The perception and preparation in terms of risk management of SMEs owners in Laos toward the joining of the ASEAN Economic Community (AEC)

By

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This thesis entitled: “The perception and preparation in terms of risk management of SMEs owners in Laos toward the joining of ASEAN Economic Community (AEC)” is submitted in partial fulfillment for the requirements for the Unitec degree of Master of Business.

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☐ The contribution of supervisors and others to this work was consistent with the Unitec regulations and policies.

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Research Ethics Committee Approval Number: 2015-1040

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Student number: 1430674
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ABSTRACT

In the global market, many trade unions emerge to form negotiating and bargaining power across their market zone. One of the newest emerging unions among the ASEAN countries is also in the progress of integration. The ASEAN Economic Community (AEC) is a trade union as a result of the joining of 10 member countries in order to connect economies in ASEAN as one. As SMEs are the backbone of economies in all member counties, the union has brought about a free flow of goods, labour and investment in which the trading barriers to protect the home-country SMEs have to be reduced as the condition of joining. As a result, many SMEs owners have encountered risks, which harm their businesses. To Lao SMEs, risk management is a new concept, and many firms still have no idea behind this concept. Therefore, this signals the need for survival by Lao SMEs regarding preparation in terms of risk management from the consequences of the AEC.

This research is conducted by aiming to understand how the Lao SMEs perception of the AEC affects their risk management. In addition, the examining of their knowledge about SMEs and the AEC are implemented. Furthermore, the research analyses their current risk management approach in relation to business strategy, finance, workforce and supply chain issues in an attempt to find out their readiness to overcome the challenges of the AEC. To accomplish and fulfil the aim and objectives, the semi-structured interview method in the qualitative approach to collect raw data is deployed in which 12 SMEs owners voluntarily participated in the interviews.

According to the findings, only a small number of Lao SMEs have risk management in their business strategy. However, their degree of risk management is low. From the simplistic lifestyle and culture, Lao firms only focus on daily operations without concern and being prepared for the upcoming risk of the AEC even though they are aware of the risks. Besides, when sceptically looking at their business strategy, finance, workforce and supply chain, it appears that business owners lack proper knowledge that is specific to these fields. As a result, five adapted models are formulated as the guideline to strengthen Lao SMEs business plans.

Finally, this project has answered all research questions and responded to all research objectives as well as managerial implications and recommendations from findings have fulfilled the gaps in academic research in the field of risk management in SMEs and in particular to Laos.
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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>3R</td>
<td>Reduce, Reuse, Recycle</td>
</tr>
<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>ASEAN</td>
<td>The Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>DOSMEP</td>
<td>Department of Small and Medium Enterprises Promotion</td>
</tr>
<tr>
<td>EBS2005</td>
<td>Enterprise Baseline Survey 2005</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resource</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>Lao People's Democratic Republic</td>
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<tr>
<td>MBV</td>
<td>Market-Based View</td>
</tr>
<tr>
<td>NEM</td>
<td>New Economic Mechanism</td>
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<tr>
<td>NGOs</td>
<td>Non-Government Organisations</td>
</tr>
<tr>
<td>NVB</td>
<td>Network-Based View</td>
</tr>
<tr>
<td>OECD</td>
<td>Economic Cooperation and Development</td>
</tr>
<tr>
<td>RVB</td>
<td>Resource-Based View</td>
</tr>
<tr>
<td>SCRM</td>
<td>Supply Chain Risk Management</td>
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<tr>
<td>SHRM</td>
<td>Strategic Human Resource Management</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium-sized Enterprises</td>
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<tr>
<td>UAE</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>UREC</td>
<td>Unitec Research Ethics Committee</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
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Chapter One: Introduction

1.1 Background

Since the New Economic Mechanism (NEM) in 1986, Lao PDR has reformed the whole economy by shifting from a centralized system to a market-oriented economy. This new form of planned economy is also called the "open door" policies. Thus, the purpose is to open and promote the country to the global market and attract Foreign Direct Investment (FDI). As a result, the changes have brought about the face of movement for the economic development of Laos as never before (Lao National Chamber of Commerce and Industry, 2010).

Laos is known as one of the poorest countries in South-East Asia where the country is a landlocked agrarian economy. Without the advantage of sea port, Laos economy has to heavily rely only the land agriculture which has difficulty of mountainous demography and dry weather condition (Tongzon & Khan, 2007). Besides, in 2012, the Doing Business Indicator List ranked Laos as 120 of 183 countries. therefore, there is a huge challenge to Laos in order to transform and develop the country from a fundamental agriculture baseline to business and trading investment (Pomfret, 2013). In this assent, it seems like Laos is still far away to step up and shine on the world-class stage.

According to the prevailing laws of the Lao PDR, Small and Medium Enterprises (SMEs) are legally registered and operated as independent enterprise units and considered as the most important sector in the Lao economic system. From the national statistic, SMEs occupy 99.98 percent of all businesses operating in Laos, and they produce 83 percent in the employment rate which totally contributes 6 to 9 percent of GDP in all sectors. Based on the Steering Committee on the Economic Census 2006, SMEs in Laos can be divided into three sectors, which are product production, trade and services. In addition, the total number of SMEs registered in Laos is 126,913 enterprises in which 64.5 percent are trade, 19 percent is in product manufacturing and 16.5 percent in the service sector (Lao National Chamber of Commerce and Industry, 2010; The ASEAN Secretariat, 2011).
As SMEs are the backbone of Lao economy, and to achieve greater economic growth and enhance social development, SMEs in Laos have to be supported and promoted in an attempt to create competitiveness and innovation among SMEs. As a result, Lao SMEs would be sustained and could compete in the region.

Toward the remarkable integration of 10 states in the ASEAN region (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam with one on the observation: Papua New Guinea.), Laos has developed the National SME Development Plan 2011-2015 which aims to promote and develop related SMEs policies and formulate the final decrees and strategies (The ASEAN Secretariat, 2011). The current situation role of Laos in ASEAN is still considering as medium due to the power of economy (Ang, 2014). However, The World Bank Group indicates that there is less than 20 percent of SMEs in Laos that have benefit from long-term credit (The World Bank Group, 2014). Moreover, the development status of SMEs in ASEAN is higher by more than 97 percent of operating SMEs in Laos. Likewise, the Lao SMEs would encounter the difficulties in terms of growth and competition over the SMEs in ASEAN (GIZ, 2014b). Undoubtedly, Lao SMEs have confronted many problems such as no professional business knowlegement, inadequate market and IT support, poor quality and limited supply chains, lack of access to credit and so on (Phimmavong & Chanthavong, 2009). This signals to the Phoumilay and Douangsavanh (2008), the low level of Lao SMEs competitiveness and has the route from limited production and technology, insufficient qualified labours and skills, weak management, unprepared for high cost and risk due to an unfavourable business environment. In addition, all of these problems are the main challenges threatening SMEs development in Laos which have been shown and confirmed on the Enterprise Baseline Survey 2005 (EBS2005) by GTZ (GIZ, 2014b).

From all the aforementioned scenarios, the challenges to SMEs in Laos would be more tense as Laos was joining the ASEAN Economic Community (AEC) in December, 2015. The SMEs owners in Laos still have a vague perception about the benefits and drawbacks of the AEC. As a result, the preparation for these changes would be slow and inadequate to meet the deadline because of the lack of risk management and precise understanding of those problems.
1.2 Description of the research

As a result of the economic reform, Laos has positively thrived and this has enabled the SMEs to grow. In recent years, the volume of foreign investment has grown considerably with the number of companies settling in Laos. Western and especially regional enterprises are establishing and fighting over the profits in Laos' new market. As a result, the business environment in Laos becomes more and more energetic whereas the local businesses themselves are being threatened from this competition (Lao businesses urged to prepare for ASEAN economic integration).

These days, the inflow of foreign direct investment and the low trading barrier are the factors that simultaneously create both opportunities and threats while the conventional way of doing business is diminished. Thus, to be able to resolve these issues, having sufficient comprehension toward the challenge, and proper risk management approaches need to be applied (Devex Career Forum, 2016).

In the competitive market, competition has examined firms to moderate their product's quality in order to stay and share profit in the market where they belong. Besides, against rivals, companies also need to be alert about the new evolution of products, produce unique and new commodities and to utilize the right strategies. Without these concerns, a company would hardly survive and may fall into a business trap (Rao, 2010a). Getting over these, the right risk management approaches are important for a business as to flourish. Precisely, a successful risk management approach will decide whether a business will succeed or suffer from the operational effects (Tracy, 2015).

To moderate the constant growth and earn the profit from market shares in the country where conventional business has vanished, certainty is unpredictable and business practice is unmatched. Risk management in terms of strategies, finance, labour and supply chain are crucial factors for businesses to sustain their growth (Gendron, 2014; Stonehouse & Houston, 2012). Hence, Lao SMEs should carefully select the right approaches for ongoing understanding of specific problems that they need to overcome, in particular, to the joining of AEC.

This research is important to Lao SMEs to understand the concept of AEC and trade unions. By understanding through this concept, Lao SMEs would have better comprehension on what the
advantages and consequences are of joining the union. In this regard, different concrete examples and empirical literature based on the European Union (EU), UAE will be introduced. Besides, their learning about how the situations were solved would be pointed out. From these point of view, Lao SMES would be able to discover the channel enhancing their business as well as preparing for the risks which rely on these suggestions and recommendations in this research.

The researcher expects that this research would be able to assist SMEs in Laos in exploring a suitable basic guideline for their risk management in terms of strategies, finance, labour and supply chains in the Lao context. In addition, the finding from this research would spark the government of Laos in the policy and strategy's development on the level of preparation that the SMEs in Laos have. Then, the appropriate formulation plans that can precisely target to the right point of the problem could emerge. Moreover, this research will provide useful information to the investors and donor from foreign countries to have knowledge about the SMEs in Laos. By specifically looking on what the strategy that the SMEs in Laos have used and their reactions to the changes, the investors or donor can form the right plan to make joint ventures and support the Lao market.

However, due to the rapid change of the economic and business environment system in the recent decades in Laos, newly established businesses have been facing many obstacles. These include poor management skill among SME owners, a shortage of a skilled workforce, no strategic and long-term plan, low manufacturing technology and only a focus on short term interests.

However, despite the fact that there is only a small number of existing quantitative research on SMEs that especially focuses on AEC in Laos, this research aims to explore the risk management of SMEs in Laos as well as their understanding of the concept of the AEC toward advantages and consequences.
In this regard, the conceptual problem is identified as:

“How does Lao SME owners concentrate on the changes happening in the industries of Laos”

1.3 Research questions

In order to address the research problem and achieve the aim, the main research question that needs to be answered is “How does the Lao SMEs owners’ perception on AEC affect their risk management strategy and approach in the four sectors namely restaurants, hotels, tourist agencies and handicrafts?”

In addition, to achieve the stated objectives and address the main research question, the sub-questions are as follows:

1. What are the Lao SMEs owners’ perspectives on the understanding of the SMEs?
2. What are the Lao SMEs owners’ perspectives on the understanding of the AEC?
3. What are the risk management approaches that the SMEs owners in Lao have used currently?
4. How did the risk management strategy of the SMEs owners in Laos change after they were aware of joining AEC, in particular, to business strategy, financial, workforce and supply chain issues?

1.4 Research aims and objectives

The aim of this research is to explore the SMEs owners’ perception in Laos during the transition into AEC and then find out how they prepared their business to meet the challenges for the risk management. In preparation of the risk management, specifically in the four main areas (strategic business, financial, workforce and supply chain issues) that moderate their business to sustain their competitiveness. However, in order to achieve those aims, the key objectives of this research project are as follows:

1. To demonstrate the understanding of Lao SME owners toward their SMEs.
2. To explore the perception in terms of understanding of threats that SMEs in Laos have on the AEC.
3. To find out the risk management approaches that SMEs in Laos have prepared before entering the AEC.
4. To determine the factors that formulate the relationship between their perception and risk management preparation.
5. To articulate the need of assistance from the perspective of the SMEs owners in Laos
6. To study the Lao SMEs owners’ characteristics toward the anticipated changes of the transition period when Laos is entering the AEC.

1.5 The focus of this research

This research concentrates on how the Lao SME owners understand the concept of the AEC and how their perception influences the changes before and after they are aware of the AEC. As the simplistic characteristics of moderating and operating Lao SMEs are based on the four main factors (Lao National Chamber of Commerce and Industry, 2010). In these changes, there are four risk management areas: strategies, finance, labour and supply chain that are evaluated in order to find out the most practical approach that should be implemented and assist their business over the transaction period of entering the AEC.

The main location in this research is in Vientiane, the capital of Laos. By doing so, the research could target at the main key business zone of the country which is the heart of business in Laos. Four sub-segments of SMEs are represented as the selected samples which included hotels, restaurants, tourist agencies and handicrafts. The main reason to embrace in these four sectors as the cases of this research is because these sectors are currently the most booming businesses, and they account for the fundamental role in the growing Lao market in relation to the AEC.

Nevertheless, these four selected industries are expected to have a major effect upon the AEC because basically these businesses mainly interact, operate and rely on the flow of people, materials and supplies, which is totally related to the research focus on risk management. Therefore, the findings after analysing would be able to apply to other sectors as well.
1.6 Scope and delimitation

Even though this research takes four industry sectors into account, the outcomes and suggestions may not be able to generalize and perfectly apply to all SMEs in Laos. Because in Laos, demographic, characteristics as well as the difference of firms' sizes could deliver results in different angles when the same approaches are implemented. Besides, due to limitation of regional studies to overcome the challenges of a trade union, the majority of suggestions come from the western literature and research contexts which may not be perfectly applicable in Laos.

1.7 Methodology and data collection

The qualitative approach is utilized in this research and the data is generated from the semi-structure interview which based on the paradigm of interpretivism (phenomenology). Due to the concept of AEC is new for business owners in Laos, the participants should be only people who know and aware of AEC and this is the main reason the qualitative method is employed. If there is no precise selection process, then there would have been only superficial, mismatch or even no answer toward this research project. Regarding this approach, the researcher could profoundly understand the issue from the respondents' point of views. In addition, this quality of in-depth information comes from the 12 Lao SME owners from the four sectors.
1.8 Structure of this thesis

The general structure picture can be viewed as:

- Chapter One: Introduction
- Chapter Two: Literature Review
- Chapter Three: Research Methodology
- Chapter Four: Empirical Findings
- Chapter Five: Analysis and Discussion
- Chapter Six: Conclusions and Recommendations

In Chapter One, a general business environment and situation in Laos, which is inter-related to the Lao SMEs problems, are introduced. This part has also provided an overview background of this research in relation to problem statements, the focus of the study as well as aim and objectives of the study.

Chapter Two: Literature Review - Plenty of relevant theories and empirical studies have been drawn in an attempt to connect the research problems to academic practices. In particular, the concept of SMEs in global and in Lao context are presented. Next, the chapter highlights the benefits and negative effects of a trade union in comparison to AEC. Lastly, risk management approaches in terms of strategies, finance, labour and supply chain are illustrated. All of these are to act as the guidelines for the data analysis process.

Chapter Three: Both qualitative and quantitative approaches are discussed in order to distinguish the rationale for selection and validation of the paradigm to use in this research. In addition, the way of conducting this research, the choice of sampling and semi-structure of the interviews are demonstrated. Thus, the following steps of data collection and analysis are described. Lastly, the chapter ends with the consideration of ethical issues.
Chapter Four: The emerging finding results from the unbiased semi-structure interviews generating from the four sub-sectors of SME owners in Laos are portrayed.

Chapter Five is the comparison and connection between the findings toward the aim and objectives of the study. This analysis stage is to discuss and apply relevant and applicable literatures to address the findings in order to answer the research questions and sort out the appropriate recommendations.

Chapter Six: Conclusion and Recommendations-The researcher concludes ideas and recommends the possible solutions based on the findings. Strength, limitation and further areas that should be extended are identified.

1.9 Conclusion

From introduction in this chapter, the researcher expects that the reader could visualise the general scenario why this research is created. In this regard, the articulation on Lao economic context and in particular to SMEs and trade union namely AEC help to provide the focus of the aim and objectives in this research. Thus, drawing useful information from which, the research questions are carefully formulated in order to correspond with the research purpose. Following this logic, the researcher believes that this research is properly functional and will be implemented appropriately.

1.10 Chapter summary

This chapter highlights the overview points of this project, which logically introduces the background economy and environment of the host location, Laos. To this extent, the problem descriptions of SMEs in Laos, research questions, aim and objectives are underlined. In this regard, the general information on the project related to methodologies, scope and limitations are outlined. These are all to moderate the themes to provide understanding toward all the chapters of this thesis.

In the next chapter, theories and empirical studies associated with the research questions will be extracted to provide predominate information to support the findings.
Chapter Two: Literature Review

2.1 Introduction

This chapter starts with literature relating to small and medium-sized enterprises (SMEs). In this, general terms of SMEs are illustrated and followed by SMEs in the European Union and in particular in Lao PDR. The chapter then points out the concept of the AEC, trade union and inserts their benefits as well as consequences. The review lastly narrows to risk management in terms of business strategy, finance, labour and supply chain in which SMEs should apply in order to be ready to participate in the trade union namely the AEC and solve the unfortunate problems occur.

2.2 The concept of SMEs

In this section, the general literature about SMEs is elaborated on in order to associate it with the research question one. By studying this literature a very good opinion about SMEs can be formed.

In every economy, Small and Medium-sized Enterprises (SMEs) are the most predominant factor contributing to social and economic development as they are the main moderators of capital in job creation and innovation. SMEs are a heterogeneous group which constitutes various firms that are innovative, dynamic and growth oriented (Saad & Idris, 2014). Besides, this heterogeneous is driven by different needs and objectives such as lifestyles or excitement of entrepreneurs to start up new businesses (James, 2014). In SMEs, once they employ more than 10 people; appropriate management and structure are essential. In today's economy, many countries around the word have reformed their policy aiming at encouraging the role of SMEs as they become increasingly active in the international market and boosting economic growth. Kamakura, Ramón-Jerónimo, and Vecino Gravel (2012) point out that all over the world, SMEs account more than three third. According to the European Commission, every year in Europe, SMEs could create more than 4 million new jobs in which they are recognized as the most important employment source (Golić, 2014). The concrete confirmation is the good example of
utilizing SMEs to reduce poverty in Pakistan as the result of the study proves that small-scale industry outputs have a negative impact on the poverty level (Matejun, 2014). In concrete, the government of Pakistan had promoted the new start up business by introducing various incentive schemes such as low tax, short procedure of legal registration and financial assistance. Likewise, the SMEs and other business sectors in Pakistan were rapidly growth which resulted to income generating and poverty reduction.

Although the largest numbers of enterprises which have been registered on the territory of the EU are 99.8 percent SMEs, the ultimate definitions of SMEs are still unjustified (Nestorovska, 2014). Even though inside the European Commission, the World Bank and even the Organization for Economic Cooperation and Development (OECD), they still are varied about the definitions of SMEs and there is still no consensus regarding this concern. Many studies have introduced various criteria to classify the enterprises in the category of SMEs. The principal criteria used to classify SMEs are their number of employees, turn over and total balance sheet of capital, ownership independence, profit, assets, total value of imports and exports. After all this, the unclear term of SMEs still alters even inside a country, and is the result of institutions and associations that differently define and classify SMEs. For example, statistical institutions, banks and governmental agencies have contrasting classification due to the fact that the sole objective or statistic measure does not correspond to their aim (Buculescu, 2013).

Kongolo (2010) believes SMEs are an economic moderator of growth as they create processing activities during the transition from agriculture to an industrialize economy. Meanwhile, in economic turbulent times, SMEs stabilize the momentum of the economy in the country (Organisation for Economic Co-operation and Development-OECD, 2010). Hood (2013) simplifies the benefit of SMEs as: job creation in low capital cost, contributing to GDP growth, generating opportunities for entrepreneurs, providing a foundation for the economic structure, strengthening policy by decentralizing to local development. In the words of Awuah and Amal (2011), so different from large scale enterprises, SMEs require unique quantitative and qualitative skills and competencies to operate. In this concern, for SMEs to operate, they do not require a huge amount of assets in which to generate a faster recovery if there is a crisis (Southiseng & Walsh, 2010). This means that, SMEs are highly flexible to a situation and environment in sustaining the economy in turbulent times.
2.2.1 SME in ASEAN and Laos

In particular to 2.2.1, the specific information on how Laos categorises a firm as a SME is asserted. This information will project if the Lao firms have the right understanding about SMEs in which the sub research question one will be answered correctly.

To ASEAN, SMEs are the major driven economy because 96 percent of all enterprises and 50 to 95 percent of employment belong to them. It can be said that, SMEs are one of the backbones of GDP contributors as they generally and significantly share 30 to 35 percent in which their export is around 19 to 31 percent (Secretariat, 2014). Locally in all economic sectors, both rural and urban areas, SMEs turn up as the largest source of domestic employment. In this, SMEs in ASEAN have offered career development and opportunities for women and youth to participate (The ASEAN Secretariat, 2011). Remarkably recognizing the importance of SMEs among ASEAN leaders, and their fostering and acknowledgement have been emphasized in order to lift up capacity building domestically and regionally (Asian Development Bank Institute, 2015).

In Laos, statistics show that 99.98 percent of businesses in Laos are made up of SMEs and they account for 83 percent of employment in the country which contributes between 6 to 9 percent of GDP in all sectors (Lao National Chamber of Commerce and Industry, 2010). In Laos, the major shares of the economic market scale are medium, small and micro enterprise which their percentages are 16 percent, 58 percent and 21 percent respectively. In this, only five percent are the large enterprises. In this sense, SMEs in Laos are different from large-scale companies in terms of the characteristic, nature of growth, capacity as well as skill and amount of resources (United Nations, 2012).
The definition of SMEs in Lao PDR is indicated in the table below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Annual No. of employees</th>
<th>Total Assets in Kip</th>
<th>Annual Turnover in Kip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>≤19</td>
<td>≤250 million</td>
<td>≤400 million</td>
</tr>
<tr>
<td>Medium</td>
<td>≤99</td>
<td>≤1.2 billion</td>
<td>≤1 billion</td>
</tr>
</tbody>
</table>

Kip is Lao current, 1USD = 8000 Kip

The decree further classifies SMEs by sector or sub-sector as follows:
- SMEs operating in the production of goods
- SMEs operating in the trade sector
- SMEs operating in the service sector

Source: Phoumilay and Douangsavanh (2008)

From the Mekong Institute (2012), SMEs in Laos operate by family lines and in hierarchy. This implies that typical methods are employed in running business in Laos, and they are not fit and not able to deal with internationalized market, especially in this coming AEC. The study by United Nations (2012) reveals that although the new business in Laos expands around 20 to 30 percent each year, there are only small boosts to SMEs in sustaining their business. However, to a certain extent the number of SMEs diminish as the country becomes more developed (Aharonson, Stettner, & Amburgey, 2014). Moreover, despite the high-rate of job creation in SMEs, insecurity of job loss in SMEs are the factors affecting the economy as SMEs are fast-growing but many have also failed. To be able to compete in the international arena, many domestic and global key challenges must be diminished first, These include skilled labour improvement, applying technology, constituting research and development partners and full participation and engagement between SMEs themselves, and government and agencies (Hayes, 2012).

From OECD-APEC surveys on barriers to internationalize SMEs illustrates that lack of home government assistance and incentives are the serious problems hampering SMEs to
internationalize especially in the context of the trade union (Publishing, 2008). A case pointed out by Southiseng and Walsh (2010) in the context of Laos shows that Lao SMEs management style dominates by short-term objectives, which is profit-based due to the awareness of their limited skill, finance and labours. This is one route problem that is hard to solve.

With the coming integration of AEC, Laos would have the potential to access new markets both regional and international. However, in an exchange with this liberation, the country may face regional economic competition and market traps if the businesses are not conscious of their benefits (GIZ, 2014a; Low, 2014). Furthermore, Laos is not yet ready to integrate into AEC as the SMEs still scale their sufficiency over their budget, labours as well as management abilities.

2.3 Trade Union: AEC

Toward this passage 2.3, both knowledge about the trade union namely the EU as well as the new integration namely the AEC is introduced. In addition, positive and negative consequences of joining the union are pointed out. Relying on this topic, the connection between perspective and awareness of entering the union will respond to the sub research question two.

In December 1997, The Association of Southeast Asian Nations was constituted to envisage a stable, prosperous and competitive regional economic zone. The agreements on these purposes are a free flow of goods, investment, capital and services. This is to develop economic equitably, reduce the poverty and socioeconomic gap disparities by 2020 (Das, 2012). In particular, the ASEAN Economic Community (AEC) is one pillar of the four ASEAN integration components as to idealize the ASEAN bloc and merge 10 markets among the members into a single one. In light of this ASEAN bloc, the key element is to harmonize every customs procedures into a single-point recognition of entry and exit in order to lowering barriers for the flow of goods.

This concept of one 'single window' resembles the format of the EU's single market that employs a digital origin document and a single custom's certificate to exchange goods among the union members (Nuthall, 2015). According to Petri, Plummer, and Zhai (2012) if the concept of AEC succeeded, the AEC would be considered as the biggest community effort attempted in the developing nations as 600 million people will have one market in which the goods, labours and services as well as capital and Foreign Direct Investment (FDI) can be moved freely. Moreover,
if the AEC was functioned, the exports in ASEAN would rise 42.6 percent while the imports would expand by 35.4 percent (Saad & Idris, 2014).

In reality with the upcoming dead line, the blue print of AEC still looks ambitious as there are still many unachievable tasks to be done (APEC Secretariat, 2015). Due to this concern, Agarwal, Penm, Wing-Keung, and Martin (2004) suggests that the success of many trade unions such as European Union (EU), United Arab Emirates (UAE) and Asia – Pacific Economic Cooperation (APEC) provide good lessons to be learned for the AEC even though the economic environment and diversity in the ASEAN region are different from those unions. In this regard, plenty of positive outcomes and problem solving models from those trade unions can provide guidance for the AEC. The study from Petri et al. (2012) demonstrate that even though the ASEAN economy has a wider gap and is less closely integrated than the EU, the AEC could still yield similar benefits as EU. Thus, the lower the trade barriers, the higher benefits. This is because the barrier elimination assists better productivity gain. Repeatedly as in the EU through the ASEAN, the integration will come with competition, and this will guarantee an equitable share benefit between consumers and producers due to the recognition of uneven levels of development among members (Lee & Fukunaga, 2014). Besides, Volz (2013) articulates that AEC can also imitate how the European financial integration process mobilized their firms to increase the investment and generated tangible economic benefits for their financial development.

In contrast, there are some common negative views among economists regarding trade unions. Their touch on the ongoing issue indicates that a regional grouping of more and less-developed economies, such as inside the AEC, the roles will be dominated by the formers (such as Singapore, Thailand and Malaysia) while the poorer countries (Cambodia, Laos, Myanmar and Vietnam) will be exploited and become economically dependent (Narjoko & Amri, 2007). Precisely speaking, the more developed countries in AEC such as Singapore, Thailand and Malaysia would have more power in the region where as the less-developed countries will be weaker. In addition, this problem of whether the “Development Divide” between older and newer members is shrinking or widening has been argued over the past decades (Pomfret, 2013). For instance, just like the EU in the past, the SMEs in Poland were shaken from the competition after joining the EU. This fluctuation of SMEs in Poland resulted from the inflow of cheap goods.
and services, which stimulated high competition that local SMEs could not compete with. Moreover, the necessity of quality control, standardization, attestation and certification licensing processes became difficult for the new starters and small firms. In consequence, the situation led to bankruptcy and liquidation of many SMEs (Becla, 2013). Compare to this problem, there is a high chance that this redundant problem will occur in the Lao context after joining the AEC just the same as has already happened in many countries in the EU.

Publishing (2008) emphasizes that currently SMEs have not fully understood the international market environment due to the lack of support from government at both local and international levels. This reflects in the fact that although facilitating policies are well identified in an initiative process; the government still cannot properly prompt the participation from the SMEs. For instance, the skill upgrading policy by the government is neglected and if not mentioned in the SME training program. Furthermore, SMEs should request the two dominated themes to the government as the need to improve technology-innovation and financial-human capital support.

All in all, in order to gain benefits and also to divert from problems of the trade union namely the AEC, the business in Laos, especially in the SMEs sector should have been aware and been able to form the pre-plans in an attempt to solve the challenges in advance. Hence, the meaning of this research is to explore this phenomenon as how to accommodate SMEs in Laos as well as international assistance to have better comprehension over the problems in the Lao context and then be able to prepare their risk management approaches, in particular, to the business strategy, financial, workforce and supply chain issues.

2.4 Risk management

In this section, many risk management approaches are included to seek out the most relevant approaches and mechanisms to structure the fundamental risk management for Laos. In particular, some specific norms which only reflect in the Lao culture will be added up in chapter five and become of value to this research whereas unmatched western theories will be rejected. As a result, this topic will address the sub research question three.
Risk management is the consideration to determine the maximum acceptable level from overall risks in order to sort out the most effective approaches engaging in a proposed activity. In this process, risk assessment techniques are applied in an attempt to formulate strategy and ameliorate risk to an acceptable level (Abotsi, Dake, & Agyepong, 2014).

The OECD-APEC survey on barriers to internationalize SMEs indicates that a lack of managerial time to deal with internationalization could fail SMEs when the country moves into free trade unions because the home-country SMEs do not favour foreign rules and regulations (Publishing, 2008). Boschmans, Bouyon, and Lernoux (2012) insist that as the entity of SMEs is one of few owner controls, this can become a risk caused from low evaluation practices as the decision and controlling power have an improper monitoring system. Henschel (2009b) enhance this by stating that since SMEs lack resources and knowledge management, they need very strong support in terms of the systematic risk management process to secure their business. SMEs' capacity to change depends on their resource, finance and skills. Being poor on these assets, SMEs would be unwillingly to introduce new technology and practices that may cause a risk to their firm (James, 2014). The same stream of idea has been drawn from the suggestion of Saad and Idris (2014), that the risk profile of SMEs includes the limitation of market power, inadequate accounting records and assets, low management skills and transaction costs.

Reviewing from the risk management experience in entering the EU, institutional and economic transition have affected and responded to the firms in SMEs differently (Bluhm & Schmidt, 2008). Resonating with the study of Rao Gundala and Khawaja (2014), SMEs are slightly more vulnerable to the change process and competition environment than the larger firms.

LÓPez and Iglesias (2010) illustrate the dilemma due to the inadequate risk management policies that SMEs in Europe have faced during the EU transition which included payment delays, high cost of capital and funding, fluctuation of money exchange and credit crunch. In contrast to large companies, risk management in SMEs is completely different due to the scale, theory and practice. This means that the way implementation is generally from the formal manner.

In relation to The ASEAN Secretariat (2011), to help SMEs out of sensitive fluctuations in the business cycle, the above-average risk based on lending and short-term debt should be minimized by injecting capital. Besides, (Golić, 2014) mention that generally a SME is one
person or one owner dominated. The owner or manager will mostly be the only person making the decision. In this assent, their characteristic and capacity are limited such as education, weak management, knowledge of technologies, market information, credit and access to banking loans. These mean that, SMEs would experience a shortage of capital whereas the opportunities to growth of SMEs would depend on the manager's technical knowhow on acquiring modern skills and technologies. As a consequence, SMEs are impeded by external and internal risks which jeopardize their performance, profitability and sustainability (Abotsi et al., 2014).

According to Henschel (2009a), the reaction toward risk by organisations and firms are classified into four types which are reactor, defender, prospector and analyser. The dividend dimensions to these four types are based on their strategy-structure, business planning, performance measurement, risk management process, risk management organisation and project risk management.

Anton (2011) elucidates the factors preventing the entrepreneurs from managing risks are the lack of capable risk expertise to evaluate and implement the risk management tools. This means that, there is a need to select the right approaches when a business encounters a dilemma in terms of risks. In all of that, Henschel (2009b) advise that risk can be dealt with in three ways, which are to avoid, to reduce and to transfer. However, many SMEs are still reluctant to utilize and adhere in the risk management framework (Anton, 2011).

A risk management capacity building in SMEs is introduced by Gao, Sung, and Zhang (2013), with the model relating to four moderators which include communication, relationship, knowledge and learning as the tool to reduce the level of threat from the risk.
In addition, Verbano and Venturini (2013) deliver the four processes of risk reduction as identification, evaluation, treatment and monitoring-auditing.

Source: Verbano and Venturini (2013)
Manners-Bell (2014) suggests the risk management system which constitutes three counterparts as risk analysis, risk evaluation and risk management.

Figure 3: Risk management system

Source: Manners-Bell (2014)

From all the mentioned information, therefore, there is a need to target how the SMEs owners in Laos have been prepared so far in an attempt to understand their risk management behaviour which moderates their business strategy, financial, workforce and supply chain issues.

According to Parnell (2015), the selection risk management process varies and is context specific in an emerging economy. In this AEC integration, Lao SMEs need to identify the right approach resonating the contextual framework and be practical in Laos in order to overcome the risk and be internationalize.
Onward below literature links to the business strategy, financial, workforce and supply chain issues. These four further down below knowledge relate to those issues that will reflect the sub research question four on how the Lao SMEs have changed their risk management. In relation to the interviews, the new models fit in with the Lao context and will be formulated in chapter five from the specific norm and culture of Laos when adapting with the below literature. Regarding this, it will remarkably become the important value and fill the gaps of academic research in this field.

2.4.1 Business Strategy in SMEs

The survival of an SME relies on the tension of the competitive environment; this may depend on uncertainty of market or price domination. It can be seen that the higher the market share, the better the competitors can prompt the price. In the case of SMEs, when entering the trade union and reduces barriers of trade, the big foreign companies would enter and influence the commodities and prices (James, 2014). To overcome these obstacles, the right strategies should be employed based on the geographic market and culture of the business.

Business strategy is the plan based on vision and mission to accomplish the settled goal and objective. Practically, the observation on threats, both macro and micro environment levels, where the firms belong are essential. This is to wisely plan and then optimally exploit resources in order to maintain the competitive advantage (Parnell, 2014). In today's market, rivals create competition forcing firms to moderate better quality and strategy. In business, De Wit and Meyer (2010) provide three dimensions of strategies as process, content and context. Strategy process is to deliver and managing tasks in an organisation such as strategy formulating, activities and task allocation. Strategy content is about what factors should be comprised in the strategy. Lastly, strategy context is to target where the strategy should be applied such as a niche market. In contrast, Campbell, Stonehouse, and Houston (2012) pinpoint three terms of strategy, which are pattern, position and perspective. Pattern strategy illustrates repetitive activities of behaviour occurring in the process of doing business. A position strategy explains about the way a business competes over its rivals. A perspective strategy is related to how people interact in the culture of the organization.
Grant, Butler, Orr, and Murray (2014) insist that strategic formulation and strategic management which focus on the process and implementation are crucial for success. For Rao Gundala and Khawaja (2014), they state that resonation between vision and brand-based strategies is important to embrace brand distinctiveness and promote a company. In line with Chan and Chee-Kwong (2008), effective knowledge management is a solution to further improve SMEs' performance. Utilizing knowledge management into practice, SMEs could gain more advantages such as sales growth, cost reduction and increased productivity. These advantages are derived from good human resource function, better management, customer satisfaction and new innovation. In association Peng Cui, Walsh, and Shaoming (2014), state that in the global market, exploration and exploitation of strategic fit in the host-country where the SMEs operate will display how that SMEs perform. This means that foreign SMEs products and services can strive over the domestic market by curiously looking at the host-country production factors on whether deploying an explorative or exploitative strategy at the right time. Additionally, these two schemes depend on the similarity to the host-country which is based on culture, geography, society and economy. Compare to the AEC, there are a lot of similarities among the members, especially in neighbourhoods. This means that the penetration by the strong marketers into neighbouring markets would be easier while the weak market such as Laos would be damaged.

One strategy as a characteristic of SMEs is that their small product runs create high flexibility to innovate and it is easier to change. As a result, SMEs could exploit a gap in the market as their strategy is emergent and informal, which is flexible to customers' needs and market niche (James, 2014). Brand management is a strategy obtaining reputation assets, which stimulate product recognition and long-term growth. In particular, this brings out key strengths enhancing value and the profit of the firms (Grant et al., 2014). SMEs should use a marketing strategy to cultivate their customers' loyalty by closely monitoring the approach of an individual in both the social and operational level as well as in the absence from the size of order with even a small profit. From this practice, SMEs can capture all values from the customer from the quick responses.

Publishing (2008) remarks IT is an effective tool to restructure the competitive business firms model as it could magnify business profiles and connect to clients as an online gateway. In this way, innovation-technology engagement and the customer's satisfaction have simultaneously
maintained and developed in order to keep competitiveness. For instance, in the tourist industry, they found IT as both an opportunity and a threat. Another strategy is brand management. Brand management for long-term business success towards trust and reputation are two interlocked relationships that attract to and restrict a customer from a certain SME. Besides, networks and alliances are a form of cooperation models that formulate in the tourist industry (Glenn & Mattei, 2014). This term is so-called horizontal cooperation when independent hotels try to benefit from setting up groups and clients. Media marketing is another effective channel promoting business. Today, publicising business through mass media and online interface is the most cost effective branding strategy and can massively catch a huge number of customers. By randomly distributing information to normal media such as television, magazines and online, global media such as Facebook and YouTube, business can minimize cost whereas branding is magnified (Chaston, 2014; Funk, 2013).

By compounding all of those strategies and crucially selecting the right approach, business in Laos could adapt to the new market smoothly.

In regard to Laos where business rapidly changes, the right strategy will separate gain from loss whereas the best practitioner can increase shares and become the leader in the industry (Gendron, 2014; Rao, 2010a; Stonehouse & Houston, 2012; Tracy, 2015).

Porter (2008) as cited in Rostek (2015) points out five forces threatening business competitiveness are threat of entrants, power of clients, threat from competitors, power of suppliers and the threat of substitutes. By concentrating on these five factors, the business would gain higher competitiveness in the market.
Stankiewicz (2000) as cited in Rostek (2015) developed the scheme of competitiveness development steps into four stages as competitiveness potential, competitive advantage, competitive instrument and competitive position. In addition, the first three are considered as the ability to compete at a business. With regard to this model, it is to guide the business to be aware on positioning and direction in order to create the ability to compete with other businesses.

Kaplan and Norton (2008) as cited in Rostek (2015) stimulate strategic and operating plans in performing business competitiveness with seven processes including defining objective, planning strategy, adapting organization, planning operations, implementation, monitoring and learning, testing and verification. This procedure is regarded as the cycle steps to operate and monitor the daily business operational stream line.

Figure 6: Kaplan and Norton's strategic and operating plans

2.4.2 Finance in SMEs

Money is a fundamental tangible profit signifying and measuring the status of a business (Dess, Lumpkin, Eisner, & McNamara, 2012). In other words, financial resources are the motivator of operations and services, and it is a life vessel as a surviving factor for a firm (Coleman, Cotei, & Farhat, 2013). Thus, these financials can be categorized into a cash flow, capability of borrowing and cash balances (Grant & Jordan, 2012).

Golić (2014) believes that limitations of funding and access to capital are common trouble issues for SMEs. The research in EU by Veselinova and Samonikov (2012) reveals that the growing ability of SMEs is their potential to empower in education and innovation orientation in which
all of these demand capital and therefore, access to funding sources. Saad and Idris (2014) have a view point that the differentiation of age profile and scale of the company have a strong relation to innovative capacity among SMEs. Indeed, the sector and new start-up SMEs tend to have higher risk associated with intangible assets while negative earning and their duration of operation can be a burden to secure a loan from banks. In this sense, Saad and Idris (2014) state the main obstacles to getting finance for SMEs are information quality between SMEs and investors, SME activities, transition costs, lack of collateral, legal system processes, constraint on quality of firms. Besides, there is also negative perception to finance SMEs equally while some available source of funding is the inability to be used.

By entering the trade union namely AEC, even though SMEs may have product success in internationalization, many small firms would still have difficulty in financing their product cycle because it is the payment system that would take the longer process and time (Publishing, 2008). Mean while, the innovation process and development is that SMEs would be struck due to limited financial capacity. Regards this, SMEs have to come with new sufficient funding either internal or external in an attempt to get smooth product lines (Boschmans et al., 2012).

In this essence, SMEs would be looking for more on tax incentives and subsides from government to reduce their financial intensions. There are also many studies indicating that mostly banking institutions are conservative when providing loans to SMEs as SMEs have limited asset values, and the commercial banks have the feeling that SME borrowers have high-risk and are vulnerable to assets. Besides, the long processes and strict regulations have discouraged SMEs. From this concern, to save time, many SMEs have turned to illegal or private financial providers even though the interest rate is higher (Abotsi et al., 2014). Regarding this situation, banks and credit unions should have advisory services in an attempt to generate understanding and help SMEs to minimize their financial risk before and after giving a loan. Besides, the financial strategic framework from government based on local SMEs context should be facilitated.

OECD Publishing (2009) indicated cautions on double taxation that burdens SMEs finance in which many SMEs are sceptical on the tax payment after tax profit is distributed. This form is about the neglect to check if tax is paid or not when buying commodities, typical is tax again of shareholders, tax credits or basic allowances. These problems could impede a company's
financial maturity and reduce the company growth. Nerudová (2010) highlights the case in the EU that tax incentives for SMEs and simplification to accessing financial institutions are the conditions contributing SMEs growth.

Unlike large firms, SMEs financial assistance is based on the informational capital that a SME can generate. Bouslama (2014) suggests the long term client relationship as a mandate for information exchange increasing the intermediaries of SMEs funding. This exchange of opacity information is under two types of acquisition: hard information that is shared publicly such as credit borrowing, balance sheet and soft information which are entrepreneurs' competency and their approach toward business management. Moreover, bank organizational characteristics such as size, complexity, ownership structure also play an important part of lending press for SMEs.

The probity analysis by Okura (2008) reveals that the smaller firms in regions with improper financial management are constrained over accessing bank loans. Additionally, accounting services and government assistance enhance the borrowing. James (2014) noticed that SMEs that focus and sell only to a large target group, that if this customer faces a downturn, SMEs may be hindered from a build-up of funding as their customer set both quantity of products and prices. Wei-Yen and Nee (2004) highlight that only small availabilities of financial assistances are publicized, this makes the SMEs have less knowledge on acquisition to public budgets. As a consequence, SMEs have difficulty in acquiring and accessing public funding.

Regarding The World Bank Group (2014), 10 million USD was approved by The World Bank’s Board of Executive Directors to be granted as long-term credit and this funding is to be injected into the expansion of Lao SMEs. However, based on the Department of Small and Medium Enterprises Promotion (DOSMEP) (2015), there is only a small number of SMEs that have acknowledge of and access to this capital after it was publicized. This proves the real case that SMEs in Laos are still far too conscious about the supporting finance.

In response, the solution to improve the access to finance has also been suggested as:

- The capital problem such as cash flow and guaranty its effectiveness needs to be solved
- New start-up business has to be supported in terms of financing programs
- Long-term financial environment should be improved in order to encourage new entrepreneurs and improve SMEs

- Enriching information and competencies for SMEs and entrepreneurs

- Forming connections that become consultations and new dialogues between governments, agencies, SMEs and financial institution

Karadag (2015) created a strategic financial management model to perform the smooth process of the finance flow in a business. The model stimulates under three periods of formulation, implementation and control. In addition, the strategic financial elements components in this model could help yield the better SME performance outcome.

Figure 7: Karadag's financial management model

Source: Karadag (2015)

Anton (2011) formulated the financial risk reduction flow chart of shareholder value creation as to generate more value from the stakeholders who invest in the firm. By following this diagram, the business owner would be able to identify and pinpoint what the motives are that impacting their finance and taking steps to resolve the risks in time.
2.4.3 Workforce in SMEs

Employees are the precious experienced and skilled operators who carry out organizational culture in terms of goals and the mission from practices and procedures to success (Dess et al., 2012; McGuire, 2014). Shaw, Park, and Kim (2013) illustrate that specialized skills and tactics are the factors constituting non-substitute, potential and valuable human resources. In line with those theories, employees are the contributors who develop innovation, maintain operation and drive growth for the business' competitiveness (McGuire, 2014; Publishing, 2013).

Golaś (2011) gives a regression analysis about the labour in the EU that labourers involvement in production adds value to SMEs profits due to mutual trust and strong relationship between employees and stakeholders after working together for a certain period of time. Additionally, this also addresses the barriers inside the organization as the deeper context and situation are comprehended by the workers. In return, organizational performance is enhanced (Horan,
O'Dwyer, & Tiernan, 2011). With this attention, the stakeholder should create room for workers whom they can improve because whenever they have this perception in mind, they will feel that their work is more energetic to do.

The research labour in the SMEs sector does not only indicate shortage but also lack of qualification to meet the need of the international market, this brings about the need for migrant professional applicants to fulfil the tasks. As a consequence, the country encounters foreign labour invasion, and the country loses the balance of labour competencies, which result in slowing down of country's development. An OECD-APEC survey on barriers to internationalize SMEs reveals that shortages of labour and untrained personnel are the factors reducing competitiveness and sustaining SMEs in the overseas market (Publishing, 2008). In the local market where financial development is low, government intervention in small firms in terms of credit lending has positively improved job employment (Armstrong, Craig, Jackson, & Thomson, 2014). Tan and Tan (2014) also comment that the host country government should be continuously pro-active facilitating and addressing labour market failure by injecting budget and subsidising for nationwide an up-skilling training program. All of these are to moderate SMEs from the inside organisational structure by improving skill labour.

Becla (2013) introduces the case of Poland after joined the EU that the level of education of entrepreneurs and managers does not influence organizational or managerial skills directly. However, and undoubtedly, precise decisions could be accomplished from good mental processes that result from good intellectual education possibilities. Besides those findings, Mehra, Langer, Bapna, and Gopal (2014) note that there is a significant link which shows that the more invested in training, the higher revenue per employee. Notably, the marginal amount of training could increase a firm size which in practice training will be paid off in more profit to large firms. For example, a dollar investment in training inside a median firm would yield the return of 4.67 USD and the growth of 2.5 times to the company. However, there are still not many empirical studies that can prove the link between human resources development and organizational benefits, especially in the context of the AEC. Likewise, the concept of AEC and workforce in Laos in terms of risk management should be explored.

Publishing (2013) emphasizes that it has internationally recognized that training can yield benefit and return in productivity to the company but in many SMEs, staff training and labour mobility
intensiveness still have given very little benefit to the firms. From his findings, he related to informal training and skills development in SMEs reveal that formal and informal training have been exercised for skill development, and saying that alternative training sometimes has better results than formal training and training activities are driven by market forces.

Even though HRM practices significantly contribute to labour improvement inside an organization, HRM still faces the problem of bureaucratic structures, resources constraints and organizational growth barrier to achieve the success of SMEs. These make the employees miss out opportunities to improve themselves. In contrast, there is an issue to secure employees after benefit from training still happens in many organizations because employees tend to seek higher salary and better job. This makes many SME managers move to in-house instead of formal training because they can payless while they can still benefit from the employee's improvement. The example is drawn from the Botswana government when the local community provided effective in-house training that can enhance skills while the employees still stick to their old job.

Chen, Cuyvers, Lombaerde, and Kusumaningtias (2011) articulates that domestic policy would be harmful and a drain on the free movement of human capital in the ASEAN context, especially to the countries that have weak policies and unstructured regulation control such as the newer members. After entering the AEC, they will have the free flow of labourer and this is the main concern to every country on how to secure as well as strive for a high-quality workforce in an attempt to obtain the most benefit to their own country.

From his study, Sheehan (2013) has categorized the skill development into seven terms, which are generic skills; this includes IT, oral, written, numeracy, literacy and administration improvement. Routine skills are associated with repetitive, basic knowledge of intensive learning. Technical/advanced skills-problem solving, technical framework, IT professional are in touch in this process. Management skills, are inserted by business planning, HR and regulation involvement. Social skills focus on motivation, team building and negotiation. Language and cultural skills rely on language and multi-culture understanding. Entrepreneurial skills are built up to prepare the workforce to new start-up businesses and handle all processes to business success such as risk management and strategic thinking. Similarly, Maani (2011) insists there are five learning organization principles to develop employees which include vision sharing, behaviour model, team learning, personal improvement and system thinking.
Capacity building in strategic human resource management (SHRM) can be an option to optimal SMEs performance. Kenny and Clarke (2010) express that internal organisational factors such as staff influence and interacting with external factors of society and politics consequently shape capacity building and business outcome. In addition, systematic mechanism of capacity building relates to human resource and organisational improvement which practically involves individual training (Yamoah, 2014). In this essence, human resource capacity building improves both macro level of organisational structure and micro level of individual capacity building. Hence, applying SHRM into SMEs is essential. By doing so, the workforce could have better capabilities, skills and personal development (Ulrich, Younger, Brockbank, & Ulrich, 2012). Gekonde, Nyamboga, and Nyarohoo (2014) elaborate that with SHRM, staff could deliver better services when they obtain proper training. Likewise, firms could have better advantages over competitiveness.

Beardwell and Claydon (2010) notice that there is no one fit all strategy for any organisation but adaption is needed for perfect practice. This means that, SMEs need to establish their own most practical SHRM that fit to their strategies, objectives and goals. In Laos context, the three most applicable would be talent management, learning-development and knowledge management strategy. Firstly, talent management is to target the best staff in obtaining specific skills should be the approach applied to support and encourage the outstanding workers for the longer term development (Armstrong, 2011). Secondly, learning-development is to transfer information of the organisation learning process to workforce. Based on the need of interest from individuals, their career development can grow sustainably from inside out (Redman & Wilkinson, 2013). Lastly, knowledge management delivers common task operations from team learning and real practices must be taught to ensure that all workers know their main duties (Mukherjee, 2012).

In contrast, many companies have not participated in training due to many reasons. Publishing (2013) has searched out the given reasons from those company as shown below

- The current employees already have skills and competencies that correspond to the need of the enterprise. Hence, there is no need for further improvement.
- Before hiring, people were recruited with the skills needed. This means that with the appropriate selection process in recruitment, there is no need for training. However, this
strategy gives risk to business when in an industry where the business is rapidly evolving or changing.

- Many firms avoid training as they are concerned that it may waste production time.
- Cost benefit comparison, SMEs do not see the importance of training and think of it as an expensive scheme.

However, SMEs mostly constitute the structure under the circumstance of owner and employee relationship. This makes the hierarchy between the owner, manager and worker blur. This will involve resolving the failure of the worker and redefining the ownership authority. The business owner may encounter the challenge and experience reluctance to discipline the employee due to procedural informality (Muhammad Siddique, 2015). This form of relationship in the workplace is so called build in relationship. Regarding this unofficial structure, there would be a hard time for a SME to change if an owner would like to enter the standard of the AEC business system.

### 2.4.4 Supply chain in SMEs

An inadequate supply of resources is a weakness for every business. A business considers resources as assets in abstract and non-abstract terms in which when these are utilized and combined, they can bring out potential for as well as an increase in capacity for that business (Fitzroy, Hulbert, & Ghobadian, 2012; Victer, 2014). Grant and Jordan (2012) assert that resources not only pursue attractiveness, but they also magnify the advantage as the core supporter to the business over the rival competition. Kumar, Singh, and Shankar (2013) state that to achieve competitiveness and growth, supply-chain management is paramount. Today, the supply chain has gone beyond the traditional manufacturing lines and merged with the designing process, brand and marketing tasks in which they influence the foreign investment to invest in outsourcing tasks in the SMEs (Publishing, 2008). The Publishing (2008) points out that in the transition to globalization, the value chain would affect and change the way of organizing the product. This is due to the modification between partners in seeking out new resources.

Kamakura et al. (2012) introduce three points that SMEs should apply to the value chain. Firstly, the resource-based view (RBV), resources and capabilities are the main factors influencing a firm's decision. Secondly, the market-based view (MBV), the situation of the current market
where a firm belongs will drive a firm to new foreign markets. Lastly, network-based view (NBV), the relationship between a firm and suppliers-collaborators make the decision for expansion into new markets.

Alongside this point, the unbalancing supply chain has appeared from the blurred operation structure and is unprocessed alongside the chain. To address this problem, the long-term contract should provide more information regarding cost, quality and process in order to counter the complexity of the value chain (Rangel, de Oliveira, & Leite, 2015). The manager should apply the screening procedures such as using multiple suppliers' policies to have a better bargain and be safe in case of emergencies or evaluate the suppliers repetitively. It can be said that, it is essential for a better supply chain that will enhance greater financial performance (Sukwadi, Wee, & Yang, 2013). According to Kumar et al. (2013), integration with other suppliers, relationship management, networking and inserting new technology are crucial for supply chain coordination.

In relation to supply chain, the survey by OECD-APEC on barriers to internationalizing SMEs shows out that offering satisfactory prices to customers and accessing export distribution channels are two challenges that are hindering SMEs access to new markets. As a result, in order to impose and respond to those obligations, many SME firms may have to downgrade their functions. This makes the country with a weak system especially supporting their SMEs would finally turn into a dependence situation and bear a huge risk (Kumar et al., 2013).

Thun, Druke, and Hoenig (2011) claim that price setting and the fluctuation of pricing have a root cause from the supply-chain relationships. Similarly, Kaczmarczyk (2014) believes that by understanding supply chains and their mutual relationships as a potential generator of growth, the solution to problems happening in the transition market process such as the AEC can emerge just as occurred in the EU.

Thakkar, Kanda, and Deshmukh (2011) sort out that the requirement of supply chain in SMEs are based on their customer requirements. In essence, SMEs with weak negotiation will be against a one sided decision posed by the larger organisation. In addition, from their empirical study in southeast ASEAN reveals that the closer the management is between SMEs, customers and suppliers, the better is the bearing upon accuracy and reliability of the firm. This relationship
is stimulated under the high demanding and more dynamic the market. In contrast, this strong relation would see reluctance by SMEs to seek better alternative suppliers because they do not want to break loyalty and a traditional relationship. As a result, businesses would have the risk of collapse as they would be dominated by single suppliers as selection criteria is forbidden.

Thun et al. (2011) indicate that SMEs have the main focus on redundancies toward their risk management framework rather than a preventative scheme, this is regarded as a reactive instrument which targets on safety stock, and overcapacity. Bode, Wagner, Petersen, and Ellram (2011) suggest that in the disruption period of supply chain, reuse, reduce and recycle (3R) are an option to save cost, be independent and rely less on suppliers. In particular, this is a practical technique in strategic planning which is known as 3R to shorten the supply chain line and reduce waste (Huang, Chuang, & Chen, 2016). Seock-Jin, Kwon, and Jian (2014) state that the perception of partnership and risk in the supply chain network is a factor moderating performance. Lefebvre et al. (2014) recommend that the success of internal networking heavily relies on the fit between networking, innovative design and their firms' behaviours.

However, it is undeniable that the policy of the AEC on free flow of goods would impact the supply chain in each country, especially in Laos, which heavily relies on the commodities from abroad. Based on those views and in the ASEAN context, linkages and inter-firm networks will formulate SMEs in new markets, and this formulation will bless collaboration and efficiency in the value chains (The ASEAN Secretariat, 2011). All in all, the implication for SMEs is that entrepreneurs will have more opportunities to enter and invest in new markets as the business development and supply linkages have been connected among ASEAN members. Therefore, the process of supply chain strategy should be well adapted to the AEC environment in which has been created advantage for the implementer of Lao SME owners.

Supply chain risk management (SCRM) integrates all activities related to the management process of supply and demand within and across a firm. Lavastre, Gunasekaran, and Spalanzani (2014) suggest the SCRM framework as shown below:
Some of the key findings demonstrate that age, gender and experience of business owner has no relationship to SCRM as the same method is being used. The length of partnership defines the smoothness of SCRM. SCRM should be started from the strategic level as it requires long term information gathering. The more practice, the more success of SCRM.

Some of the mitigation methods in SCRM include informational flow management-cooperate and exchange of information, physical flow management-internal and external security stock, industrial partner relationship-creating a long term focus for the firm with coordinated suppliers, monitoring risk and relationship-sort out indicator of risk without the partner and measuring its effectiveness.
2.5 Conclusion

In this chapter, the researcher articulates useful literature by narrowing from the world and academic perspectives to the regional and practical articles found in the host research country. Besides, there are concrete incidents that are given as examples in an attempt to compare and consider as a choice of option for the findings. However, not all of the literature would fit into the Lao context and still needs to be adapted and changed. The researcher is certain that by adjusting from the above literature, many answers could be extracted to support the finding that can be applied in Laos.

2.6 Chapter summary

In this chapter, the researcher has previewed the literatures in relation to the concept and characteristic of SMEs both internationally and in Laos. Besides, the concept of a trade union in general such as the EU is given as an example of international trade integration. In addition, the researcher has narrowed into the target of the AEC. In this regard, the benefits as well as the challenges ahead when entering these unions are shown. Following the literature, the researcher pinpoints to the risk management issues which are strategy, finance, workforce and supply chain. These four components in risk management are selected due to their being essential to help SMEs to survive in entering the AEC. Many ideas, concepts, the literature and examples are included in these components to sort out the most appropriate and right answers to solve the problems that may occur both before and after the union.
Chapter Three: Research Methodology

3.1 Introduction

This chapter demonstrates the adopted methodology for this project. Thus, in the beginning, an overview of the positivist paradigm is illustrated in which the qualitative and quantitative approaches are discussed. The rationale why the qualitative approach is employed in this research is articulated. Additionally, the screening sampling process and how the data collection method is used to preserve semi-interviews are discussed. The approach taken to implement the data collection method and analysis are given. Finally, the chapter concludes with outlining the validity, reliability and the ethical considerations.

3.2 Research methodology

Methodology is a selecting mechanism to ensure that each research is conducted effectively and appropriately (Collis & Hussey, 2013; Swift & Piff, 2010). In this, the steps include the approaches engaging the study process, data collection and analysis methods. Precisely, Collis and Hussey (2013) argue that the method and methodology are related but different. From their point of view, a method is the way of utilization of the methodology by using the knowledge structure or discipline coming from the methodology. In contrast, method is the field of practice, which means a technique or process about how the research is conducted. It is clear to Adams, Khan, and Raeside (2014) that these two concepts are different. Research method is the concrete implementation process whereas research methodology is about background information on philosophy and science.

The reliability and validity of a research depend on the way the research is done. In this manner, if the researcher neglects the consideration process of the method, the final outcome of the project could be hilarious (Swift & Piff, 2010). A good project would crucially rely on how the methodology justifies a particular method to be employed (Adams et al., 2014). In this regard, the paradigm is based on the researcher's philosophy assumption and should be contemplated from the considered methodology in order to lead the research activities (Collis & Hussey,
As a result, the research paradigm will assist the researcher to construct the research strategy. From the appropriate method, the researcher could them know and be able to adjust the precise aims and objectives as well as what type of data that should be gathered (Ng & Coakes, 2013; Swift & Piff, 2010). From what has been mentioned, the researcher now realises how important methodology helps design and determines what the paradigm, and the approach and strategy to be used in this research in an attempt to accomplish the research objectives.

### 3.3 Research design

Saunders, Lewis, and Thornhill (2012) point out that the first process in the research design is to select the right research paradigm in order to further the next step of creating a blueprint of the research. A research paradigm can be imaged as a research structure framework that portrays the direction of the research. Additionally, this paradigm has to be followed and is under the philosophies and assumption of manmade knowledge and nature (Saunders et al., 2012). According to Collis and Hussey (2013), positivism and interpretivism are the two main and most famous used paradigms in the research field. From those two, which one will be applied is imperatively based on the consistency and matching between philosophical assumption and the purpose of the research outputs. The paradigm in this study is based on interpretivism or so-called phenomenology. In this approach, the inductive manner of the qualitative method is employed. Thus, the main concern is on the in-depth comprehension over a respondent's experience and reaction in a particular situation or phenomena (Bryman, 2012).

Positivism refers to quantitative methods, which are fundamentally deductive in nature, logic and arithmetic (D O'Gorman & MacIntosh, 2014; Swift & Piff, 2010). Regarding this method, experiment and observation are the process to test in an attempt to understand the reality of how people perceive and react onto social phenomena (Collis & Hussey, 2013). This is all to clarify and also predict ahead. The utilizing of theory in this approach is to enlarge and compose a casual relationship among variable's factors in the test by creating occasional hypotheses and then prove their validity in a deductive approach (Collis & Hussey, 2013; Saunders et al., 2012). Precisely, the test will analyse the attributed variables as they are the coefficient factors motivating and influencing the outcomes. Likewise, problems in social phenomena can be solved, and positivism belongs to quantitative methods as long as the variables are existing and
able to be measured. This research will not investigate in the positivism way as this research does not focus on formulating variables to test, but is about the in-depth interview.

In contrast, interpretivism enhances the belief that there is no fixed objective in social reality because everything is subjective and formed under the perception that people have on a certain phenomena (Collis & Hussey, 2013). Normally, interpretivism is to investigate and sort out reasons to solve a particular problem or unclear opportunities of phenomena by interpreting people's perception and then comparing to the hypotheses. To be precise, Collis and Hussey (2013) explain that interpretivists process information by describing, translating and then categorizing their contents and contexts. Saunders et al. (2012) highlight that interpretivism is more appropriate to implement in social science, especially in business and management as their situations and environments are always changing and based on how people function and react.

Therefore, from all advantages and specific characteristics of interpretivism that correspond with our purpose, this research will be structured under the interpretivism approach. By following this approach, the researcher would be able to explore the new phenomena of the AEC in the Lao context that heavily relies on Lao SME owners' perceptions and reactions. In practice, the researcher would be able to have the in-depth interview, and unearth high-quality information from the respondents' point of view.

3.3.1 Quantitative and qualitative research approaches

3.3.1.1 Quantitative research approach

Donley (2012) points out that deductive research mainly focuses on the quantitative approach, which begins with the development of theories on questions and testing hypotheses in order to prove, refute and remodel. Zikmund, Babin, Carr, and Griffin (2012) state that measuring concept over activity in quantitative research turns out numeric values that can be utilized for computing and testing hypotheses. In these values, surveys such as questionnaires given to respondents delivers a commitment score that can be labelled and put in a qualitative scale and then compiled in a way which the analytical result connects to different theories of researchers. Zikmund (2000) explain further that the outcome of numeric testing will verify as well as deny
hypotheses and based on these decisions, ideas can be made and developed in the qualitative research.

In line with Crowther and Lancaster (2009), in the early stage of the research design, data analytic techniques should be considerate, in particular to method of collecting and types of data. This is to clearly divide and foresee ahead to what group that the data should belong. In this way, the researcher could expect to form the type of all data to fulfil all acquiring tests such as nominal, ordinal, interval and ratio. As a result, the lowest to highest form of all measurements can be made, and this allows the researcher to make the comparison and contrast in the project (Zikmund et al., 2012).

Zikmund (2000) confirm that mostly the research problem's nature influences selecting the choice of method in a research such as exploratory, descriptive or casual. Descriptive research is to choose questions on who, what, when, where, how and these have relationships based on the research problem's background. Causal research is used to explain the relationship between two variables. The process includes forming order, measuring the presumed cause and effect, and then distinguishing into presence or absence of alternatives.

Knowles and Michielsens (2011) believe that with numerical data and computing analysis, the quantitative approach has a high validity and credibility to be exploited in every research. Additionally, Cronholm and Hjalmarsson (2011) comment that the verification and falsification on answering hypotheses are the most trustworthy factors to the quantitative approach. Bryman and Bell (2011) point out that from time to time, businesses use quantitative research to generate information associated to their business problems and opportunities. Likewise, the achieved numerical data will help reduce uncertainty in an uncertain business environment.

However, Cronholm and Hjalmarsson (2011) emphasize that the quantitative approach seems to be superficial when the data and analysis come from irrelevant hypotheses, and the description of research is too broad. Similarly, Bryman and Bell (2011) elaborate that the wrong hypotheses may fail the whole deductive research, and all processes would be halted. Besides, in some circumstances, the usual data cannot be collected because it does not resonate and cooperate with the norms and model of positivism that can only analyse the regular data. Moreover, quantitative
research is objectivism which cannot represent the complicated thinking, ideas and perception of people with a different reaction toward rule and regulation that is beyond numerical input.

3.3.1.2 Qualitative research approach

Unlike quantitative research that formulates questions on short answer and lack of in-depth built on clarification, qualitative research is targeting through inductive research in which to find out the meaning from the delivering message and conversation (Cameron, 2011). Cronholm and Hjalmarsson (2011) give the point that qualitative research goes through the depth and breadth of information in which a complex issue is understood by analysing not measuring. Hence, as Carcary (2011) explained, the exploratory method tries to emphasize and elaborate detailed knowledge to a particular situation or problem. As a consequence, the carried out research that is carried out will have an expectation that subsequently confirms the evidence.

Vallack (2010) illustrates that currently qualitative research is more acceptable than in the twentieth century when validity of research was ultimately dependent on a scientific approach because qualitative research can now show the higher extent capacity that numerical cannot achieve. Cameron, Dwyer, Richardson, Ahmed, and Sukumaran (2013) also comment that even though the qualitative method produces fewer statistical meaningful numbers, it could provide another side of in-depth information from inside people's thoughts.

Drew (2014) also argues that qualitative research is an effective method to extract data from business elites as the process can enrich the conversation to the deepest answers. However, he made a curious point that there could have been many challenges in the interview such as accessing respondents, imbalance of power between parties, which result to unevenly and less openly exchanging the ideas. Therefore, those obstacles should be taken into account, and the researcher should be aware of relationship building, which can lead to bias such as the respondents would hide the full information or true meaning when answering the questions. Thus, the interviewer must earn trust and empathy in which the respondents will frankly, and candidly speak from inside.
Cronholm and Hjalmarsson (2011) claim the results from the qualitative interviews as a weakness of this method. Due to the small number of respondents per research, generalizing output to the whole population is impossible whereas these outputs also are hard to replicate and not objective. Additionally, Hirose, Itao, and Umeda (2012) reasoned that interviewer's competency affected data interpretation because different experiences, knowledge and education background would bring different perspectives to the interpretation. Carcary (2011) demonstrates that in the same issue, contradiction in interpretation tends to occur if different interpretative techniques are used to describe the same objects or pictures. Fortune, Reid, and Miller (2013) infer that constructivists have many ways of evolution depending on the situation. For Cooper and Schindler (2014), qualitative studies are heavily time consuming because the in-depth interview always needs clarification from respondents which as a consequence gives more data to analyse and compare than the quantitative studies.

Due to the fact that this research is first of the it kinds in risk management of SMEs in Laos, the dawning theme for the qualitative in this research is interpretivism. Regarding interpretivism, the social construction of language, consciousness, shared meaning and instrument are generated as to analyze and formulate the meaning of information (Braun & Clarke, 2013). Regarding to this theme, Flick (2010) asserts that interactive, participative and cooperative expression are derived from this theme which is what this project try to accumulate from the desired information. Therefore, the interpretivism theme is suitable for this research.

3.4 Rationale for selecting the qualitative approach

Critically acknowledging both advantages and disadvantages of the quantitative and qualitative approaches, the researcher selects the qualitative method in this project. The reasons for this selection are, firstly, the advantages of qualitative are more suitable in the Lao context. Generally in the Lao SMEs, there are only some SME owners who are aware of the AEC in which most of them will only have a superficial understanding about what AEC truly means. As a result, the qualitative approach will allow the project to select the right people and gain accurate data. In contrast, the quantitative approach would randomly select respondents which make the data less precise due to unwanted answers of people who have no ideas about AEC. The second reason is about the flexibility. As the approach is about conversation through interview questions, it
permits the researcher to explore insight ideas and the perception of respondents because the respondents can engage and express their thinking optimally. As a consequence, all of that processes will elaborate their reaction and behaviour that they have on the AEC. Lastly, the characteristics of the qualitative approach match with social sciences and business studies, especially when the phenomena is new and needs only specific data. AEC is the new phenomena which will happen at the end of 2015 and has also the possibility to delay to beginning of early 2016 due to less preparation by some of the member countries. As this research period lies on the remarkable turning point of the transition scheme, the research can illustrate both situations before and after joining the AEC.

3.5 Method of data collection and data analysis

3.5.1 Selection

Sample size or purposive sampling is the determination to select the respondent for participation in which all participants must align with the research goal and in target (Tracy, 2013). Purposive sampling is a filtering strategy to distinguish the prerequisite respondent from the whole population group in an attempt to serve a particular research. In addition, this strategy helps the project to handle research questions and achieves objectives (Saunders et al., 2012). Given that this research needs to find out the reaction and behaviour from only Lao business owners who are aware of entering the AEC, this purposive sampling is essential for the selection process before starting data collection.

3.5.2 Sample for semi-structure interviews

From the purposive sampling, the research is able to put the criteria that the participating respondent in this project must be in the position of managerial level or the business owners themselves. Regarding SMEs in Laos, the main person taking decisions and direction of a business are the owners or general managers because these people are the motivators who monitor and plan a business. Therefore, this research aims to interview 12 Lao SME owners who meet the criteria.
Based on the topic and aim of this research, the population of this research is the SMEs owners in Laos in which the sampling will be specific to four main sectors, which are hotels, restaurants, tourist agencies and handicrafts in which a total of 12 business owners will be interviewed. As the time and money are limited, the researcher will select the subset of the sampling from those four particular sectors. Zikmund et al. (2012) assert that data can be generalized through the target population of 126,913 enterprises in Laos when the appropriate and a careful selection is used to formulate the sample in which time and cost can be saved.

3.5.3 Selection processes of the participants

First of all, after the research proposal had been approved by the Department of Management and Marketing at Unitec, the researcher sent the project information sheet and organization consent form to the Department of Small and Medium Enterprises Promotion (DOSMEP) under the Ministry of Industry and Commerce in Laos (This was to give authorization to the researcher to conduct the data collection in any of the SMEs in Laos). After that the researcher requested the DOSMEP to provide an information sheet that covers the four SMEs sub-sectors in which the researcher could formulate a sampling frame. From this sampling frame, the 16 participants were randomly selected and contacted (12 as eligible participants and 4 as substitutes). In this sense, the samples which are the SMEs owners confidentially participated and engaged in the research project as they felt confident about the processes that went through the public administrator such as DOSMEP. The researcher then delivered the information sheet to the selected SME owners who responded positively to participate. In the information sheet, it was stated the meaning of research and also indicated that all participants were voluntary and would not affect any person or their business. In light of this process, if the business owners were interested to be part of the research or required more information, they could contact the researcher via phone or email as per the contact details on the provided information sheet. Participants were asked to voluntarily sign the participant consent form when they accepted to participate.
3.6 Data collection

3.6.1 Semi-structure interviews

This research utilizes semi-structured interviews as to collect data for the analysis. Rabionet (2011) asserts that the semi-structured interview is a fruitful technique that could narrow down the topics and issues simultaneously while interacting conversation with people. Throughout the process, the researchers could overcome inquiry issues that need to be answered by extending, elaborating and redefining conversation (Bryman & Bell, 2011; Ng & Coakes, 2013). These are to make clear the questions for interviewees whereas the unclear answers also get clarification from a build-on the questions (Glenn, 2010; Rabionet, 2011). In this way, respondents would feel comfortable and have more confidence to speak out as it is a one on one conversation. By profoundly and logically preparing the questions based on the objectives, the researcher would be able to scope the expected areas of up-coming answers from respondents which makes the interpretation easier as the questions and answers are narrowed in the same line.

The face-to-face interviews were held in the period of July to August, 2014 in the Vientiane capital of Laos. In terms of location and time to conduct the research project, the researcher scheduled the time based on the convenience and availability of the respondents. This was to avoid any effect happening to their business. When the location was agreed, the interviews were taken in Lao language and then transcribed into English by the researcher. Additionally, the researcher used a voice recorder during the conversation of approximate 40 minutes to one hour, depending on each interview.

3.6.2 Pilot study

Before the real interview, all participants received the project information sheet that articulated the overview information for this project. As a consequence, the participants would be able to have prior ideas that do not get lost in the real interview. Besides, there was the pre-test interviewing of the questions with three SME owners in Laos that the researcher knows. This was to make sure that the interview questions are clear, appropriate and easy to understand.
Besides, the constructive comments and feedbacks about the interviewed questions were collected and if where necessary, the questions were modified before the real interview.

3.7 Data analysis

This research applies the inductive approach in the process of data analysis in the means to analyse and develop the themes as to focus and insist on conceptual frameworks (Saunders et al., 2012). Braun and Clarke (2013) explain that to analyze data and turn it into a result, the raw data needs to be transformed and revealed. Bradley (2013) states that the data also needs to be collected first, and then the pattern could be determined. In order to achieve good findings, the researcher should critically engage a technique to moderate and restructure the data into categories (Collis & Hussey, 2013).

Flick (2014) suggests that there are various analysing techniques such as grounded theory, thematic coding or interpretative theory to use with raw data. However, the project itself and the researcher are the factors that decide which technique is the most appropriate in order to practically overcome some difficulties and enable effectiveness of the data collection and analysis procedures (Bradley, 2013). After carefully screening through this project, the researcher is certain to employ the thematic coding analysis method with the raw data.

Thematic analysis is to create themes and patterns from the contextual meaning of raw data that already categorized and analyses (Braun & Clarke, 2013). Besides, the coding process is added up in this technique. Coding is the process of organizing and conceptualizing the data from interviews into a chunk of a word, a short phrase or a short name which all of them may be connected or unconnected to a specific setting (Gläser & Laudel, 2013). By doing so, the themes or categories of that chunk of words will be identified by the attributing of a code that is set (Horvat & Heron, 2013). Hence, the process of coding will assist the researcher to seek out the data or item that has the same code which conveys the meaning to the answer in order to answer the research questions.

The principle of grounded theory indicates that there are two main coding processes, which are the primary cycle coding (open coding) and secondary cycle coding (Tracy, 2013). To extract meaning of data, primary cycle coding is used in the beginning which resembles descriptive
codes, and it may evaluate and code the data more than two times depending on the data. Secondary cycle coding is the further step beyond the open coding as it will analyse and interpret the codes. From the result of these two processes, the researcher could identify, categorize and synthesize all codes into concepts (Tracy, 2013). All in all, thematic coding is important to turn the raw data into meaningful and comprehensible contexts.

To help thematic coding become more effective, memoing is also simultaneously applied. Memoing is the step of recoding and writing a note as to reflect the ideas about categories of coding that may not yet fully fulfil the quality to answer the question (James, 2013). In this way, the researcher can use this memoing to re-recognize and roll back to observation time of the interview again. As a result, the information of coding can be more elaborated and the answer to the questions will be more accurate. Practically, the processes of this thematic coding are as followed.

- Compiling data: after the semi-structure interviews are finished, all voice records are transcribed into English manuscript by the researcher.
- Developing key categories and themes: By using coding and memoing techniques related information in contexts on the transcript which responds to the research questions and objectives will be classified and grouped into categories in which themes and concepts will be formed. In this project, R1 to R10 is the representative coding of 12 Lao SMEs owners who participated. This is an anonymous way to secure the respondents' identity and manage the coding.
- Formulating the concepts: Based on the findings and implications from the thematic coding process. The conceptual frameworks will be drawn to conclude the study and reflect the project aim.

3.8 Validity and reliability

Unlike quantitative studies that have statistics and programming to prove their validity, qualitative studies heavily rely on participant's trust and the researcher to utilize the variety of methods in order to guarantee the reliability and validity of the findings (Creswell, 2015). Parker (2012) asserts that uniqueness of interpretation in contextual frameworks are the sources of
credibility in qualitative research. This all implies that quality of research is based on the whole process of the project. Noticed by Barnham (2015), authenticity and trustworthiness are the two main factors to preserve quality in the interpretive research. To achieve these factors, the researcher has considered the following issues.

- **Sampling selection process**: to be able to maximize the level of responding to the research questions, the participants were chosen based on their best position and knowledge in their business. As a result, the researcher could sort out the best answer from the people who have best understanding in the focused phenomena. Therefore, the participants are the business owners and general managers of the business as they can provide information and be aware of the situation on their daily basis.

- **To avoid bias and complete understanding of the phenomena**, the research has generated information from various sources such as academic studies, journals, international and local field research to formulate the discussion on this project. Besides, the interviews from both general managers and business owners are able to enrich the variety of ideas and perception of views.

- **The interview questions in this research** are crucially developed. This is to ensure the quality of up-coming data as well as divert from biased or leading questions. To prove this, the researcher has checked the questions with academic institutions and peers and tested them in the pilot study.

- **In terms of trustworthiness**, every single document given to the participants are translated from English to Lao by the consulting company. With the approved stamp on them, the participants would have trust as they feel there was no deceptive approach. Besides, the voice recordings and transcripts will prove the transparency if the participants feel insecure and would like to re-check the whole process.

- **The accuracy of the data** is under the careful processes of analysis. Thematic coding and memoing as discussed before are metrics that clarify professionalisms of this project.

- **This research also seeks for conformability as suggested by Wahyuni (2012)**. Conformability is the reflection and feedback that come from outsiders who have no relation to the studies in order to ensure that others can understand the study. In addition, this helps the researcher does not create an over shadow by the personal preference to the
project he or she is doing. Practically, peers reviewing as the evaluators will reduce the possibility that the researcher will be influenced and immersed only from the personal ideas.

3.9 Ethical consideration

This research would not be acceptable without ethical consideration. Oliver (2010) and Tracy (2013) emphasize that participants' privacy and their confidentiality must be protected from any harm and deception in an attempt to obtain ethics in the research. Tracy (2013) mentions that ethics is also a component in today's research as it embodies participant's identities and privacy secrets. In this respect, the researcher will ask for permission and authorization from all relevant parties that have to be involved throughout this research. Firstly, the researcher will send an official request letter and organization consent form that states the purpose and important information that Department of Small and Medium Enterprises Promotion (DOSMEP) under the Ministry of Industry and Commerce in Laos should know and is based on UREC guidelines and regulations (UNITEC Research Ethic Committee, 2010). Next, this DOSMEP will give an authorization based on the organization consent form; this letter will provide the right for the researcher to conduct the data collection in Laos. Lastly, the consent letter will be provided to the respondents as an officially authorized letter to conduct the research.

This research will not start before there is an authorization from UREC. In addition to the home country, the execution of this research will always be cognizant of every possible effect that may happen. There will be no attention paid to any particular minority group or race. In addition, the main focus of this research is to find out what the perception and preparation of the SMEs owners in Laos have over the joining of the AEC in no means to harm any business that is currently operating in Laos. Ultimately, the researcher has the responsibility to protect every participant’s right, and their privacy in which all circumstances rely on the provision of confidentiality and privacy policy.

Regarding the data, the disclosed information from the SME business owners who are our interviewees will be placed confidentially. This means that, in the thesis and related publication to this study; their identity will not be indicated and not represented to be known. All of this is to
minimize any harm and respect their privacy that may affect the respondents and their business due to the giving useful interview information. Thus, only the researcher and the supervisor will have permission to access the data. During the five years after this research finished, the collected data will be locked safely without unauthorized access. The hard copy documents will be locked inside the cupboard at the researcher’s home. In terms of soft copy files, all recordings and reports will be stored in one folder inside the researcher’ laptop with the password locked on. All information both in hard and soft documents will be destroyed after five years.

As all mentioned, the researcher has carefully considered all aspects related to ethical issues based on UREC guidelines. The researcher believes that this research has addressed all sensitive matters and manner that will affect the project and the participants.

3.10 Conclusion

Following the aforementioned method and methodology, this research is rationally in real practices. With the detailed plan on research design and careful procedure processes, this research does not fall out of track. However, in reality and especially in Laos, the biggest obstacles are about filed data collection. In the country where the system is not effective but personal and social interaction are ultimate, the process of data collection would be slower and less precise. In consequences, the filed data step could be stuck in a certain period. The researcher has confidence that with the clear plan and carefully considered to every possible unexpected incident, this research would succeed.

3.11 Chapter summary

The chapter portrays the scenario on the methodology, method as well as processes of the research. In this research, the paradigm of interpretivist and qualitative approach are elaborated upon with the validation why they are selected as the tools in this project. Furthermore, steps of semi-structure interviews toward gathering 12 participants are illustrated. In this regard, the chapter notes down the recruitment and thematic coding which is also followed by why this
research is valid and reliable to be started. Lastly, without the absence of ethical consideration, the researcher has elucidated clearly the important screen of ethical issues.

In the next chapter, the result of findings from the semi-structured interviews of the 12 respondents based on their perception, idea and understanding in responding to questions will be introduced. This is to pre-present their disclosed answer before analysing and discussion on our literature reviews.
Chapter Four: Findings

4.1 Introduction

In this chapter, the summaries of the empirical findings are represented based on the semi-structured interview questions. In this manner, the 12 SME owners have exemplified their responses toward seven main questions in which the sub-questions are also added in order to elaborate the ideas. Regarding this, their ideas have reflected the aim and objectives for the research. As a result, the evidence from the findings is sufficient to formulate the themes and to be analysed in the further chapters. In accordance with the layout of the interview questions, the structure of this chapter is narrowed from a general to specific sequence.

4.2 Interview result and findings

Regarding ethical considerations on personal identity, the research represents the anonymity of the participants by the specific codes in order to maintain the confidentiality. By using the codes from G1, G2, G3 and G4, these remarks as the groups of the sub-industry where the SMEs belong to in this study, which are handicrafts, hotels, travel agencies and restaurants respectively. In addition, the abbreviations of SME1 to SME12 are provided for each participant individually. By doing so, the unique characteristic of each respondent is easier to identify enabling a better understanding for consistency of coding in the analysis stages (Wahyuni, 2012). As a result, the graph of coding of all 12 participants can be visualised as:
4.2.1 Identifying the understanding of Lao SME owners of SMEs

The questions to gathering general ideas about SMEs include: *What are SMEs in your perspective? Do you consider your business as a SME and in what sector does your business belong to?*

The purpose of this question is to answer the sub research question one and address the first objective in this research. By identifying the Lao SME owners, it was determined if they have the right perspective and considered themselves as a SME. This proved that the researcher screened the right participant and also the participants themselves are aware of what are SMEs in the scope of the Lao contextual term regarding their size and sector of business where they belong. By doing so, the researcher could clarify, categorise and understand more about each SME business from all participants.

From 12 participants, even though not all of them can define exactly what the meaning of SMEs is in the same way as in the literature, all of them have perceived and claimed that their business belongs to SMEs. Their attitude toward this is that they can identify exactly their number of employees as well as the sector of their business.
We are a handicraft house with 10 workers. By looking at our business, we can say that we are a small business that produces products to the market (G1-SME3).

I have been operated many businesses and from the number of nearly 100 employees, I can say that my hotel is in the medium-sized SMEs and we deliver hostel service to our customers. From this, we can totally say that we are in service sector (G2-SME4), (G2-SME5).

Our company is a medium enterprise with 38 permanent employees; we are a tourist agency that provides services to both foreigners and Lao customers. Hence, we think we are a service company (G3-SME7).

Although we have four people in our company, we still consider ourselves in SMEs. Our tour is just like a home-stay where the travellers can enjoy traditional of local life. We can say that we can be both service and product provider (G3-SME8).

My cafe has three branches with 21 friendly employees; we have proper functioned with HR control. From the unique of our cafe, I would say that my cafe is a SME in the product sector rather than in service because my shop focus on the production while the service is just a part of how we sell our products (G4-SME10).

4.2.2 Examining the awareness of entering the AEC

What do you understand about the AEC?

This question is to evaluate how much they know about the AEC. In this sense, the researcher could measure and then evaluate an attempt to find out whether the participants need more elaboration or not. This question helps to test if the researcher selects the right respondents out of the sampling frame. This question also helps to explore the answer to sub research question two.

The findings reveal that all participants have heard about the AEC. In addition, the majority of the business owners can explain clearly about what is the trade union namely the AEC on its time frame with also some rules and regulations that the joining country members have to implement and follow.
We are going to be a part of the AEC by the end of this year 2015, somehow I also heard that they may delay until the beginning of the next year 2016 if we are not ready. After joining, we know that the country will be opened for the free trade among the members. Everything can come and go freely (G2-SME6).

I have been going to all these projects in many continents, and now it will start in ASEAN. I know that there is a union, the rules are free flow of goods, labour, capital, investment and so on. All countries in the member will act as one while sometime if this succeeds, it will step to one currency just the same as the EU. However, I think it still too early for many members such as Laos. I do not think Laos is yet ready to step into this integration (G2-SME4).

I really see, and I am excited to be a part of the AEC. I went to many assessments and information programs from the government on promoting the AEC. I know that the rules of free flow of everything that we have to follow, but I am certain that Laos can be a part of the AEC, and I am looking forward to seeing how things will change after the joining (G4-SME10).

The AEC by the end of this year is quite fast for businesses to be aware on the upcoming consequences. From the free movement of people, factories, commodities, reducing tax and so on, I am a bit scare on what will come into our country, but I also have hope that many good things will come. If not, then there is no point to join them (G4-SME12).

The two below questions about positive and negative consequences generate information corresponding to the second objective in this research. By extract the thought about the AEC from the Lao SMEs, the researcher can see whether Lao firms consider the AEC as threats or opportunities.

**What positive consequences do you think the AEC will bring?**

With regard to being prepared towards the entering the AEC, this question brings about the positive expectation that the Lao business owners have regarding the benefits to their daily operational income. By visualizing from their expectation, the researcher could foresee and
predict how much they would prepare and change their operational structure in order to be ready and to gain the highest benefit from the regional free trade union.

From the interview, about half of the participants have positively expected that the AEC will deliver many promises, and their business can grab this benefit. Regarding this, they have expressed that with the free movement of population inside the AEC, people will invest into new market where they are moving. As a result, the host country where they have moved will have advantages over their payments, human resources and lower commodity's tax as well.

It is certain that there will be a lot of positive beneficial factors to Laos if the country accept the full phrase commitment in terms of the AEC. I have seen this by myself in Singapore and Malaysia when the countries are already for the AEC. More travellers come into their country as one visa can access to both countries, the hotels have more guests while the tour agents have more booking (G2-SME4), (G3-SME7).

The AEC would be good for us as the labour can exchange skills while the wage to hire a professional would be cheaper. With the competition that coming, people will seek for jobs while the employers have to improve their standard, especially in the service sector, this will help the country as well as our business lift up to the next levels (G2-SME5), (G2-SME6), (G4-SME11).

With the free movement of goods and people, the ingredient and material for our supply would be cheaper while there will be more tourists coming into our country and visit our restaurant, our tourist attraction sites and our shop. This is not only more money that we can make but also the promotion and recognition of our business to regional market (G1-SME2), (G1-SME3), (G3-SME8), (G1-SME10), (G1-SME12).

**What negative consequences do you think the AEC will bring?**

In this question, negative aspects representing the Lao business owners to the AEC will reveal how their fear of the AEC connecting with risk management. By comprehending what are the threats in their mind, the researcher could foresee their reaction to their preparation on what they think could impact their business.
The conversations show that about one-third of the respondents worry that their business will get the impact from the flow of better price options and better service quality from aboard. In this regard, the marginalizing of market penetration would harm their income.

*It would be hard for us if the AEC opens, we could not compete against other member countries who will come to invest in our country. They do much better than us in many terms. Their products are cheaper; their services have the higher standard; they have higher money to invest. All of these would diminish our daily benefits (G2-SME4).*

*They can produce more than us because they have more money, more material and more workers. They have done all the things longer than us that why they are stronger and can come here to Laos. With cheaper prices, better offer and mass productions, it is hard for us to fight over big companies (G1-SME1), (G1-SME2), (G1-SME3), (G4-SME11).*

*With many new famous restaurants and fast foods coming, definitely that people have more choices, but with the new generation and today Lao people are becoming more materialism. The foreign restaurants like them have better chance of customers getting in their businesses where Lao businesses are left behind and collapsed from unbarred costs (G4-SME10), (G4-SME11).*

### 4.2.3 Assessing the preparation in terms of risk management

The two questions below reflect how Lao SMEs know, react to the terms of risk and what current risk management approaches that they are using. The results of these questions help the researcher solve the sub research question two and the third objective.

*How do you understand the term risk management?*

Risk management is an important part to manage a business in the process in order to be prepared and to overcome the burden of the AEC. This question was formed to discover if the participants know about, or are familiar with the terms of risk management. Even though the business owner could not precisely describe the meaning of risk management, with their ideas and their elaboration, the researcher could notice if they have come across the term.
For this question, half of the interviewees can provide their explanation in relation to risk management. The respondents could generate the ideas that risk is a problem or threat affecting their business and should be minimized or eliminated. The decision could come from the business owner from the consideration of possible solutions and then select the most effective choice.

*Yes, every business has risk during their operation, sometime we have problems about our competitors, the stain of resources or maybe market environment changes. However, we have encountered these problems quite often (G2-SME5).*

*Mostly is about our resources because during a certain period, we had a shortage of raw material affecting our production line and this makes we cannot produce in full scale. Like this, our customers would turn away from us as we cannot give what they want at the right time, and this is a risk for us to maintain our loyalty customers. In this case, I have to decide the right choice what to do with problems on what can impact less on our business, people and our customers (G1-SME1), (G1-SME2), (G1-SME3).*

*It is hard to generate revenue from only high-end customers even though they are our main target. Now, there are more travellers, which prefer more affordable and cheaper accommodation such as guest houses or back packers. With the changing lifestyle of our customers, I can say this is a risk for us to adapt with trend and globalization. We have to change a lot to earn this sharing percentage of customers in order to survive (G2-SME4), (G2-SME6).*

*In our restaurant, one of the biggest risks would be about our workers. In this business, waiters and chefs always resign and move into new jobs if they get the better offer. With the movement of these people, the environment and taste of our cuisine would also change. This makes customers reconsidering whether to come back or not. This is a problem that I have to cope with quickly on how to keep our productive workers before everything goes worse (G4-SME10) (G1-SME11), (G1-SME12).*
What are the current risk terms that you are using in your business?

Not only understanding the term of risk, it is also important to find out if the SME owners have applied any risk management approaches to their business. With this question, the researcher would be able to see some of the approaches that the participants utilize to solve the problem in their business within the context of Laos. From the discussion, there are only four participants that have understood well and have proper approaches to the risk management. In relation to Anton (2011), the four participants have the same thinking on the idea that risk should be reduced, transferred and avoided.

Whenever we are aware of the risk, we try to seek out the best solution as soon as possible. Mostly, if the problem cannot be solved, we will reduce its degree to an acceptable level. We know that if the problem occurs, it is not 100 percent that it can be eliminated. Many things are out of our control for example workers, weather or any accident. Sometime, we also have a procedure to prevent and protect ourselves such as relying on insurance companies, making partnerships or hiring consultants (G2-SME4), (G3-SME7), (G4-SME10), (G4-SME11).

In contrast, the rest of the participants have no risk management method in their daily business. All of them agree that they only operate their business on a daily basis without concern for risk ahead. They do not think in advance on what could be the risk and also have not foreseen the need to plan to deal with the risk. Otherwise, if a problem appears, they would solve it based on whatever they could possibly do.

I do not know any risk-management approach; I do business on my daily preference. I do not think it is that important to be worry for something far away and has not yet happened. If there is a problem, then we just deal with it (G1-SME1).

We could not be able to say that we had risk management, we deal on current situation. What happen, we solve. We cannot plan for millions of problems that might happen and then waste our time finding ahead solutions on that. Better to perform best on today than worry about unknown problems tomorrow (G3-SME8), (G3-SME9).

We are only a small business; we do not need that risk management. I think it is something too big for us to concern about. We operate with a small number of people, work and earn money
day by day. Although we have prepared the risk management approaches, I do not think that still works in the real case because everything is out of what we can control (G1-SME2), (G1-SME3) (G4-SME12).

Do you think that the current risk management approaches you are using help secure your business?

This question gives solution to the fourth objective in this research. By asking this question, some hidden factors that formulate the relationship between their perception and risk management emerge.

In order to suggest new approaches for the business owners about their risk management, it is important to have their perspective on how their current risk management is effective or not. By so doing, the researcher could identify the problem as well as adding new adaptation that could match with the Lao context. However, all four participants who have well understood agree that they have no idea if their way of risk management works. This is because they have never met a situation that can clearly prove their approaches are right.

I cannot say that what I have on my risk-management approaches is right. We have passed many problems, and we only solve them with what we have and what we think at that time, not from what we have prepared before to prevent the situation to happen. Our risk prevention is just like not real or maybe theory (G2-SME7).

We protect our future with an insurance companies. We have spent a lot money with them every year. Undoubtedly, it is a good way to ensure the smoothness of our business. However, I am still curious if this is a right way because mostly we solve all problems by our own. Most of the problems attacking us were too small, which rarely are they big enough to let the insurance company to involve. So, I still wonder how much our risk management in insurance can help us in the worst case (G2-SME4),(G4-SME10), (G4-SME11).
How have your risk management approaches changed after you became aware of entering the AEC?

In relation to the main research question, this question is to find the answer to Lao SMEs perspective on the AEC influences that many have changed their approach to risk management.

To see what has changed when being aware of the AEC, this question is crucial as to investigate the behaviour of changes from the Lao business owner's side. In the period of transition, there is a need to understand if the choice of changes is appropriate or not. As a result, a successful selection from changes in terms of the risk management will pave the new road for their business to gradually grow. In addition, the researcher could also assume and analyse the characteristic of changes within the Lao context as well. Reflecting on this question, the answer adds up as part of the characteristic in the sixth objective.

Notably, from the four participants who see the essence of the risk management, the joining of the AEC has no influence on the changing of their risk management. They disclose that even though they are aware of what may happen in the AEC, there is no need to change anything because they are still satisfied with the current method. Therefore, the current active approaches are enough as they do not see any threat.

Until now, we have not used any of what we have prepared for the risk, we do not think it is necessary to formulate a new method for the upcoming AEC. We see what might happen such as the more investment, movement of people or marginalizing of market, and these may change a lot of circumstances in our country, but we think our technique at the moment is enough. It just like an overdoing to prepare and lose money for the new approaches, we believe that we can flexibly adapt and change upon the AEC (G2-SME4), (G3-SME7), (G4-SME10), (G4-SME11).

However, the rest of the participants do not expect much on the AEC as they think that the AEC does not yet start. Therefore, it is not important to think or plan ahead as there is no concrete example of problems that could happen.

This has not happened yet; I do not think something ahead because we cannot predict exactly what will happen and what will come. Even though we change and prepare now, there is no
quarantine that what we have made would be right or not. Therefore, I think we should wait and see the real case instead of too panic and change too much for now (G3-SME9).

I do not care what will come with the AEC; I just believe on the way we are doing our business now are right, and it works well enough, so I am just going to keep my business like this. It is obvious that if we do not do something wrong, then everything will be alright (G1-SME1).

From all above points of view of the Lao business owners, there is no need to change their risk management. From now on, rather than focusing on the questions of changing for the AEC, the researcher will focus on their current management in terms of business strategy, finance, workforce and supply chain in order to analyse their current managements if they are already doing enough to help their business get over the difficulty within the AEC context.

All questions below relate to business strategy, finance, workforce and supply chain issues which associate with sub research question four as well as the fifth and sixth objectives. Rather than looking at how the risk management in relation to those issues have changed the evaluation and measurement of those current approaches if already good enough to overcome the challenges of the AEC are performed.

### 4.2.3.1 Business strategy

The questions of this part on business strategy are partially to answer the sub research question four. In the mean time, the answers deliver solutions to the fifth and sixth objective.

**What are your business strategies at the moment?**

The business strategy is a predominant management mechanism navigating a firm and enhancing business productivity. By critically looking at the strategies that Lao SMEs businesses have, the researcher can make a comparison if those strategies are the right choices or not in relation to another trade union such as the EU. Following the success of the EU transition, the clear strategies should be promoted whereas some that are unclear should be noted and changed.
By examining strategies that the SMEs in Laos implement, it appears that half of Lao business owners have no strategy on their business. This is due to the fact that they do not see the importance of a business strategy and their business is too small, and it does not require any complicated plan but only a daily basis of operation. On the other hand, there are Lao businesses that value a business strategy. The main relevant strategies that they can pinpoint are on networking and brand management such as product uniqueness, advertisement and services. This helps answer sub research question four.

*We have no strategy; we just do our best on every day we open our shop. We believe that if we try hard enough, in return, everything will go in the right way. Besides, we are just a small business, there is no need for that complicated plan. Although we have it, we do not know what to do with it anyway* (G1-SME1), (G3-SME9).

*I have no detail plan or strategy for my business; I did not start my business on the purpose of money, but I open it because I love this kind of activities. I feel it is like a part that fulfil my life; I enjoy every day with what I do, I do not need the strategy that will make my life becomes more stressful* (G2-SME6).

*I can say that we rely much on our networks, our business has networks in other clients in different countries. With these networks, they bring more customers and supplies, which mean money. In this sense, my business is strong as it can rely upon the income from aboard, not only in Laos* (G2-SME5), (G3-SME7).

*The uniqueness of our business is one of our strategies. When we are different, it can make money because the foreigners come here to experience something difference. The ways we sell and service based on local products are effective ways that can bring the local life to the foreign travellers' need when coming to Laos* (G3-SME8), (G4-SME11), (G4-SME12).

*We focus on advertisement neither in Laos nor aboard. With the traditional promoting through newspaper, magazine and radio and also globalization media such as Facebook or YouTube. They are the most effective strategy to strengthen our brand and business* (G2-SME5), (G4-SME11).
What are the knowledge management approaches that you use to improve your business?

The knowledge management approach is a practice method to enhance the business strategy and business performance, which can be based on academic learning or concrete experience (Peng Cui et al., 2014). In this theme, the researcher would like to measure whether Lao SMEs' knowledge management comes from real-life learning or school development and which one of those is more suitable for the Lao business framework. Surprisingly, all 12 participants admit that they have applied what they had learned from their academic institution into their business. In response to this question, examining results provide answers as part of sub researcher question four in the strategy management.

I graduated in hotel management, and I was interned as well as worked part-time in hotels; it was a good test for me, and now I am expressing and utilizing all of my experiences into my business. This includes, a waiter service, HR management and finance. Not all can be applied as the location is different, but many of the things work well here in Laos (G1-SME1), (G1-SME2), (41-SME11).

I have been working as a manager in many countries, I would say that all technique I am using is the combination of what I learn at schools and real-life experiment. Even though everything started at school, it cannot perfectly match with the world outside and one cannot be expertise if he or she only an academia (G2-SME4).

It is true that I have no experience in this business before, and it is not the same line as my certificate. I believe many things can be adapted and learned. I have proven it as I graduated in chemistry and used to work on the development project, but now I am the owner of a restaurant and a hotel (G2-SME6), (G4-SME12).

How do you think that your strategy fits with the Lao business environment?

This question is to confirm the previous question if the Lao SMEs strategy is right in consequence to sub research question four. The right strategy, or one known as a strategy fit, will increase profit when it resonates with that business environment. In this stream, with the current active strategies that Lao business has, would not last long if the AEC has come. Neither with
small nor a large scale of changing in their strategy, will the AEC diverge to the new face of practical direction in strategy. In this concern, the less fit the strategy for the home country, the more changes are needed. From half the respondents who have the proper strategy in their business, there are only four of them that could say that their strategy fits into the Lao business environment.

*With the steady revenue and the growth of my business, I can say that what we are doing and our plan are going well and matched with what the Lao market at the moment. There are more customers entering, more branches expanding and more money we can make. I am sure our strategy is going well (G4-SME10).*

*I would reflect from the outcome we have made; we follow all rules, regulations and policies in this country; we critically plan our business based upon many factors influencing this kind of business. In the end, we have a good planning, or we can say a strategy that is effective and work well. This all because we care both inside our organization and external factors. In return, our business grows sustainably (G2-SME4), (G3-SME7).*

### 4.2.3.2 Finance

*Does your business finance rely on personal capital, borrowing or combination?*

In common, the start-up of SMEs growth bases is on the personal investment which mostly come from personal assets. After that, for a certain period, if the business has shown gradual growth, there is a need to inject more money for expanding the business. In this regard, if a SME has not sufficient personal budget, undoubtedly that borrowing would be involved. By sceptically looking on the answers to this question from the Lao SMEs owners, we could distinguish in which period their businesses are as well as the size of their business such as start up, growth or down turn.

From 12 participants, six businesses started from personal capital; Three businesses are a combination of personal assets and bank borrowing, and the last three businesses are fully borrowed from the bank credit. Respectively from those numbers, they signify the size and time of operation of those businesses from smaller to larger firms and from start-up to growth.
However, this is not all true, as in the six personal capital businesses, there is one company that relies on its own assets and has long been operating which the size is just medium.

*I have this shop for 15 years, all money come what I had at the first time. It was very small at the beginning, but now I could not say it is big; medium may be. I never think about borrowing; I would like this business to growth on its own, from the money it can generate (G1-SME1).*

*I want my own business on my own money; I do not want to take part in borrowing money from the bank. I feel it is difficult, many processes to take, long queue and many document to support. It would be better as this business comes from our own assets, then we have no worry if it fails, but if it grows well, then it is luck (G1-SME2), (G1-SME3), (G3-SME8), (G4-SME11).*

*This agency is one of the businesses I have; the start up budgets are from my own, which is the revenue of my other businesses. I have no need to go and bear on bank interest rate; I feel it is unreasonable to take a risk from borrowing when I still have enough money to do it my own, I am not a kind of business man who makes money from someone else bucks (G3-SME9).*

*I am pretty sure about the money I have would not be enough for the start up business like this; I have to borrow the other half funding from the bank. No doubt it could be a risk, but with this is only half amount, I think I can manage it if something goes wrong (G2-SME6), (G4-SME10), (G4-SME12).*

*Definitely with this kind of business, we cannot build it on our own income. We need a huge amount of budget even though it is still medium size. We do not consider this total borrowing as a risk, borrowing is not a problem for this kind of business size, as long as we can manage all the things properly and systematically (G2-SME4), (G2-SME5), (G3-SME7).*

*What are the barriers for your business to access financial assistance?*

Toward this question, the answer to the fifth object is emerged. Accessing to capital defines the life span of a business (Boschmans et al., 2012). With the barrier to access financial growth, a business could miss out opportunities, and the growth could be inhaled. According to 6 participants who are bank borrowers, it appears that they have encountered difficulty in terms of
reliability, timing procedures, document delays and lack of understanding about the banking system.

*It is difficult to get the bank credit approves at the first time; banks do not have full trust on the new start up business such as SMEs. They request us to make plenty of documents such as our business plan, supporting with the reliable credit asset papers, our bibliography or even someone who can be our guarantor in case our business fails. This is very hard to find all the things they are asking for in order to access their funding (G2-SME6), (G4-SME10), (G4-SME12).*

Many times our business struck as we have to wait for credit approves by the bank, every time we need more money, it takes more time, and it is harder to negotiate, especially when the amount of money that we need is higher. However, if we can pass the few first times of this rough process, the banks have more trust on us, and then the procedures would be smoother. To reach this point, everything needs to be ready because the banks sceptically investigate our assets and our business history (G2-SME4), (G2-SME5).

To be able to increase investment budget from our partners, it needs high trust neither when your business is in a good situation nor bad situation. With your partners, they do not need just a clear vision or vivid business plan from you, but the trust that you can make for them. For me, I used to work for them. I earn a lot of knowledge, trust and their systems. This is why I can access to more credit from them as a partner (G3-SME7).

*What are strategies do you have for accessing financial assistance?*

The demographic of business drivers is the format and structure for accessing finance (Bouslama, 2014). Precisely, the system and regulation in each country creates differentiation and the prerequisite scheme for the bank to provide the lending. In addition, each bank institution has its own target and focus for their business in which their encouragement policies toward money borrowing would be different. From the half of the participants who are involved with the banking scheme, they reveal their strategies in order to have better access to the banking financial assistance as a clear business plan, the amount of assets and reliable guarantor. This outcome refers to the sub researcher question four.
As we are a new starter in SMEs, clear business plan when submitting request paper loan to the banks is important. Without the clear business plan, the banks always reluctant to provide the loan. Besides, our academic qualification, what we have done before also build on our creditability and reliability for the approval. For me, I graduated in Australia and had been working in a bank before. Therefore, with my clear business plan, my qualification, work experience and some credit assets, it is not too hard to get the bank loan (G2-SME4), (G2-SME6), (G4-SME10), .

When I went to meet the banks, I found it hard to get to them. I used the channel of good friend network as my guarantor because they are in the high-ranking position and well-known person. All of this make many things go easier and faster even though I have to pay some amount of money out of the system as a compensation in an exchange for their help. However, sometime in an urgent situation, borrowing money from illegal agency is an alternative choice as no procedure, no queue just the interest that is much higher. Somehow, this way makes our business survive in an emergency time. (G2-SME6).

**How do you manage your finance at the moment?**

The right financial management approach would yield a higher benefit as the business owners could always be aware of the situation of their daily income and plan for the next business strategy (Abotsi et al., 2014). From the interview, medium and small firms sort their financial controls differently. The main techniques appear to be focusing on tax and reducing transaction costs, hiring an employee to work on finance, specifically, measuring and comparing the debt and asset. From the result of management they use for their finance, sub research question four about managing risk in financial factors is solved.

Our hotel business is quite big for only me to manage all staff. I hire a qualify person to do the job and make the report for me (G1-SME1), (G1- SME3).

We always compare whenever there is a debt appears; we always have to value that debt will never be higher than the value asset. This because if some kind of this happens, we would be in danger if there is a problem occurs. However, we do have some assets considering as substitute,
in case we would like to invest more or our debt can be a challenge that would create more profit (G4-SME10, G3-SME8).

Huge amount of money from aboard and inside the country moving in and out in our business. I always concern and suggest my financial people to carefully focus on what tax and transaction costs that we can avoid. This is to reduce the unnecessary costs to our business as well as to our customers (G2-SME4, G2-SME6).

4.2.3.3 Workforce

*How are you aware of labour flow in the AEC context?*

In the initiative timeline of the transition process, it is predominant for the firms to understand what could affect their inside structure, especially labour. Without seeing the importance to this problem, a business could be in the middle of chaos as those who deliver the service could be missing out benefit of the system. The implication of this question is to foresee if the Lao business owners are aware of free movement of labour within the AEC context. Likewise, the researcher could assume if their understanding has substantiated any change in terms of workforce policy inside their organization or not. This question confirms the result to the sub research question two about SMEs perspective on the AEC.

The interviewees in this project have been fully aware of the free workforce movement toward the AEC integration. However, they mention that the AEC has no impact on their labour policies as they believe that the current policies are good enough to maintain their workers. Besides, there is some idea that Lao workers could not move forward to ASEAN as they have low competencies and skills that cannot compete over the neighbouring workforce.

*I am well aware that with the upcoming AEC, the people can move freely. Lao workers will try to find the better place and higher salary to work, but I do not think my workers now will quit and go out of my business. I believe that what I provide to them now is worth enough that they will regret if they quit their job* (G1-SME1), (G2-SME3), (G2-SME6).
We know well that people can move after the AEC, but from what I am seeing at the moment, my workers are happy to be here as they satisfy with what they have. Lao workers have the high pleasure on incentive such as money, but somehow they are also feared to change because our culture is just like that (G2-SME4), (G3-SME9).

I know it is unavoidable for the movement of workers in the AEC, but a job is not easy to find. People are scared to change and settle down to new environment because they do not want to face something uncertain, especially when they know well that they cannot compete with neighbouring workers. If just we can provide the best on what we can, definitely that the workers will not leave to new employer (G4-SME10), (G4-SME11).

What are the management approaches that you use to secure and maintain your workforce?

Securing and maintaining labour in advance before the free movement of labour within the AEC context could separate gain from loss at the time of labour crisis. In the culture where people believe in the heart and family relationship environment more than the rules (Beardwell & Claydon, 2010), Lao people are considered as one in this category. Withstanding how the Lao business owners secure and maintain their employees, the foreign investment could overcome the challenge and manage the Lao workforce properly. The findings show that 11 of the participants use national labour policy as the base line to manage their employees while there is only one business that has not. In addition, six interviewees added that the family working environment, generosity and bonuses are three essential elements to get into their employees' heart. This question then elaborates how to manage risk which meets the sixth objective.

We act on national labour policy, if something happens, it is the solution that both employers and employees have to follow and accept. We think it is clear, and it is the basic rule that we should have in every business operating in Laos. With this, we can punish if our employees are wrong whereas our employees can be sure that they are protected from the law (G1-SME2), (G1-SME3), (G2-SME4), (G2-SME5), (G2-SME6), (G3-SME7), (G3-SME8), (G3-SME9), (G4-SME10), (G4-SME11), (G4-SME12).
We stay and work together like a family. We have lunch, personal talk, drink and help each other in a difficult time. We exchange ideas, knowledge and teach each other's like brothers, sisters, and we take care each other's like the parent and a child (G1-SME3), (G3-SME8).

Now the labour in handicraft is harder to find than in the past, we have to be generosity. If they can stay happily, then our business can stay happily also. We help their payment in their hard time, for example, giving birth, operation at the hospital or borrowing money. If they satisfy on what we provide, then they will not cheat and betray us (G1-SME1).

Sometime being good to them is not enough, they also need something special as an incentive to work. We have extra money such as a bonus by the end of the year. We have extra money for who can produce more than their baseline. We select the employee of the year and give the reward. These energize our employees a lot (G3-SME7), (G4-SME10).

What are approaches that you use to improve the skill level of your workforce?

The more labours can improve their skill, the more benefits that a firm can earn. People are different and labour in different locations requires specific training. In Laos, it is likely that employees would be proactive to seek training improvement. Therefore, this would be the employers' responsibility to advocate for the workers in order to extract potential benefit for the business. The majority of the Lao SMEs have an in-house rather than out-bound training to improve their staff. The reason is that they see the in-house training is already enough for their employees to serve the daily operation. In contrast, there are three owners who accept that they do not have any training for their employees because they only require low quality workers who should already have enough competencies to work with them when applying for the job. Hence, there is no need for more improvement. This question is to find out how SMEs ensure their management approach of risk with the workforce in sub research question four.

We train our staff by ourselves. We train the new comers to know their work and work properly. There are many that come here without skill and knowledge, we teach them all what we know.
Sometime when there is a request, we also send our staff to train local workers on the field operation (G1-SME1), (G1-SME3).

We teach our staff to have teamwork, accountability, make everybody feel that they are a part of this business and make they feel interconnect. Our customers should get out of our business with the smile. Besides, vision and goal have to be share with staff, so they are aware on what they are doing. I do in-house training myself, which include fundamental training about attitude, behaviour, work oriented and help them to have their own objective on what they want to be in the future. Especially in the off season, a lot of trainings happen (G2-SME4).

I use the role model from aboard as I used to work there before. I try to make my staff understand the importance of this service. Not just in-house training, sometime we have experts from aboard come and teach in our location. With the potential staff, I send them to short training aboard to have new experience (G2-SME5), (G7-SME10).

We do not give any more training, mostly the work that we have relied on personal capability such as driver and waiter. This staff should have aware and be ready to work since they apply to the job. Besides, this kind of jobs does not need high standard quality workers, I am pretty sure we can find many of this level of workers in Laos (G1-SME2), (G4-SME11), (G4-SME12).

4.2.3.4 Supply chain

What are the current situations of your business supply chain?

By defining the situation of the current supply chain that business owners in Laos are facing, the researcher would be able to figure out what would be the upcoming effect in case of the AEC. The findings reveal that only the participants in the handicraft industry are encountering supply problems as the local raw material is diminishing and it has to import from abroad. Directly, the answer partly affirms to the result of the sub research question three about the risk situation.

In the past few years, raw materials from local suppliers reduce. Local people turn their way of life to the city while who still in the village turn their product from planning cotton and silk to
something else. Even though for the people who still supply the raw material for us, they still cannot supply us enough on what we want as their production now is not systematic (G1-SME1).

We are in the period of raw material shortage. Every handicraft is fighting for local products. Without the local products producing by the local people in Laos, our products would lose the identity-uniqueness, and it would be ashamed if our customers know that the material producing of what they buy is from aboard. What we can do is invest first to local people so they can plant and supply us their material (G1-SME2).

Today, we rely and import a lot from Thailand because the shortage of material in Laos. If not, we could not continue our production line in which all orders would be cancelled and we would lose more than we can afford. I do not think this way of doing is a problem. Yes, material is not from Lao local site but the person who designs and makes it up is Lao weaver, this, I can say that it is still acceptable (G1-SME3).

**How do you enhance resources to energize business profits?**

Obtaining advantages of resources to energize business profits. In the situation when material is limited and location makes the firm heavily reliant on supplies from aboard. Businesses have to discover new methods in order to obtain maximum value from their resources. This is to reduce the cost burden and gain more profits. Surprisingly in Laos, more than 80% of daily commodities used are from aboard, especially from Thailand. From the in dept conversations, the participants practice on saving, recycle-reuse and self make as their effective resource utilization methods. The reply to this question enhances the risk management technique that is needed in the sub research question four.

*We try our best not to use what is unnecessary, turn off the light, air condition, use material appropriately and not overuse just because to make you feel good. In the kitchen when we cook, chef must put an ingredient perfectly. We have to always warn our employees that the more we use, the more we pay and that mean the lower benefits we earn* (G1-SME1), (G2-SME6), (G4-SME11), (G4-SME12).
There are some material and equipment that can be recycled, for example, old chair, table, radio or second hand learning stuff. Sometime we just use it again as it still work well or not we change it into decoration beauty and then decorate our shop. It makes a lot of difference and impresses many people. In exchange, we can save cost a lot instead of buying and hiring people to do interior design for us (G2-SME6), (G4-SME11).

Once we bought a good model such as a shirt, we can copy from that. By nicely looking at the model and add some idea, imagination and creativity, we could produce a similar or maybe a better one. In this way, we can make a lot of money from one investment (G1-SME2), (G1-SME3).

**How do you manage and gain advantages from your supply?**

With the limited resources and dependence on the supply chain, a firm has to seek new channels to manage and gain from the risk of losing control. In the absence of this, business would fail to deliver the services as they struggle in the production line which has consequences for price fluctuation and collapse of businesses. In this regard, Lao business owners have hoarded material for the shortage period, used their networking in an exchange and transfer of production and service in the difficult times. They apply screening procedures to obtain the highest benefit from the suppliers and signing of long contracts to get a cheaper price. The achieving answer here is verifying the knowledge management in the supply chain which links to the sub research question four.

*When the resources in the market outflow, we try our best to hoard those materials in our storage as much as possible as the shortage always happens. Sometime the raw material goes out of the market for months. This badly affects us if we do not store the raw material ahead. If not, then we could not make our sale in time, and our customers would go away. To secure their delivering, long term contract signing is an option as to get the cheaper price as well as make sure that the local providers are only with us (G1-SME3).*

*With the business like us, we have to know others who do the same thing. Maybe they are our competitors, but they also can be our friends. This is like a network. We borrow material from them when we run out. In return, maybe we can give them back or not we could exchange with our product design, our customers or temporary time staff if they need (G3-SME9).*
Our business is pretty big. We have many suppliers such as car rental companies, hotels, foods, or tourist agencies. We have a good screening process which involves many departments such as finance, logistic, and relevant sectors. To make a cost control, we refresh our supplier's quotation every six months to evaluate the prices, quality as well as their services. Besides, we also have to look if there is a hidden tax or not because we do not want to pay more or double. As many things can be in the corrupted way in this country, these processes will protect me and my business in this Lao supply chain (G2-SME4), (G2-SME5), (G3-SME7).

4.2.4 Quadrant survey

Quadrant analysis emphasises the conflict happening inside a survey. By comparing the survey and the matrix of quadrant, the difference between the understanding of the question and what is visualized by the SME owners appears (Gregory & Crispin, 2015). In this project, the researcher added the quadrant survey to measure, whether the participants respond to the interview questions is the same way as they put themselves in the quadrant summary.

In this part, the participants are asked to mark themselves on their current situation on how much they are already prepared for the entering of the AEC. The result appears that although all participants put themselves in the second quadrant which is a positive section, their degree of preparation and excitement differ.
4.3 Conclusion

Throughout the interpretation of the findings, there are many points to note and consider as potential answers to the research questions. In this sense, the researcher has formulated and collated the most similar answers from the respondents and then merged them together. This is to make the answer more precise and connected. From these findings, it is obvious that the answers are enough to generate the solution for the research questions.
4.4 Chapter summary

The chapter portrays the results from the semi-structured interviews regarding the AEC in the context of Lao SMEs. In this way, the findings have been represented based on the seven main issues which can be analysed as an assumption in an attempt to find the solution for these research questions and objectives. The main summary on each issue is outlined as the following:

- **Identifying the understanding of Lao SME owners on SMEs:** the 12 participants insist that their businesses are SMEs. The ideas that they perceive themselves as a SME are their number of employees and what sector of the SME in which they belong.

- **Examining the awareness of entering the AEC:** the respondents can illustrate the term of the AEC clearly as they can understand the meaning of a trade union. In addition, they are aware of the framework, some obligated policy and compulsory terms that the members have to moderate in order to be a part of the AEC. In particular to positive benefit, Lao SME owners think positively that the AEC will be a promising trade avenue that brings more investment, tax reduction and skilled labour. In contrast, Lao SMEs have fear that with the better price options, and higher-quality services customers would change their preference.

- **Assessing the preparation in terms of risk management:** half of the participants were able to give a statement in relation to the risk. From their perspective, risk can be a problem threatening their business in which the risk can be minimized and solved by taking different approaches. In this, they consider risk can be reduced, transferred and avoided. However, their understanding of risk could not make them certain if their current risk management approaches would work in case a problem occurs as they never had experience before. Besides, the upcoming AEC has no influence on making changes in their risk management.

- **Business strategy:** in terms of business strategy, there are only half of the interviewees who explained their plans, which focus on brand management and networking. Differently, the rest of respondents have no strategy in their daily business operation as
they do not see its importance, and it is too complicated for the simple business like theirs to have a plan. Additionally, any knowledge management approaches that they have come from academic learning rather than real-life experience. In relation to those who have the proper strategy in their business, only four confidentially say that their strategies fit the Lao business environment.

- Finance: in this research, half of the respondents use their own capital investment in their start-up business whereas others are from the combination of personal capital and bank borrowing. Significantly, these numbers signify the size and how old the firms are. For those people their experience in accessing financial banking relates to reliability, time-consuming and the systems puzzling, are the main barriers for them. Solving these obstacles, the Lao business owners emphasize the preparation of a clear business plan, the high level of assets and reliable guarantors as the channels to access the banking assistance.

- Workforce: in terms of the free labour movement within the AEC framework, the Lao employers have well understood this change. Indeed, they believe that their current policies are strong enough to maintain their workers. The detailed policies include following national labour policy, creating a family working environment, generosity and bonuses. Alongside that, Lao employers deploy in-house training as the main capacity building for their staff while there are only some additional out-bound training inside their training system.

- Supply chain: saving, recycling-reuse and self make are the techniques that are used in Laos to energize more business profits from being dependent on suppliers. However, the handicraft industry becomes the most vulnerable from the supply chain as they are encountering local material shortage and now losing their product's uniqueness and identity. To manage and gain advantage, the handicraft firms have hoarded raw material, formulated a network and applied a careful screening procedure in their strategy.
Chapter Five: Discussion

5.1 Introduction

Regarding chapter four delivering the descriptive finding of the interview from the 12 participants, this chapter further moderates that information with literature on the chapter two to connect, explain and discuss the relationship between the phenomena and academic knowledge. In addition, the important themes are critically commented on in order to answer the research questions and respond to the objectives. In this chapter, the structure of presentation is based on the four sub-research questions.

5.2 Discussion of the interviews

5.2.1 Research question one: What are the Lao SMEs owners’ perspectives on the understanding of the SMEs?

Before analysing the main purpose of SME owners in Laos about their risk management toward the AEC, it is important to determine how do they perceive themselves as a SME. This is to ensure that they fall into our category of SMEs and they know well their business as well as their sector of operation. By focusing on this point, the right direction will bring about the right further connection to the AEC and their risk management. In particular, this topic addresses the sub research question one and the first objective.

According to Kamakura et al. (2012), generally a firm that hires less than 100 people will be counted as a SME in which Mekong Institute (2012) stresses that in Laos, a SME is a private and small business that commonly is operated by a family or a small number of workers. The Phoumilay and Douangsavanh (2008) separates small and medium firms in Laos under the number of employees from below 19 and 99 workers whereas both of these belong to three sectors: production, trade and service. When applying all these criteria to the 12 SME participants, it can be seen that the participants' firms match with the criteria as all 12 participants can explain about their businesses and their number of employees which start from a small firm of four people until almost 100 staff. Besides, they can pinpoint where their business
sector belongs regarding those 3 sectors which include restaurants, hotels, tourist agencies and handicrafts. Besides, their status is confirmed by James (2014) as most of their businesses start from the personal interest and life styles.

However, there is a point to criticise on how the SMEs in Laos are categorised. In Laos, it becomes common sense, and people just judge a SME is a small private business and that it operates under the one-person owner whereas when critically looking at the table 1 in chapter two by Phoumilay and Douangsavanh (2008), there are four criteria to determine whether to consider a firm as a SME which includes number of employees, amount of assets, annual turnover and sector of business. From the finding in the chapter four, this could be said that the line is vague to divide the SMEs that still are not certain and think that they can fall into not just one sector. For example, a coffee cafe that the shop makes its own coffee beans as well as selling coffee. This SME business owner cannot decide clearly that his business is in the service or product sector. Besides, the findings reject the point that a SME can come from a family line by Mekong Institute (2012) as all 12 participants start their own business by themselves but not inherit from their family generation. Moreover, the common sense of considering a SME in Laos needs to be changed as disclosing information about business assets and turnover is taboo. It appears that some medium enterprises which hire under 100 employees and can still be called a SME has turnover higher than the SMEs' criteria which should be under one billion Kip or approximately 125,000 USD. Regarding this, transparency of taxation could be ruined and some assistance can fall into the wrong hands instead to the real SMEs.

From the right perception that the SME owners have about their business, the further step to gather the understanding about the AEC is conducted.

5.2.2 Research question two: What are the Lao SMEs owners’ perspectives on the understanding of the AEC?

To answer sub research question two, this question was formed. In this regard, to be able to analyse the risk management from the Lao SMEs perspective, there is a need to comprehend how the Lao SME owners understand and think about the concept of the AEC. The reason is to perceive on how the conditions of entering the AEC narrow their perception to negative or
positive status. In addition to these consequences, there will have to be a certain effect upon the current risk management in the SME owner's business plan.

Based on Das (2012), the conditions of the single market namely the AEC integration is the free flow of goods, labour and investment. Nuthall (2015) points out the time line of the AEC as by the end of 2015 and beginning of 2016 depends on the readiness of each country, which may be because of some late joining for some countries that still not be able to accept and need negotiation for some conditions of the integration. More than half of the participants in this interview have already acknowledged the existence of the AEC concept as well as the conditions of joining. Some of the evident expressions are:

"The joining is by the end of this year... then the country will be opened for free trade with members..."

"This union is just like the EU... the rules are free flow of goods, labour, capital, investment..."

This shows that the SME owners in Laos know what the AEC is and what they will face as a consequence after entering. Regarding this, the further examining of their thought about the benefits and challenges are elaborated.

What positive consequences do you think the AEC will bring?

In order to meet the second objective in this research, this question asked to seek out positive consequences from the Lao SMEs owners' perceptive. The majority of the respondents see the AEC as opportunities for their business. The main reasons are that they expect are the free movement of population inside the union will also move the investment and skill labour that will lower the wage and increase the standardising of every business. Besides, the costs over the supply chain will decrease and more resources will be an option. One union-one visa that will bring more people from outside, either tourists or investors. In addition, the lower barrier over taxation of commodities will reduce costs of payments and increase more profits. These ideas are supported by Petri et al. (2012), as the capital and FDI can be moved freely, people will move from one state to another state to seek for opportunities and
investment. The imports and exports in the ASEAN will increase dramatically as the supply chain processes will be more effective in the condition of one single market (Saad & Idris, 2014).

**What negative consequences do you think the AEC will bring?**

In contrast to the prior question and to fulfil the second objective in this research, this question is asked as to seek out negative consequences from the Lao SMEs owners' perspective.

The prior concern from the Lao SME owners is the price competition and better service quality that will marginalize the local market if the AEC opens. This idea come across from the huge amount of investments from aboard with which the local firms cannot compete. As a result, the competition over prices and qualities will decide the survivors in the market. As the Lao supply chain heavily relies from aboard and the standard of services in Laos is low, it is impossible for some SMEs to bare the competition costs and keep their business from collapsing. As Lee and Fukunaga (2014) suggest here is still a huge gap between the ASEAN members, and this gap should be minimized first in order to have an equitable share of benefits. Volz (2013) emphasises that recognition of a lesson learned from the EU is crucial as integration can mobilise and develop firms to increase investments and benefits. Becla (2013) already clearly indicates this point in Poland after entering the EU that to avoid the down turn of the SMEs, there is the necessity to improve standard in quality control of services and products inside the country to strengthen firms on knowhow to compete and overcome the challenges. Publishing (2008) recommends that government assistance should be promptly introduced beforehand in an attempt to help and support SMEs to improve their technology, innovation, finance and human capital. From all of this literature learning point and concrete case examples, these confirm the negative idea from the Lao SMEs over the AEC is right.
5.2.3 Research question three: What are the risk management approaches that the SMEs owners in Lao have used currently?

How do you understand the term risk management?

From half of the respondents' point of views, risk is a problem or a threat happening to their business which should be minimized or eliminated if possible. Case by case, solving problems by extracting the best choices from the possible solutions is important. This remark is in line with Abotsi et al. (2014) that risk solutions can be sorted out from the over risk where the choice is delivered from the most effective approaches in the engaging activities.

What are the current risk terms that you are using in your business?

The answer to this question is projected in the answer to the sub research question number three about the current risk management that Lao SMEs are using as well as responding to the third objective in this research.

From the four participants who are aware of their approaches over their risk management, it appears that to reduce, transfer and avoid them are the general techniques approaching risks. Undoubtedly, these three tackles the basic term that Henschel (2009b) encourage every business to apply. However, when scrutinising deeply to their answers, relying on insurance companies, forming partnerships and hiring consultancies are their option. In light of the matrix connection of risk management by Gao et al. (2013), knowledge of regulation-procedure and relationship building of networking-coordination is a part of risk management capacity building in SMEs. In addition to the respondents' answers, the process of screening solutions is also applied as a moderator before the decision is taken. This is similar to the four processes of risk reduction by Verbano and Venturini (2013) as risks go through the process of identification, evaluation, treatment and monitoring in order to assess the problem.

However, as the rest of the participants have no risk management which accounts for two-thirds in this survey, this becomes the huge concerned issue and needs to be articulated. The argument
from the interviewees elaborate that they do not see the necessity of risk management in their daily operation as their businesses are small, no time, money is earn day by day and they have had no experience to any threat previously. This proves the case that Southiseng and Walsh (2010) illustrate in their study that SMEs management is short-term objectives which dominated, and profits based are due to their limitation of skills, finance and labour. In particular, lack of time management and one person control emerge as a risk to business and the need to set up a proper risk management function (Boschmans et al., 2012; Golić, 2014; Publishing, 2008). Additionally, this shows that risk management associates with the limited resources condition in SMEs (James, 2014; Saad & Idris, 2014). To reduce the effect of this problem, risk management experts should be hired for a short term where government assistance is crucial as the long term solution (Anton, 2011; The ASEAN Secretariat, 2011).

By evaluating 12 participants and in relation to Henschel (2009a) about risk management, Lao SMEs can be categorised into two groups which are reactor and defender-prospector. The first group is reactor consisting of eight SME owners which is the majority in this survey. In this reactor, the appearance of poor management is represented. This group has no plan and there is a lack of a knowledge management approach to overcome risk. In this regard, if this accounts as the majority and then generalise to the Lao SMEs, it can be seen that Lao SMEs still have much to improve. In contrast, even though the second group of four firms which are defender-prospector is better than the reactor. This group will still be considered as low management and having no innovation development. All in all, Lao SMEs would still be categorised as low risk management.

**How have your risk management approaches changed after you became aware of entering the AEC?**

To solve the main research question and the fourth objective in this survey, the findings in this question will respond as follows:

Remarkably, from the four SME owners who have basic risk management in their business, they do not see the need to change any of their management as they emphasise that their current
management would already be enough if the risk occurs, and if the problem happens, they could adapt to circumstances.

All those four SME owners said that "even though they are aware of the AEC, it is just like overdoing it for something that cannot be predicted which is wasting time and money"

These points of view signify the characteristic of Lao SMEs that are scared to change as the condition that foster this is the insufficiency of the allocation of resources (GIZ, 2014a; Low, 2014). Picking up on López and Iglesias (2010) mentioning the results of inadequate risk management in the EU during the transition period, they are payment delays, high costs of capital and fluctuation of money credit. These should be lessons learned on how to solve the foreseen situation such as to inject capital into the business cycle, increase awareness-knowledge management. Besides, proper protection policies should be prompted in order to perform readiness during the integration and sustain the longer term of a SME business (Abotsi et al., 2014; Publishing, 2008; The ASEAN Secretariat, 2011).

By assessing all answers from the interviewees and then formulating the relationship with the literature, the model is adapted and created in an attempt to match with the condition and characteristic of the Lao SMEs. In relation to the model from Gao et al. (2013), Manners-Bell (2014), Verbano and Venturini (2013), some criteria is cut off, inserted and modified as to constitute the most suitable model in the context of Laos.
By critically analysing the respondents' answers, it can be seen that Lao business owners are quite conservative to the change as they feel reluctant to learn and apply new methods to their business even though they are aware of the foreseen situation that might occur such as the AEC. Besides, the appearing characteristic of simply business and daily operation signify that western academic risk management would not be a fit in the Lao context if there is no adaption. Therefore, modification of the simpler model is necessary and some criteria needs to be added up. The final adapted model by the author is composed of eight main factors. Top down in this model starts from relationship and learning components that should be formed first because Lao SMEs have no proper risk management, then the supporter such as government, consultancies or agencies should be a middle person who conveys these promising components to the Lao SMEs.
by informal communication as Lao SMEs do not need long procedures and require only simply interaction.

In terms of the second main part of risk management that was delivered from the middle person, the simple step of risk management should only be applied because if not, then the Lao SMEs would ignore and do not have any interest to insert this risk management in their businesses as they are more concerned with their daily operational outcomes. Hence, the four main simple procedures with some easy step upon risk would be more effective, which includes analysing, evaluating, managing and monitoring-assessment.

The four respondents have no change over their risk management and the rest of the participants have no risk approach. Therefore, there is no need to further extract deeper, but rather focus on their current approaches over their business strategy, finance, workforce and supply chain which are the part of "Learning" in the above model before conveying to the SMEs that if these four approaches are strong and appropriate enough to encounter the consequences of the upcoming AEC there may be no need to scrutinise. This is to be able to form the most suitable approaches before handing to the "Supporter" and then communicate to the "Communication". In this regard, after carefully evaluating these four approaches, additional academic knowledge, adaption and suggestion would be made in an attempt to formulate the new fit approaches within the Lao SMEs business context.

5.2.4 Research question four: How does the risk management strategy of the SMEs owners in Laos have changed after they are aware of joining the AEC, in particular, to business strategy, financial, workforce and supply chain issues?

The questions below are partly separate business strategy, finance, workforce and supply chain in which when collated together, it will help support and fulfil the sub research question four as well as the fifth and sixth objective.
5.2.4.1 Business strategies

What are your business strategies at the moment?

The successful path of business relies much on how good the strategy is. A business could surpass the rivals and obtain higher market shares highly depends on the technique which is decided by the business owners. In this regard, half of Lao SMEs participants in this survey reveal that they have no strategic plan neither long term nor short term. In contrast, the other half insists that their strategies relate to networking, brand management and marketing. Relating to view of Rao (2010b), enhancing network alliances maximises the supply chain scale in which resources and power of the firms network would increase. In Laos, as resources are heavily imported from neighbouring countries such as Thailand, a networking approach would bring a positive bargaining power for small firms over suppliers (Battilana & Casciaro, 2013; Glenn & Mattei, 2014; Grant et al., 2014). Additionally, the brand management base embraces the firm's identity and uniqueness which distinguishes the firm by standing out from the messages of others SMEs (Rao Gundala & Khawaja, 2014). For Cravens and Piercy (2013), marketing advertising is a magnifying channel publicising business to the customers. Especially for SMEs, with the small amount of budget to promote their business, online advertisement through mass media is the most cost effective voice to broadcast business and randomly seek out new customers from others' segments (Chaston, 2014; Cheuk & Li, 2013; Funk, 2013).

Noticeably, as mentioned before, SME owners in Laos have fear that their business would lose customers' attention as their service qualities could not compete with neighbouring countries when the AEC comes into force. This seems like SMEs in Laos are not conscious that their business strategies do not focus to improve on this point. As Ching Chow, Ping Shun, and Yu Hui (2014) elucidate in their research that the better quality of service, the higher is the customer's loyalty. As a result, the outcome would yield more benefit to firms when the brand is widespread and well recognised of the service's qualities (Lisch, 2014; Rodrigues, 2013; Schwedt, Chevalier, & Gutsatz, 2012). This means that there is a positive relationship between service quality and customer loyalty which if the Lao SMEs could attach this idea into their strategy, it could be a factor determining the success from failure during the integration competition.
However, the other half of the participants have no strategy. Lao SMEs would be in danger in the future when the union settles as Lao firms would be vulnerable to the market traps. Therefore, the government and agencies intervention should be involved to increase the awareness for the SMEs to prepare their strategy in this near future.

What are the knowledge management approaches that you use to improve your business?

To be able to improve the knowledge of SME owners in Laos, it is important to be aware of what is the most appropriate framework that could be best practiced. In this sense, this research reveals that all participants deploy knowledge from their academic learning to their business rather than from real-life experiences. As Chan and Chee-Kwong (2008) enlighten a SME could better perform when knowledge management is utilised by the owners. However, the findings indicate that the management approach that they are using in their business only relates to their past major of their academic studies, which is not precisely associated in business terms. Likewise, the advantage of academic business management approaches would be rational in this situation to improve SMEs knowledge as the participants have had previous experience in academic life. By combining and adapting the model from De Wit and Meyer (2010), Kaplan and Norton (2008), Porter (2008) and Stankiewicz (2000) as cited in Rostek (2015) to the Lao context, the new model to broaden SMEs learning in the AEC context should be as follows:
Figure 11: The conceptual framework of Strategic plan for Lao SMEs


The heart of this model is resource which Lao firms are concerned most. For Lao SMEs, the core moderator of strategy is based on their resources. In the absence of this, Lao firms would not see it as a link in creating or applying a strategy to their businesses. Implementing this strategic model effectively, Lao SMEs would be able to smoothly overcome challenges of the integration.

In the above model, strategic content simulates from the five forces factors enforcing the business environment in which it influences the strategic plan of the firm. In terms of strategic process, the strategic plan and operating plan are the two main processes that should be followed strictly. In addition, the operational plan also represents the competitive instrument in the strategic context. The last phrase of the tri-angle is the strategy context that the SMEs should be aware of as it locates where their businesses belong in each period of time. By extracting what is the potential and pulling out as advantages, it will become an instrument that magnifies its competitive position in the market.
How do you think that your strategy fits with the Lao business environment?

Strategic fit is how a firm deploys whether the explorative or exploitative strategy at the right time in the host-country location. These two schemes will be interchange techniques depending on the situation in that business environment. The conditions to select and apply one of them is the culture, geography, society and economy of the country where the firm operates (Peng Cui et al., 2014). From the four respondents articulating themselves as having a strategic fit in the Lao context, it appears that their strategy is exploatively based. The reason is that their strategy only focuses on the daily operation of exploiting the current resources and market that they currently have regardless of exploring new markets for more benefits. If the resources in this market run out, or there was an invasion by the better neighbouring merchants in the case of the lowering barriers of the AEC. Lao firms would be vulnerable to this consequence. Besides, with no boundary to the market in the AEC context, the marginalisation of the Lao market would take place by the AEC members as they use an explorative strategy and have more resources.

From the above concern, Lao SMEs would not only focus on the exploitative strategy in the home country but also the explorative method in order to seek out new markets to distribute products and increase revenues in case the home market was fragile from the uncertainty such as competitors, business trends and government policies.

5.2.4.2 Finance

What are the barriers for your business to access financial assistance?

From the SMEs who borrow money from the banking institutions, the reliability of business profiles, is time consuming on procedures, document difficulties and in comprehension over banking systems are the main factors for struggling SMEs to increase their budget. As Golić (2014) mentioned, these barriers are common factors that SMEs have been facing. Regarding Saad and Idris (2014), banks are always constrained on quality of firms such as business profiles, assets and business management plans especially how to manage debts because loan providers fear that SMEs could not bear the burden of financial risk. Meanwhile, if SMEs could not overcome these procedures, the production line would halt (Boschmans et al., 2012). As SMEs
have limited financial knowledge management, the puzzle of banking systems and procedures become the hard conditions for SMEs to walk into the banks (Veselinova & Samonikov, 2012).

To solve the problems, as SMEs themselves are not proactive to seek out solution, government intervention and assistance from banks are answers. First, government sectors in relation to SMEs promotion should correspond with the banks to shorten the procedures by prioritising SMEs. Secondly, banking institutions should make campaigns to help SMEs understand more about documentation and procedures. Lastly, as there are many funding injection into the system through the government channel in the form of low interest rates, it should be publicised nationally and locally to put into the right hand of the SMEs who need (Publishing, 2013).

What strategies do you have for accessing financial assistance?

This question relates to the fifth objective. From the interviews, Lao SMEs have experienced that vivid business plans, the high amount of assets and reliable guarantors are the main concern for the banks to approve credits. Bouslama (2014) suggests that a long-term relationship with the banks would be a mandate to increase the percentage of borrowing. In addition, good profiles of published information which include a high level of assets, a good management plan from a reliable and good profound entrepreneur are the rationale for banks to offer loans (Bar-Isaac & Cuñat, 2014). However, by scrutinising these main points, it is almost impossible for many new start-up SMEs that have no assets, no guarantor and lack of knowledge to write a business plan and open a business if they do not have their own assets. This problem is supported by the idea of Saad and Idris (2014) that banks would be reluctant to provide loans as a new firm is a higher risk than the firms that have long been operating.

Tracking on these problems, the solution would rely on how much the banks' schemes and systems would change in order to attract new customers such as SMEs. Bouslama (2014) remarks in his study that lending from a bank is based on the characteristics such as size, ownership and the specific target group of the customer segments. Struggling on this condition, it is impossible to oppose banks to change their scheme (Kaur, 2015). The answer to this problem would be about the right choices of the right banks for the SMEs. Imitating a solution from France, government has assigned specific and prioritise some banks for SMEs to borrow money.
With fewer procedures, there is no need for an asset as a guarantee credit for lending, and no guarantor but only a few supported papers from local authorities, a person could borrow money to start or expand business (Psillaki & Eleftheriou, 2015).

**How do you manage your finance at the moment?**

This answer sheds light on sub question four in looking for current financial management. The focusing factors from interviewees on their finical management are taxation, transaction costs, hiring personal assistance and comparing between debts and assets. In relation to the OECD Publishing (2009), reducing the problem of double taxation can help SMEs mature their financial growth. In particular, the amount of tax could be reduced and paid only one time such as the payment of annual tax and could be deducted if buying commodities, shareholder's shares or basic allowances already include tax. For James (2014), accounting services and consultancy assistance could help SMEs handle budgeting and financial reports if SMEs have no knowledge on this field and want to focus more on operation. Avoiding transaction costs would also reduce the burden of budgeting (Anton, 2011). Whenever SMEs step into global market, the boundary of transaction has no limit. As a result, transaction costs increase from trading through foreign banking transactions. Selecting the right bank agencies or deciding whether customers should bear these costs could be an option (Hungary, 2013).

Resuming all the informed financial remarks from Lao SMEs, an appropriate model representing the suitable flow of Lao financial management is as below:
Figure 12: The conceptual framework of financial plan model for SMEs in Laos

Developed by the author and adapted from Anton (2011) and Karadag (2015)

The above model consists of five cores. The starting point begins with the assistance from the macro-level moderators that are the banking institutions and government. By providing knowledge about the systems and prioritising SMEs to access the loan, SMEs could better plan their financial strategy. In the planning step, the concerned factors are on how the business plan corresponds to the policies; in this, the right portfolios are selected, and the business plan is nicely written with well asserted guarantors. Later in management of capital during the operation, reducing transaction costs and corporate tax are applied in which the fixing of asset acquisition should be examined simultaneously. This is to make sure that the debts never go above the assets as well and the substitute assets are always ready to be invested if firms have problems or need to expand the business. Lastly, reports and controls must be followed. As SMEs in Laos have no knowledge about financial reporting, hiring specialists or constancies would be the better choices as these experts know more, and they can catch up with the standard
of reports, which are necessary in the AEC context. In addition, this last core is the feedback and control that will reflect back to the planning phrase on what should be changed.

5.2.4.3 Workforce

How are you aware of labour flow in the AEC context?

All of respondents in this interview replied that they are aware of the free movement of labour when Laos integrates into the union. The elaboration to their reply is the fear to change, unskilled and low competency of the labour that make Lao workers unable to move forward freely into the ASEAN members. From those answers, Lao SMEs have well understood that a regulation of the AEC is the free movement of labour as Coia (2014) mentioned. Critically, Publishing (2008) pinpoints Lao labour situation that is not only in a shortage but also there is a lack of qualification to meet the international market standards. As a result, this brings about the foreign labour invasion into Laos with consequences to imbalance and lack of improvement of Lao labour. Regarding these issues, Chen et al. (2011) stress that weak home-country policies would be annihilated from the drain of this flow as unstructured regulation cannot halt the skilled labour to move out of the country. In contrast, the country also cannot effectively yield and extract knowledge from the inflow labour.

What are the management approaches that you use to secure and maintain your workforce?

To secure valuable staff from resigning, the participant SMEs have attached national labour policy into their management. Besides, creating a family business environment and manner of generosity with good bonuses by the end of the year are the strategies for maintaining their staff. Following the 30 years experience of labour law policy in OECD countries, the national labour law is the standard measurement signifying the unemployment rate in many countries (Deakin, Malmberg, & Sarkar, 2014). Without obtaining this basic defined rule in the firm management system, implementing fair discipline between employers and employees would be impossible (Rao Sahib, 2015). This means that SMEs should take this law in order to create trust and affirm
the relationship between working parties. Reward is another form of persuasion, especially extrinsic reward such as money. By setting up a bonus scheme on baseline production, workers would be more enthusiastic and work more when the persuasive goal is set (Waddell, Creed, Cummings, & Worley, 2014). In Laos where materialism becomes more attractive, people would be interested more to work harder in an attempt to increase their income. Therefore, a bonus is the right choice at this moment to increase firms' productivity (Voußem, Kramer, & Schäffer, 2016). Even though the national labour law and bonus are integrated into the firms' strategy, it is not enough in the context of Lao culture to secure their employees. Formulating a family working environment is built in relationship inside the organisation as to give the feeling of ownership and responsibility to employees. In this way, employees would not think about what they are doing are just do their duty and work, but seeing it is a career (Castrogiovanni, Urbano, & Loras, 2011).

**What are approaches that you use to improve the skill level of your workforce?**

Due to lack of budgeting, SMEs in Laos prefer in-house rather than out-bound training to improve skill labour. The focused themes in their training include fundamental training that is necessary for the duty, goal oriented, attitude and behaviour improvement. Mehra et al. (2014) emphasise that there is a positive link between training and revenue when employees receive appropriate additional training related to their duty. Alongside with Publishing (2013), informal training can yield more productivity when intensive courses are implemented in the firms. In an association with the seven terms training of Sheehan (2013), Lao SMEs utilize routine skill training associating repetitive basic knowledge learning, social skill training and team building to broaden workers' skills and motivation. In the same stream with Maani (2011), Lao SMEs practice four out of five principles learning to develop employees' minds, which are vision sharing, behaviour modelling, team learning and personal improvement. Elaborating from Armstrong (2011) and Nel et al. (2014), all mentioned the above information could be considered as talent, learning and development strategies. The augmentation of workforce, learning and development skill need to be spread to all employees in order to align their duty with organisational objectives. In this way, the talent and outstanding workers will be distinct to recruit to specific training or promotion. This is to acknowledge the pool of differentiation from
the skilled workforce, then the firms would be able to identify gaps and prepare a suitable training for each individual (Nel et al., 2011).

In contrast, there are three SME owners who have abandoned training in their businesses. Their argument is based on the selection criteria when recruiting staff. The staff should already have enough competencies that match with job descriptions when applying for jobs. Furthermore, some jobs do not require more improvement. Hence, there is no need for training and this thinking is supported by Publishing (2013). However, Gekonde et al. (2014) oppose this idea and suggest that there should be no limitation to training when taking on only business already recruited qualified staff because an organisation's innovation could be obsolete due to lack of further training for human capital. This signifies sub research question four and characteristics in the sixth objective.

From the answers and academic reviews, the author then could formulate a suitable strategic human resource management model for SMEs in Laos as below:
Developed by the author

In this model, four components are asserted as to stimulate an appropriate strategic fit for human resource management in Laos. By firstly settling all employees under the standard of laws and regulations, business owners and workers can take a standpoint to oblige this and create a basic trust between parties. Secondly, rewards should be added up in an attempt to energise productivity and competition among workers. Next, employees should obtain training based on their weakness or what could be their possible potential strength in corresponding to the right capacity building. Lastly, to be able to win the hearts of staff, getting into the Lao cultural context such as good working or family atmosphere and generosity are imperative. By performing these basic functions of the strategic human resource management model for SMEs in Laos, any firm that operates in Laos could secure their employees from moving in the AEC context.
5.2.4.4 Supply chain

What are the current situations of your business supply chain?

The findings reflect the situation of the supply chain in Laos, especially in the handicraft sector which currently is the most vulnerable. From the changing market and economy, local people have turned from their local life of planting cotton to other kinds of crops or gone to work in the city. These issues diminish raw materials from local people and affect the handicraft production line. Publishing (2008) asserts that today's supply chain influences beyond just the production line in which investment in outsourcing is needed for SMEs. This concept is true as the identity and uniqueness of Lao handicraft heavily relies on local products and Lao weaving women. Besides, customer's requirement is a predominant factor determining the sale meanwhile in the shortage period price fluctuation would occur from this requirement (Thakkar et al., 2011; Thun et al., 2011). Lao SMEs chose a solution by investing with suppliers. By firstly investing in a budget for local people to plant raw material. This is a pre-direct contract without passing through middle persons in order to get cheaper material and make suppliers compulsorily stick with the company.

How do you enhance resources to energize business profits?

To rely less on imports and save costs, Lao SMEs try to reduce, reuse and recycle (3R) their resources. It is impossible for a country that heavily relies on imports such as Laos to cut the supply chain and be independence over resources. In the Lao context, SMEs try to save costs from the process of the operation line. For example, in restaurants, old-unused material is renovated as classic furniture and decorations whereas in the handicraft, buying one shirt model can be manipulated and multiplied into many copied designs. This concept of 3R is well-known in industrial sectors as it can save cost and reduce waste (Huang et al., 2016). Besides, it is also accepted as a technique to shorten order time and cutting unnecessary resources from suppliers (Bode et al., 2011). As a result, firms can gain more profits from the saving.
How do you manage and gain advantages from your supply?

The four approaches that Lao SMEs endeavour advantages from the supply chain are networking, exchanging products-services and long-term contracts. Bargaining power stimulates under the strong power of buyers. With the formation of network, SMEs could power up their negotiation degree over costs, quantities, qualities as well as services (Kumar et al., 2013; Lefebvre et al., 2014). Academically, this term is known as a resource network base view by Kamakura et al. (2012) which is shown as the relationship between firms and suppliers-collaborators throughout the decision of business expansion into a new market.

Through this network relationship, exchanging products and services are parts of the activities. Besides, not only resources are moving inside, but also technologies and management systems need to be synchronised as firms' innovation and behaviour need to be resonated (Buckley & Prashantham, 2016). If not, the network power is impotent as firms lack systematic resonation. However, from the interviews, the structure of the network in Lao SMEs is still vague because the exchanging is just between a few companies, and the power of association is not strong enough due to lack of harmonisation. As a consequence, the network and association could not function effete the bargain power to help and represent the members.

According to Rangel et al. (2015), screening processes and long-term contracts are patterns filtering mistakes, accumulating transparency and reducing costs. When quotations are renewed and inspected, prices of commodities are up to date whereas if the long-term contracts are signed, business could earn lower price and the processes of supply are secured.

Accumulating all results and academic studies together in this supply chain issue, the author has drawn new model to fit with the Lao supply chain context as the following
In the Lao SME supply chain; perception manipulates firm's characteristic and reaction. To be able to be aware of risk, there is a need to raise awareness over SCRM as to make Lao SME perception change so that the firms' characteristic would react properly. By so doing, firms will have risk management and select the right method when dealing with the influence power of suppliers. In SCRM mitigation method, four core factors applicable to Lao environment are suggested as hoarding material, 3R, networking and screening. The outcome of this will strengthen the bargaining power from the SMEs' side in negotiating with suppliers.
5.2.5 Quadrant survey

Surprisingly, even though all SMEs marked themselves scattily, all of them are located in the positive quadrant. Undoubtedly, this quadrant is known as the positive side which in this survey displays as preparation and excitement. In contrast, from the interviews, respondents' lack of risk management means that their level of preparation should be lower than what they marked. In the same way, many of the participants agreed that they have fear about the upcoming AEC which results in the feeling of the threat. Likewise, their display marks on this survey should be mostly on the left-hand side or in the middle rather than the right-hand side. As Gregory and Crispin (2015) mention that the quadrant survey will emerge the differentiation in the research. From this contradiction, the author can say that this qualitative research gives value as it can unearth the deep answers from the Lao SMEs more than the quantitative survey that may only generate superficial information as the participants could not fully elaborate and were stuck over the unexplained questionnaires. Moreover, in the Lao culture where appearance and losing face are paramount leaving the Lao respondents to answer the question alone would yield unproductive results.
5.3 Conclusion

Firstly, the chapter responds to all mentioned research questions and objectives that were written in the first chapter. In addition, the discussions in this chapter have discovered many interesting points, which are demographic and culturally specific. In the context of the ASEAN where the culture and environment are similar, by examining Lao SMEs, many lessons are learned that could be applied and feasible to others ASEAN member countries. The author believes that the outcomes in this chapter which are specific factors are inserted and then adapted to academic knowledge that will yield practical results and concrete benefits when it employed by the government, investors and NGOs.

5.4 Chapter summary

Toward this chapter, Lao SME owners provided answers, which respond to the research questions in which the setting objectives are fulfilled. In general, the interviews show that all participants acknowledge and qualify themselves as SMEs in this research. Their considering criteria includes their size of business, numbers of employees and the sector of business where they belong. Besides, they are also aware of the integration of the AEC as well as the regulations and rules that the member countries must obligate such as free flow of goods, services and labour. In particular, half of the participants positively think that the AEC will bring promises whereas the rest still have fear over competition that will negatively affect their business because Lao SMEs are still weak in management and quality of services and production are still low.

Accessing Lao firms' risk management, it appears that only four firms have business risk management which unfortunately is in the basic degree and still need to improve and be adapted in order to overcome the challenges of the AEC. However, these four firms do not intend to improve their risk strategy even though they are aware of the upcoming risk. This perception of Lao SMEs then signifies their characteristic of risk as reactor and defender-prospector. Regarding this result, rather than further take research on the preparation of risk, the research then scrutinises SMEs current business strategy, finance, workforce and supply chain issues as to evaluate and measure if it is already enough to sustain their business when entering the AEC. The results are as follows:
Business strategy: the findings reveal that only half of the participants have a business strategy which focuses on networking, branding and advertisement. Additionally, these strategies have emerged from their applied academic knowledge. By analytically evaluating their strategies, the core driver is resources. Therefore, the suggested model is introduced based on the core resource to connect with strategy content, context and process in order to manage business sustainability.

Finance: there are many issues associated with accessing financial institutions for the Lao SMEs. For instance, the puzzle of procedures and lack of financial knowledge. Looking for a good guarantor, high asset credit and good business plan are some of the key entrance strategies to banking institutions. In daily operation, reducing transaction costs and tax are techniques to increase benefits. Responding to these findings, the author suggests that tax incentives and simplifying banking procedures are choices that authorities should take into account.

Workforce: aside from national labour policy, the cultural contexts of generosity and family working environment are strategies that Lao SMEs use to secure their workers. Lao firms with training have done a good job in improving skilled labour. The mechanisms of learning and development are utilised.

Supply chain: as Laos heavily relies on imports, Lao SMEs have low bargaining power to negotiate with suppliers. The formation of networking, hoarding material, 3R and screening processes are techniques increasing negotiation power.
Chapter Six: Conclusions and recommendations

6.1 Introduction

In this final chapter, key results and conclusions of the research questions and objectives are summarised. Regarding this, important points from the findings in chapter four and discussions in chapter five are answering four sub research questions and six objectives. As a result, collating those summaries, the main research question about how does the Lao SME owners' perception of the AEC affect their risk management strategy and approaches in the four sectors namely restaurants, hotels, tourist agencies and handicrafts is addressed. Toward the end of this chapter, managerial implications and recommendations are outlined. Lastly, limitations and directions for further research are discussed.

6.2 Background

Throughout this research, the qualitative approach of the semi-structured interviews are deployed as the data collection technique. From the interviews, 12 SME business owners are the main core drivers providing meaningful conversations to generate information and then be analysed as the result of the findings. From those findings, the extracted answers correspond to four sub research questions and six objectives and are presented with relevant literature as follows:

6.2.1 Sub research question one:
What are the Lao SMEs owners’ perspectives on the understanding of the SMEs?

Simultaneously achieving the answer to this sub research question one, the first objective "To demonstrate the understanding of Lao SME owners toward their SMEs" is obtained.

The 12 participants had well addressed this question as they confidentially replied that their businesses are SMEs. From their perspectives, their number of employees does not reach 100, and the types of their businesses make them believe that their firms are SMEs. Their perception is right as it is supported by the literature that a firm is considered as a SME when the number of
workers is under 100 and the sector business belongs to production, trade and service (Kamakura et al., 2012; Phoumilay & Douangsavanh, 2008). The further discussion in the interview also makes their perspective stronger as all respondents emphasised that their businesses match with their lifestyles and come from personal interest in which it resonates to James (2014).

However, there is an issue to be criticised. In Laos, people now superficially categorise SMEs from only the number of employees whereas the three criteria to be a SME from the table 1 in the chapter one are number of employees, annual turnover rate and sector of business. This blur the standard line of SMEs which transparency in offering banking loans and financial assistance would be ruined. Besides, the findings reject a point from Mekong Institute (2012) that SMEs are family business whereas all 12 participants started their business by their own hand.

6.2.2 Sub research question two:
What are the Lao SMEs owners’ perspectives on the understanding of the AEC?

From the elaboration of answers, the information helps solve this sub research question two and at the same time, the second objective "To explore the perception in terms of understanding of threats that SMEs in Laos have on the AEC" is fulfilled.

According to the conversation with the 12 participants, more than half of them are aware of the integration of the AEC. Meanwhile, they also acknowledge the regulations that the country has to obligate which are free flows of goods, labour and investment. Their perception is valid as it is the same as Das (2012) and Nuthall (2015) have mentioned in their articles about the trade union and the AEC.

From the right perspective that they have, it encompasses to the positive benefits over the joining. The majority of Lao SME owners see the AEC as an opportunity as free movement of population will inherit investment and skilled labour while wages will be lower. Besides, costs over the supply chain will decrease as the result of the reduction of tax barriers. At the same time, standardising of services will lift due to the competition for quality and the number of service providers. Their expected perception is correct as these are given as examples in much of the literature (Petri et al., 2012; Saad & Idris, 2014).
In contrast, the threats associated with the AEC also appear in the Lao SMEs perception and project to the second objective in this research. Some of Lao firms are fearful over the huge investment with which they could not compete. With more budget investments from aboard, Lao SMEs would not be able to challenge over the amount of production. As a consequence, the contest for prices and services would also follow. From the low quality of services and high prices as a result of imports, Lao firms would be severed from this race. This thought is emphasised by Lee and Fukunaga (2014) that SMEs in many countries have collapsed as they are not yet prepared when the union arrives. To solve these problems, home-country policies need to be protective and in order to protect SMEs from failure, government, relevant parties as well as NGOs should help improve SMEs knowledge and standards prior to the full phase of the trade union is implemented (Becla, 2013; Publishing, 2008; Volz, 2013).

6.2.3 Sub research question three:
What are the risk management approaches that the SMEs owners in Lao have used currently?

This sub research question three enlightens the third research objective "To find out the risk management approaches that SMEs in Laos have prepared before entering the AEC". By cracking the answers from the interview, this question and objective is clear.

Half of the respondents have the same view as Abotsi et al. (2014) that risk is a threat happening in business processes, and it can be minimised or eliminated through choices of possible solutions. However, from that half of the participants, there are only four SMEs that have risk management in their strategy. The approach to risk is that they use are screening solution procedures and three tackles (reduce, avoid and transfer) (Henschel, 2009b; Verbano & Venturini, 2013). Precisely, insurance companies, partnerships and constancies are the real forms representing the approach which are also mentioned in the literature (Gao et al., 2013).

However, the rest of the participants have no risk management approach, and this accounts for the two-thirds which is a huge sharing percentage if generalised to all the SMEs in Laos. The given reasons for this are business is too small, no time, no money and they have no experience of any threat before. Engaging in these issues, hiring consultancies as short-term and government
assistance as long-term solutions should be taking place to avoid risk from one business owner making the decision (Boschmans et al., 2012; James, 2014; Publishing, 2008; Saad & Idris, 2014; Southiseng & Walsh, 2010).

In short, overall Lao SMEs risk management is still to be categorised in the low level because according to Henschel (2009a), Lao SMEs are in the reactor and defender-prospector group based on their current risk management.

Putting the solution in a nutshell, government assistance to improve SMEs risk knowledge management, building on the relationship of networking as well as the learning process through informal communication as shown in figure 1 should be formulated.

Figure 10: The conceptual framework of improving risk management knowledge for Lao SMEs

Developed by the author and adapted from Gao, Sung, and Zhang (2013), Manners-Bell (2014), Verbano and Venturini (2013)
6.2.4 Sub research question four:
How does the risk management strategy of the SMEs owners in Laos change after they are aware of joining the AEC, in particular, to business strategy, financial, workforce and supply chain issues?

Not only the sub research question four is addressed, the answer also connects to the fourth research objective. Besides, the detail in parts of business strategy, financial, workforce and supply chain issues also link to the five and sixth objectives.

The four respondents have made no change over their risk management whereas the rest of the participants had no risk approach. The research then narrows and focuses on their current business strategy, financial, workforce and supply chain issues in order to evaluate if it is already good enough to meet the challenges of the AEC. Regarding this, a suggestion and adaptation from literature as well as the concrete knowledge and experience from the author are inserted.

6.2.4.1 Business strategy

Half of the interviewees clarify that they have the business strategy on their daily business plan, and they think that their strategy fit in the Lao business context environment from the growth of revenues and branches. The components in their strategy include networking, branding and advertisement in which the core driver is organisational resources. Relating to those strategies, many articles and literature approve those approaches (Battilana & Casciaro, 2013; Cravens & Piercy, 2013; Glenn & Mattei, 2014; Grant et al., 2014; Rao, 2010b). Further more from their explanation, their knowledge management comes from adaptation of academic learning which it is only partly linked to the business field. However, when sceptically zooming into the point that the quality of services and standards of products are low. Firms should first improve on these strategies (Lisch, 2014; Rodrigues, 2013; Schwedt et al., 2012).

After evaluating their strategies and knowledge they have, the proper knowledge of business strategy should be added up in order to help Lao SMEs understand more about environmental factors and strategic processes. Figure 2 then was developed by adapting from the academic
literature to enhance SMEs business strategic planning. The core components of this model comprise of strategy content, context and process.

Figure 11: The conceptual framework of Strategic plan for Lao SMEs


6.2.4.1 Finance

Lack of financial knowledge management is the main concern after the research is undertaken. For Lao SMEs, access to finance is a difficult procedure. Without proper financial knowledge, no good guarantors, low asset and unclear business plan, it is impossible for a small business to obtain financial credits. From their daily operation, focusing on reducing transaction costs and corresponding double taxation are their techniques which all of those are agreed by many researchers (Bar-Isaac & Cuñat, 2014; Psillaki & Eleftheriou, 2015; Veselinova & Samonikov, 2012). Remarking on those problems, the form of assistance in a tax incentive, simplifying bank procedures and providing financial management knowledge should be a solution.
Figure 3 is the established model including factors that need to be targeted in order to protect SMEs financial growth. The model is set up under the flow of the financial plan in the Lao context. Toward this plan, government and banking assistances are significant at the macro level.

Figure 12: The conceptual framework of financial plan model for SMEs in Laos

6.2.4.1 Workforce

Lao SMEs have performed well in securing their workforce. Aside from the fundamental national labour policy to create basic trust between owners and workers, cultural contexts of generosity and the family working environment are specific characteristics to maintain labour when operating business in Laos. These approaches are supported by Castrogiovanni et al. (2011) and Rao Sahib (2015) as they are intrinsic persuasive factors to achieve employees' hearts. Besides, Lao firms also follow Waddell et al. (2014) as setting extrinsic rewards such as a bonus to increase productivity and competition inside the organisation. In terms of training,
talent, learning and development of strategy are the development mechanisms for their labour. Notwithstanding the importance of training, some firms neglect this function because they do not see the necessity of training, as staff have no need for more training as their competencies already match with the job description. Foreseeing the essential of training, Gekonde et al. (2014) disagree on that perception and believe that they should have no limitation for training as it will halt organisational innovation and development.

Accumulating from all ideas, the model of strategic human resource management in figure 4 is devised. Instead of abandon training, this model has merged capacity building, cultural conditions, reward as well as regulations and laws together in an attempt to be feasible in the Lao working scheme.

Figure 13: Strategic human resource management conceptual framework for Lao SMEs

Developed by the author
6.2.4.1 Supply chain

From the research, it was found that the local material from local suppliers in the handicraft industry is in short supply and diminishing. As a result, it affects the production lines and uniqueness of goods which consequently causes price fluctuation and also affects customers' interest (Thakkar et al., 2011). The practical approaches that are working well in order to create bargaining power and less reliance suppliers in Laos are hoarding material, 3R (reduce, reuse, recycle), networking and screening procedures. Academically, these methods are well accepted and known by many researchers (Kamakura et al., 2012; Lefebvre et al., 2014; Rangel et al., 2015). According to Lavastre et al. (2014), the perception of risk influences reaction and is a characteristic of firms in decision making. In light of this point, supply chain risk management (SCRM) should connect with perception. Composing those ideas in the context of Laos, the model in figure 5 on the process of SCRM in the context of Laos is invented.

Figure 14: Supply chain risk management (SCRM) conceptual framework for Lao SMEs

Developed by the author and adapted from Lavastre, Gunasekaran, and Spalanzani (2014)
6.3 Managerial implications and recommendations

6.3.1 Managerial implications

The useful research information in this study assists Lao SMEs firms to comprehend about concepts of the AEC. Carefully reading through this project, firms would gain the managerial implications thus enhancing their knowledge in risk management. In particular, helpful academic knowledge asserting in this research, which adapts to the Lao cultural context will guide new business starters as well as current operating businesses to sustain their businesses. By applying the models and following the suggestion in relation to risk management, business strategy, finance, workforce and supply chain, a company can ensure their success, smoothness and survive to a high degree. From the remarks in this project that Lao SMEs still lack knowledge of those mentioned terms, every business should be aware of them and see the importance of the changing environment that will bring about high competition, better quality of services and mass production investment into Laos.

The results of this research align with the decision from the Lao government that has not yet accepted the full phrase of joining the AEC at the end of 2015 as the country is not yet ready to overcome the challenges of the union. The reasons to postpone are based on the weakness of the Lao market, poor standards of service and low quantity of production whereas skilled labour and people need more time to prepare. Therefore, the country requires a certain time to create the readiness on those factors.

From the evidence above, the author has confidence that this research study is in the right direction as positioning qualitative study, utilising concrete examples and practical literature. When adapted and evaluated with the author's experience, it fulfils the gaps in SMEs academic filed. Nevertheless, in the context of Lao where demography and cultural are similar to neighbours, the transferred results could be practiced. In the academic study, this research is one of the initial projects addressing risk management in SMEs scale and particular to the AEC which fulfils the gaps in this filed and be modelled for future research.
6.3.2 Recommendations

- Changing perception: Lao SMEs could not move forward and would collapse if they do not change their perception. Lao SMEs have a fear about change, from their characteristic of a simplistic life, so they do not feel the need to interfere with any difficulties. This will not make their business innovative, no development and obsolete. In the rapid changing business environment such as Laos, firms must always prepare to grab profits and be preventive of threats. To the current SME owners and new starters, opening up the mind and catching up with the trends will help business up date.

- Assistance: Government, Banking institutions and NGOs are part of macro-level assistance and they should cooperate in order to effectively allocate assistance to all areas of Lao SMEs. Undoubtedly, SMEs alone could not remodel the taxation system on their own. Hence, Government intervention should be involved and create a tax incentive. Similarly, banks should give priority to SMEs and simplify lending procedures. Lastly, the engagement of NGOs will strengthen the SMEs' capacity and connect the host country-local banks to the standard of the union systems.

- Knowledge management: Not only perception needs to change; improvement of knowledge management should also be part of the process. As witnessed in the weakness of business management from the research, SMEs and relevant parties such as government, NGOs and banks should together begin the learning and development processes to exchange problems and solutions. At this rate, specific needs are fulfilled and problems are solved accurately.

- Understanding characteristics: To investors, in Laos, international regulations and rules would not be appropriate. By first understanding the exclusive norm and culture of Laos would help smooth the investment process. For instance, the family working environment, generosity and respectfulness should be taken into account.
6.4 Limitations and directions of further research

6.4.1 Limitations

The target of this research is the SMEs in Laos. However, the scale of SMEs also varies from micro, small and medium in which the success of implantation of the new invented models as the solutions would not be perfect to the same degree. Besides, it is still debateable and questionable that generating and developing answers from 12 participants in this qualitative approach could generalise to the whole SMEs in Laos. For instance, this research represents the answers from only four businesses: restaurants, tourist agencies, hotels and handicrafts. This limits the variance of results and answers as it was extracted from four characteristics of four businesses only.

6.4.2 Directions for further research

As this research project is the first of its kind in risk management in SMEs and therefore groundbreaking, taking it as the model concept would be a useful source of information before conducting further research. Due to the delay in joining the union by the Lao government, research should be undertaken that focuses on the factors influencing those delays in relation to risk management. By so doing, we can understand the macro-level of factors affecting the SMEs business environment and sorting out the right policies. Furthermore, a second phase of research by testing the models in this research should proceed to verify the theories and create better models.

6.5 Conclusion

Measuring the degree of success in this research, the author is satisfied with regard to the outcomes that can fill the gaps in academic literature and create practical value results in the SMEs field of business in the author's home country. By reading this final chapter, all important information from the previous chapters is concluded in the way that the readers can concisely understand and get into the personal points of interest. Therefore, the author has high confidence
and believes that this research gives value to society which is particular to the ASEAN members and Laos.

### 6.6 Chapter Summary

This research remarkably contributes value to academic literature in the field of risk management in SMEs indicating that many gaps still need to be filled. The main contribution in this research is about creating an understanding and perception toward risk management from the Laos SMEs side. In particular, the moderating systems of business strategy, finance, workforce and supply chain are evaluated in order to help SMEs owners be more aware of their degree of preparation for joining the AEC.

Another value is the emerging characteristics in Lao context in their daily business operation, which relate to norm and cultural specific. Significantly, acknowledging these contents, the investors as well as assistance providers could smoothly implement their business in Laos.

Furthermore, the devised models to intensify risk management and strengthen business strategy, finance, workforce and supply chain are portrayed. These meaningful models are the initial practical examples that will shape the future managing scheme when the full phase of the AEC is accepted. By following those models, it will become a baseline of the business fundamental plan that ensures the success.

Lastly, the highlighted conclusions and recommendations are crucial to remind the critical points that business, investors and assistance providers should always consider. As the drawn conclusion and recommendations are from the adaptation of academic literature and the author's experiences, it is noteworthy reliable and feasible to apply in real practices.
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APPENDICES

Appendix 1: Semi-structured interviews

I. Identifying the understanding of SMEs from Lao SME owners’ perspective
   1. From your perspective, what are SMEs?
   2. Do you consider your business to be an SME?
   3. What sector of SMEs in Laos does your business belong to?

II. Examining the awareness of entering the AEC.
   1. What do you understand about the AEC?
   2. What are the effects that you think will happen with your business when entering the AEC?
   3. Why you think preparation of risk management is important for entering the AEC?
   4. What are positive consequences that you think might happen with your business when Laos enters the AEC?
   5. What are negative consequences that you think might happen with your business when Laos enters the AEC?
   6. Why do you think preparation of risk management is important for entering the AEC?

III. Assessing the preparation in terms of risk management
   1. How do you understand risk management?
   2. What are the current risk management approaches that you are using with your business?
   3. Do you think that the current risk management approaches you are using help secure your business?
   4. How have your risk management approaches changed after you became aware entering the AEC?
IV. **Business strategy**
1. What are your business strategies (visions, missions, goals) at the moment?
2. What are the knowledge management approaches that you use to improve your business?
3. How do you think that your strategy fits with the Lao business environment?

V. **Financial**
1. Does your business finance rely on personal capital, borrowing or combination?
2. What are the barriers for your business to access financial assistance?
3. What are strategies do you have for accessing financial assistance?
4. How do you manage your finance at the moment?

VI. **Workforce**
1. How are you aware of labour flow in the AEC context?
2. What are approaches that you use to improve the skill level of your workforce?
3. What are the management approaches that you use to secure and maintain your workforce?

VII. **Supply chain**
1. How do you enhance resources to energize business profits?
2. What are the current situations of your business supply chain?
3. How do you manage and gain advantages from your supply?
Please mark where do you think you and your business fit into:

Prepare

Threaten  

Unprepare

Excited
Appendix 2: Information for participants

Information for participants

Research Project Title

“The perception and preparation of SMEs owners in Laos toward the joining of ASEAN Economic Community (AEC)”

Synopsis of project

My name is Kounjairthong Insiri, and I am a postgraduate student at Unitec Institute of Technology, New Zealand, studying a master of business qualification. In order to fulfil the programme’s requirement, I am conducting the research project on the topic of “The perception and preparation of SMEs owners in Laos toward the joining of ASEAN Economic Community (AEC)”. This research project is an important study that will provide useful information to the public and business in general in Laos and especially in SMEs sector. By doing this research, the outcomes will help the Lao government, international organization as well as business sectors to be aware of the situation and the readiness in terms of risk management before entering the AEC. Therefore, the main focus of this research is risk management which particular about the business strategy, workforce and supply chain issues that will assist the business sustainability.

What we are doing

(Project detail)

The aim of this research is to explore SMEs owners’ perception in Laos on the AEC and then find out how they prepare their business to meet the challenges to the risk management of entering the AEC. In this preparation of this risk management, the four main areas that moderate their business to sustain the competitiveness are strategic business, workforce and supply chain issues. By participating in this project, you will provide the useful information to the researcher to be able to understand about the current perception that the SMEs in Laos that you have about the AEC. In this sense, the articulation about the preparation on risk management to meet the challenge of the AEC will help the researcher to identify the relationship between their perception and preparation of change. Likewise, the finding of this study could assist the SMEs business owners to manage their business properly during the transition of entering the AEC.
What it will mean for you

(Detail of what will be involved for participants)

The researcher would like to request an interview for the research project in order to ask some questions related to your perception about the AEC and how you prepare your business, especially in terms of risk management in business strategy, workforce and supply chain issues. The interview will rely on the best time convenience of the participants between early of July, 2015 to late of September, 2015 which duration for the interview is approximately one hour.

All of the information provided in this research will be placed confidentially. In the report, the comments and suggestion will be indicated as deriving from anonymous interviewees, not in specific name or coding. The entire gathered information throughout the process will be stored securely with the password locked. Only the authorized persons which are researcher and supervisor have the right to access. The researcher guarantees that this research will bring no harm to the business owners who participate, and the participants have full right to withdraw from the project within two weeks after the interview.

Regarding the process of the interview, the researcher will use a recorder to record the conversation and then the conversation will be transcribed by the researcher. After then, a hard copy will be sent to you to adjust and modify in case of misunderstanding. Besides, unnecessary information that you do not want to publish will be deleted if you feel uncomfortable.

Notice:

Because of our schedule, any withdrawals must be done within 2 weeks after you have reviewed the transcript.

Your name and information that may identify you will be kept completely confidential. All information collected from you will be stored on a password protected file and only you, the three researchers and our supervisors will have access to this information.

Please contact us if you need more information about the project. At any time if you have any concerns about the research project you can contact our supervisor:

My supervisor is Andries Du Plessis, phone 815 4321 ext. __8932__ or email: aduplessis@unitec.ac.nz

Researcher: Kounjairthong Insiri, Tel (Lao mobile): + 856 20 55417308
Tel (NZ mobile): + 64 21 081 79268 Email: at_1812@hotmail.com

UREC REGISTRATION NUMBER: (2015-1040)

This study has been approved by the UNITEC Research Ethics Committee from (date) to (date). If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162. Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.
Appendix 3: Participant consent form

Participant Consent Form

Research Project Title:

“The perception and preparation in terms of risk management of SMEs owners in Laos toward the joining of ASEAN Economic Community (AEC) in December, 2015.”

I have had the research project explained to me and I have read and understand the information sheet given to me.

I understand that I don't have to be part of this if I don't want to and I may withdraw within 2 week of viewing the transcript.

I understand that everything I say is confidential and none of the information I give will identify me and that the only persons who will know what I have said will be the researchers and their supervisor. I also understand that all the information that I give will be stored securely at Unitec for a period of 5 years.

I understand that my discussion with the researcher will be taped and transcribed and be given back for verification.

I understand that I can see the finished research document.

I have had time to consider everything and I give my consent to be a part of this project.

Participant’s name and Signature: ................................. Date: .................................

Project Researcher’s name and signature: ............................ Date: .................................

UREC REGISTRATION NUMBER: (insert number here)

This study has been approved by the UNITEC Research Ethics Committee from (date) to (date). If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.
Appendix 4: Organisation consent form

Organisational Consent

I’m Mr. Somdy INMYXAI General Director of Department of Small and Medium Enterprises Promotion (DOSMEP) gives consent for Mr. Kounjaithong Insiri to undertake research in the SMEs that are under the administration of our organisation in Lao PDR as discussed with the researcher.

The consent is subject to approval of research ethics application no ................................ by the Unitec Research Ethics Committee and a copy of the approval letter being forwarded to the organisation as soon as possible.

Signature

Date:

Somdy INMYXAI

02 Jun 2015
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Degree: Master of Business Year of presentation 2016

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