as an experiential process. See figure1.
Looking at the structure of the model, entrepreneurs’ career experience, the transformation process, and entrepreneurial knowledge, the ability to act on entrepreneurial opportunities and dealing with liabilities of newness are the key components. The author emphasizes that the role of experience is of central significance because it helps entrepreneurial upskilling in a sense that entrepreneurs exploit entrepreneurial activities and learn how to deal with the traditional barriers of managing and organizing new ventures.

This model also argues that the predominant static view on entrepreneurial learning needs to be taken into account since it is assumed to have a relationship with the entrepreneurs’ knowledge and experience. Therefore, if experience is justified as a significant source of entrepreneurial
learning, it is important to understand the experiential process in which experience is turned into entrepreneurial knowledge.

The author also points out that this conceptual model encapsulates a theoretical foundation for a pathway for further studies of entrepreneurial learning as an experiential process. This conceptual framework not only provides an exploration of the relationship between entrepreneurs’ experience and entrepreneurial knowledge development, but it also provides a comprehensive platform and process where experience transforms into knowledge.

Throughout the exploration processes, this research provides a conceptual model that encapsulates propositions on the transformation of entrepreneurs’ career experience into entrepreneurial knowledge. This provides exploitation and exploration experience for entrepreneurs, hence the development of the entrepreneur’s capacity to deal with fundamental business obstacles facing new ventures. However, this research does not indicate which type of business or industry that this conceptual model can be implemented for entrepreneurial development. In addition, there is neither justification that the proposed model is applicable for the transitional economies nor for the measurements of its effectiveness. Moreover, this study has failed to take into account the economic transitional stages, which require different approaches with situational-based techniques. Although the data used for this research is primarily (preliminary) based on literatures, it lacks the contemporary insights of business climates.

Most of literatures discussed in this sub-section are mainly related to strategic conceptual models for entrepreneurial learning in different countries regardless of the type of SME industry. Nevertheless, the main concern in relation to the knowledge gaps is that there is no a clear explanation of the implementation and validity of such models, especially in the context of the least-developed countries. In fact, there is no solid explanation on how those models can be implemented or adopted as a practical framework for entrepreneurial development for SME entrepreneurs. In addition, those conceptual models lack a mechanism for monitoring and evaluation of the effectiveness once such models are implemented. Some of the proposed models are for technological oriented economies, which is not the case of the transitional economies of the least-developed countries. Moreover, the above researches do not cover steps and approaches
to implement those conceptual models at each stage of the transitional economies. Therefore, the following proposition is presented:

\[ P_8 = \text{what entrepreneurial capacity building (ECB) frameworks are used in other countries?} \]

2.10 Recommendations for an Effective Entrepreneurial Capacity Building (ECB) Framework

It is widely acknowledged that SMEs contribute vitally to the national economy. Wilkinson & Brouthers (2006) show that while it is necessary for economies to help people to start businesses, recommendations from entrepreneurs are integral for the development of an effective framework for entrepreneurial knowledge enhancement. Given that significant aspect, Alstete (2008) completed a research on the aspects that contribute to entrepreneurial success.

This qualitative research aims to confirm the concepts of entrepreneurship, examine various perspectives and broaden understanding by looking at the experience and knowledge of successful SME entrepreneurs. This research gathered data from interviews and discussions with 149 newly established business owners of SMEs. This was to observe their experience and perceptions in terms of the advantages and disadvantages of their endeavours in order to provide advice to newcomers to enterprises.

The research findings emphasized the findings of previous studies in terms of the advantages of being entrepreneur by confirming that most of the entrepreneurs enjoy their freedom and the independence of being their own employer since they have their own style of managing a business and have more time to do other things. The majority of respondents also acknowledge that the downside of entrepreneurial activities include long hours, stress, responsibility, high risk and the lack of firm’s benefits.

Alstete (2008) also claims that this research gives knowledge and advice from successful entrepreneurs to new venture creators. He also points out that the most significant findings from this research are the tangible aspects of being an entrepreneur, which are perceived to be a great motivator for individuals to turn themselves into entrepreneurs. It is also recommend that new enterprises should not operate without well-conceived plans. Informative advice from successful entrepreneurs in terms of a well-articulated business plan before starting a business should be encouraged in this area for further validation and elaboration of the research findings. This
research also claimed to be useful for new entrepreneurs and business owners to its non-monetary contribution and incentives to motivate new prospective SME starters.

This research provides an identification of successful entrepreneurial aspects in terms of pointing out the significant tangible assets of being a great motivator for entrepreneurs to start their business. However, this research does not provide a clear explanation on how such motivators can contribute to the entrepreneurial knowledge development of entrepreneurs from the starting phrase to the successful business. In addition, this research indicates only the motivational aspects of individuals to become entrepreneurs and lacks solid guidance on managerial aspects for entrepreneurs.

Wang (2008) conducted and completed a research on entrepreneurial orientation and learning in relation to firm performance. The aim of this research was to investigate entrepreneurial orientation and learning toward the firm’s performance. It also sought to contribute to entrepreneurial orientation literature by incorporating learning orientation as mediator and firm strategy as a moderator, especially to discover whether or not the learning orientation mediates the relationship between entrepreneurial orientation and firm performance. This mixed-method research collected data from 213 randomly selected medium-to-large UK firms by mailed survey (using 7-point Likert scales) in 2003. In the process of questionnaire design, prior interviews were conducted with three companies. Data was then analysed by the computer-aid program SPSS to conduct ANOVA tests for examination with a nonresponsive bias.

In the research processes, Entrepreneurial orientation (EO) was defined as “the processes, practices, and decision making activities that lead to new entry”. EO is revealed through firm-level characteristics as summarized by Miller (1983, p. 771). He also states that “An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch”.

The research findings also indicate that the relationship between entrepreneurial orientation and firm performance is mediated by the learning orientation of the business. This shows the
knowledge gap of the previous studies of the mainstream literatures, especially the studies that found that innovativeness; relative to market pro-activeness and competitive aggressiveness have a higher relation correlation co-efficient with each of the first-order factors of learning orientation with engagement to learning. The author justifies this by saying that learning orientation and innovativeness has stronger internal orientation toward business process and self-renewal. Meanwhile, pro-activeness and aggressiveness have a great deal of external orientation toward the market and competition.

Wang (2008) claims that this research provides empirical implications on challenges for medium and large-scale firms to channel their entrepreneurial resources for enhancing SMEs’ business performance. First, the idea of spirit must be shared at different levels within the firm. This means the vision is significant alongside maintaining open-mindedness and learning engagement. Second, larger firms often mean hierarchical management system and slow in decision-making, so championing entrepreneurial spirit that favours change may help the firm simplify its business processes and be autonomous in decision-making, which will promote individual creative power. Lastly, enterprise must combine strategic business plans with generative learning in order to enable business exploration and experiment with new ideas as well as enhancing existing ideas.

Wang’s (2008) research provides a further step of revising the relationship between entrepreneurial orientation and firm performance that is initiated by learning orientation, which is perceived to be a significant missing finding from the previous studies. However, the research findings are generated from data gathered from medium and large firms in the UK, which means the implication and validation of this research, are for the intended types of enterprises only. Therefore, it can be assumed that this research is intended for the context of UK’s medium and large enterprises only, which is not relevant to the research scope of this project.
Meanwhile, Alsaaty (2011) produced a conceptual model for developing innovation capabilities in small entrepreneurial firms. This conceptual model was intended for building innovation among small firms in the USA, which is a country that has a stable political situation and economic growth. This qualitative research used secondary data from previous studies and research to identify knowledge gaps and look for the interconnection and relations among those research findings to build the conceptual model.

In order to understand the foundation concept, Alsaaty (2011) points out the transformation of US economic activities from manufacturing to knowledge creation and service delivery, so innovation is the strategic survival tool for many SMEs. This research also identifies the differences between innovation and invention by stating that “innovation is a lengthy, orderly process that involves a series of coordinated activities, beginning with the inception of an idea, to appraisal, to acceptance, to adoption, to diffusion, and finally to commercialization. The activities require planning, initiatives, skills, cooperation, knowledge, information, and funds”.

The research findings shows the conceptual model for building innovation capabilities in small firms consisting of three main components, including (a) creating the firm’s overall innovation strategy as well as mini functional innovation strategies, (b) managing resources creatively, and (c) augmenting internal competencies through training and educational programmes. It also indicates that visionary leadership, team work, and employees’ devotion are the sources of innovative efforts. Therefore, the following is the conceptual model for building innovation capabilities in small firms. See figure1.
This research provides a great deal of concepts in relation to innovation and its importance to firm growth. It also illustrates a conceptual model for building innovation capacity for small firms. However, despite the fact that this research provides a characteristics explanation why innovation is a long process that involves a series of coordinated entrepreneurial activities, it does not provide details on how this model actually works in terms of steps for creating innovation capability that will lead to entrepreneurs’ knowledge development. In addition, this research is based on the business context of USA, which is the context of a developed country. Hence, it clearly shows that it is not relevant to this research project.

In order to look at this research topic from a different perspective, H. B. Roxas, Lindsay, Ashill, & Victorio (2007) completed another research on an institutional view of the local entrepreneurial climate. This research aimed to develop an intergraded institutional approach at a national level and broaden the ideas of both the formal and informal institutions that contribute to the entrepreneurial local climate of enterprises. This means both the tangible and intangible factors that are contributing to the performance of entrepreneurial firms in both geographically and politically defined areas such as a city.
This research employed qualitative research methodology to extensively review literatures in relation to the institutional perspective toward the local entrepreneurial climate. In doing so, this research indicates that

“...literature reveals that institutional analyses tend to focus on either formal or informal institutions, in narrow and fragmented ways. Likewise, previous studies focused their analysis on national or country-wide institutional frameworks, ignoring the institutional heterogeneity of regions and cities within a given country” (H. B. Roxas et al., 2007, p.2).

The above research points out that an environment for productive entrepreneurship includes three dimensions - economic, political and socio-cultural environments. As noted by Shane 2003 (as cited in H. B. Roxas et al., 2007), economic environment includes the general wealth of the society, economic stability, as well as capital availability. Political environment includes freedom, property rights, as well as decentralization of political power. Socio-cultural environment includes social and cultural norms, and beliefs.

Throughout the research processes, the author identified the following conceptual model of the components of the local entrepreneurial climate. See figure1.

**Figure1: Components of Local Entrepreneurial Climate**

![Diagram of Components of Local Entrepreneurial Climate](source)
The authors of this research explain that according to this conceptual model, the entrepreneurship environment is the local entrepreneurial environment which is defined by two primary forces, formal and informal institutions. The two institutions indicate the entrepreneurial activities by illustrating the incentives and bottlenecks of the entrepreneurial firms. Basically, these institutional forces indicate the economic areas and activities. Therefore, the authors of this research claim that the conceptual model of the local entrepreneurial climate is based on the empirical studies of the two forces of formal and informal institutions.

Having said that, H. B. Roxas et al., 2007 explain that the above conceptual model of local entrepreneurial climate aims to show “the conventional notions of institutions by showing a synthesis of the various strands of institutionalism as a school of thought cutting across disciplines”. This model also broadens the definition of institutions and provides opportunities to build their related evidence to the local entrepreneurial context suggests that the foundation for further studies should be on the role of such institutions in promoting entrepreneurship for general economic development and micro, small, and medium enterprises.

This research provides a further step of entrepreneurial development for SMEs by looking at it from the institutional point of view. It indicates the fundamental concept of institutional forces in shaping the entrepreneurial local climate, which is the vital aspect to take into account when forming a strategic framework for entrepreneurial development. Nevertheless, this research has not mentioned how such a conceptual model can be integrated into SME strategy that leads to entrepreneurial capacity building for SME entrepreneurs. Moreover, this research is based on secondary research as the main data so it has failed to take into account the current data of the business climate of the least-developed countries, which is the key research area of this project.

In order to make this study touch on contemporary methods for entrepreneurial development, Rae (2004) completed another research on successful stories of entrepreneurs by looking at the discursive approach to entrepreneurial learning. This aimed to enhance “practical theory” as sources of entrepreneurial learning. The concept of practical theory is taken from the implicit, intuitive, tacit and situated resources of practice. It can be compared to academic theory which is abstract, generalized, and explicit in seeking for provable evidence. This study also attempts to
show the conceptual framework and evidence for the understanding of entrepreneurial learning as well as using these aspects to develop practical theory. This qualitative research gathered data from interviews with entrepreneurs across industries looking at the experiences throughout their career and other related experiences, starting from working experience as employee until becoming serial entrepreneurs. The data was then transcribed and analysed by employing discourse analysis to identify common themes and constructs.

Throughout the research processes, the author shows that theories of entrepreneurial activity have been primary adopted and developed based on the scope of “what, how, why, who and in what conditions” the practices of these theories are justified to be effective. Rae states proposed that the “practical theories” of entrepreneurship are formed in a manner of the concept of entrepreneurs who are using their skills in making senses and meaning within their social context. This knowledge can be used for entrepreneurial knowledge development and practice.

The author of this research also indicates that the propositions in this paper emerged from practical theories derived from the share experiences and perceptions among entrepreneurs from their day-to-day business operation and the on-going progression of their entrepreneurial knowledge. The theories not only maintain the practicality and quality from real case experiences, but also contain validity and usefulness in a scholarly sense. Therefore, the research findings identify practice-based theories in the following areas, which are justified to be relevant and effective for the entrepreneurial process. It is also argued to that the same process can be applied to any research in which the results of the research show that a theory can be formed, such as:

- Personal learning and development.
- Transition from pre-entrepreneurial to entrepreneurial action.
- Opportunity recognition and selection.
- Creating and starting business ventures.
- Decision making.
- Risk spreading and minimization.
- Developing entrepreneurial managers and management teams.
- Employee attraction and retention.
- Market development.
- Customer relationship development.
- Innovation development.
- Managing growing businesses.

*Source: (Rae, 2004)*

The author states that this research paper shows evidence of a practice-based theory, which is supported by the narrative experience of the entrepreneurs that represent entrepreneurs' practical theories. It shows that learning and interacting with the social context will help entrepreneurs identify opportunities and demands that will be re-framed as opportunities.

Rae’s (2004) research provides the significant concept of practical theory by sharing the narratives from successful entrepreneurial stories of entrepreneurs across industries and applying the discursive approach to entrepreneurial learning. This also gives entrepreneurs a pathway of entrepreneurial skill for interacting with the social context and identifying business opportunities. However, the research does not mention that what business context such narratives experience from entrepreneurs can be adapted as a framework for an entrepreneurial capacity building framework. In addition, the research findings lack evidence to prove that such narrative stories of successful entrepreneurs are significant and valid as part of entrepreneurial up skilling for SME in the least-developed countries.

Most research discussed and reviewed on this sub-section was mainly conducted in a different economic climate and context. It is acknowledged that most research provides significant aspects to be taken into account when forming entrepreneurial capacity building frameworks for SME performance enhancement. It also broadens the concept of entrepreneurial development to the different perspectives and fosters the understanding of related components of effective entrepreneurial up skilling by supporting conceptual frameworks. Nevertheless, the primary knowledge gaps in this research are the lack of solid explanation and direction on how entrepreneurial aspects and experiences from successful experience can be applied and whether those significant aspects of entrepreneurial development are relevant to the context of the least-developed countries. Hence, it introduces the following proposition:
What are the recommendations on effective SME entrepreneurial capacity building (ECB) frameworks for the least-developed countries (LDCs)?

2.11 Future Challenges for SMEs

SMEs are widely acknowledged as key engines for economic survival and growth for many countries regardless of the type of economic climates. It is also suggested that being able to understand and foresee the potential for business while identify the challenges is vital for SME entrepreneurs in order to come up with a strategic plan to overcome those barriers (Will, 2008).

Therefore, there many extensive researches are related to the investigation of hurdles and bottlenecks that hinder SMEs development and performance. The first extensive research was done by El-Khasawneh (2012) on challenges and remedies for manufacturing enterprises in developing countries by looking at the case study of Jordan. The aim of this research is to discuss the various issues and challenges for building an awareness of business issues and look for potential solutions to those issues from the perspective of the practitioners. This qualitative research was based on the data from interviews with business owners and managers as practitioners via discussion and consultations as well as training in Egypt, Jordan, Saudi Arabia, Syria, and UAE. Data was then analysed by the descriptive analyses technique and coded for the emerged themes in order to form the resolutions.

The primary issue faced by manufacturing enterprises in the developing countries is business competition, particularly in the emerging economies for Chinese, Indian, and Brazilian manufacturers. The central issue for those countries is cost and pricing because it overshadows technological, quality, regulation, or any other issue (Organisation for Economic Co-operation and Development-OECD, 2010a). The research findings also show that the issues faced by SMEs in these countries are divided into three categories: regional and international, national, and enterprise factors based on who can manipulate them. See table 1.
Table 1: Categorization of Issues faced by Manufacturing SME in Jordan

<table>
<thead>
<tr>
<th>International and regional</th>
<th>National</th>
<th>Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled and professional workforce availability</td>
<td>Market size constraint</td>
<td>Technical challenges, know-how and technology barrier</td>
</tr>
<tr>
<td>Supply chain and long lead times</td>
<td>Governance and regulatory barrier</td>
<td>Management qualifications</td>
</tr>
<tr>
<td>Emerging economies exports’ threat</td>
<td>Subsidy and protectionism regime</td>
<td>Workforce turnover</td>
</tr>
<tr>
<td>Oil prices impact</td>
<td>Political and economic climate</td>
<td>Enterprise’s cash flow</td>
</tr>
<tr>
<td></td>
<td>Innovation culture</td>
<td>Quality control and total quality management</td>
</tr>
<tr>
<td></td>
<td>International and national standards</td>
<td>Agile and lean enterprise</td>
</tr>
<tr>
<td></td>
<td>Financial constraints</td>
<td>Brand development and awards</td>
</tr>
<tr>
<td></td>
<td>Local content advantage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education and language barrier</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Will, 2008)

Research findings indicate that international and regional issues are issues that neither enterprise nor the national government can control or handle, for example the issue of oil prices, workforce flux across borders, fierce international competition, and many others. The national issues are issues related to the geographic boundaries of a nation. The issues discussed in this research are issues under the mandate and supervision of the national government, which may result from the national policy and regulatory frameworks. Enterprise factors are perceived as internal issues that result from the decision-making of the entrepreneurs, which makes the decisions different from other aspects because of the quality and responses to these controllable issues.

The authors of this research claim that this research shows the key challenges faced by manufacturing businesses in developing countries. Some of these issues are controllable issues and can be handled by the management capacity of enterprises themselves. Others are seen as semi-controllable issues that can be handled at the national level in the form of regulation, policies and strategies development. The final category is the international and regional level, where issues are unpredictable and uncontrollable and beyond the control of enterprise. They can only be dealt with by international bilateral organizations. However, SMEs can mitigate the
impact of these issues by capitalizing on these drivers and turning them into business opportunities.

This research provides a big picture of the issues faced by manufacturing SMEs in developing countries. It also demonstrates the characteristics of those issues in terms of which one can and cannot be controlled by enterprises. However, this research does not provide a clear explanation on how these issues can impact the managerial process of SMEs and there is no indication that up skilling the managerial knowledge of SME entrepreneurs would be a solution for these issues. Attention is also drawn to the fact that this research is done in the context of the manufacturing industry of developing countries and there is no justification that these issues are also key issues faced by non-manufacturing SMEs in the least-developed countries.

Mayer & Louw (2011) completed a research on managerial challenge in the South African SMEs. The primary objectives of this research are to show the insightful cross-cultural conflict and look at the management context of South Africa to identify values among selected entrepreneurs. This research was intended to deepen the understanding of these complex issues from the managerial point of view by providing the in-depth information to help to develop managerial training guidance for diversity development and conflict settlement in the described context. This research employed qualitative methodology, using data gathered from previous studies in the international automotive in South African industry, which was based on the post-modernist premise of applying the phenomenological and interpretative paradigms that were most relevant.

Throughout the research processes and data analysed from 45 interviews, five major conflict categories of cross-cultural conflict emerged from 59 conflict narrations. The five categories of cross-cultural conflict in international organizations in South Africa can be grouped by content analysis. The results show that “the cross-cultural conflicts occur across the categories of communication and treatment, position and competition, organization, race and gender and composite and are often defined as “cross-racial” conflict”. See Table1.
Table 1: Summary of Cross-cultural Conflicts Distilled Through Content Analysis

<table>
<thead>
<tr>
<th>Conflicts</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication and treatment</td>
<td>All aspects of communication and inter-personal treatment and behaviour in conflict situations</td>
</tr>
<tr>
<td>Position and competition</td>
<td>Competitive behaviour and the relationship between superiors and subordinates</td>
</tr>
<tr>
<td>Organization</td>
<td>Structural and functional conflicts within the organization and with other organizations</td>
</tr>
<tr>
<td>Race and gender</td>
<td>Racial and gender-related issues</td>
</tr>
<tr>
<td>Composite</td>
<td>Narrations that negate conflict experiences in the organization</td>
</tr>
</tbody>
</table>

Source: (Mayer & Louw, 2011)

The authors emphasize that it is important to study of these managerial issues because they provides significant guidance for a new management tool developed to address diversity issues by increasing the culture specific knowledge in the organization contexts. Indeed, it helps entrepreneurs to identify the identity and values as core characteristics of diversity and managerial knowledge, derived from diverse organizational and managerial settings in South Africa, for entrepreneurs to deal with cross-cultural conflicts.

Mayer & Louw’s (2011) research provides insightful information in relation to the managerial issues faced by South African SMEs, especially on cross-cultural conflicts. The research findings clearly indicate types of cross-cultural conflicts, which are argued to be vital and useful for a new managerial development tool in a sense that it illustrates the identity and values of the managerial aspect of diverse business settings. However, this research lacks justification and indication that these issues are also faced by SMEs in the least-developed countries, especially in the case of Laos. Furthermore, the knowledge gap here is the explanation on how these cross-cultural conflicts impact the management level of SME entrepreneurs in the transitional economies.
Meanwhile, Laratta, Nakagawa & Sakurai (2011) conducted another research on the emergence of social enterprises by looking at major contemporary issues and key challenges. The primary aim of this research is to the emergence of social enterprise in Japan by looking at the predominant types of social enterprise in the country, industry situation, target groups, business challenges and strength. This qualitative research adopted an analytical approach on previous work and studies because it argued that it is grounded on the social construction theory that has the strength to investigate social phenomena from different perspectives. Therefore, this research demonstrates the major contemporary issues impacting social enterprises in Japan by focusing on the two key obstacles, the systems of regulation and financial viability.

Throughout the processes of this research, the authors state that the earned-income non-profit approach, the non-profit co-operative approach and the social-business approach are the main three conceptual approaches to elaborate on the Japanese emergence of social enterprises. See table1.

**Table1: Approaches of the Social Enterprise Concept in Japan**

<table>
<thead>
<tr>
<th>Approaches</th>
<th>Description</th>
<th>Main activities</th>
<th>Organizational type(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earned-income non-profit</td>
<td>Earned income becomes necessary and vital for the sustainability of a non-profit organization</td>
<td>Providing social services that are expected to reflect community needs in quasi-markets</td>
<td>Non-profit</td>
</tr>
<tr>
<td>Non-profit co-operative</td>
<td>Newly formed cooperatives acquire the legal form of specified non-profit corporations</td>
<td>Creating employment for people who are excluded from the labour market, especially married women, the elderly and the disabled</td>
<td>Non-profit or co-operative</td>
</tr>
<tr>
<td>Social business</td>
<td>Social entrepreneurs achieve social innovation by adopting business methods</td>
<td>Promoting community development through the creation of employment and/or the provision of social services</td>
<td>Non-profit, co-operative or for-profit</td>
</tr>
</tbody>
</table>

*Source: (Laratta, Nakagawa & Sakurai, 2011)*
Although there is no solid definition of the concept “social enterprises” for the Japanese context due to the absence of a specific regulatory framework, it is argued that this concept is the new norm and trend of the third sector in many countries. From the perspective of Japan, the researchers also point out that the social enterprise model is significant to the economic stability of Japan because it helps to maintain job creation, especially when the economy is in turbulent times due to its advantage of closeness to their communities which are perceived as their strength. The research findings indicate three main types of contemporary challenges for Japanese social enterprises. They are:

- The legal requirements imposed on each organization at the stage of its establishment.
- The level of trust each organization can gain from the general public.
- The way in which organizations meet their financial needs within the legally constituted boundaries.

This research also shows that finance is one of the key issues that are the result of the lack of government support policies for social enterprises. A case in point is the government has not introduced tax incentives for non-profits donations, which is an initiative that other nations are practicing. This is because Japan has not invested much in its social welfare initiatives.

This research provides a further step of business identification, particularly issues that hinder social enterprises in the Japanese business context. However, it neither provides any clarification on how these challenges affect SMEs from the management point of view nor mentions to what extent government policy will solve the financial issue and enhance social enterprises as well as SME performance.

Looking at different business contexts of SMEs, Singh, Pathak & Naz, (2010) completed a research on issues faced by SMEs in the process of internationalization from the contexts of Fiji and Samoa. This research aim was to investigate issues, challenges and impediments faced by SMEs in the process of going international in the developing nations of South Pacific like Fiji and Samoa. This research applied mixed-methods in analysing the research question. Qualitative data was gathered from previous studies and researches archived in the library, and was analysed by the descriptive analysis technique. The quantitative data was collected by surveys, using...
structured questionnaires from 118 and 78 sampled respondents in Fiji and Samoa, respectively. Data was then analysed by statistical analyses technique for the social science package.

The authors point out that many scholars have used and studied the concept of internationalization for decades and this term has been defined differently. This concept is not only limited to exporting, but also of interconnected collaboration including trade, cross-border clustering and collaboration, alliance, subsidiaries/branches as well as joint ventures that extend beyond the home country environment.

This research indicates the exportation processes involved in the mechanisms and actions that are targeted and to what extend the enterprises:

- Penetrate international markets
- Adapt to meet the demand of both domestic and international markets
- Modify products and services to suit foreign customers
- Build and enhance the network of market intelligence in international markets and develop the distribution channel in foreign markets.

Although this study is argued that SMEs are benefited from going international process, authors also point out that SMEs are facing various hurdles in seeking international markets. Therefore, this issue has become one of the leading business issues that have caught the attention of the governments and policy-makers because these bottlenecks hinder the potential of business development and growth from international markets for SMEs.

According to OECD (2004), it is difficult to determine the pervasiveness of the barriers facing SMEs on international issues due to the lack of literature. However, as listed by OECD (2004), the primary issues blocking the international process for SMEs are issues that are related to competition policy, legislative and regulatory frameworks, telecommunications infrastructure, and research and education policy, which delay or stop the establishing and readiness of SMEs to take the initiative to go into international markets. These issues are related to intellectual property rights, political risks, corruption, and law implementation.
To clarify this research objective, the authors have illustrated the conceptual model of this study. See figure 1.

**Figure 1:** Conceptual Model of Challenges and Barriers in Internationalization of SMEs in Fiji and Samoa

<table>
<thead>
<tr>
<th>Competition</th>
<th>Legislation and regulatory framework</th>
<th>Political risks</th>
<th>Capital</th>
<th>Infrastructure</th>
<th>Lack of government support</th>
<th>Lack of marketing capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internationalization process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry sectors/enterprises</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export quota</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have irregular change patterns</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less planning in internationalization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have varying</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research question</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (G. Singh et al., 2010)

The research findings summarize the key challenges facing SMEs on going international are as follows. See table 2.

**Table 2:** The top five issues facing SMEs in Fiji and Samoa to internationalization

<table>
<thead>
<tr>
<th>Fiji</th>
<th>Samoa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government regulations</td>
<td>Everyday sales earnings</td>
</tr>
<tr>
<td>Locating qualified employees</td>
<td>Estimating future sales</td>
</tr>
<tr>
<td>Keeping skilled employees</td>
<td>Maintaining profit levels</td>
</tr>
<tr>
<td>Maintaining profit levels</td>
<td>Variable profits</td>
</tr>
<tr>
<td>Employment regulations</td>
<td>Pricing</td>
</tr>
</tbody>
</table>

Source: (G. Singh et al., 2010)
Apart from the top five issues, related cost and government regulations are also noted to be related barriers. This research also highlights that not only SMEs in Fiji are facing these issues, but SMEs in Samoa are also experiencing the same issues. What makes their ranking different is the issue regarding the level of agreement among respondents. This study indicates the fact that the two countries are facing significant issues in the internationalization process, which represents the proposed conceptual model of this research. It is also concerned with obvious public implications and those related to SME entrepreneurs.

The research findings also point out that labour shortages are initiated from migration. They also lack qualifications to go on the international market, which leads to the issue of locating qualified employees as a major hindrance for SMEs and eventually escalates to the corollary of employment regulations. Meanwhile, the costing issue results from the prolonged issue of unprepared SMEs attempting to internationalize without strategic marketing skills and pricing techniques, which leads to the harsh competition in the international arena. Therefore, having these business competencies has become necessary to enable competitive SMEs in the two countries.

This research shows in-depth discussion on issues that hinder SMEs in Fiji and Samoa from entering the international process. It also identifies the key barriers according to the prioritization of entrepreneurs in the two nations. However, although it shows that the research implications are significant to the policy makers for better policy development in facilitating SMEs in the two countries, it does not indicate which issue is the most efficient issue for the survival of SMEs, especially at the establishing stage before those SMEs can go international.

Looking at the same issue of the internationalization of SMEs, Organization for Economic Co-operation and Development-OECD (2009) completed an extensive research on the top barriers and drivers to SME internationalization. This research aimed to investigate the most significant issues to SMEs for entering international markets by looking into the nature of these the top barriers from the research of OECD-APEC, in order to discover the factors and drivers related to the motivation of SMEs to go international and to broaden the understanding of the existing programmes for SME internationalization, especially the specific measures attempting to analyse.
the identified barriers. This extensive research employed many methodologies. The data was
gathered from different methods (in no particular order): survey questionnaires with both prior
telephone interviews and postal, online questionnaires with initial contacts, mail surveys, panel
interviews and case studies on both single and multi-cases. The data collection methods were
categorized into three types, including quantitative large scale surveys, qualitative case study
based investigations, and some combinations of both.

During the process of conducting this research, OECD encapsulated the unfinished study of
“OECD-APEC study on Removing Barriers to SME Access to International Markets” that was
based on the notion that internationalization and international entrepreneurship of SMEs is a
concept that is justified to be principally relevant to the development and growth of cross-border
trading and an indication of SME’s ability to foster the economic development in the three
angles of national, regional and global. Therefore, the OECD-APEC study has generated
findings of major issues that are faced by SMEs in relation to the mission of going international
as perceived by SMEs and OECD and APEC member economies (Organisation for Economic
Co-operation and Development-OECD, 2010a).

Having conducted the OECD-APEC study, the following are the key findings:

- The remaining critical issues are the fact that SMEs lack managerial knowledge on
  internationalization, lack resources and networking in international markets.
- SME internationalization is driven by growth and knowledge-related factors. These
  factors are increasing and important because of the realization of the opportunities and
  potential for business growth in the long run.
- External environmental factors of SMEs include business networks, stakeholders and the
  improvement of the trade foundation as well as region-of-origin factors, which are seen
  as internationalization stimulus forces.
- The development of economic reviews by means of a measurement for “redressing
  observed financial, informational, contractual and managerial knowledge-related barriers
to SME internationalization”.
- The increase of sub-national approaches to promote SME internationalization across the
globe, including Australia, Czech Republic, Germany, Greece, Hungary, Italy, and USA.
The research findings also categorize the top ten barriers faced by SMEs in internationalization. See table1.

Table 1: Barriers Ranked by SMEs Using the Top Ten Ranking Method

<table>
<thead>
<tr>
<th>Rank</th>
<th>Weighted factors</th>
<th>Description of barrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Shortage of working capital to finance exports</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Identifying foreign business opportunities</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Limited information to locate/analyse markets</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Inability to contact potential overseas customers</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Obtaining reliable foreign representation</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Lack of managerial time to deal with internationalization</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>Inadequate quantity of and/or untrained personnel for</td>
</tr>
<tr>
<td></td>
<td></td>
<td>internationalization</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>Difficulty in matching competitors’ prices</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>Lack of home government assistance/incentives</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Excessive transportation costs</td>
</tr>
</tbody>
</table>

Source: (Organisation for Economic Co-operation and Development-OECD, 2009)

This research shows that private sectors and public organizations in OECD, APEC and other economies have conducted investigating surveys at several firm-levels in order to look for the obstacles to SMEs internationalization as the key part on the 2007 OECD-APEC study of the OECD enlargement and enhanced engagement processes. The countries that were involved in the specific OECD study included Australia, Canada, Finland, Ireland, Korea, Spain, Sweden, Turkey, UK, and USA, and countries that are non-OECD member countries investigated included China, India, Indonesia, Russia, and South Africa. See table2.
Table 2: Outlines of the Countries Covered, the Top Barriers Identified, and the Authors Involved

<table>
<thead>
<tr>
<th>Countries</th>
<th>Barriers no</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1,3</td>
<td>EFIC, 2008</td>
</tr>
<tr>
<td>Canada</td>
<td>1</td>
<td>Riding et al., 2007</td>
</tr>
<tr>
<td>Finland</td>
<td>1, 5</td>
<td>Ojala and Tyrvainen, 2007</td>
</tr>
<tr>
<td>Ireland and India</td>
<td>1</td>
<td>Terjesan, O.Gorman and Acs, 2008</td>
</tr>
<tr>
<td>Korea</td>
<td>5</td>
<td>Suh et al., 2008</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
<td>Lopez, 2007</td>
</tr>
<tr>
<td>Sweden</td>
<td>1</td>
<td>Rundh, 2007</td>
</tr>
<tr>
<td>Turkey</td>
<td>1, 4</td>
<td>Ozkanli, Benek and Akdeve, 2006</td>
</tr>
<tr>
<td>UK</td>
<td>4</td>
<td>Barnes et al., 2006</td>
</tr>
<tr>
<td>UK</td>
<td>4, 5</td>
<td>Crick, 2007</td>
</tr>
<tr>
<td>UK</td>
<td>4</td>
<td>Kneller and Pisu, 2007</td>
</tr>
<tr>
<td>USA and Canada</td>
<td>5</td>
<td>UPS, 2007</td>
</tr>
<tr>
<td>China</td>
<td>1</td>
<td>Zhang, Sarker and Sarker, 2008</td>
</tr>
<tr>
<td>India and USA</td>
<td>5</td>
<td>Smith, Gregiou and Lu, 2006</td>
</tr>
<tr>
<td>India</td>
<td>5</td>
<td>Vivekanandan and Rajendran, 2006</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1</td>
<td>Wengel and Rodriguez, 2006</td>
</tr>
<tr>
<td>Russia</td>
<td>1, 4, 5</td>
<td>IBF/GDSI, 2008</td>
</tr>
<tr>
<td>South Africa</td>
<td>1,5</td>
<td>AMSCO, 2006</td>
</tr>
</tbody>
</table>

Source: (Organisation for Economic Co-operation and Development-OECD, 2009)

OECD’s research in 2009 provides insightful information and identification of the top barriers that hinder SMEs from internationalizing across the globe. It also provides a deeper understanding of the root cause of issues and related factors which are challenging policy-makers to intensify their efforts to come up with solutions to tackle these issues. However, this research does not cover the top barriers faced by the least-developed countries, so this becomes a knowledge gap for a further research to investigate and analyse the top barriers faced by SMEs in transitional economies among the least-developed countries. In addition, it is significant for this research project to understand not only issues related to the internationalization, but also other barriers and bottlenecks for SMEs in the least-developing countries. OECD claims that the research implications are vital for governments as strategic policy-makers to initiate strategic

---

3 * 1) Shortage of working capital to finance exports; 2) Identifying foreign business opportunities; 3) Limited information to locate/analyze markets; and 4) Inability to contact potential overseas customers; and 5) Lack of managerial time, skills and knowledge (OECD, 2009).
plans to remove these intractable barriers against SME sustainable development and performance.

Literatures and studies reviewed in this sub-section provide a revision of various studies and research regarding issues facing SMEs across business industries in the developing and developed countries. It captures the top ranking and prioritized issues that most SMEs are facing and shows how strategic plans to remove such issues are vital for SME growth and sustainable performance. However, those studies and researches are mostly conducted in the context of the developing and developed countries, which introduces a knowledge gap for further studies on the current issues that are facing by SMEs in the transitional economies in the least-developed countries. One of the key objectives of this research is to investigate and understand the narrative stories and day-to-day experiences of SME entrepreneurs in terms of what they perceive to be critical issues that hinder their businesses during the transitional phase and in the long run. Hence it raises the following proposition for further studies:

\[ P_{10} \text{ = what are future challenges for SMEs in the least-developed countries?} \]

### 2.12 Chapter Summary

This chapter provides an extensive revision of literatures and studies related to the exploration of SME entrepreneurial behaviour. The objectives are to identify the critical issues faced by SMEs in both operational and managerial processes, and find the knowledge gaps and unanswered questions concerning effective SME capacity building. It also builds up arguments for a further study based on the identification of a knowledge gap of ten sub-sections in order to generate ten propositions related to the research question. These ten propositions are built as \( P_1 \) to \( P_{10} \) to cover all sub-research questions derived from the semi-structured questions of the in-depth interviews.

\( P_1 \) and \( P_2 \) provide the exploration of definitions of entrepreneurial capacity building (ECB) and various perceptions among SME entrepreneurs towards the term entrepreneurial capacity building (ECB). These propositions build arguments for further study on different perspectives of SME entrepreneurs in the least-developed countries and how they see entrepreneurial capacity development from the entrepreneurs’ viewpoints. \( P_3 \) and \( P_4 \) provide investigating arguments on current challenges and barriers that hinder SMEs in the least-developed countries and lead to an
understanding of the strategic approaches for overcoming those challenges to enhancing business competence and performance of SMEs. Thus, $P_5$ and $P_6$ foster the understanding of strategies for effectively up skilling entrepreneurs among SMEs as well as the fundamental knowledge of generic business management education in the least-developed countries.

Meanwhile, $P_7$ and $P_8$ look at the current policies of the government for SME promotion and development, and discuss the strategic capacity development framework that is practiced in other nations. This helps the researcher raise the argument on $P_9$, to consider constructive recommendations as a critical input for an effective capacity building (ECB) framework in the least-developed countries. Finally, $P_{10}$ builds up arguments to investigate the future challenges and issues in relation to SME development in the long run as well proposing strategic resolutions to issues for the sustainable competence development of SMEs in the least developed countries, especially in Laos.
CHAPTER III: RESEARCH METHOD

3.1 Introduction
This chapter outlines the underlying conceptual development strategy both philosophically and operationally. In order to gain a deeper understanding of this chapter and discussion, it is important to refer to the first chapter of this research project that outlined the structure and strategy applied. To reaffirm this, the research approach applied in a research project can best be described as a phenomenological in-depth interview, using an inductive approach as the mode of analysis (Bryman, 2008). The research methods’ characteristics are discussed and identified in order to analyse the data and answer the research question at hand, and endorse the validity of the chosen methods that are considered as the most appropriate for this thesis.

As noted by Polonsky & Waller (2011) “the type of method to be used (quantitative or qualitative) will depend on the research question being examined” (p.148). This chapter also provides an elaboration of factors that contributed to the decision-making on method and the approach selected to collect the necessary data required for answering the research questions. This chapter presents the overall structure of the methodology by describing the fundamental knowledge on the qualitative approach and the secondary data in relation to the key objectives of this research project. The validity clarification of the selected approach is provided. It goes on to elaborate the data collection employed in this research, including the in-depth interviews, sample selection, questions (prompts) design, the data analyses techniques applied. Ethical implications are also considered.

3.2 Methodological Approach
This research project employs a qualitative approach as the key methodological mode to set the research structure and guide the rest of the research process. According to Bryman (2008) the qualitative approach has essences of sociology, philosophy and anthropology in the sense of using flexible techniques on rich, contextual and detailed information as well as social interaction observation. Smith, Bekker & Cheater (2011) state that the qualitative approach is the ideal exploratory research to understand the deeper complexity of the issues and explanations of phenomena, thus fostering in-depth understanding.
Denscombe (2010) confirms that this methodology is appropriate for the conduct of business research because it enhances researchers’ ideas on the critical and intellectual dimensions of human thoughts and business operation processes. Therefore, researchers can interact with a larger world of context (Campbell, 2006). The integral tool of the qualitative research approach is to yield insights on human perspectives, which are derived from the day-to-day activities and experience regarding the research context (Bryman, 2008).

The qualitative method has the nature of discussion in terms of observing people’s experiences and behaviours and making sense from grounded theory and exploratory discussion about the phenomena (Lofstedt, 2006). Additionally, the qualitative method is engagement in the studies that use several sources of empirical evidence, observations, and case studies to find out what people think and feel in the problematic moments of their lives. Therefore, the researcher can encapsulate deeper complexity, fostering explanations of the phenomena (Denscombe, 2010).

In order to gain a deeper understanding of SME entrepreneurial behaviour, the researcher has chosen this approach because it emphasis the nature of the research to understand individual interpretation towards social realities: seeing how SME owners in Laos perceive their business development and performance in the emerging markets. Additionally, this method stimulates contextual entrepreneurs’ ideas and experiences towards the general business climate and SME development in particular (Saunders, Lewis, & Thornhill, 2007). Although several methodologies are related to the interpretative paradigm, the most favourable in this research is in-depth interviews.

### 3.2.1 Thematic Coding Approach

The thematic approach is often labelled as a "general inductive approach", referring to it as to an approach of interpreting segments of the interview that may be used by the researcher to develop themes, models, or theory. The primary purpose of the approach is to allow the data to emerge by simply looking at its frequency, or perhaps the significance of the themes on the raw text segment (D. R. Thomas, 2006). This provides the researcher with rich insights into the complexity of phenomena and applies across a range of theoretical and epistemological approaches, hence expanding or testing the existing theories (V. Braun & Clarke, 2006).
Thematic analysis is one of the pre-known methods in qualitative data analysis to see and observe the meaning of a text in raw data (Fereday & Muir-Cochrane, 2006). It is also known as a process to identify themes through the reading of the raw text. Its patterns or identical ideas within the data become the themes for further analysis to develop a better understanding of the data itself (Kamil & Pearson, 2010). It is important to note that thematic analysis definition has not been well defined. It is not a research method but rather it identifies itself as an approach and strategy to many other methods (J. Thomas & Harden, 2008). Boyatzis (1998) identifies five purposes of thematic analysis: it is a means (1) of seeing, (2) of finding relationships, (3) of analysing, (4) of systematically observing a case, and (5) of quantifying qualitative data, in a sense that this technique involves steps of reducing data and managing large data without losing any context, and the interpretation of the data.

Thematic analysis requires specific skills from the researcher him/herself, such as pattern recognition and theoretical sensitivity. Pattern recognition is one of the must have skills, which may include openness and flexibility towards the material in qualitative research, since extensive studies show that openness and flexibility towards the material enables the researchers to break through the cultural and language barriers of the raw text (Suh, 2004). Other skills such as general knowledge of the subject area of the interview may help the researcher to identify themes from the interview.

Understanding the contextual or any other correlation, is collectively called theoretical sensitivity (Glaser, 1978). Data collection may be thematic analysis, transcription of interview recordings, note transcripts, images files, and any other form of representation that may be encountered. However though data collection may vary, researcher tends to convert them back to text and later on computer analysis using qualitative assisting data software such as Nvivo (Bryman, 2008).

3.2.2 Sample Selection Approach

Sampling methods are commonly referred to as the process of gathering data and information from population or universities for inclusion in the research. Sampling methods and population recruitment are significant to qualitative research because the subject of this study is about people (entrepreneurs and specialists), which are not inanimate objects. They are living in a society determined by social class and unique personal interests, which are unlike a problem that some firms’ research. (Hammersley & Mairs, 2004). Marshall (1996) confirms that the aim of
selecting sampling methods is to capture the most representative sample from the population, so that the researcher can generalize the result of study sample back to the population. It is important to note that having an appropriate sampling selection method is not only significant for the qualitative method but also vital for the other spectrums of the research paradigm like quantitative research. It is important for two main reasons, the first one being the fact that subjects of research enquiry are usually human beings, who unlike inanimate items, are complex and are extremely problematic. Second, participants are from different industries and backgrounds so the differences of perceptions towards SME capacity development and education are obvious (Hammersley & Mairs, 2004).

Taking these essential aspects into account, the scope of this research project focuses on the local SME entrepreneurs’ behaviour towards their business capacity and activity development by seeking to identify the barriers that deprive entrepreneurs of having access to entrepreneurial up skilling. The geographically focus area of this research is the key business zone in Vientiane, the capital city of Laos.

Given the fact that local SMEs are significant to the mechanism of national economic development, the in-depth interviews were conducted on the sample frame SME entrepreneurs regardless the business industries or the government agencies concerned, including specialists from international organizations that are implementing SME capacity development in Laos. After the aim, objective and implications of this research project had been properly explained as well as consent forms being obtained, the researcher was allowed to meet and conduct in-depth interviews. There were eleven in-depth interviews in total. Participants were recruited from different key SME industries, including the food processing sector, tourism sector, handicraft sector, and service and trade sectors. The government agencies concerned are the Small and Medium-sized Enterprise Promotion Development Office and the Lao-India Entrepreneurship Development Centre and international organizations, including the World Bank office in Laos and the International Finance Corporation (IFC).

SME entrepreneurs were selected to conduct interviews because the researcher wanted to collect their perspectives and experience from day-to-day business operations. Government agencies and SME development specialists were recruited for the researcher to obtain their views on the big picture of the government policy on SME development and SME business climate.
This research applied a random sampling approach, which covered the entire population of SME entrepreneurs across industries and stakeholders, hence every participant had an equal chance to get involved and sub-groups of people could be studied or referred to (if required) in great detail. Therefore, local SME entrepreneurs, relevant government agencies and related international development organizations were recruited for in-depth interviews, so that the researcher could capture the core data in relation to the research objectives.

As noted by Yin (2003), a common misconception about the sampling selection is research accuracy, which is defined by sample size. He states that the most significant aspect, the actual size of the sample and the accuracy of research findings, is determined by the level of judgement and experience of the researchers. In support of this, the actual sample size in this research covers the dominant business industries and stakeholders with 11 interviewees who permitted the researchers to carry out deep and case-oriented analysis, which is the raison-d'être of qualitative inquiry (Pope, Ziebland, & Mays, 2000).

### 3.3 Operational Approach

The big picture of this research processes can be seen as the following model:

<table>
<thead>
<tr>
<th>Ideas →</th>
<th>Literature and Review</th>
<th>Design and Propose Project</th>
<th>Field Research and Data Collection</th>
<th>Analysis and Findings</th>
<th>Presentation</th>
</tr>
</thead>
</table>

*Source: (Javalgi, Granot, & Alejandro, 2011)*

This research project was initiated from the passion and enthusiasm of the researcher and generated from both academic and technical experiences. Extensive literature reviews show that there are limited researches and studies on the exploration of SME entrepreneurial behaviours in the least-developed countries, especially in Laos. This knowledge gap and the unanswered questions became the researcher’s motivation that led to the foundation this project. Consequently, this research project operationally employs two main stages of conceptual development, in-depth interviews and secondary data.
The research proposal of this thesis is empirically formed based on the knowledge gaps for further studies of the phenomena and supervision by both primary and associate supervisors. The research proposal of this project has also been approved by the Unitec Research Committee and the Unitec Research Ethics Committee (UREC).

### 3.3.1 Pilot Study

It is commonly recognized that a pilot study is important for researchers before conducting a research project because it allows researchers to critically examine other aspects related to the research that may be unintentionally left-out. This included grammatical errors, translation and duplicated unnecessary wording, which can affect the result of the study (Collis & Hussey, 2009). Therefore, before conducting in-depth interviews, the researchers consulted with the associate supervisor of this research project and many other lecturers to give constructive feedback and comments in terms of the context, contents and structure. This was to ensure that the questions cover all aspects of the research areas and objectives and that they capture rich data for further analysis processes.

In order to avoid misconception and inaccurate translation of the contents of the interview questions from English into Lao, the researcher has consulted with a local consulting company whose experts are specialized in the local business context and global SME development so that the objectives of this research project were appropriately explained. This was to get constructive feedback and accurate translation and to polish the contents of the questions before using them as prompts during face-to-face in-depth interviews while theoretical saturation was achieved. As a result, some unnecessary questions, non-response bias and ambiguous parts were removed and more insightful prompts were added to guide informants in expressing ideas related to the research questions more in detail and within the period of time given.

### 3.3.2 Data Collection

The data collection started after the research proposal was approved by both the Unitec Research Committee and the UREC. After obtaining the participants’ consent forms, the data collection was conducted in three main stages, with the initial stage focusing on SME entrepreneurs across business industries in order to obtain the situational perspectives and opinions from their business operations.
The second stage was looking at an overview of SME performance and development. The researcher interviewed government officers from the Small and Medium-sized Enterprise Promotion and Development Office (SMEPDO) and officers from the Lao-India Entrepreneurship Development Centre, focused on the key barriers to the development of entrepreneurial skills for local SME entrepreneurs as well as the strategic support policies of the government.

The final stage was to talk with SME development specialists from the international organizations, who have been conducting SME development projects in Laos and South East Asian region for a number of years. This was to observe perceptions and the big picture of the SME capacity development climate, which helped the researcher to not only obtain the situational descriptive information, but also examine the previous projects related to the initiatives of SME capacity development.

Meanwhile, secondary data were gathered from various sources of print and non-print researches, and reports and literatures were collected as each interview went on. This provided sufficient data and information for the researcher to be able to fulfil the research objectives and generate the most accurate findings.

### 3.3.3 In-depth Interview

The interviews to obtain qualitative data were conducted on topic-based instead of fixed questions because using topic-based interviews provides a great deal of flexibility (Bryman, 2008). The goal of this semi-structured method of in-depth interview was to allow the researcher and interviewees to question and discuss issues that are relevant to the topic rather than acting as an agent to control the discussion (Clissett, 2008). This is because it involves in-depth observations of a single setting along with multiple sources of evidences so that the researcher not only understands the emerging of the issues, but also obtains knowledge in a specific domain (Collis & Hussey, 2009).

The technique is mainly used to explore the particular ideas, programmes, and situation of the individuals and is very useful when detailed information is needed to explore new issues. The interviews are analysed to provide useful information that might offer a complete picture and a framework of peoples' thoughts towards the problem (Kaar, 2009). For example, the in-depth
interview is used to explore psychotic-like experience in patients to specifically understand triggers that might cause this experience in patients (Kelleher, Harley, Murtagh, & Cannon, 2011). Another example is to investigate behaviour among individuals with cancer (Lambert, Loiselle, & Macdonald, 2009). Therefore, in-depth interview is a justified method for the exploration of SME entrepreneurial behaviour in a sense that it helps the researchers to observe different narrative stories of day-to-day experience among entrepreneurs.

Open-ended questions are formed to prompt informants to answer a whole range of explanation to the subject that is being questioned. Furthermore, open-ended questions enable respondents to generate and conjure more dimensions that are more actively salient to the subject (Chung & Pennebaker, 2008). Another main purpose of the open-ended questions is that it may quote the respondent's comments rather than a well-established existing theory that the respondents have understood, providing the researcher flexibility to generate the whole image of the understanding towards the focused topic (Hsieh & Shannon, 2005).

A Semi-structured interview format is used in the interview due to its importance in delivering the subject of the question itself to the respondents, creating a more conversational interview with flowing responses from the previous question. Studies show that the semi-structured interview is similar to day-to-day conversation, with the advantage of not including the nature of day-to-day conversation in the analyses (Drew, Raymond, & Weinberg, 2006). It also shows that the semi-structured interview format has the same level of spontaneous conversation (Madill, 2011). By understanding these factors, the semi-structured interview may contribute towards the validity of the respondents’ answers. Another significant advantage of using in-depth interviews is the observational process. It is important to use active listening skills to understand the importance of topics that the respondents may raise. It should also be noted that in interviews not all communications are verbal. Therefore it is important that an active listening technique is used to achieve awareness of any other form of communications that is non-verbal. This may include inflection, stresses, mumbling of a sentence, and body language. By understanding the non-verbal communications it helps the researcher to understand the messages that are being conveyed (Morse, 2011).
3.3.4 Secondary Data

Secondary data can be both quantitative and qualitative data, and may be retrieved from both descriptive and explanatory researches (Saunders et al., 2007). Secondary data that are considered as documentary data are categorized into survey-based data and those compiled from multiple sources. Using secondary data provides great advantages in terms of costs and time saving because it is much cheaper to use secondary data than collect new data. In addition, secondary data that are derived from researches conducted by international organizations and government agencies provides a great deal of reliability and validity (Bryman, 2008).

In this research, secondary data related to the research objectives are primarily retrieved from various international development organizations in Laos and the business associations and government agencies concerned, which are open for public access. The key informants involved in this research include the Small and Medium-sized Enterprise Promotion Development Office - SMEPDO, a government agency (www.smepdo.org), the Lao National Chamber of Commerce and Industry-LNCCI (www.lncci.laotel.com), the International Finance Corporation-IFC (www.ifc.org/sme), the German Development Cooperation-GTZ (www.gtz.de) and the World Bank (www.worldbank.org/lao) as the international organization that is implementing projects related to private sector development. In addition, publications and inputs from key participants involved in this research project are also used to fill the gaps and messages that may be left out during the interviews.

However, the downsides of secondary data can be seen as some studies and researches are conducted for specific purposes and methods, which may not fit with the scope of the attempted research (Saunders et al., 2007). Additionally, secondary data sources may have been collected for commercial purposes (Saunders et al., 2007). Therefore, critical revision of the secondary data can help the researcher to see its validity and reliability in a sense that the researcher can see the background information that can be useful for the development of components related to the research project such as “refining and defining” (Polonsky & Waller, 2011).
3.3.5 Ethical Considerations

The researcher acknowledges that ethical issues are a vital part of this research project. Bryman (2008) supports this by stating that “ethical issues cannot be ignored as they relate to the integrity of a piece of research and of the disciplines that are involved” (p.133). The main focus of ethical issues is to ensure that participants involved in this research are protected from any possible harm including physical, emotional, mental and financial during the research process (Bryman, 2008).

Consent forms were acquired from participants involved in this research project. Interviewees were informed of the clear purposes and objectives of discussion before any interviews were conducted. All information and discussion including data obtained during the field research was confidential and would be destroyed in the next five years.

Given the fact that Lao society is composed of various ethnic minority groups of people, the researcher was professionally aware of preserving their anonymity and to ensure that people who took part in this research were not subject to any form of harm. This was because the objectives of this research were not restricted to any tribes, group beliefs or values, but instead focused on the improvement and development of SMEs in general.

Participant consent forms were handed to the interviewees and this research project’s aim and objectives were fully explained. Participants were asked whether they had the authority to speak on behalf of their organization. This was to avoid duplication of individual and organization consent forms because in some organizations the CEO and a person involved in this research was the same person. See Appendix VI.

The consent forms also included clear contact information of UREC’s secretary and the supervisors of this research. However, during the approved research period there were neither issues nor comments made by any parties involved in this research project⁴.

Taking potential ethical issues into account, the researcher ensured that respondents involved in this research project participated voluntarily and were clearly informed about the research objectives and processes of ethical clearance⁵ (Polonsky & Waller, 2011).

---

⁴ This research approval was granted from the period from 2 September 2011 to 2 September 2012 with the file number 2011-1212.
3.4 Validity

Initially, the two quantitative and qualitative approaches existed on the basis that previously limited researches on entrepreneurial capacity development had been undertaken, and these researches were in the early stages of identifying and understanding this construct. Therefore, the qualitative approach was considered for two primary reasons.

First, these studies were a detailed analysis of specific activities and opportunities for entrepreneurship development, and the investigation of the underlying construct of the potential strategies for SME entrepreneurial development as a discrete concept. Once this construct and proposed models had been critically examined and investigated, the explanation for these concepts could be considered in a broader context because such studies could be conducted in larger enterprises and samples. Therefore, such empirical studies were not, within the scope of this study.

Second, it appears that the existing researches were not conducted beyond the theoretical aspects of strategic entrepreneurial knowledge enhancement for SME entrepreneurs; to process the critical discussion of their proposed model was not implemented in the technical and locally-based contexts. This proposed model for SME business development and enhancement, however, is considered appropriate and timely in order to discover whether practical implementation and monitoring mechanism exists, or alternative models. Therefore, the qualitative approach is considered to address these issues.

Given the fact that this research question is about observing and understanding human perceptions towards SME entrepreneurial development, it falls under sociology and psychology headings, so the qualitative approach is the most suitable and will be used to conduct this research (Lofstedt, 2006). This is because this research is diverse and contextual in terms of analysing the multi-dimensions and aspects of different stakeholders’ perceptions towards SME entrepreneur capacity development.

In addition to this exploratory research program, the researcher attempts to study the best practices of other developing countries. This generates findings to simplify the most effective frameworks for SME entrepreneurial capacity building in Laos, particularly on the core barriers

---

5 The application for the UREC consisted of a set of documents related to this project included the completed research application (Form A), the research proposal, researcher’s information sheet, and questions for in-depth interviews.
to the acquisition of SME managerial development (Saunders et al., 2007). In the words of Payne & Williams (2005, p.296.), “deductive generalizations are possible in large-scale physical systems where invariant laws operate (albeit with local violations), whereas in the social world and much of the physical world (particularly at the biological level) systems are inherently complex and characterized by feedback mechanisms”.

Therefore, in the case of business and management worlds, meaningful behaviour is generated from consciousness and different situations and actions may be interpreted differently by individuals, or they may act conversely on the basis of the same expressed meaning (Payne & Williams, 2005).

Looking at the data analysis approaches of the two methodologies, in quantitative research, data analysis often only happens when the all or most of the data has been gathered. On the other hand, in qualitative research, data analysis often starts when the first data are collected or as the data collection goes along. This is because the initial data analysis may also inform the subsequent data collection although the process of data collection may be modified during the data collecting mission. For example: the researchers may modify the interview schedules in the light of emerging findings and clarification may be needed (Burnard, Gill, Stewart, Treasure, & Chadwick, 2008).

Cole (2006) argues that quantitative methodology contributes to its underpinnings with the positivist paradigm that is aligned to a search for certainty, where knowledge is seen as separate from belief. Rigorous quantitative researchers always look for exact measurement methods and representative samples, and control the research design tightly. However, qualitative research shares its philosophical underpinnings with the naturalistic paradigm, which describes and makes sense of individuals’ experience and behaviours, and interacts with the social and environmental contexts without the use of numerical or quantification measurement to crop the findings. Therefore, when the researcher of this project compares the above discussions and justification to the natural settings of this research project, the quantitative approach is not favoured for this research project.

In conjunction with the study of best practices of neighbouring countries, the researcher aimed to seek for contextualized background information related to the issues of this research. This was
done by conducting in-depth interviews and exploratory talks among local SME entrepreneurs, key stakeholders and observing their perceptions towards Lao SME entrepreneurial development. Southiseng & Walsh (2010) agree with this method by saying that to obtain a deeper context of information in Laos, collecting data by in-depth interview is better than circulating survey questionnaires because people might be hesitant and reluctant to expose their views through questionnaires, particularly information regarding costs, revenues and profits.

Additionally, the research scope of this project is primarily the context of Laos, which is economically dynamic and complex and culturally vibrant and sensitive. In order to gain insightful data and understand a “slice of life” among SME entrepreneurs in Laos, an open-ended question mode was considered to be justified (Milliken, 2001).

It is acknowledged that the possible downsides of this method may be the time consuming and high cost of collecting and analysing descriptive data. However, the qualitative approach was employed to decode the underlying factors and components that contribute to the acquisition of an effective entrepreneurial capacity building among local SME entrepreneurs in Laos.

The in-depth interview with open-ended structure questions is argued to be most justified in order to explore the perspectives of local SME entrepreneurs, regardless of the industries and stakeholders concerned the SME development. In doing so, the researcher is able to gather data from the day-to-day experiences of business operations and identify the issues that prevent SME entrepreneurs from up skilling their generic business management skills as well as finding possible solutions to overcome the related issues. In conclusion, consistent support by Miles & Huberman (1994) on the validity and trustworthiness are based on the key five criteria, including credibility, dependability, confirm-ability, transferability, and authenticity. The valid support for this research is that the majority of interviews are tape recorded and verbatim transcribed with a letter to certify the accuracy of key concepts and contents. See Appendix VIII.

3.5 Qualitative Results Presentation

The process of presenting the results of this thesis is empirically shown in Chapter IV. Initially, the inductive analysis by using the thematic approach to analysis the qualitative data from the in-depth interview is to explore new areas and build or “emerge” themes about it (Miles & Huberman, 1994). In support of this, Burnard et al. (2008) confirm that the steps of analysing the
content is similar to the processes of qualitative research in a sense that the thematic process concerns the steps for analysing verbatim transcripts, identifying the emerged themes from raw data and crafting together the themes within the text.

The thematic approach is employed in this research to organise, code and present the data and results. It is in fact an analytical tool to drawn core features of the data together, which is similar to many other approaches for qualitative data (Miles & Huberman, 1994). Strauss & Corbin (1990) reaffirm that the purpose of using the thematic technique is to explore and understand the issues and the significance of the idea instead of reconciling conflicting definitions of the phenomena. Having this principle, the process of analysing the qualitative data of this research starts from the initial coding steps (also known as open coding) until the final coding steps where data categories are reduced from the initial coding steps and the key main themes and categories are finalised and supported by indicative verbatim quotes (Burnard et al., 2008).

The researcher ensures the quality of the emerged themes by repeating the data and identifying the further themes and categories. In doing so, it also helps researchers to be summarising key words and elements that are discussed in the transcripts. However, there is an exception in the case where informants have clearly gone off track and moved away from the discussion topic, so those deviations can simply be un-coded (also known as “dross”) (Bazeley, 2009; Burnard et al., 2008).

The data presentation and displays in this research are supported by three areas of information: condition, data weighting and verbatim evidence.

i. Condition – the core emerging themes.

ii. Data weighting – the majority of respondents are in agreement towards the arguments and key themes that have emerged and been discussed, as well as the supporting elaboration derived from the data set and secondary data. A case in point is when the discussed argument is supported by the majority of respondents, which is in line with the data set and the secondary data. Strong support and values is given to the data set from the in-depth interviews while being backed up by supportive secondary data.

iii. Evidence – the emblematic data set and texts from the verbatim transcript of interviews to support the arguments. Each theme and argument ends with supportive quotes and
elaboration, which are indicatively symbolised on each interviewed participant. For example: [PS-P1]. In this case, PS = private sector (SME) and code (P1) refers to participant number 1. The other group of informants are coded as [G-P1] and [IO-P1]. In these two codes, (G= informant from the government offices and IO refers to a participant from the international organisations). Secondary data is coded as (S-G1) or (S-PS1), S-G1=secondary data from government informant 1, S-PS1 secondary data from private sector informant 1 and S-IO1 secondary data from international organizations.

The key themes to be discussed and presented have been selected via the analysis of the key coders. These themes have also been selected since they are the most representative of a larger group of data sets. This is also because of their inherent variability under critical consideration and the process of selecting the emblematic text units in the data sets to highlight the key points of discussion and argument. They also support the flow of the results presentation.

The identity of the informants and organisations involved in this research are protected and cannot be revealed due to ethical and legal reasons. Hence, the researcher has changed the identification of informants from the real name into specific symbols. For instance: (instead of stating the real name of an SME entrepreneur, the researcher uses symbol PS-P1, which refers to private sector participant one). In so doing, the confidentiality of the selected verbatim transcripts and quotes of informants are preserved.

3.6 Key Respondents
The preliminary objective of this research project is to explore SME entrepreneurial behaviour in the least-developed countries, particularly in Laos. Therefore, the main attention in the recruitment of informants has been drawn to SME entrepreneurs across industries. In order to obtain the overarching viewpoints of the stakeholders concerned, the government agencies and international organizations related to SME capacity building are also recruited as key informants. In order to help readers to understand the contextualized results, the interview transcripts of informants are provided in appendix 5 of this research project. The in-depth interviews are transcribed into verbatim transcripts that yield data saturation, practical experiences or
informational redundancy (Neuman, 2007). Throughout the process of in-depth interviews, the respondents involved and their roles are categorised into the three following groups:

i. **Small and Medium-sized Enterprise (SMEs)**
   1. **PS-P1** (Consulting firm): The managing director of the local service provider on entrepreneurial development.
   2. **PS-P2** (Travel & tour agent): The managing director of the local eco-travel and tour agency.
   3. **PS-P3** (Pharmaceutical and Medical equipment supplier): The managing director of the local pharmaceutical and Medical equipment supplier.
   4. **PS-P4** (Food Processing firm): The president of the local food processor and supplier.
   5. **PS-P5** (Travel transporter and restaurant): The president of the local transportation and restaurant provider.
   6. **PS-P6** (Handicraft firm): A general manager of the textile and local handicraft producer.

ii. **Government Agencies**
   1. **G-P7** (SME Promotion and Development Office): A deputy director general of the central government office for small and medium-sized promotion and development office.
   2. **G-P8** (Entrepreneurship Development Centre): The key facilitator of the local SME entrepreneurship development centre.
   3. **G-P9** (Entrepreneurship Development Centre): The director of the local SME entrepreneurship development centre.

iii. **International Organizations**
3.7 Chapter Summary

This chapter provides a revision of the overarching structure of the research design in this project. It begins with the methodological approach employed in this research project and the rationale behind it. Then, the operational approach is described and justified in terms of its validity and reliability. Information on the participants involved in this project is provided, while research steps for the rest of the project are also elaborated on with critical consideration of ethical concerns.

This chapter also highlights the researcher’s long journey and time invested in this project as well as the key milestones from May 2011 to June 2012, starting from the master’s proposal until the formal writing task of this thesis, approximately one year.

The following chapter will be discussing the research results and the overview of the relevant data collected and analysed by using the qualitative research approach and the thematic analysis technique to capture the key findings and answer the research question and objectives.
CHAPTER IV: RESULTS

4.1 Introduction

Having reviewed the literatures extensively and established the preliminary propositions from Chapter II, the process of exploring the knowledge and understanding of SME entrepreneurs in order to investigate their entrepreneurial behaviour now shifts to the empirical evidence collected from SME entrepreneurs in Laos. This chapter presents the results of analysis of the qualitative data gathered from the field research in Laos, by 11 semi-structured interviews, acquired through in-depth interviews guided by open-ended questions. This follows the implementation of Chapter III, the overarching research methodological approach which can be described as qualitative research, using in-depth interviews and applying the thematic approach as the mode of analysis. Thus, propositions are validated and developed by qualitative data and evidence.

4.2 Research Setting

The propositions from Chapter II, P_{1}-P_{10}, which are derived from the literature studies on the entrepreneurial behaviour of SMEs in the LDCs, will be validated and examined in this chapter. This approach entailing the application of verbatim transcripts has been selected as it is the most representative of the core themes that emerged during the process of data analysis. It is what Cooper & Schindler (2006) call exploratory data analysis (EDA) where the researcher has the flexibility to respond to the emerged themes from the preliminary analysis. It is important to note that the aim of this section is to present the results of the qualitative data analysis and explain the insights and the foundation of the conceptual development rather than testing the propositions.

In order to present the results of the data analysis, the propositions are examined and explained. The verbatim text units and secondary data are presented with a number of key informants’ information in symbolised codes as “verbatim text units” [PS-Px=type of informant and informant No]. The following section will examine the research findings based on the propositions addressed in Chapter II.
4.3. Entrepreneurial Capacity Building (ECB) Conceptualisation (P1)

The respondents involved in this research define the term entrepreneurial capacity building (ECB) differently. Most of respondents define entrepreneurial capacity building based on their inherited knowledge and skills from their extended family that ran the business before them. In order to avoid confusion, the participants were provided with the key terms and concepts derived from the literature. This was important to observe how the term ECB was conjured up by the respondents. Thus, the key themes that emerged in relation to the definition of ECB were business strategy (BS), business knowledge and skills (BKS) and business capability (BC). The majority of informants make similar comments about the definition of ECB. They tend to define this term based on their technical knowledge and skills rather than theoretical viewpoints. See table1.

Table 1: Definitions of ECB

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Core themes</th>
<th>In-depth interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitions of ECB</td>
<td>Business strategies</td>
<td>“I think it’s the terms that we use to represent the process of developing knowledge and skills for entrepreneurs and general people who are interested in learning about business or run business” [G-P7].</td>
</tr>
<tr>
<td></td>
<td>Business knowledge and skills</td>
<td>“I think the term SME entrepreneurial capacity building (ECB) is to show the meaning of skills and knowledge of doing business for entrepreneurs” [PS-P5].</td>
</tr>
<tr>
<td></td>
<td>Business capabilities</td>
<td>“I think it’s the process to develop the capacity of the investors, entrepreneurs and general people who are interested to improve or upgrade their knowledge and skills of business administration” [PS-P1].</td>
</tr>
</tbody>
</table>

The findings on ECB definition, reflect the debate mentioned in the work of Lundström & Stevenson (2005) regarding entrepreneurial development and process. In fact, it is the process in which entrepreneurs or individuals understand their ownership and take it as an opportunity to develop their knowledge and skills for a better business performance. Conceptual model will be discussed and displayed in ChapterV.

The key theme related to the definition of ECB encapsulates the factors that contribute to the understanding among SME entrepreneurs in Laos, where ECB is primarily defined as the hands-on experience obtained from family members. This pattern reflects part of Stubbs & Cocklin’s (2008) concept of the entrepreneurial process of They state that the entrepreneurial process is the
action that entrepreneurs are involved in which allow them to perceive business opportunities and pursue success in a long run:

“*It’s the term used in many projects that are conducting capacity development for SMEs or general business operators. It means developing or enhancing their capacity and skills in doing business in terms of being more effective and sustainable*” [IO-P10].

**4.4 SME Entrepreneurs’ Perceptions towards ECB (P2)**

Having conducted in-depth discussions with respondents across the business sectors and stakeholders concerned, it was found that all informants had similar comments on the current ECB of SMEs in Laos. In fact, all respondents state that ECB is a new innovation for SME development in Laos, so that most local SME entrepreneurs lack information on ECB. The core themes that emerged in relation to perceptions of SME entrepreneurs towards ECB framework, which will be discussed in the Chapter V, include new initiatives, efficiency of government policy and ECB value.

The data examined on entrepreneurs’ perceptions toward current ECB in Laos indicate that all informants agreed that the term entrepreneurial capacity building (ECB) is a new initiative for the local SMEs. They acknowledge that there is an ECB framework for some extent, which is part of the SME promotion and development policy of the government. However, the efficiency of this policy is an interesting theme that emerged. The last theme that occurred among the perspectives of participants was the awareness of ECB value to SME managerial success.

**4.4.1 New Initiative**

The introduction of the ECB initiative is the first theme that emerged from data analysis related to the current entrepreneurial capacity development for SME entrepreneurs in Laos. Most of respondents agreed that ECB is a new initiative to boost and strengthen the capacity of local SMEs since the country has been opened more to the foreign direct investment (FDI) and the emerging markets.

**4.4.2 Efficiency of the Government Policy**

Most of informants’ comments in terms of the efficiency of the government policy towards the current entrepreneurial capacity development are similar. They comment that the existing policy
on SME capacity development is suitable for medium and large scale enterprises rather than micro and family businesses. The informants state that the actual characteristics of small enterprises in Laos are micro and family-based businesses and do not comply with the existing policy on entrepreneurial capacity development. The entrepreneurs feel that such a policy or framework for ECB is not for them. In addition, the implementation of this policy is challenging because there is room for a difference in interpretation between SME entrepreneurs and government officers during the process of implementation of the policy. As a result, it creates confusion for SME entrepreneurs and has an impact on the efficiency of the current SME development and promotion policy.

4.4.3 ECB Value

All informants involved in the in-depth interviews agreed upon on the fact that most SME entrepreneurs in Laos have low awareness of the importance of an effective ECB framework to improve SME managerial capacity and general performance of SMEs. As a result, the implementation of the government policy on SME promotion and development is challenging and leads to inefficiency of the government policy. See table 2.

Table 2: Entrepreneurs’ Perceptions on Current ECB

<table>
<thead>
<tr>
<th>Condition</th>
<th>Core themes</th>
<th>In-depth interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceptions on ECB</td>
<td>New initiative (NI)</td>
<td>“It’s new to local SME entrepreneurs because Laos has been opened more on investment for both local and international businesses not long time ago” [G-P7].</td>
</tr>
<tr>
<td></td>
<td>Efficiency of government policy (EGP)</td>
<td>“Uhm...!ECB in Laos is not so practical because it is not adopted to train certain kind of business but in general. It’s good for a medium and large-scale businesses but family business like us we feel it’s not necessary and not suitable for us” [PS-P6].</td>
</tr>
<tr>
<td></td>
<td>ECB value (ECBV)</td>
<td>“One of many issues among local SME entrepreneurs is that SME entrepreneurs do not see that effective capacity building frameworks are significant to their success” [PS-P4].</td>
</tr>
</tbody>
</table>

SME entrepreneurs in Laos perceive the current ECB as a new innovation for building SME entrepreneurs’ capacity and business performance. Most entrepreneurs acknowledge that the government has a policy on SME development and promotion. However, the key challenge is at the implementation point, which results from the low awareness of the significance of an effective ECB framework as the key to success. This finding reflects the work of Tambunan
(2011), who investigates entrepreneurship development in Indonesia and indicates that low awareness of entrepreneurship development among SMEs is one of challenges contributes to the implementation of government policies and supporting programs. The conceptual model will be discussed and presented in Chapter V.

However, there was one informant who showed that actually the ECB was not new to local SMEs in Laos, but the issue was the lack of implementation of government policies, as can be seen from the following verbatim quote.

“Talking about capacity building or the frameworks, we do have it and it’s not new. It’s a good system if we are following the government policies” [PS-P3].

4.5 Current Challenges to Effective ECB (P3)

The aim of this section is to identify the key barriers and hurdles for SMEs to have access to an effective ECB framework or model in Laos. Throughout the in-depth discussions and exploratory talks, four key themes emerged in relation to challenges for SMEs in Laos to effective ECB, including financial resources, information resources, low awareness of ECB and low ECB qualification.

4.5.1 Financial Resources

All informants firmly state that the lack of financial resources is the key common challenge that hinders most SMEs in the LDCs, including Laos, from having access to an ECB framework. The informants point out that SMEs in Laos operate on low capital investment and generate low revenues, but the cost of attending entrepreneurial and managerial training programs that are provided by the local service providers is high, so SME entrepreneurs cannot afford to join such entrepreneurial up skilling courses. Another pattern emerging in relation to the barrier of financial resources is the fact that small enterprises in Laos, are usually called micro family economies and family businesses, and most of these enterprises do not possess an appropriate accounting system or strategic business plans, which are the key criteria required by commercial banks for loan applications. As a result, banks are reluctant and made it difficult to give loans.

This primary challenge to ECB faced by SMEs in Laos are reflected in the study on the barriers to growth of SME in Ghana by Robson and Obeng (2007). Their research findings indicate the
barriers that SMEs in Ghana are facing include the difficulty to have access to finance due to the lack of collateral to secure the bank loan and other loan criteria as well as inadequate family resources. This research also shows that the high cost of learning materials for entrepreneurial development sessions deprives local SME entrepreneurs from up skilling.

4.5.2 Information Resources

The lack of information resources is another significant challenge facing SMEs in Laos to have access to an effective ECB. Most informants state that SME entrepreneurs lack fundamental business management knowledge, although they want to have access to information for self-learning on business operations and other knowledge related. The existing resources are out of date and do not comply with the current business climate. A similar finding is seen in the research of Zahedirad & Shivaraj (2011). They explore the barriers to supply chain and the impact to entrepreneurial development among Indian SMEs. They state that the lack of information is one of the significant issues of SMEs in transitional economies. One of the reasons for this is unwillingness to share information among SMEs because of the fear of exposing their business strengths and weaknesses to each other.

4.5.3 Low Awareness of ECB

A great deal of attention is given to the low awareness of significant or effective entrepreneurial development among SMEs. A majority of informants agreed that most SME entrepreneurs in Laos do not realise the importance of managerial up skilling for managers and subordinates due to the newness of ECB. Most enterprises are family-based firms that are inherited from their family members and they operate the business in the typical way. Furthermore, the misconception that ECB is solely built for large scale enterprises makes SME entrepreneurs disregard the importance of effective ECB to their business success.

This pattern is reflected in the study of A. J. Smith, Boocock, Loan-Clarke, & Whittaker (2002), who investigate the concept of investing in people (IIP) and SMEs by looking at awareness, benefits and barriers. This research comments that SME owners-managers do not realise the importance of capacity development because they tend to stay close to the day-to-day operation rather than think strategically. As a result, insularity and lack of time make entrepreneurs ignore managerial up skilling opportunities.
4.5.4 Low Qualification of ECB

Almost all informants confirm that the low quality of ECB training and curriculums available in Laos is one of the vital challenges to entrepreneurial development for SMEs. They comment that most local educational institutions and services providers do not provide practical management knowledge and contemporary business lessons. Therefore, SME entrepreneurs are not interested in joining such development courses. However, there is one informant who argues that the local educational institutions provide a decent education on business management and administration, but the problem is SME entrepreneurs do not apply real cases scenarios when they actually run their business.

The theme of low quality of entrepreneurial development programs that discourage SMEs to development their entrepreneurial skills is revealed in the research findings of Thassanabanjong et al. (2009). They write about the training of SMEs in Thailand, and state that most managers and owners do not invest a great amount time and money in strategic entrepreneurial formal training but prefer informal and technical based on-the-job trainings. See table 3.

Table 3: SME Current Challenges to ECB

<table>
<thead>
<tr>
<th>Condition</th>
<th>Core themes</th>
<th>In-depth interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial resources</td>
<td>“I think first of all is the money for development the capacity as such, because small business made only a minor incomes and how can they afford to join the workshops for capacity development” [PS-P1].</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“We all know that the primary issue for local SMEs is the difficulty to have access to finance. SMEs don’t hold a proper accounting system. Therefore, banks are reluctant to release the loan for them” [PS-P2].</td>
<td></td>
</tr>
<tr>
<td>Information resources</td>
<td>“A lot of SMEs are having no resources centre for them to have access and guide them in doing business. Information that we have is not enough and it is out of dated for those SME entrepreneurs to learn and up skilling for them” [PS-P4].</td>
<td></td>
</tr>
<tr>
<td>Low awareness</td>
<td>“Not many SME entrepreneurs realize that their business is going to have problem, especially in terms less competitive or uncompetitive in the markets because they will have more competitors of both local and international like FDI” [IO-P11].</td>
<td></td>
</tr>
<tr>
<td>Low ECB qualification</td>
<td>“Schools who teach about this area still weak and the qualification is not acceptable for international standard. Therefore, businesses don’t bother to joint business skill development or other courses such schools are providing” [PS-P5].</td>
<td></td>
</tr>
</tbody>
</table>
4.12 Future Challenges of SME Development (P10)

This section investigates the potential issues related to the development of SMEs in the LDC, during the time the economy has transformed from a central planning one into a market-driven one. Throughout the data analysis, informants from various SME industries and stakeholders in Laos express concerns about what they perceive to be significant challenges to SMEs while the country expands its economy. Three significant themes have emerged as key challenges to the SME environment and have been identified as follows:

- Intellectual property rights (IPR)
- GBM knowledge
- Access to finance

4.12.1 Intellectual Property Rights (IPR)

Informants comment that SMEs are not only having fundamental disadvantages including economy of scale and low bargaining power, but also unfair competition and weak protection of intellectual property rights. In fact, the local products and services are imitated due to the lack of intellectual property rights (IPR) protection. As a result, local products and services are unable to beat the imitated products and services, resulting in SMEs becoming uncompetitive in both local and international markets.

4.12.2 GBM Knowledge

Most informants state that the lack of general business management knowledge is not only one of the current issues, but also a future challenge facing by SMEs. They comment that the fact that most SMEs in Laos are operating businesses based on the inherited technical skills and knowledge from their family members makes most SME entrepreneurs unaware of the significance of GMB knowledge. However, those skills and knowledge no longer comply with the current business environment and the demands of the emerging market. In addition, the existing capacities training and entrepreneurial up skilling seminars are expensive, so SMEs cannot afford to attend such training and seminars. Furthermore, informants also point out that apart from the high cost of attending the capacity training, SME entrepreneurs feel they do not gain many technical skills and knowledge from such trainings due to the low quality and impractical contexts and contents of such training.
4.12.3 Access to Finance
Despite the fact that the government of Laos is gearing up to provide various strategies to support SMEs, the lack of access to financial funding is considered to be one of the strategic challenges cited by most of informants. Informants point out that since SMEs lack competitiveness and fundamental knowledge of business management it becomes a knock-on effect for SMEs in terms of making SMEs unable to access to funds, particularly from lending institutions. See table 4.

Table: 4 Future Challenges of SMEs

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Core themes</th>
<th>In-depth interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future challenges of SMEs</td>
<td>Intellectual property rights (IPR)</td>
<td>“The main issue now is local markets are occupied by foreign products that make the local products to have uncompetitive prices” [PS-P6].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Like I said, first foreign businesses come into Laos and kill local business in forms of imitation of business products and services. Local SMEs become uncompetitive because of lower power of bargaining and capital on investment” [PS-P5].</td>
</tr>
<tr>
<td></td>
<td>GBM knowledge</td>
<td>“I think today’s issues related to the lack of generic business management among entrepreneurs seem to be a primary issue for not only for SMEs, but also for some big businesses as well.” [IO-P11].</td>
</tr>
<tr>
<td></td>
<td>Access to finance</td>
<td>“We all know that the primary issue for local SMEs is the difficulty to have access to finance” [PS-P2].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“The challenges are the lack of finance in supporting those local SMEs and the technical advisory in terms of management and operational process of SMEs for long term” [G-P7].</td>
</tr>
</tbody>
</table>

4.6 SME Development Strategy (P4)
This section is given to the exploration of strategic approaches to entrepreneurial development for enhancing business competence and performance. Throughout the process of data coding and analysis, the key themes emerged and affirmed by most of informants include entrepreneurial up skilling, business expansion, improved regulatory environments and access to finance.

4.6.1 Entrepreneurial Up-skilling
Most of informants state that due to the lack of resources and external support for entrepreneurial capacity building and development, most SMEs utilise their in-house resources or their business networks to develop the capacity of managers-owners and subordinates. Some SMEs look for
out-sourcing by assigning their staff to attend the capacity development training in neighbouring countries. This strategic trend is seen in the investigation of P. Braun, Williams, & Lowe (2005), a study on the concept of small business clustering and accessing knowledge through the local network.

This investigation reveals the positive impact that local clustering and collaboration has on reducing risks and uncertainties in the global business environment and enabling SMEs to sustain growth. In addition, a high level of local networking creates trust and tacit knowledge exchange. This in turn opens the exchange of knowledge and ideas across cultures and fosters localized collective learning. This is reflected in the similar findings of Harvie & Lee (2008). They write about the importance of locality, and that SMEs collaborate in order to utilize the existing knowledge and strengths in the form of clustering or networking, which will generate long-term viability and competitiveness.

4.6.2 Business Expansion

Although SMEs in Laos are facing various challenges in terms of access to financial resources and effective entrepreneurial development opportunities, some SMEs have strategies for expanding business opportunities by looking for international markets. Most SMEs acknowledge that they have a lot of competitors both in domestic and international markets. However, most informants state that local SMEs rely on the quality and unique design of their product as a competitive advantage while acknowledging that there is a need for owners-managers’ strategic entrepreneurial up skilling. The strategic plan of SMEs to go international, is found in the work of (Westhead, Ucbasaran, & Binks, 2004) when they say that looking to export their products to international markets is a common entry mode of SMEs to go international as it involves a lower business risk and less commitment of resources as well as a greater flexibility than joint ventures or foreign direct investments (FDIs).

Meanwhile, strategic differentiation and uniqueness of products as a competitive advantage is reflected in the work of Porter (2004), who writes about the strategic cost of leadership and differentiation. The writer says that most SMEs in Laos apply the differentiation approach to offer unique products and services that are different from competitors in the market.
4.6.3 Regulatory Framework Development

All informants involved in this research acknowledge that one of the significant forces to facilitate the development of SME competitiveness is a legal framework. They state that the government is gearing up to support SME development promotion by establishing a SME promotion and development centre to support SMEs, in order to support the general business environment and develop strategies to expand business opportunities for SMEs.

In addition, strategic international marketing knowledge and capacity are also commonly cited by most informants involved in this research. The theme that strategic capacity building for SMEs encapsulates the key issues that hinder SMEs to go international is indicated in the study of Hyari, Al-Weshah, & Alnsour (2010). They identify the barriers for SMEs in Jordan who want to expand business into the international markets, and the legal barrier is one of the key issues. Meanwhile, the strategic approach to enhance SME environment stated by informants in this research is reflected as one of the strategic recommendation to foster SME development in the study of R. K. Singh, Garg & Deshmukh (2010). They show that legal framework development is one of the significant aspects for cultivating existing relationships with stakeholders and building SME capacity, in order to maintain business sustainability and competitiveness.

4.6.4 Access to Finance

Having access to financial resources is one of the most cited key barriers to general business competence development, particularly to effective entrepreneurial development. All informants acknowledge that one of the strategic approaches of the government to help SMEs is building a financial environment for SMEs to have access to funds. One of the strategic recommendations cited among most informants is the initiative to support SMEs in the form of a “credit guarantee” scheme for SMEs to have access to funds in better conditions and processes.

This strategic approach to enable a better financial environment for SMEs is seen in the similar study of Pansiri & Temtime (2008). They write about “The 1982 Financial Assistance Policy (FAP)” of the Botswana government to support SMEs by providing financial scheme to SMEs in the form of non-repayable loans for citizens and interest-free grants with the objective of sustainable entrepreneurial development through a mechanism of financing, mentoring, training and development services. Panagiotakopoulos (2011) reflects a similar lesson on strategic development for SMEs by having access to financial resources for human resource development.
He says that one of the significant ways to overcome this challenge is the creation of “loan guarantee schemes”. This helps SMEs to overcome the issues related to the inability to provide the required collateral to the lending institutions, especially for those SMEs that have been denied a loan due to the evidence required for the loan application was unmet. Under this scheme, the government may share the risk and cover up to 75 per cent of the loan amount and the remaining 25 per cent is handled by the banks. See table 5.

### Table 5: SME Development Strategies

<table>
<thead>
<tr>
<th>Condition</th>
<th>Core themes</th>
<th>In-depth interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME development strategies</td>
<td>Entrepreneurs up skilling</td>
<td>“One of my organization tasks is a service provider in terms of developing the capacity of the entrepreneurs and general people who interest in up skilling their business knowledge and capabilities” [PS-P1]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Well, first of all I think based on my experience on doing business, I improve my staff’s skills by looking for a business partner in exchanging not only the business lines of market, but also sharing experience and knowledge with them” [PS-P5]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Yes!..My organization is trying to improve the capacity at all times. This is because we see that the strategic business skills and knowledge are dynamic and the customer’s demands are changing every day” [PS-P4].</td>
</tr>
<tr>
<td></td>
<td>Business expansion</td>
<td>“At the moment we have ideas in expanding business in terms of penetrating new markets in overseas, which our company will send staffs to attend the production training in Thailand (Karasine province)” [PS-P6]</td>
</tr>
<tr>
<td></td>
<td>Regulatory framework development</td>
<td>“Well, SMEPDO has come up with policies to support SMEs and build the local SME entrepreneurs capacity including: “Improving the regulatory environment and public administration of the economic activities…” [G-7]</td>
</tr>
<tr>
<td></td>
<td>Access to finance</td>
<td>“Another key aspect is the facilities for local SMEs to have access to finance and fund, government should help SMEs in terms of negotiating with banks for loan application” [IO-P10].</td>
</tr>
</tbody>
</table>

### 4.7 SME Entrepreneurial Capacity Building (ECB) Training (P5)

The aim of this section is to give the results of an exploration of entrepreneurs’ behaviour and effort in attending capacity building training, especially on entrepreneurial capacity up skilling. The data analysis indicates that the majority of the participants occasionally attend or assign staff to participate in the capacity development programs provided by the local service providers.
and international development organisations. Most informants acknowledge that strategic managerial skills are necessary for their business performance in terms of meeting customers’ demands and the sustainability of the firm.

They also state that such training programs and sessions provide decent technical knowledge and skills for the day-to-day operational processes. For those SME entrepreneurs who have in-house resources, they conduct training sessions within the organization for themselves because they have found this is more technical skill-based and lower budget. In doing so, most SMEs have found that there is an improvement among staff in terms of applying new methods of business operation and innovation acquired from such trainings to the day-to-day business operation.

This strategic approach for managerial development is reflected in the study of Coetzer, Battisti, Jurado & Massey (2011). They investigate the reality of development in SME management and reveal the concept of “learning through social interaction with trusted advisers”, which is a common approach for SME owners-managers seeking knowledge and skills through advisors and business networks. These peers are perceived as valuable resources to improve their skills, which are then passed on to their business subordinates. See table 6.

Table 6: SME Entrepreneurial Capacity Building (ECB) Training

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Core themes</th>
<th>In-depth interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME-ECB training</td>
<td>ECB training</td>
<td>“I sent them to attend different training that provided by the international organizations such as ADB, and so on; depend on the topic of trainings and seminars” [PS-P5].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Actually in terms of my employees’ capacity development, in some areas that I can train them I do by myself” [PS-P3].</td>
</tr>
</tbody>
</table>

4.8 Generic Business Management (GBM) Education (P6)
This section explores general business management education and knowledge among entrepreneurs. It seeks to understand entrepreneurs’ perception towards the quality of the current business management education and the availability of such knowledge and skills acquisition to entrepreneurs. The data analysis generated the key themes related to this proposition as follows:
• GBM knowledge and awareness
• GBM educational qualifications

Most informants involved in this research state that most SME entrepreneurs in Laos lack the fundamental knowledge of business operation and management due to the fact that SMEs facing financial constraints and the newness of SMEs to the emerging markets since the country opened more to foreign direct investment (FDI). Another significant theme cited in relation to the lack of general business management (GBM) knowledge is low awareness of the importance of GBM.

However, informants comment that SMEs are satisfied with their current strategic business management knowledge, which is the typical way of technical-based management that has been inherited from the family member who ran business before them. The informants also point out that the ECB framework is perceived to be an effective framework for entrepreneurial upskilling in the local context-based ECB framework, and it fulfils the needs of local SMEs and answers the specific issues of SMEs.

4.8.1 GBM Knowledge and Awareness
Most informants agreed that the SME entrepreneurs in Laos lack general business management education since the country has opened more to FDI and the economy system has transformed from a centrally planned one to a market-driven one. They state that one of the key issues that contribute to this shortage of knowledge is the low quality of the current education on general management education in Laos. Another significant pattern towards the current GBM education cited by most informants is the awareness of fundamental business management knowledge among entrepreneurs. Informants comment that not many local SMEs realises that general business management education is necessary for their business success because of the misconception about business management.

They run businesses based on their inherited knowledge from extended family members. This theme shows a similar concept in the study by Kirby & Watson (2003) They write about the key issues of management of SMEs in transitional economies. One of the key barriers related to management is the lack of general knowledge to manage the firm among entrepreneurs, which results from the fact that SMEs are facing the common issue of financial constraint to support human capital development and the rapid transformation of the economy.
4.8.2 GBM Educational Qualification

All informants state strongly that general business management education in Laos is weak and low quality. They state that most business schools and local service providers are providing low quality business courses in the sense that such learning courses do not comply with the current business issues and emerging markets. As a result, most graduates are not recognised by the mainstream employers and this discourages entrepreneurs to attend the fundamental business knowledge courses. The pattern cited by most informants reflects the study of Madhoun & Analoui (2003). The researchers write about the issue of ineffective and inadequate fundamental knowledge in business management, particularly in the SMEs of Arab countries, where SME entrepreneurs perceive that the current training on management knowledge is “low”. This study is a wake-up call for the government to seek resolutions to the issue of managerial strength and capacities in small enterprises.

4.8.3 Local-based ECB Framework

All informants have a firm opinion in relation to the recommendations for an effective ECB framework for upskilling local entrepreneurs and general business management students. They state that an effective entrepreneurial framework should be a framework that is based on the local context of SMEs and other related factors. In fact, it should act as a strategic guideline for businesses to operate a business, starting from strategic business planning, the marketing approach and monitoring mechanisms. Informants also state that an effective ECB framework not only helps to build capacity for business entrepreneurs by learning from real cases and practices, but also contributes to the credit of SMEs, since it is vital for SMEs to have access to financial resources.

This notion of an effective entrepreneurial capacity building model reflects the adoption of the “Sustainability Business Model (SBM)” of Stubbs & Cocklin (2008). They state that when adopting the SBM model for business strategies and sustainability it should cover the internal structure of the organization, including cultural capacities and the collaboration between the firm and stakeholders to achieve sustainable competitiveness. This is because the SBM is characterised by economic aspects, environmental characteristics, social aspects and the multidimensional or holistic characteristics of a business such as a flexible strategic approach to seek for solutions to the unique issues of SMEs and to pursue business sustainability. See table7
Table 7: Generic Business Management (GBM) Education

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Core Themes</th>
<th>In-depth Interview Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>GBM education</td>
<td>GBM knowledge and awareness</td>
<td>“I think the generic business management and entrepreneurship education in Laos is still not really well-known among people and SME entrepreneurs” [PS-P1].</td>
</tr>
<tr>
<td></td>
<td>GBM educational qualification</td>
<td>“I think no many SME entrepreneurs do see effective capacity building frameworks are significant to overall success” [G-P7].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“I think business education is low in Laos. Schools are not offering a qualified course to local entrepreneurs and students who interested in doing business” [PS-P4].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Looking at service providers and school of management, we see a lot of such educational institutions providing knowledge on business management, but most of them are not qualified or meet international standard” [PS-P11].</td>
</tr>
</tbody>
</table>

4.9 Government Policy on SME Development (P7)

The aim of this section is to explore the understanding of SME entrepreneurs toward the current policy of the government on SME development and promotion, particularly on entrepreneurial capacity development (ECB). It also shows the results of the data analysis on the effectiveness of such policies as perceived by the entrepreneurs and the strategic plans for business development and staying competitive. Through the data analysis, the informants firmly acknowledge that the government is developing good policies on SME promotion and development, including strategic plans; for business competence development and entrepreneurs’ capacity up skilling.

However, the key challenge is the implementation of such policies due to the inconstant enforcement and the room for interpretation among the government officials. All the informants state that support from the government is vital for business survival and growth. Thus, most of the informants emphasise that their strategic plan for improving and implementing the policies is to collaborate with the government to strengthen the implementation of the government policies in terms of seeking for a mechanism to foster consistent implementation throughout the country. Therefore, the themes that are most cited in relation to this proposition are as follows:

- SME promotion and effectiveness
- Government supports and ECB development
- Business strategies and policy implementation
4.9.1 SME Promotion and Effectiveness

Most of the informants stated that the government has strategic development policies for SMEs in terms of business competence development for SMEs. This includes the initiatives and programs to develop a basic knowledge of entrepreneurship and the steps in operating a business. Another important factor mentioned by most informants is the incorporation of entrepreneurial learning into the general and vocational school curriculums. They state that there was a potential study on applying entrepreneurship courses into teaching and learning curriculums of vocational schools, and that there are possible and potential courses. This strategic SME promotion plan is seen in the study of Dhliwayo (2008), who writes about the methods for delivering entrepreneurship education through experiential training, which can be integrated into general educational curriculums in South Africa.

Another significant pattern emerged in relation to the effectiveness of the policies of the government is the implementation of such policies. The main concern cited among informants towards the effectiveness of the policy is the implementation of such policies. In fact, SMEs would like the government to come up with the mechanism to evaluate and monitor SMEs’ performances for potential interventions and support as well as to ensure that the policy on SME capacity development is consistently enforced. They also state that the effectiveness of the government policies is determined by the mechanism of policy implementation, evaluation and monitoring.

4.9.2 Government Support and ECB Development

Most informants involved in this study agreed that support from the government is vital to SMEs, starting from enterprise creation, strategic operation and business performance monitoring and evaluation. In addition, the informants state that the protection mechanism of the government is also significant to SMEs in terms of protecting the business benefits of the local SMEs, especially SMEs that are in the prioritised areas. They elaborate by saying that support and protection from the government not only promote the consistent implementation of government policy but also create a fair trade business culture. This is reflected in the results of the investigation done by Shamsuddoha, Ali & Ndubisi (2009) regarding the significant impact of the government support of SME performance. They reveal that support from the government is not only significantly influences enterprise creation and management directly, but it also does
so indirectly through other determinants such as guarantee-related assistance and its business reputation among stakeholders.

4.9.3 Business Strategies and Policy Implementation

This section focuses on the exploration of strategic business development plans and approaches to overcome the issues related to entrepreneurial capacity development among SMEs entrepreneurs in Laos. The key notion firmly stated by most informants is that most SMEs have a strategic plan for up skilling employees, especially on the technical skills that relate to their day-to-day business operation via their business networks and partners regardless of whether they are domestic or international. SME entrepreneurs acknowledge that having a strategic business plan is significant to business sustainability and competitiveness. Therefore, in order for businesses to stay competitive, most SMEs are going to expand their business networks and share business related information. This is not only for business expansion purposes but also to increase opportunities for ECB development. This result reflects the study on business network utilization for business sustainability development done by Jämsä, Tähtinen, Ryan & Pallari (2011). They reveal that SMEs utilise business networks primarily as sources of opportunities and resources, which benefit not only SMEs but also members of networks and stakeholders. Furthermore, SMEs utilise business networks not only to enhance business capacity by sharing information, teaching and learning, but also to enhance the social and logical dimensions of business networks and the level of network sustainability.

Another significant theme related to the long-term strategies cited by most informants is policy implementation. All informants comment that SMEs are continuing to collaborate with the government to strengthening the implementation of the government policy towards SME promotion and capacity development. See table 8.
Table 8: Government Policy on SME Development

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Core themes</th>
<th>In-depth interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SME promotion and effectiveness</td>
<td>“…. KAB—“Know About Business”, which they will integrate with the educational system [PS-P1]. “I think the government has good policies in terms of promoting business in handicraft sector, but I would be more effective if there is a monitoring and follow up measurement in place” [PS-P6].</td>
</tr>
<tr>
<td>Government policy on SME</td>
<td>Government support and ECB</td>
<td>“The support from the government is vital to the success of SME both in terms of regulatory framework and policies to protect the local SMEs, especially on the promoted area of businesses” [PS-P2]. “Supports from the government are so important to the success and sustainable of the local SMEs because it helps unskilled SME entrepreneurs knows how to run business properly and build their capabilities of doing business in the long run” [PS-P5].</td>
</tr>
<tr>
<td>development</td>
<td>development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business strategies and policy</td>
<td>“I plan to expand my business networks and partners in overseas. This will not only increase the number of my clients but also improve my vision and skills in on doing business at international levels” [PS-P2]. “We would have to continue following up and discussing with central government to improve and strengthen the implementation” [PS-P5].</td>
</tr>
<tr>
<td>implementation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.10 Entrepreneurial Capacity Building (ECB) Frameworks of other Countries (P8)

The aim of this section is to present the results of investigating and identifying conceptual models on entrepreneurial capacity building (ECB) that are practiced in other LDCs. It is also looking for the most practical conceptual model that can be adopted and applied to the context of SMEs in LDCs, particularly in Laos.

After in-depth discussion with all informants, most of them acknowledged that other least-developed and developing countries have more practical frameworks of entrepreneurial capacity building in terms of effective implementation of government policy and better monitoring and evaluation methods as well as creating a fair trade culture among businesses.
One of the government initiatives to support SMEs is the “incubator project”, which is a strategic project for enterprise creation by looking at potential and active SMEs so the government can select them and build their capacity. In addition, most informants state that neighbouring countries like Vietnam and Thailand have a better initiative to support and build capacity for SMEs because the government has more resources to subsidise SMEs to reach the stable stage to operate a business for survival.

However, because of the lack of information, like one of the significant challenges of SMEs illustrated in proposition three, SMEs in Laos lack the knowledge and details of ECB conceptual models that are implementing in other countries. Thus, the key themes that emerge are ECB effectiveness and Lack of ECB information. See table 9.

**Table 9: ECB Frameworks of other Countries**

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Core themes</th>
<th>In-depth interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECB frameworks of other countries</td>
<td>ECB effectiveness</td>
<td>“They seem not to have the same issue like us because the central government has a better controlling and monitoring measurement. They are strictly followed up and check regularly, so this issue is not happen for them. However, issue of unfair price competition also happen but it’s just minor and manageable” [PS-P5].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“…the government of those countries has more fund to subsidize the local SMEs and their have higher capacity to build the local SME entrepreneurs” [IO-P10].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“They have a project is supported by other policy to make sure the project runs smoothly, such as “incubator project” this project is indeed looking for potential entrepreneurs or people who interested in running business to train and mentor them as well as providing facilities. This framework is also practiced in Brunei and Malaysia” [G-P7].</td>
</tr>
<tr>
<td>lack of ECB information</td>
<td></td>
<td>“I have no idea about them, but as far as I know they have a good system because their business associations are very active in terms of raising SME issues to deal with the government and seek for resolutions”[PS-P4].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“I think in Vietnam or other countries having different frameworks or models because they have different local business climate, but the implementation is really good. However, I don’t have much information about them because we lack information about them” [PS-P3].</td>
</tr>
</tbody>
</table>
4.11 Recommendation on Effective ECB Framework (P9)

The objective of this section is to give the recommendations of SME entrepreneurs in Laos toward the most effective ECB framework for LDC, particularly for SMEs in Laos. It also shows the impact of an effective ECB framework on the performance and competence of SMEs in LDCs. Data analysis indicates that most informants affirm that an effective ECB framework should be based on the local context LDCs in terms of promoting and protecting the benefits of local SMEs. In addition, an effective ECB framework should act as a guideline to strengthen entrepreneurial knowledge and skills for SME entrepreneurs as well as stimulates enterprise creation. Furthermore, most informants comment that an effective ECB framework should not only broaden business potential for SMEs, but also build creditability and capacity with financial institutions and stakeholders. Thus, the core themes that emerged related to this proposition are:

- A local-based ECB Framework
- ECB Knowledge and Financial Resources
- A Mechanism for Policy Implementation
- SME Performance and Credit

4.11.1 Locally-based ECB Framework

Key findings in this section show that most informants recommend that an effective ECB framework should be one that meets the local context of the SMEs, which means adopting practical methods in promoting entrepreneurial education for SMEs. These methods should increase entrepreneurial skills and be based on real practices and real case scenarios, from fundamental knowledge to forming strategic business plans, seeking business potential and operational strategies as well as strategic marketing approaches.

4.11.2 ECB Knowledge and Finance Resources

Most informants stated that an effective ECB framework should be adapted from ones from the neighbouring countries whose economic climate is similar to Laos, in particular SME characteristics and context. In addition, an effective ECB framework should help to build the capacity of SMEs to access financial resources through credit building. This can be done in the form of encouraging commercial banks to collaborate and follow up on the proper utilisation of the borrowed money of SMEs and to evaluate their business performance, hence building the creditability of SMEs to lending institutions.
Given the fact that limited access to finance constitutes a major impediment to SMEs’ activities, most informants involved in this research comment that as part of effective ECB framework implementation the government should support SMEs to have access to financial funds through a “credit guarantee scheme”, which will facilitate flexible business operations and foster the life cycle of businesses. Furthermore, building a resource centre is another significant recommendation to be included in an effective ECB framework that is proposed by most informants. They state that building a resource centre for SMEs to access entrepreneurial management guidelines and skills is more than a strategic capacity building initiatives for local SMEs, since it can also be helpful for self-assessment when seeking solutions to business-related issues.

4.11.3 Mechanism for Policy Implementation

The majority of informants state that a mechanism to implement government policy on SME promotion and development is vital to an effective ECB framework. They comment that the government has good policies on supporting the local SMEs but implementation is the key challenging part, especially in simplification of documentation processes. Therefore, the ECB framework should cover the practical implementation mechanism of government policy on SME promotion and development.

4.11.4 SME Performance and Credit

Another significant sub-theme that is cited among most informants is the strategic monitoring and evaluation of business performance by the government. Informants state that an effective ECB model should include a mechanism for government to technically support SMEs in business operations, including productivity and machine operation and strategic marketing approaches.

In addition, an effective ECB framework should promote and protect local SMEs’ rights and benefits. They state that since the country has been opened more to FDI, and many foreign owned companies have been set up in Laos, local producers and SMEs have been suffering from the imitation of local products and services. As a result, local SMEs are facing the loss of market segments and becoming uncompetitive. Thus, the informants recommend that an effective ECB framework should cover regulatory framework mechanisms to protect the local SMEs’ rights and benefits. These recommendations and inputs proposed by the informants to be part of an
effective ECB framework are reflected in the recommendations and strategic approaches of the Organisation for Economic Co-operation and Development-OECD (2000).

This study recommends a strategic approach to enable a better business environment for SMEs through the support of the government in various forms to SME business activities. One of the significant approaches to support SMEs in accessing financial fund is the strategic “secured transaction”. The objective of this strategy is to provide a certain degree of guarantees to creditors and to facilitate the mitigation of non-performing loans (NPL). This initiative helps SMEs to get access to secure savings instruments, to liberalise government investment rules the and also to develop credit growth thought increasing the funds available for SMEs. See table 10.

**Table 10: Recommendations on Effective ECB Framework for LDCs**

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Core themes</th>
<th>In-depth interview evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effective ECB Framework</strong></td>
<td><strong>Local-based ECB Framework</strong></td>
<td>“I would like government to modify the vocational training course related to business management into more practical in a sense that allowing students to do homework more on real cases practice” [PS-P6].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“The effective framework for SME entrepreneurial capacity building should be adopted to the local context-based and it should suit meet the needs of local entrepreneurs including helping them how to do the business plan until looking for markets and marketing strategies to sell their products, action plan to follow up and monitoring and evaluating measures should be in place” [PS-P2].</td>
</tr>
<tr>
<td></td>
<td><strong>ECB knowledge and Finance Resources</strong></td>
<td>“They should look for more financial sources for SMEs by dealing with banks in sharing risks and credits” [PS-P5].</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“I think in terms of helping or building the local communities including entrepreneurs, the government should adapt the policies to be some kind of procedures in building the local SME capacity. For example setting the SME support centre for districts of provinces in order to make local SME entrepreneurs have access to supports and advice when they have issues related to their business” [G-P7].</td>
</tr>
<tr>
<td>Mechanism for policy implementation</td>
<td></td>
<td>“…. you know we now have good policies on SME development and promotion, but the key issue is at the implementation point. For example: We do have policy of “One stop documentation”, Yes! It’s good on policy but in practically one stop has so many tables to be passed, when you do documentation” [PS-P3].</td>
</tr>
<tr>
<td></td>
<td><strong>SME performance and credit</strong></td>
<td>“An effective ECB framework should promotes government agencies concerned come down to monitoring the actual business performance and come up with more specific trainings that support the day-to-day production formation such as machine operation and marketing skills” [PS-P6].</td>
</tr>
</tbody>
</table>
4.13 Chapter Summary

This chapter presented the key findings of qualitative data analysis collected through the face-to-face in-depth interviews among SME entrepreneurs across business industries and stakeholders concerned in Laos. The raw data was coded and analysed to generate the core themes and patterns, which represented the most relevant to this research’s objectives. Each proposition was validated and supported by the indicative verbatim quotes as evidences of qualitative results presentation. In this manner, 10 propositions addressed in the Chapter two were validated and examined as the foundations of the conceptual model for entrepreneurial up skilling for SMEs in the LDCs.

The next chapter will discuss the themes and patterns that have emerged as well as the interpretation derived from the data analysis. The key findings within the scope of the relevant literatures will be discussed with empirical evidence and supports. Finally, the conceptual model of ECB for up skilling SME entrepreneurs in the LDCs will be formed.
CHAPTER V: DISCUSSION AND CONCEPTUAL MODEL

5.1. Introduction

The aim of this chapter is to provide an in-depth discussion and interpretation of key themes and patterns that emerged during the data analysis and results presentation. The final conceptual model of entrepreneurial capacity building (ECB) is then built and developed, especially for upskilling SME entrepreneurs in Laos. In this manner, the ECB conceptual model will be formulated based on recommendation and inputs perceived as local context and characteristics of SMEs. In so doing, it aims to answer the research question:

*How do we conceptualise the entrepreneurial capacity building of SMEs in the least-developed countries (LDCs), particularly in Laos?*

The processes of this chapter are as follows. First, there is a re-iteration of the research question and discussion on ECB conceptual framework integration. It then The research findings are considered in conjunction with the academic literature and practitioners. Through an extensive literature review in Chapter II, ten propositions were formed to encapsulate all aspects related to an exploration of entrepreneurial behaviour of SMEs in the LDCs and entrepreneurial capacity building. Chapter IV provides research findings based on the ten propositions proposed, which are covered by evidence and validated by academic literatures.

This Chapter focuses on the in-depth discussion of the key themes that have emerged in relation to the conceptualisation of the entrepreneurial behaviour and capacity building of SMEs in the LDCs. It is followed by hypothetical specification in the mode of a discussion. This form of discussion indicates the writing mode of “reflective construct”, which demonstrates the researcher’s critical thinking and analytical abilities, contributing to cognitive development and unique interaction between a disparate series of information that leads to new perspectives on issues (Jasper, 2005).

In order to provide a well-articulated discussion and focus to answer the research questions, the ten propositions addressed in Chapter II and the findings in Chapter IV are combined into four

---

6 This research displays a relationship between variables and constructs rather than an individual pathway.
significant themes for discussion and conceptual integration. The four significant themes are Conceptualisation of ECB, Perceptions on ECB development in Laos, Key challenges to effective ECB development and Recommendations for an effective (ECB) framework in Laos. See table11.

Table 11: Summary of Combined Propositions

<table>
<thead>
<tr>
<th>Core themes</th>
<th>Combined Propositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptualisation of ECB</td>
<td>P1</td>
</tr>
<tr>
<td>Perceptions on ECB Development in Laos</td>
<td>P2, P4, P5, P6 &amp; P7</td>
</tr>
<tr>
<td>Challenges to Effective ECB Development in Laos</td>
<td>P3 &amp; P10</td>
</tr>
<tr>
<td>Recommendations for an Effective (ECB) Framework in Laos</td>
<td>P8 &amp; P9</td>
</tr>
</tbody>
</table>

Finally, the conceptual framework will be formulated with validations and justifications from the viewpoints of the local SME entrepreneurs, where all the findings that have emanated throughout the process of this study will be integrated. This chapter then concludes by illustrating the managerial and practical implications of this research, the research limitations and the pathways for future research.

5.2 Conceptualisation of ECB

The research findings suggest that SMEs in the LDC, especially in Laos, define the concept of entrepreneurial capacity building based on three significant components: business strategy, business knowledge/skills and business capability. It appears that most SMEs conceptualise ECB based on their technical skills from their day-to-day work. Evidence shows that this is because most SMEs operate businesses based on inherited business knowledge and technical skills from their extended family members. Thus, while Table12 illustrates the key constructs and hypothesis, Figure1demonstrates the ECB conceptual model.
Table 12: Key Constructs and Hypothesis

<table>
<thead>
<tr>
<th>Findings</th>
<th>Constructs</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptualisation of ECB</td>
<td>Business strategy (BS)</td>
<td>H1: Entrepreneurial capacity building (ECB) in SMEs in LDCs varies significantly according to an SME’s business strategy, business knowledge/skills and business capability.</td>
</tr>
<tr>
<td></td>
<td>Business knowledge and skills (BKS)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business capability (BC)</td>
<td></td>
</tr>
</tbody>
</table>

Figure 1: ECB Conceptual Model

Hypothesis1 argued that that there is a relationship among the three variables, BS, BKS and BC, on how SMEs in the LDCs, particularly in Laos, conceptualise the concept of ECB. In fact, they define ECB based on the technical interpretation of interaction with hands-on experience rather than from theoretical standpoints. However, it is important to understand the broader concepts and components of entrepreneurship and entrepreneurial processes. Lundström & Stevenson (2005) for example, state that there is no unified definition of entrepreneurs, and on-going academic discussion and debates usually refer to this concept as business owner, self-employed and small enterprises owner/manager interchangeably.
According to Schaper & Volery (2004) entrepreneurship originated from the French word “entreprendre”, which means to undertake or take in one’s own hands. Later on, after the industrial revolution, this term was used to describe a new phenomenon related to individuals who had created or established a firm with ideas and resources, and developed it to be a business venture. It is interesting to note that the term entrepreneurship is intertwined with a series of complex and overlapping concepts and dimensions, including technological, innovation and environmental turbulence.

However, the most cited dimensions are an individual, an act, and organization and innovation (Schaper & Volery, 2004; Steyaert, 2007). In the process of studying social entrepreneurship and its theoretical antecedent as well as the current practice of this concept, it is noted by Shaw & Carter (2007, p.424) that there are five significant themes within the current practice of social entrepreneurship that could be compared and contrasted, including “the entrepreneurial process, in particular, opportunity recognition, network establishment, the nature of financial risk and profit, the role of individual versus collective action in managing and structuring enterprises, and creativity and innovation”.

Baumol, 1993 (as cited in Lundstrom & Stevenson, 2005), aptly define entrepreneur with two uses of the word, one seen as an individual who creates and operates a new firm that may or may not involve innovative business activities, while the other use refers to the entrepreneur as an innovative individual who changes his/her ideas into economic value during or in the processes of firm creating or operating.

Shaw & Carter (2007) point out that among the mainstream academic literatures the term entrepreneur originally denoted an individual who engages in a project or activity, which subsequently results in that person becoming a merchant, employer and owner. This term becomes synonymous in it loosest usage with self-employment or occasionally self-employment (Montanye, 2006). In the words of Herbert & Link, 1988, p.27 (as cited in Montanye, 2006), despite the extensive and diverse academic literatures, the concept of entrepreneurship remains “the phenomenon which is most emphasized yet least understood by economists”.

In order to attain a deeper understanding of this phenomenon, McDougall & Oviatt, 2000, p. 903 (as cited in Schulz, Borghoff & Kraus 2009), stated that international entrepreneurship is seen as “a combination of innovative, proactive and risk seeking behavior that crosses national borders and is intended to create value in organizations”. Lundstrom & Stevenson (2005) again argue that in order to understand the concept of entrepreneurial behaviour, we need to decode the term into three significant parts, including “entrepreneur”, “entrepreneurial process” and “entrepreneurial culture”.

However, it is interesting to note how SMEs in the LDCs conceptualise the nature and characteristics of enterprises. In essence, most enterprises are micro-family businesses, where enterprise culture, knowledge and skills to operate the business are inherited from family members in the form of “spill-over entrepreneurship”. The ideas and technical skills are used in the organisational context, but are not sustainable and are left un-commercialised because of the uncertainty of the inherent knowledge and skills that are acting as sources of knowledge to generate entrepreneurial activities (Audretsch & Keilbach, 2007; Schulz, Borghoff, & Kraus, 2009).

Additionally, culture plays an important part in the understanding and conceptualising among SME entrepreneurs in the LDCs. Having said that, we need to consider the impact of adding cultural to the definition of ECB in the LDCs. Sidestepping culture in its anthropological meaning where we normally refer to culture as art, it refers to daily entrepreneurial behaviour and their business strategic vision as well as the level of their determination to succeed (Heck & Mishra, 2008; Klamer, 2011). Evidence of this point can be seen in the words of Pholsena, 2011: “culturally, most SME entrepreneurs are not really motivated to commit and expand their business success, but operate business as they usually do and take it easy (Tam Mee Tam Keurd)”. Thus, it is hypothesised that:

**H1: Entrepreneurial capacity building (ECB) in SMEs in LDCs varies significantly according to an SME's business strategy, business knowledge/skills and business capability.**
5.3 Perceptions on ECB Development in Laos

It can be suggested that individuals from various backgrounds and cultures possess characteristics and skills that involve them in activities of enterprise creation and management. Additionally, various facilitation projects of international organisations are gearing up to support and up skill fundamental skills for SME survival. In the context of Laos, research findings show significant constructs derived from data analysis on perceptions of SMEs, regardless of business sector, toward ECB development, including new initiatives (NI), efficiency of the government policy (EGP) and ECB value (EV). It is empirically supported by the fact that Laos has just opened up more to foreign direct investment (FDIs) by means of increasing the processes to adapt the national economy from being centrally controlled to following market forces.

Further supportive evidence is given to the fact that the complexity of change in the economic system is related to more tasks in broader concepts and processes rather than just presenting the status of the economic development. According to Timmons, 1994 (as cited in Tanas & Audretsch, 2011), economic transformation requires developing integrated independent institutions and improving the regulation of privatisation and overall entrepreneurial characteristics. This is because the transformation involves the integration of socio-political culture and economic environment, where the success of change is largely determined by the integration of the socio-political culture and the economic dimensions and a holistic process of change to free market from bureaucratic regulation (Poon, Zhou, & Chan, 2009; Tanas & Audretsch, 2011; Wasilczuk & Zieba, 2008).

It is interesting to note that the research findings show that the concept of entrepreneurial capacity building (ECB) is perceived as a new initiative among SME entrepreneurs in Laos This is because of the newness of the country to FDIs and the fact that SMEs are being driven by the competitive forces of the emerging markets, which result in most SMEs in the LDCs being unable to deal with the rapid change. However, evidence from governmental informants suggest that the policy on SME promotion and development and regulation frameworks7 have been in place since the country has opened its strategic business development to the international arena.

---

7 See Appendix VII: Decree No 42/PM on the Promotion and Development of Small and Medium Sized Enterprises (SMEs). Dated 20 April 2004 and issued by the Prime Minister’s Office of the Lao P. D. R.
It can be clearly seen that there is a significant gap in communication between the government policy and practitioners (SME entrepreneurs) in terms of policy dissemination and implementation (Morand, 2003). This could be further explained by the fact that the policy of the government is not complying with the needs and characteristics of SMEs in the LDCs, especially in Laos.

The research findings also indicate that the efficiency of government policy (EGP) is a significant construct in relation to the perceptions of entrepreneurs towards entrepreneurial development in Laos. In fact, they suggest that the current policy on SME promotions and development of the government is relevant to medium and large-scale enterprise rather than micro and family businesses, especially handicraft and agriculture based industries which are the most dominant sectors in Laos. It is affirmed by local entrepreneurs that the key challenge here is the weak implementation of such policy, especially at the stage of monitoring and evaluating business performance.

This perception reflects back to the crucial construct, seen as an issue generator, that the ECB concept and SME development are totally new to the local SMEs. This may be further explained by ECB being a new initiative in conjunction with the weak mechanism to implement the policy of the government in introducing knowledge gap delivery, which is perceived as a weak and inefficient government policy. Having perceived ECB value (ECBV) as a generator of the above constructs in relation to ECB development in Laos, the research findings show that most SMEs in the LDCs, including Laos, do not realise the significance of effective ECB to their business success, due to the fact that most SMEs still possess the typical methods of operating business from their extended family members and the misconception that the business environment and the demands of the market will be the same as it used to be. This construct of findings implies that the introduction of the ECB initiative caused most of SMEs to turn a blind eye to its significance, which resulted in the perceived inefficiency of the government’s policy on SME promotion and development.

Academic evidence supports the fact that when SMEs do not value the managerial importance of entrepreneurial up skilling in the LDCs, which may result from the lack of information on
entrepreneurial development or shortage of resources of entrepreneurship development, it significantly contributes to fewer managers-owners seeking entrepreneurial enhancement. Thus, evidence from literature suggests that a strategic incorporate structure for both individuals and groups reflecting and raising concerns among entrepreneurs and practitioners toward ECB development should be considered as a vital input for seeking resolutions (Coetzer et al., 2011; Tambunan, 2009). In addition, it is argued that entrepreneurial value is not only significantly seen as a tool of readiness for the change of economic status, but also as a political value to provide an entrepreneurship framework for entrepreneurs to capitalise on business opportunities and convert them into marketable products and services (Schaper & Volery, 2004). It is further stated that entrepreneurial values is one of the key success factors for many SMEs not only in the LDCs, but also in many developing countries (Mu, Peng, & Tan, 2007).

However, the research findings and evidence accept the alternative hypothesis that there is a significant relationship among new initiatives, efficiency of government policy and ECB value towards the perception of ECB development in LDCs. See table 13.

Table 13: Entrepreneurial Capacity Building (ECB) Perception

<table>
<thead>
<tr>
<th>Findings</th>
<th>Constructs</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perception on ECB Development in Laos</td>
<td>New Initiative</td>
<td>H2: ECB Development in Laos is perceived as a significant relationship among new initiatives, efficiency of government policy and ECB value.</td>
</tr>
<tr>
<td></td>
<td>Efficiency of the Government Policy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ECB Value</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2: Entrepreneurial Capacity Building (ECB) Perception
Despite all unfavourable challenges that SMEs in the LDCs are facing, it is interesting to note that SMEs have strategies to maintain their business survival and enhance performance. Research findings indicate that the local SMEs are taking the initiative to develop strategic plans to improve business themselves, including entrepreneurial up skilling, business expansion, regulatory framework development and access to finance. It can be seen that SMEs have taken into account all key components that are significant to business operation and development. In essence, SMEs have converted the key barriers to enterprise creation and operation into strategic plans to tackle such issues.

Evidence from the research findings suggest that SMEs in the LDCs consolidated their business resources and utilised networks to improve their business capacity by conducting in-house capacity building sessions and training. Academic evidence reaffirmed this strategic approach as a fundamental one for small and micro enterprises’ survival. In fact, this strategic approach in clustering local resources and networks helps to minimise risks and uncertainties in the global business climate and maintains stable growth (P. Braun et al., 2005; Slonim, Atwal, Tkačik, & Bialek, 2005).

It can be also seen that SMEs in the LDCs have strategic plans for long-term business expansion. The research findings show that local SMEs acknowledge that there is great competition in both local and international markets, so most of SMEs rely on the uniqueness and quality of their products and services as a strategic marketing approach to stay competitive. Academic evidence supports this approach with a strategic approach for competitive advantage in cost, leadership and differentiation. In this manner, it is reaffirmed that SMEs’ best strategy to stay competitive in the markets is the differentiation approach, which is a common and beneficial technique as it helps SMEs in the sense of having less commitment and risk when offering products and service to the markets (Fabio, Daniele, & Donatella, 2011; Fritz, 2009; Porter, 2004).

Another significant research finding related to having a strategic plan for the business development of SMEs in the LDCs is the development of a regulatory framework. Research findings indicate that regulations play a vital part in the development of SMEs, and that the government in the LDCs, especially in Laos, has put significant effort to improve the bureaucracy process of documentation, starting from enterprise creation, operational processes and internationalisation procedures. This helps SMEs to simplify and shorten the regulative
process and ensure that regulatory procurement is not an added issue to SME development. The literature agrees that complexity of regulation processes is an integral barrier that hinders SMEs going international and increases the burden of unnecessary cost, and time and makes SMEs become uncompetitive (Al-Mubarak & Busler, 2011; Schmidt, Bennison, Bainbridge, & Hallsworth, 2005).

The research findings also suggested that access finance is one the significant factors of SMEs in the LDCs to be developed and strengthened as it is seen as a primary barrier to general SMEs development and entrepreneurial skill enhancement in particular. In fact, evidence from the research findings strongly supports ameliorating strategies that enable SMEs to have access to finance, such as the initiative of “credit guarantee scheme”, in which the government intervenes to share the risk of business loans and make SME loan application easier. Academic literature supports intervention from the government in the form of the credit guarantee scheme that provides funds for SMEs at low interest rates or interest-free, which will not only facilitate SMEs to overcome the issue of being unable to provide the required collateral for loan application, but also build sustainable entrepreneurial development via the mechanism of financing, monitoring and development services (Panagiotakopoulos, 2011; Pansiri & Temtime, 2008).

Berger & Udell (2006) emphasised that the government intervention fosters the policies of the government, which will affect the financial structures and lending institutions as well as the lending infrastructure. Having said that, such policies impact the market share and competitive status among small versus large enterprises, state-owned versus private banks and information related to the legal environments in which these actors operate.

5.3.1 Concept of General Business Management (GBM) Education in Laos
The research findings on the perception of the general business management (GBM) knowledge of SME entrepreneurs in the LDCs, suggest that there are two main constructs that relate to the availability and quality of the fundamental knowledge of business management and skills. The two significant constructs include GBM knowledge and awareness and educational qualifications. Evidence shows that SMEs in LDCs are new to the emerging markets and the rapid change of the economic system.
Additionally, the flow and increase of FDIs means higher competition in both the local and international markets. Thus, inherited micro and family enterprises that are still practicing the typical method of business management are unable to deal with such competition and follow market forces. It is also emphasised that the transformation of the national economic status from central controlled to market-driven has brought about the requirement for change in the management habits of SMEs, which do not realise the importance of the development of entrepreneurial skills to their business.

Academic literature supports the finding that the rapid change of the economy and the entry of FDIs highlight the SMEs lack of fundamental knowledge of general business management, which may block or subvert the process of economic transformation if the allocation of resources towards the development of entrepreneurial capacity development is delayed. Additionally, the evidence emphasises that the lack of awareness of the significance of entrepreneurial upskilling among SMEs is one of the key obstacles to achieving a better strategy to develop SMEs’ competence and performance (Kirby & Watson, 2003; Perez-Sanchez, Barton, & Bower, 2003).

The research findings further indicate that the low quality of teaching and learning curriculums in general management knowledge is a significant barrier for SMEs to have access to effective entrepreneurial development. Evidence shows that the existing curriculums of fundamental management knowledge provided by the local educational institutions and service providers do not comply with the current global business environment, so local SMEs are not encouraged to attend such educational courses and sessions. Empirical evidence supports the view that inadequate or low qualifications on entrepreneurial development stops SME entrepreneurs from upskilling on contemporary business techniques (Madhoun & Analoui, 2003).

Tomlinson (2010) agrees with the idea that general management skills are significant to SME entrepreneurs in order to acquire and distribute management knowledge among members and broaden strategic business expansion and performance. Thus, the lack of contemporary entrepreneurial education not only forces SMEs to become uncompetitive, but it also deprives SMEs of opportunities to build a vision of community, which will be premier sources of business knowledge and innovation in the international arena. It is therefore sub-hypothesised that:
5.3.2 Strategic Government Policies for SME Development in the LDCs

Research findings give evidence of strategic plans for long-term development and implementation on SME development in the LDCs. Strategic plans include SME promotion and effectiveness, government support and the development of business strategy and policy implementation. Empirical evidence argues that the government of LDCs, particularly in Laos, acknowledge the key constraints of SME development and entrepreneurial capacity building, so they have come up with strategic initiatives on entrepreneurial education development. This includes the modification of the teaching and learning curriculums on entrepreneurship and enterprise creation as well as an incubator programme.

These programs will be integrated into general educational curriculums at both higher or vocational schools. To make these initiatives achieve a higher success, research findings support that a mechanism for monitoring and evaluation of policy implementation should be in place. Another significant support to the strategic SME development of the government is that SMEs in the LDCs acknowledge that the support from the government is crucial to every step of enterprise creation and operational success. Additionally, mechanisms for monitoring and evaluation helps to maintain a greater momentum in the business climate in terms of building a fair trade business culture among SMEs and protection of the local SMEs’ benefits.

Research findings further show that the government of Laos has come up with strategic visions and plans to develop SMEs and entrepreneurs’ capacity across industries in both short-term and long-term. Case evidence has shown that the strategic guidebooks for enterprise creation and management, including “Start Your Business” and “Gender plus Entrepreneurship Together (GET)” in the form of resources kits, and “GET Ahead for Women in Enterprise Training Package and Resources Kit” were produced to guide individuals and entrepreneurs in operating their business and improve performance.

Academic literature further emphasises that these methods and approaches could not only provide a significant guidance to the existing SMEs, but also increase the potential of enterprise creation. Additionally, they can also be integrated into the general educational courses and training as part of enterprise creation and development. As a result, the significant support from
the government will be made easier once entrepreneurs have a foundation of entrepreneurial capacity (Dhliwayo, 2008; Jämsä et al., 2011; Shamsuddoha et al., 2009). Given these supports and evidence, it is therefore sub-hypothesised that:

5.4 Challenges to Effective ECB Development

Empirical research findings suggested that in the process of adopting an economic system from central planning to follow global market forces, SMEs in the LDCs faced various challenges. Key constructs of research results are access to finance, intellectual property rights (IPR), information resources, low awareness and GBM knowledge. Thus, evidence of the constructs and the conceptual model can be seen in Tables 14 and Figure 3 respectively.

Table 14: Challenges to Effective ECB

<table>
<thead>
<tr>
<th>Findings</th>
<th>Constructs</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Challenges to Effective ECB</td>
<td>Access to Finance</td>
<td>H3: Challenges to effective ECB varies significantly associated with access to finance, intellectual property rights, information resources, low awareness and GBM knowledge.</td>
</tr>
<tr>
<td></td>
<td>Intellectual Property Rights</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Information Resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low Awareness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GBM Knowledge</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: Challenges to Effective ECB
Hypothesis 3 argued that there are five significant variables that are key barriers to the effective ECB development of SMEs in the LDCs. In fact, evidence supports the fact that most enterprises in the LDCs are characterised as micro and family businesses, which operate in a low capital environment and generate a minor income, but the available entrepreneurial capacity training and sessions are expensive to attend. Thus, SMEs are unable to attend such capacity training sessions. Research findings further emphasise the fact that most enterprises in LDCs are grouped as micro and family businesses, which are operated by typical methods. In essence, most of them neither possess a proper accounting system nor strategic business planning, which makes difficulties for those SMEs when they are trying to gain access to financial funds, especially lending institutions.

However, academic evidence note from the lending institutions’ point of view that there are high risks for banks and financial institutions in releasing loans to SMEs without proper strategic business plans, vision and financial statement related to business operation, including non-performing loans (NPL), customer’s late payment of bills and moral hazards. Thus, banks set high conditions for obtaining business loans, including high cost of capital, high collateral requirements and bureaucratic procedures of banks (Bartlett & Bukvič, 2001; Robson & Obeng, 2007; Tagoe, Nyarko, & Anuwa-Amarh, 2005).

Research findings further point out that one of the significant constraints facing SME development and effective capacity development is the lack of intellectual property rights (IPR). SME entrepreneurs in Laos indicate that, apart from the fundamental disadvantages, including economy of scale and low bargaining power, the lack of intellectual property rights regulations and implementation worsens issues related to SME development strategies. Empirical evidence supports that the flow of imitated products and services from neighbouring countries makes the local products become uncompetitive. The worst case scenario is when the use of imitated products and services degrade the local ones, which creates a negative image and reputation to local SMEs.

In the words of Kisumu, 2002, “we will make it a national objective to protect and leverage the results of R&D and creative activity as IP, etc.” (Arai, 2006, p.1). It reaffirms that one of the
successful factors of SMEs is the protection of intellectual property rights. Furthermore, it is argued that IPR is a crucial legal framework to prevent competitive threats either from local competitors or from FDI ones in the form of imitation of products and services. It is also noted that since SMEs are also seen as a source of innovation, the protection framework of IPR encourages the innovative production and the skills of SMEs regardless of whether they are in the LDCs or developed countries (Arai, 2006; Ganster, 2007; Y.Y.Lu, 2007).

The lack of information resource was noted as a significant issue that blocks effective capacity development and entrepreneurial up skilling among SME entrepreneurs. Research findings suggest that information deprivation prevents local SMEs from having guidelines on enterprise creation and management, especially resources and tool kits to conduct monitoring and evaluation of their performance. Evidence further shows that information resource centres are crucial for newly established enterprises in the LDCs. However, research findings show that the current resources do not comply with the current business climate and shortage of a contemporary toolkits or strategies for SMEs to deal with general issues. To support this, the academic literature reaffirm that the lack or shortage of information on entrepreneurial management and entrepreneurship results in SMEs lacking guidelines and scenarios to cope with contemporary business issues and this creates high risks to the firm’ survival and growth. Moreover, the lack of information becomes a vital issue for SMEs in transitional economies, especially for their supply chain development. One of the reasons behind this is unwillingness to share information among SMEs (Zahedirad & Shivaraj, 2011).

It is further noted that entrepreneurship skills are a lifelong learning process for entrepreneurs, in which individuals acquire their business skills through their life history. However, having a fundamental information source that SMEs can refer to for their entrepreneurial activities is vital for SMEs in the transitional economies (Organisation for Economic Co-operation and Development-OECD, 2010a). Additional, empirical evidence stresses that generic information on entrepreneurship is vital for SMEs to develop their entrepreneurial activities in an intensely competitive environment, especially strategic plans for managing their general issues, such as cost reduction, marketing strategies and continuing to develop their performance. Thus, key guidelines to identify issues and strategic remedies to overcome those barriers should be in place. This is not only seen as an important knowledge source for dealing with the external challenges
of business, but also for the internal development tasks like knowledge management (KM) and beyond (Fassoula & Rogerson, 2003; Hutchinson & Quintas, 2008; Organisation for Economic Co-operation and Development-OECD, 2010a).

Another significant aspect of the research findings is the low awareness among SME entrepreneurs among SMEs in the LDCs. Most SMEs in the LDCs are based on a family business and typically, management knowledge is inherited from their family members, which makes SMEs unaware of the significance of obtaining entrepreneurial development and upskilling. One of the significant pieces of evidence is the misconception about entrepreneurial capacity development among SMEs: that entrepreneurial capacity building (ECB) is solely for large-scale enterprises and their businesses are home-based business, so such ECB development is not relevant.

Evidence shows that low awareness of owners-managers of the significance of ECB development has become a major factor contributing to unskilled entrepreneurs and subordinates, which eventually becomes an issue of shortage of skilled human resources and other managerial issues. One of the reasons noted by mainstream studies on entrepreneurship development was that most SME owners-managers focus on the day-to-day business production rather than planning for the strategic development of the organisation (Coetzer et al., 2011; Gadenne, Kennedy, & McKeiver, 2008; A. J. Smith et al., 2002).

The final finding of the key challenges that hinder SMEs in the LDCs’ access to an effective ECB is the low quality of general business management education in Laos. Evidence firmly shows that despite the fact that entrepreneurship education is important for SMEs in the LDCs, especially during the transitional economy; SMEs in Laos are facing the issue of low quality fundamental knowledge on business management. The existing curriculum of business administration courses provided by local educational institutions does not comply with the needs of the current business climate and mainstream employers. In essences, such educational courses do not possess practical lessons and real case scenarios for dealing with the general issues of SMEs in Laos. As a result, individuals graduating from the courses are unable to operate a business and are not recognised by mainstream employers in Laos. This is one of the reasons that managers-owners of SMEs in the LDCs conduct in-house training based on technical skill development for day-to-day production rather than investing a great deal of time and money in
strategic managerial development with external service providers (Temtime & Pansiri, 2006; Thassanabanjong et al., 2009).

Having provided strong evidence and support from both the research findings and academic literatures, it is important to note that the key barriers to competence development of SMEs in the LDCs are not just composed of the significant factors that deprive SMEs of effective ongoing entrepreneurial activities. They are also potential obstacles to sustainable growth. Thus, it is hypothesised that key challenges to effective ECB of SMEs in LDCs are substantially associated with access to finance, intellectual property rights, information resources, and low awareness of GBM knowledge.

5.5. Recommendation for an Effective ECB Framework

Evidence from research findings suggested that in order to overcome key constraints to effective ECB, it is important to pay attention to the significant factors that contribute to an effective framework. Thus, this research shows significant constructs on the recommendation for an effective ECB framework, including a local-based framework, ECB knowledge and financial resources, a mechanism for policy implementation and monitoring of SME performance and credit. The key findings and constructs are displayed and conceptualised on Table 15 and Figure 4 respectively.

Table 15: Effective ECB Framework

<table>
<thead>
<tr>
<th>Findings</th>
<th>Constructs</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective ECB framework</td>
<td>Local-based framework</td>
<td>H4: An effective entrepreneurial capacity building (ECB) framework is significantly conceptualised as a local-based framework, with ECB knowledge and financial resources, mechanisms for policy implementation and monitoring SME performance and credit.</td>
</tr>
<tr>
<td></td>
<td>ECB knowledge and Financial resource</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mechanism for policy implementation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SME performance and credit</td>
<td></td>
</tr>
</tbody>
</table>
Hypothesis 4 argued that a conceptual model perceived to be an effective amelioration of issues associated with the ECB of SMEs in the LDCs should cover and facilitate four significant: a local-based framework, ECB knowledge and financial resources, mechanisms for policy implementation and monitoring of SME performance and credit. Evidence indicates that SMEs in the LDCs perceive local-based framework in the sense that an ECB framework should answer the local unique demands and issues. In essences, the conceptual framework for ECB development should apply more practical lessons instead of theories and concepts when seeking solutions to the SMEs’ barriers to entrepreneurial learners and entrepreneurs in order to build a sustainable growth in enterprise creation and business performance. It can be noted that the
business characteristics in the LDCs, especially in Laos, are family-based firms and the business operational culture is primary based on the handed-on technical experience and production methods. Thus, an effective ECB framework is expected to be a tool to provide a guideline for practical knowledge and skills rather than conceptual theories.

Research findings further show that a local-based ECB framework should also be adopted from a series of lessons learnt and best practices from neighbouring countries that have socio-economic climates similar to Laos. It is argued that because of the similarities in management context and business culture most of the business barriers that occur are likely to be contributed from the same factors, which require similar solutions. Thus, it is believed that the best practices among other countries in the same region should be adopted as part of the inputs to an effective framework of entrepreneurial capacity development.

Given the fact that difficulty of access to financial resources is a vital impediment to entrepreneurial activities of SMEs in the LDCs, it is argued that an effective ECB framework should facilitate SMEs to see seek for solutions to this issue by providing a guideline to having access to financial funds. It is further suggested that the approach in helping SMEs to have access to funds could be done in the form of a “credit guarantee scheme”. It is argued that this type of scheme provides more flexible processes in obtaining funds from lending institutions. In essence, the government acts as collateral agent to share some of the risk of the total amount of borrowed funds for SMEs from banks and other financial institutions. This helps to reduce the processes of documentation and the high requirement of collateral for loan applications from banks. It is also suggested that this form of financial facilitation helps SMEs in LDCs to run their entrepreneurial activities faster and develop enterprise creation. In fact, if the current industry that they are operating in does not suit them they can start again in a new business industry.

The academic evidence acknowledges that restricted access to finance hampers the emergence and eventual growth of SMEs in the LDCs. The primarily source of capital of SMEs is from informal savings and their retained earnings are unpredictable and not sustainable due to their focus are on the regional basis. Thus, access to formal financial funds is difficult due to inadequate financial facilities and the high risk of default. However, it is further argued that in order to help SMEs to overcome this issue, four significant aspects should be taken into account, including boosting the capacity of SMEs, developing the business conditions of SMEs,
expanding the financial sector and strengthening business networks and links among SMEs and stakeholders. Furthermore, evidence proposed that the “Four Pronged Approach (FPA)” should be considered as strategic remedy for helping SMEs in the LDCs to have access to finance. In fact, the FPA includes improving business conditions, facilitating SMEs to meet requirements of formal financing, increasing financial supply via the non-financial private sector and making access to financial system more flexible and accessible (Kauffmann, 2005).

Meanwhile, International Finance Corporation (2011) stated that despite the fact that the productive capacity and general performance of SMEs are significantly associated with external financial resources, access to external fund remains the key constraint of SMEs in the emerging economies. The evidence indicates that access to external financial funds via commercial bank loans not only cuts with the level of the country’s income, but also tends to focus more on large borrowers, and other sources of funds for SMEs are not well-articulated and developed, including leasing and factoring.

Therefore, it is suggested that LDCs may need to prioritise and adopt the “Policy Guide”, which covers the regulatory and supervisory frameworks, financial infrastructure and public intervention. In fact, instead of approaching this issue with the traditional method of ensuring the general stability and efficiency of the financial system at large, policy makers and regulators should contribute significant access to finance by promoting a favourable legal and regulatory environment, which will build the official operational processes for all key players, including financial institutions, instruments and markets in the given country (International Finance Corporation, 2011; United Nations Industrial Development Organization, 2009b).

Research findings also suggest that an effective ECB framework should help SMEs in the LDCs to seek a mechanism for implementing government policy. Evidence from the key informants supports the belief that a practical framework or mechanism to implement the current policies of the government is crucial to the policy’s achievement of SME development and promotion. In fact, empirical evidence shows that a major issue of the implementation is related to a long process of documentation and taxation. Academic support from mainstream literatures states that a good implementation structure is one of the significant success factors when seeking a practical policy on SMEs’ entrepreneurial capacity development.
It is argued that even optimal policy design can become a major hurdle if the implantation mechanism is poor. It is impossible to test the policy’s effectiveness if the implementation method is sub-optimal. A policy for developing SMEs’ capability should be primarily assessed not only on the achievement of the goal, but also on the implementation mechanism of the delivery method. Thus, the institutional implementation mechanism is one of the integral factors to determine the achievement of preferred policy outcomes (Batterbury, 2002; Ćučković & Bartlett; Small and Medium Enterprise Development Authority Government of Pakistan, 2007).

Research findings show the final significant recommendation to be a part of an effective ECB conceptual model is that an effective ECB framework should provide a guideline for monitoring SME performance and building credit for SMEs to access to important resources. Evidence shows that since most of SMEs in the LDCs, particularly in Laos have newly established emerging markets, they need close monitoring and follow up from the government agencies concerned, and that it is critical for the government officials concerned to intervene and advise SMEs in operating their business at the initial steps on both operationally and technically. It is further supported that the intervention and follow up from the government not only helps SMEs to have a sustainable method in managing their business but also builds the reputation and credit of SMEs among stakeholders, particularly the financial lending institutions, which will make it easier for SMEs to have access to funds.

An effective ECB framework was also argued to be an important regulatory tool for protecting of SMEs’ intellectual benefits and rights. Evidence shows that the lack of intellectual property protection causes significant loss and is a big driver of competitiveness of SMEs in the LDCs. In essence the flow and increase of FDIs not only brings an intense competition to the local SMEs, but also increases the potential for fraud with products and services, an unfair business culture and unethical entrepreneurial activities. According to Sviengsuksa (2011), a case in point is the bankruptcy of many family enterprises (bakeries) due to counterfeit and imitated products from the Chinese borders and there is no legal framework of intellectual property protection. Thus, it is empirically justified that an effective ECB framework should promote and provide a framework for the protection of the rights and benefits of the local SMEs in the LDCs. There is academic evidence from the World Bank Doing Business Report, 2006 (as cited in Abor & Quartey, 2010), of a documentation business licensing issue that hinders the enterprise creation
of many countries in the LDCs. In fact, the studies indicated that it takes 127 days to deal with a business licensing issue, which is composed of 16 procedures to license a business in Ghana. Meanwhile, the lack of antitrust legislation favours large-scale enterprises, while weak protection for property rights limits the capacity of SMEs to have access to technologies and leads to the loss of benefits and priorities of local enterprises (Abor & Quartey, 2010).

Given the above significant aspects recommended to be key components of an effective ECB framework, it is important to note conceptual models of business competence development in the mainstream studies. Mukherji & Mukherji (2011) argued that it is important for entrepreneurs to understand the relationship between entrepreneurial drivers and entrepreneurial abilities to be able to identify the critical factors that contribute to the enterprises’ performance.

They argue that just because entrepreneurial drivers constitute a necessary condition of entrepreneurship they do not guarantee the eventual success of the firm. Also, having a decent condition and managerial competence does not guarantee the eventual success of SMEs. Evidence supports that what elements are included and what are excluded is subjective, which is emphasised in the study of Stevenson (1983, 2000) where six business dimensions were identified to constitute entrepreneurial drivers: Strategic Orientation, Commitment to opportunity, Commitment Process, Control of Resources, Management Style and Reward System. Stevenson’s study was modified to be five significant items where Entrepreneurial Orientation was argued to be the most pivotal driver. Finally, five items were renamed and placed as the following diagram. See Figure 5.

This conceptual model and study then concluded that the necessary conditions and the sufficient conditions are simultaneously needed in order to be a successful entrepreneur. This means that the drive to change a person to become an entrepreneur is combined with managerial capacity. In essence, effective management in using resources with potential and opportunities are the key success.
Meanwhile, Moreno & Casillas (2008) show that SMEs growth and performance are related to entrepreneurial orientation (EO) although it is a complex relationship. Evidence supports the idea that a propensity for innovation is the dimension of strategic approach applied in managerial activities to stimulate the expansion of products and services through potential strategic behaviour. However, the attached conditions are dynamic antagonistic environment as well as the available resources to encourage the growth of firm. Nevertheless, it is argued that the influence of resources on growth is determined by the nature of such resources (financial versus non-financial resources).

Ottenbacher, Shaw, & Ermen (2006) discussed a conceptual model of the service development process of successful entrepreneurial firms, especially innovation development. Empirical evidence shows that a conceptual model of the five-stage process can help entrepreneurial enterprises achieve innovation development. It is further argued that one of the significant processes is the final stage process, which includes testing, staff training and market planning.
This is important as firms vary significantly depending on the size of the enterprise, the type of industry and the resources.

Thus, the successful entrepreneurial innovation occurs when the five stage process of (1) strategy and idea formulation, (2) screening, (3) service concept, (4) pre-launch activities and (5) commercialization and performance evaluation are consistently applied and implemented (Ottenbacher et al., 2006).

Looking at entrepreneurial leadership development, it is interesting to note a significant conceptual model developed in the study of Bagheri & Pihie (2011) on entrepreneurial leadership skills. These are conceptualised to be a significant behaviour distinctive from other types of leadership behaviour and they are needed for the enterprise’s growth and development, especially during crisis and turbulent times (Gupta, MacMillan, & Surie, 2004). It is also argued that entrepreneurial leadership is vital knowledge for entrepreneurs to capture opportunities, move to new enterprise creation such as dealing with competitive challenges related to entrepreneurial activities (Swiercz & Lydon, 2002). The evidence from the proposed conceptual model shows that entrepreneurial leadership development is defined as being based on a set of significant variables, including experiential, social interactive, observational and reflective learning. Thus, Bagheri & Pihie (2011) conceptualised model on entrepreneurial leadership as follows:

**Figure 6: Integrated Model for Entrepreneurial Leadership**

![Entrepreneurial Learning and Entrepreneurial Leadership](image)

**Entrepreneurial Learning**
- Experiential
- Reflective learning
- Observational

**Entrepreneurial Leadership**
- Scenario enactment
  - Pro-activeness
  - Innovativeness
- Cast enactment
  - Commitment Building
  - Specifying Limitation

*Source: (Bagheri & Pihie, 2011)*
Similar to this is, the study of George & Marino (2011) on the evolution of the entrepreneurial orientation (EO) concept in order to investigate significant aspects for further development of entrepreneurial learning. From this reflective conceptual model, research findings argue that the consistent accumulation of knowledge in the field is best facilitated by EO. Having said that, the three dimensions can be extended by conceptualising entrepreneurial orientation (EO) by using the traditional classification scheme, but some extra classification of EO should be taken into account and developed within the scope of EO conceptualization by the utilisation of new measurement items. Thus, the reflective conceptual model is displayed as follows:

Figure 7: Reflective Model of Entrepreneurial Orientation

![Image of the reflective model of entrepreneurial orientation]

Source: (George & Marino, 2011)

However, empirically evidence and support from this study state that the nature of SMEs’ characteristics in the LDCs is complex and require a unique strategic approach to strengthen the local SME capabilities as well as providing scenarios to cope with challenges. Additionally, it is interesting to observe the significant input from SME entrepreneurs and stakeholders from field research in the LDCs, particularly in Laos’ derived from the SME entrepreneurs and experimental entrepreneurial activities. They perceived significant factors that must to be
included in an effective ECB conceptual model (Klamer, 2011). The research findings yielded significant recommendations for an effective ECB conceptual model, including that an effective ECB framework must be a local-based framework, facilitate SMEs to have access to ECB knowledge and financial resources, act as a mechanism for policy implementation and promote SME performance and credit. Moreover, significant evidence from secondary data indicated that direction and focus on tasks in SME development in Laos from the year 2011-2025 have emphasised these research findings. In essence, there are seven strategic focuses for SME development and entrepreneurial capacity enhancement:

1. Improving the regulatory environment and public administration of economic activities
2. Improving access to finance
3. Creating of new entrepreneurs
4. Increasing the provision and support of business development services (BDS)
5. Enhancing business linkages between large enterprises and SMEs
6. Promoting the increase of productivity for upgrading the quality and standard of products and services of SMEs
7. Enhancing access to markets and enlarging markets for SMEs
CHAPTER VI: CONCLUSIONS

The primary aim of this research was to explore the entrepreneurial behaviour of SMEs in the least-developed countries (LDCs) in order to understand the underlying construct of the potential strategies for SME entrepreneurial development as a discrete concept. In order to explore these key research subjects, qualitative methodological approach with a number of in-depth face-to-face interviews that guided by open-ended questions was employed with eleven SMEs owners covered across business sectors located in Vientiane, Laos. The collected qualitative data have been analysed, coded and interpreted through thematic approach.

The study identified significant themes emerged towards the entrepreneurial behaviour of SMEs in the LDCs, such as a conceptualisation towards the definition of entrepreneurial capacity building (ECB) in Laos, SME owners’ perception towards current ECB framework, key current and future challenges to SMEs entrepreneurial development and the recommendation on practical framework for ECB. Having analysed these significant themes, the study recommended the most effective ECB framework for SMEs in the LDCs, particularly for SMEs in Laos. The research empirically suggested that the most practical framework for ECB should composed of critical components including a local-based ECB Framework, ECB Knowledge and Financial Resources, A Mechanism for Policy Implementation and SME Performance and Credit.

Having discussed and interpreted the research findings as well as validating them by extensive literatures, it is important to centralise all hypothetical scenarios in order to answer the key research question of this study;

How do we conceptualise the entrepreneurial capacity building of SMEs in the least-developed countries (LDCs), particularly in Laos?

Based on the discussions and conceptual models of four significant constructs, logical hypothetical scenarios are centralised and presented. See table 16.
Table 16: Centralisation of Hypothetical Scenarios

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Hypotheses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptualisation of ECB</td>
<td>H1: Entrepreneurial capacity building (ECB) in SMEs in LDCs varies significantly according to an SME's business strategy, business knowledge/skills and business capability.</td>
</tr>
<tr>
<td>Perceptions on ECB Development in Laos</td>
<td>H2: ECB Development in Laos is perceived as a significant relationship among new initiatives, efficiency of government policy and ECB values.</td>
</tr>
<tr>
<td>Challenges to Effective ECB development</td>
<td>H3: Challenges to effective ECB varies significantly and is associated with access to finance, intellectual property rights, information resources, low awareness and GBM knowledge.</td>
</tr>
<tr>
<td>Recommendation for an Effective (ECB) Framework</td>
<td>H4: An effective entrepreneurial capacity building (ECB) framework is significantly conceptualised as having a local-based framework, ECB knowledge and financial resources, a mechanism for policy implementation and SME performance and credit.</td>
</tr>
</tbody>
</table>

6.1 Managerial Implications

Throughout the process of this study, the key findings of this research have been identified. In fact, it has provided critical managerial implications on the exploration of entrepreneurial behaviour of SMEs in the LDCs, using Laos as a key case study. In essence, the primary hypothesis discussed and generated the conceptualisation of ECB by means of broadening the readers’ understanding of the perceptions of SME entrepreneurs towards ECB concepts. This provides a definition and the characteristics of SMEs in LDCs, which will be useful for policy makers and practitioners to come up with strategic development plans for SMEs. Evidence supports the fact that entrepreneurial capacity building (ECB) varies significantly, depending on SME’s knowledge/skills and business capability. This implies that local SME entrepreneurs conceptualise entrepreneurial capacity building based on their typical understanding of technical knowledge and skills rather than theoretical viewpoints.

The conceptualisation of ECB also provides a significant benefit to potential enterprises creation. In some cases it provides a clear understanding of the uniqueness of SMEs in the LDCs, which
potential entrepreneurs can take into account before establishing enterprises and planning marketing penetration. It may be argued that local SMEs need typical approaches in operating businesses, but current global market forces require entrepreneurs to think more globally while doing business in a local context. Thus, being able to conceptualise the local SME context helps entrepreneurs to make strategic steps in forming enterprises and pursuing sustainable success.

Empirical evidence has also shown that there is a significant relationship among the new initiatives, efficiency of government policy and the value of ECB regarding entrepreneurs’ perceptions towards ECB development in the LDCs, especially in Laos. In this regard, the second hypothesis argues that ECB development is seen as a new initiative among SMEs in Laos. This provides a clear understanding that ECB initiatives are new to SMEs in Laos, which means a requirement of a strategic approach in order to convince entrepreneurs to see its significance to their survival and success. This finding clearly provides a substantial contribution to both the public sector as policy makers and SME entrepreneurs as practitioners in terms of the formulation of strategic approaches that will meet the demand of the local SMEs as well as the global market environment.

It also provided another managerial benefit in terms of identifying the gaps and hurdles that hinder the development of entrepreneurial capabilities of SMEs in the LDCs. In fact, the evidence indicates that critical attention is being drawn to the efficiency of government policy on SME development; most small enterprise entrepreneurs noted that the current policy on SMEs development was more applicable to medium and large-scale enterprises rather than micro or small businesses, which the local entrepreneurs commonly call ‘family economy’. This provides a vital identification of the challenges of entrepreneurial capacity development for SMEs in the LDCs. In essence, it can be a constructive input into the amendment of policy on SME development and the approaches for managing SMEs in the LCDs. Hence, mitigation to issues related to the low entrepreneurial skills of entrepreneurs and minimises the potential risks.

Meanwhile, this hypothesis illustrates an important managerial implication, that one of the challenges that contribute to the unskilled entrepreneurs of SMEs in the LDCs is the fact that most SME entrepreneurs do not value the significance of ECB development. This clearly can be useful for the way that ECB development should be promoted and thought about by current and potential entrepreneurs. Looking at the managerial point of view, it provides the focus area for
entrepreneurial development for policy makers and practitioners in terms of what area of
development should be more focused and concentrated on in order to achieve a better
performance of SMEs.

Meanwhile, the third hypothesis of this research has identified and discussed the integral issues
and obstacles to effective ECB. In fact, it has clearly indicated that primary issues that work
against most SMEs in the LDCs, especially in Laos, is having access to an effective ECB which
can provide a decent level of entrepreneurial knowledge and skills to operate businesses in a
competitive environment. The vital challenges are identified, namely the lack of financial
resources and funds, a framework of intellectual property rights to protect local businesses, the
lack of information resources for reference when operating businesses, low awareness of SME
entrepreneurs on the importance of entrepreneurial up skilling for following market forces, and
other related environment factors and the lack of fundamental knowledge on business
management of entrepreneurs. This research finding not only empirically identifies the
significant obstacles to pragmatic entrepreneurial development, but also shows the order and
priority of such barriers in the sense of which issue is the most critical issue for SMEs in the
LDCs, and which can be a strategic gridline for the government of LDCs for formulating
resolutions to those issues in both short and long-term.

This implication also showed the need for further studies to concretise the exploration of
entrepreneurial behaviour of SMEs not only in the LDCs, but also in other contextualised and
characterised SMEs. Moreover, the implication of this interlock also shows the contribution of
each barrier to the struggle for SME entrepreneurial development mechanisms and what needs to
be done in order to resolve each problem. It also provides logical steps for seeking a resolution to
the issue of traditional versus contemporary methods of organisational management. This
practical evidence helps SME entrepreneurs to manage organisational resources and maximise
benefits as well as a function better within the organisations.

The final hypothesis encapsulated important factors that contribute to successful entrepreneurial
capacity development for SMEs. In fact, this hypothesis argues that an effective ECB is based on
the local SME context and that such effective frameworks should answer the demands and issues
of the local SMEs. Research evidence indicates that an effective ECB framework should help
SMEs foster the development of general knowledge on business management while also
facilitating SMEs’ access to financial funds. An effective framework is also argued to be a tool for SMEs to strengthen the implementation of central government policy on SMEs as well as other variables related to the development of SMEs in the long run. Meanwhile, an effective ECB framework is also justified to be a framework for evaluating and monitoring the business performance of SMEs in the LDCs in order to build capacity and credit for SMEs, which will be a vital guarantee for SMEs to have funds from lending institutions independently.

This research shows that with the emergence of this new ECB framework, there has been a rethinking of the fundamental question of how micro, family, small and medium enterprises in the LDCs, particularly in Lao should be managed. Therefore, this purely functional approach has made business barriers evident because this functional approach has identified the logical steps in seeking for the amelioration of such business challenges, based on the local context and needs. In this way, sustainable capacity building for SMEs can be maintained.

In order to fully achieve this, the research findings indicated that an effective framework should be implemented consistently by local and central government as well as SME practitioners. It also can be integrated into a national socio-economic development strategy and maintained as a prime mechanism for SME development and entrepreneurship enhancement. For SMEs, this conceptual model provides a practical framework to see the logical steps in building enterprises, managing them and strategizing steps to move forward gradually from the survival stage to success. Emphasis is also placed on the strategic identification of business issues and the fundamental entrepreneurial skills needed to overcome them.

Finally, it is argued that although the implementation of this local-based conceptual model is complex and requires a great deal of attention from all stakeholders concerned, its managerial contribution is vital to strategic decision making in enterprise creation and management. In essence, it indicates a breakthrough in entrepreneurship development identifies significant obstacles to the development of entrepreneurial knowledge and conceptualises a practical model as a guideline for SMEs in the LDCs. At some point in the future, this conceptual model can be integrated and adopt as intangible part of SME management that can be implemented from the grassroots level to a national one.
6.2 Research Limitations

Despite the fact this research has made several contributions, a number of limitations have been identified and considered as constraints. First and foremost, although it is argued that the robust body of research is a significant contribution to SME performance, the literature on the entrepreneurial development process of SMEs in the LDCs was surprisingly scarce. In essence, there is a lack of qualitative research findings related to the exploration of SME entrepreneurial behaviour and there is no clear verification of the existing conceptual models on entrepreneurial capacity building for SMEs. Furthermore, there are few sound work theories and practical models that can be adopted or referred to when conducting an assessment to see whether the proposed ECB framework of the research is useful in the long run.

Given the fact that the scope of this research enabled data collection in Laos, especially in the capital city of Vientiane, it was collected during the seasonal festival, which was not conducive for data gathering. Significantly, primary qualitative data collection was done by in-depth interviews among SME entrepreneurs, policy makers among the government agencies concerned and international organisations. The key challenge was identified as the point of making appointments with SME entrepreneurs and policy makers. This was because most respondents within these two organisations were reluctant to approve the appointment and agree to collaborate, especially on interviews that discuss their managerial behaviour due to this form of data collection being new to most of them. Respondents further rationalised that it was time consuming to sit for an interview of 40 to 90 minutes and expose their business behaviour despite the research objective and ethical considerations that had been explained. As a result, some potential respondents were uncomfortable about participating in this research and refused the appointment.

Meanwhile, it was notable that with the limited time given it was difficult to make an appointment for an interview because each respondent needed a few days to study the objective of the research before approving an appointment due the misconception of some respondents that the interview would expose their managerial techniques to business competitors and their opinion might be politically incorrect. Furthermore, when speaking with government officers, policy issues were highly sensitive and government officers were reluctant to expose the acknowledged barriers, since they were afraid of the consequences to their position and work.
Another limitation that was acknowledged was the lack of communication channels. During the data collection process in Laos, it was difficult to have access to the internet as a mode of communication between the researcher in Laos and the supervisors in New Zealand when any issues occurred and supervision was needed. Offline resources were also similarly limited.

Finally, it must be acknowledge that the data collection for this research was done in the local language (Lao), so looking for a qualified person to transcribe from Lao into English was challenging, especially in the context of local SMEs and socio-political aspects. To overcome this, the researcher used an external consultancy firm who was specialised in the local business development service (BDS) to translate and verify the accuracy of key ideas and concepts with a verification letter.

6.3 Future Research Direction

This qualitative research provides a foundation for further research on entrepreneurial development and many other areas related to enterprise creation and development. The research could further refine the conceptual model on entrepreneurial capacity development for SMEs in the LDCs. The emphasis could be placed on cross business industries and the cultural settings of the case studies.

Further research methodology should focus on quantitative studies to analyse and test the conceptual model via survey questionnaires. This is because there is a lack of literature on how each variable and attribute relate to each other. Thus, it would be an interesting topic for in-depth studies to see the function of each attribute of ECB development in the local context. In other words, this concept can be understood as an exploration to see which factor during the interlock creates the most value to entrepreneurial enhancement for SMEs, regardless business industry. In doing this, the area of research should cover the following scope of exploration and statement of claims, which is perceived to significantly contribute to entrepreneurial capacity development and general competence development of SMEs.
REFERENCES


Page 176


