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# **FACTORS INFLUENCING AMONG THE SMALL AND MEDIUM ENTERPRISES (SMEs) IN LAOS**

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## **ABSTRACT**

The objectives of this research are to provide information of the current economic situation of the small and medium size agribusiness firms in Laos, identify and compare the importance SMEs agribusiness firms' success factors in Laos, and provide policy implications from the findings. The small and medium enterprises (SMEs) in Laos were chosen to collect the data. The results show 24 variables were positive and significant at the 1% level of significance. The results have significant and positive affected by government factors, business factors, technical factors, social factors, and global factors. In addition, the concluding section reveals some insights that could be considered for future research regarding to improving the SMEs especially the agribusiness firms in Laos.

**Keywords:** *SMEs, Government Factors, Business Factors, Technical Factors, Social Factors, Global Factors*

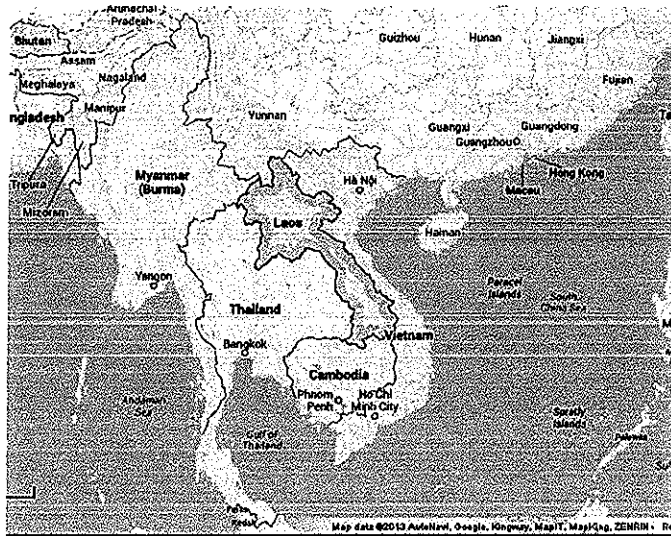
## **1. INTRODUCTION**

Lao People's Democratic Republic or Lao PDR or Laos had introduced itself as a market-orientated economy and experienced satisfactorily high rates of growth prior to the global economic crisis. The country was able to attract foreign investment and increase exports to both regional and international markets. However, other countries had focused on developed countries as trading partners and overlook regional and emerging markets, Laos realized it was well placed to take advantage of its geographical proximity to emerging markets (Vorachith, 2010).

Laos needs to boost up and sustain high economic growth in the country. Even Laos is currently a member of the Association of Southeast Asian Nations (ASEAN) and the ASEAN Free Trade Area (AFTA) since 1995, and World Trade Organization (WTO) as 2 February 2013. Laos still need to integrate the regional and world trading systems as soon as possible. Laos realizes to develop the private sector to encourage either domestic or international investment and increase exports. Laos now takes advantages as a 'land-linked country' regional integration strategy. However, Laos needs to create a market and production base that is favorable to member countries for sustainable economy in the long-term.

As the context of the Millennium Development Goals and the Laotian strategic imperative to graduate from least developed country status by 2020 (Vorachith, 2010), the strategy has already promoted the Laos economy in exports, foreign direct investment (FDI), official development assistance, private sector development and tourism. Nowadays, Laos economy is currently in the weak situation with the domestic gross product (GDP) US\$ 8,297,664,741, 8% of GDP growth rate, and 6.3 Million of population in 2011 (Worldbank, 2013) compared to its neighbors such as Thailand and Vietnam. The notions of regional and international supply and value chains have also been established but the reality of business is always challenging. The impact of the financial crises around the world, trade barriers increasing and higher number of international competitors are among the difficulties faced by local entrepreneurs. The weakening of the US dollar and the relative strengthening of the local currency have also meant financial risk for exporters, especially small and medium enterprises (SMEs).

**FIGURE 1: LAOS**



As mentioned earlier, trade support institutions and development communities need to support SMEs to integrate the regional and global value chains. The business network and the supply chains are needed to be established in Laos. The facilitated and promoted investment from neighboring countries such as Thailand and Vietnam are linked into the country. The policy of value creation and retention has also been put forward since there is a need to transfer from a quantitative to a qualitative level of export development (Vorachith, 2010). Laos can no longer rely on taking advantages from FDI and exporting its natural resources, but Laos needs to industrialize based on these resources.

In the view of macro-economic perspective, the policy is easier setting up than taking to action. Foreign investors seek to expand their business especially in terms of vertical integration in FDI form. Then, raw materials, particularly mineral ore, timber, and natural resources, from Laos are exported to supply processing industries in neighboring countries. In the case of timber, the nature of the problem is complicated because countries such as China, Thailand, and Vietnam are large importers of timber to supply their advanced wood-processing industries. Local efforts to ban the export of timber in Laos is a controversial topic fuelled by the conflicting argument over whether it is better to adopt bans in order to force the development of a local wood-processing industry or take advantage of the revenue gained from exports, particularly in the initial phase of the country's capital accumulation (Vorachith, 2010). The continued export of timber with little value creation has disadvantaged the local wood-processing industry, which suffers from inadequate inputs of raw material and a sawmill capacity exceeding timber supply in the country. The wood-processing industry in Laos is also distressed by the lack of funding sources, skilled labor and markets for processed wood products.

This research examines the perceptions of success factors among small and medium size (SMEs) agribusiness firms in Laos. The results in environmental resources and economic development in Laos will be concluded.

The research objectives are to:

- 1) provide information of the current economic situation of the small and medium size agribusiness firms in Laos;
- 2) identify and compare the importance SMEs agribusiness firms success factors in Laos;
- 3) provide policy implications from the findings.

## 2. LITERATURE REVIEW

### 2.1 Culture and Entrepreneurship in Laos

Weber (1930) and Dana (1993) seeing the entrepreneur as the ultimate source of formal authority in an organization, analyzed the presumed relationship between the 'spirit of capitalism' and 'protestant work ethic'. This means the success of the entrepreneur can be traced to the values of frugality, deferred gratification, and asceticism, which are fundamentals of the culture. The culture disposes some people towards entrepreneurial activity (Dana, 1993) similar to Weber (1930) argues that entrepreneurial behavior is influenced by values, beliefs, and disbeliefs. While Japanese is an entrepreneurship because of hard work, diligence, and frugality inspired by Confucianism (Peterson, 1971) from Chinese culture. Wu (1983) identified some of Chinese cultural values as 1) a high propensity to save and reinvest business earnings; 2) a university strong desire to secure a better education for their children who would then be expected to carry on the business; and 3) a strong sense of loyalty and mutual obligation within the extended Chinese family.

The Lao culture is heavily influenced by Theravada Buddhism. It is common for boats cruising the Mekong river to dock for the crew to jump ashore to light incense and pray. Monks (usually male) are highly influential in Lao society. Monks play a role in diversity of spheres, ranging from private life to government policy. Monks have traditionally had a great impact on the educational system as it used to be the only school was in temple and taught by monks (Dana, 1993).

Modern Laos are created as a result of a series of Siamese-French treaties signed between 1893 and 1907. Subsequently, France united the Lao principalities into one political entity, a French protectorate. The French is not particularly interested in Laos, except as a buffer zone between economically important French Vietnam and the British colonies further west, particularly Burma or Myanmar. In 1949, Laos is recognized as an independent associate within the French union after Japan occupied Laos in 1941 and eventually forced King Srisavang Vong to declare independence from France (Dana, 1993).

In 1953, Laos becomes a constitutional monarchy. The United States considers to encourage loyalty to democratic cause and later to counter expanding North Vietnamese power. Between 1968 and 1973, the Laos government received almost \$0.5 billion of USD making Laos as the highest per capita recipients of foreign aid in the world (Dana, 1993). Following the 1975 withdrawal of the United States from Vietnam, the communist Lao People's Revolutionary Party took control of Laos and renamed it the Lao People's Democratic Republic. The hammer and sickle are adopted as the national symbol, and strict economic policies immediately reduced private enterprise in the new state. Agriculture is collectivized and businesses are nationalized. From 1975 to 1986, the closed economy operated at subsistence level. In 1986, the Fourth National Congress of Laos decides to embark on a program of reform. In 1987, Laos restored diplomatic and economic relations with China. The first legal code enacted in 1988. The first official constitution is drafted in 1990.

The collapse of Soviet-style communism and the introduction of free enterprise in Laos, Laos are engaged in entrepreneurial activity more. Laos still develops of light manufacturing such as textile and garment, agricultural business, and etc.

### 2.2 Theoretical Review

Scrimgeour et al. (2006) argued that agribusiness success depend not only on the choices of agribusiness firms and organizations, but also on the environment in which they operate. It is appropriate to carefully identify and characterize the trends and shocks which have impacted agribusiness. Four key contextual foci have been identified as follows:

1) *Government Factors*: Economic and political change has substantial impacts for good and bad. Changes in international economic conditions: incomes, exchanges rates, energy price, as well as political changes (e.g.: trade rules, terrorism and counter-terrorism policies, monetary and fiscal policies) are all significant to the firm performance. Agribusiness entrepreneurs must be aware of changing views on competition policy, tax policy, government expenditure priorities, environmental, health and employment regulations as they all impact agribusiness success.

*Thus hypothesis 1 (H<sub>1</sub>): Government factors positively affect the success among SMEs agribusiness firms in Laos*

2) *Business Factors:* Agribusiness evolution and success is part of the wider evolution of business. Individual firms and organizations are adapting on the back of increased wealth, changing market and political conditions, and the evolution of marketing and sector organizations. Commercial change in other sectors impacts how agribusinesses evolve.

*Thus hypothesis 2 (H<sub>2</sub>): Business factors positively affect the success among SMEs agribusiness firms in Laos*

3) *Technical Factors:* Technological change is a significant element of agribusiness success. This is partly a matter of introducing new technologies as a result of scientific research or technical innovation, and partly as a result of organizational response to market condition. For example, technological change associated with large lambs in New Zealand has primarily been led by price signals. Technology can influence either agribusiness in general, or merely sectors within it. New generic technologies such as ICT have substantially impacted almost all agribusiness activities while specific advances in precise activities (e.g. vacuum-packing technologies) have had a major impact on particular activities and products.

*Thus hypothesis 3 (H<sub>3</sub>): Technical factors positively affect the success among SMEs agribusiness firms in Laos*

4) *Social Factors:* Social change is important for agribusiness. Changing social expectations impact the choices of SMEs entrepreneurs, customers and regulators. Likewise, businesses are increasingly realizing the importance of understanding changes in consumer values and beliefs as a critical determinant of long-term demand patterns. These sociometric (measures of changing social values) are important for agribusiness in all their neighboring markets which is the major markets for Laos.

*Thus hypothesis 4 (H<sub>4</sub>): Social factors positively affect the success among SMEs agribusiness firms in Laos*

5) *Global Factors:* Westhead (2001) states that the principals of businesses with more resources, denser information and business networks, and considerable management experience are more likely to be successful in doing business in global market. However, Terstriep (2009) confirms that network can successfully support the efforts of SMEs to international market. That requires certain prerequisites in an organization, the ability to work in teams, and openness towards other cultures. Also, Brouthers et al. (2009) assumes that small companies are limited in their efforts in global market by low managerial, financial knowledge, and resource restrictions. Therefore, concentrating on a small number could be a success factor for importing and exporting small companies.

*Thus hypothesis 5 (H<sub>5</sub>): Global factors positively affect the success among SMEs agribusiness firms in Laos*

The report by Wood et al. (1996) also emphasizes the main success factors in new land-based industries were classified into five groups: *production, processing, marketing, government, and research and development*. The authors argued that the most important factors identified in their studies are related to production and marketing. Factors relating to processing are not as clearly correlated with success measures as production and marketing factors. There are also relatively few success factors relating to government involvement, other than government contributions to research and development. Wood et al. (1996) also state that *production factors* significantly associated with success include 1) use of overseas technology; 2) compatibility of new product with farming system; and 3) development in pest control. The *marketing factors* identifies as significant included: 1) increasing demand relative to supply; 2) market development and promotion; and 3) quality breakthroughs. Significant *government factors* include industrial regulations while the most important among *research and development factors* is plant improvement and cultural practice.

### 3. RESEARCH METHODOLOGY

#### 3.1 Descriptive statistics

Descriptive statistics are employed to describe the general attributes and to summarize the pertinent information about the respondents. Firm characteristics of the respondents were examined using frequency distribution and arithmetic means. Tests of statistically significant differences, such as regression analysis test and descriptive statistics, were used to determine the factors differences of SMEs agribusiness in Laos.

#### 3.2 Regression analysis

A weighted likert scale will be used to measure Laos SMEs agribusiness firms' perceptions on succession factors. Each scale indicates the respondent's level of agreement with a statement measured on a five point scale, with '1' not important, '5' extremely important and '3' quite important. The number of success factors will be grouped and reduced using factor analysis.

The decision to perceive success factor of the SMEs agribusiness owner is to be function of the four categories of variables (measured on a 5-point Likert-type scale) and the firm, owner and financial characteristics. Implicitly, the empirical model can be written as follows:

$$TTT = f(TG, TB, TF, TS, TW, \varepsilon) \quad (1)$$

Where:

TTT	= The success factors among SMEs agribusiness firms in Laos
TG	= Government factors
TB	= Business factors
TF	= Technical factors
TS	= Social factors
TW	= Global factors
$\varepsilon$	= Error term

#### 3.3 Sample size

The sample size is estimated by the following formula:

$$n_o = NZ^2 pq / (N - 1)e^2 + Z^2 pq \quad (2)$$

Where:	$n_o$ = the sample size
	N = the size of population
	Z = the critical value at 95 percent confidence level (1.96)
	pq = component of sample proportion variance estimate (maximized at 0.5)
	e = the tolerable error level for estimation (5 percent)

### 4. RESEARCH FINDINGS

The likert scale was used to measure the levels of significance for the perceptions of success factors among small and medium size (SMEs) agribusiness firms in Laos. The higher the score the more important are the variables as evaluative criteria. Five point scales were used to measure the importance of factors in such a way that mean score could be calculated to examine the importance of factors to the perceptions of success factors among SMEs agribusiness firms in Laos. With five point scales, it means that the scores falling between the following ranges could be considered as (Boonlua, 2011):

4.51 – 5.00	Critical
3.51 – 4.50	Important
2.51 – 3.50	Some importance

1.51 – 2.50 Minimal importance  
 1.00 – 1.50 Irrelevant

**TABLE 1: THE IMPORTANT LEVELS OF THE PERCEPTIONS FOR SUCCESS FACTORS AMONG SMES OF AGRIBUSINESS FIRMS IN LAOS IN GOVERNMENT FACTORS**

	Mean	S.D.	Level of Importance
1. National political changes in the country	2.88	1.44	Some importance
2. Government policy to support and encourage investment in the country	3.46	1.28	Some importance
3. Exchange rate	3.09	1.33	Some importance
4. Changes in interest rate policy	2.63	1.32	Some importance
Total	3.01	1.05	Some importance

N= 80

Table 1 shows the mean and standard deviations for variables under the perceptions of success factors among SMEs agribusiness firms in Laos in government factors. All factors are rated in some importance level (Mean = 3.01, S.D. = 1.05). It can be seen that under these four variables namely National political changes in the country (mean = 2.88, S.D. = 1.44), Government policy to support and encourage investment in the country (mean = 3.46, S.D. = 1.28), Exchange rate (mean = 3.09, S.D. = 1.33), and Changes in interest rate policy (mean = 2.63, S.D. = 1.32) are rated in some importance by respondents indicating that these factors are not really important for the SMEs in Laos. The SMEs in Laos are not considered the obstacles form the government policy.

**TABLE 2: THE IMPORTANT LEVELS OF THE PERCEPTIONS FOR SUCCESS FACTORS AMONG SMES OF AGRIBUSINESS FIRMS IN LAOS IN BUSINESS FACTORS**

	Mean	S.D.	Level of Importance
1. Operational experiences of the enterprises	3.83	1.05	Important
2. Amount of the investment or working capital in the enterprises	4.15	0.87	Important
3. The plans/targets of the enterprises are clarified	3.84	1.02	Important
4. Good financial management within the enterprises	3.95	0.91	Important
5. Executive/entrepreneur with abilities to take advantages from competitiveness	3.78	1.27	Important
6. Well organized in dividing functions within enterprises	3.33	1.35	Some importance
Total	3.81	0.78	Important

N= 80

Table 2 shows the mean and standard deviations for variables under the business factors among SMEs of agribusiness firms in Laos. It can be seen that under these six variables namely Operational experiences of the enterprises (mean = 3.83, S.D. = 1.05), Amount of the investment or working capital in the enterprises (mean = 4.15, S.D. = 0.87), The plans/targets of the enterprises are clarified (mean = 3.84, S.D. = 1.02), Good financial management within the enterprises (mean = 3.95, S.D. = 0.91), and Executive/entrepreneur with abilities to take advantages from competitiveness (mean = 3.78, S.D. = 1.27) are rated in important by respondents indicating that these factors are quite important for the SMEs in Laos. While Well organized in dividing functions within enterprises (mean = 3.33, S.D. = 1.35) is considered just some importance. The SMEs in Laos are more considered the business factors especially setting up the goals, controlling the cash flow statement, and working experience in doing business than setting up the internal functions within enterprises.

Table 3 shows that the mean and standard deviations for variables under the technical factors for agribusiness SMEs in Laos (mean = 3.63, S.D. = 0.77). The quality management and product quality control system (mean = 4.21, S.D. = 0.91) and Modern technology changes in production process (mean = 3.96, S.D. = 1.18) are considered to important while The invention and creation of new products (mean = 3.46, S.D. = 1.17) and The appropriated proportion of skilled labors in the enterprises (mean = 2.88, S.D. = 1.27) are considered just some importance. It indicates that the SMEs in Laos regards in quality management and technological changes in the production process more than product innovation and skilled labors in the enterprises.

**TABLE 3: THE IMPORTANT LEVELS OF THE PERCEPTIONS FOR SUCCESS FACTORS AMONG SMES OF AGRIBUSINESS FIRMS IN LAOS IN TECHNICAL FACTORS**

	Mean	S.D.	Level of Importance
1. The quality management and product quality control system	4.21	0.91	Important
2. The invention and creation of new products	3.46	1.17	Some importance
3. The appropriated proportion of skilled labors in the enterprises	2.88	1.27	Some importance
4. Modern technology changes in production process	3.96	1.18	Important
Total	3.63	0.77	Important

N = 80

**TABLE 4: THE IMPORTANT LEVELS OF THE PERCEPTIONS FOR SUCCESS FACTORS AMONG SMES OF AGRIBUSINESS FIRMS IN LAOS IN SOCIAL FACTORS**

	Mean	S.D.	Level of Importance
1. Awareness of information, investment, market, economic and other	3.09	1.35	Some importance
2. Ability to produce goods to meet market demands	3.78	0.97	Important
3. Value and attitude changes of the customers	3.35	1.02	Some importance
4. Competitors changes in the competitive environment	3.29	1.08	Some importance
Total	3.38	0.75	Some importance

N = 80

Table 4 shows that the mean and standard deviations for variables under the social factors for agribusiness SMEs in Laos (mean = 3.38, S.D. = 0.75). Awareness of information, investment, market, economic and other (mean = 3.09, S.D. = 1.35), Value and attitude changes of the customers (mean = 3.35, S.D. = 1.02), and Competitors changes in the competitive environment (mean = 3.29, S.D. = 1.08) are considered to some important while Ability to produce goods to meet market demands (mean = 3.78, S.D. = 0.97) is considered important. It indicates that the SMEs in Laos regards in producing goods to meet market demands.

**TABLE 5: THE IMPORTANT LEVELS OF THE PERCEPTIONS FOR SUCCESS FACTORS AMONG SMES OF AGRIBUSINESS FIRMS IN LAOS IN GLOBAL FACTORS**

	Mean	S.D.	Level of Importance
1. Changes in the global economy	2.87	1.33	Some importance
2. The policy to promote relations between the neighboring countries, such as the establishment of the ASEAN Economic Community (AEC)	3.73	1.21	Important
3. The modern of transport and logistic system	3.99	1.10	Important
4. The abundance of natural resources in the country	4.03	1.11	Important
5. The increasing of the production costs such as energy costs, petroleum prices, etc.	4.14	0.92	Important
6. The impacts of climate changes on agricultural products	3.89	1.28	Important
Total	3.77	0.65	Important

N = 80

Table 5 shows the respondents opinion about the importance of perceptions of success factors among SMEs of agribusiness firms in Laos in global factors. The higher mean score indicates higher level of importance while lower mean score indicates lower importance level. The standard deviation (S.D.) score indicates the degree of deviation from the mean. The global factors considered of six variables which are changes in the global economy, the policy to promote relations between the neighboring countries, such as the establishment of the ASEAN Economic Community (AEC), the modern of transport and logistic system, the abundance of natural resources in the country, the increasing of the production costs such as energy costs, petroleum prices, etc., and the impacts of climate changes on agricultural products are important with a mean score of 3.77 ad S.D. of 0.65. However, the only factor which is changes in the global economy (mean = 2.87, S.D. = 1.33) is ranked in some importance level. It may because the SMEs entrepreneurs focus more on the



neighboring economies which are Laos trading partners thus they pay less attention on global economy.

**TABLE 6: THE IMPORTANT LEVELS OF THE PERCEPTIONS FOR SUCCESS FACTORS AMONG SMES OF AGRIBUSINESS FIRMS IN LAOS IN TOTAL**

	Mean	S.D.	Level of Importance
Government Factors (TG)	3.01	1.05	Some importance
Business Factors (TB)	3.81	0.78	Important
Technical Factors (TT)	3.63	0.77	Important
Social Factors (TS)	3.38	0.75	Some importance
Global Factors (TW)	3.77	0.65	Important
Total Factors (TTT)	3.51	0.61	Important

Table 6 shows the respondents opinion about the importance of the perceptions of success factors among SMEs in Laos in total. The higher mean score indicates higher level of importance while lower mean score indicates lower importance level. The standard deviation (S.D.) score indicates the degree of deviation from the mean. There are five factors namely government, business, technical, social, and global factors. Among five factors, business, global, and technical factors are ranked the important with the mean scores of 3.81, 3.77, and 3.63, respectively. It seems the MEs entrepreneurs in Laos focus more on production process and how to deal business overseas more than the domestic market. Since the social and government factors are considered of some important with the mean scores of 3.38 and 3.01, respectively. It may because the social environment and government regulations in Laos do not affect to the SMEs entrepreneurs. Most of entrepreneurs produce goods to export or sufficient the market needs with no exceed goods. In total factors are rated in important by respondents indicating that these factors are quite important for SMEs firms in Laos. However, the only factor which is Intellectual Property Laws was ranked in fair importance level.

**TABLE 7: DESCRIPTIVE STATISTICS AND CORRELATIONS MATRIX**

Variables	Mean	S.D.	TTT	TG	TB	TT	TS	TW	VIF
TTT	3.51	0.61	1						-
TG	3.01	1.05	.791**	1					1.642
TB	3.81	0.78	.843**	.584**	1				2.272
TT	3.63	0.77	.787**	.405**	.620**	1			2.035
TS	3.38	0.75	.754**	.456**	.610**	.611**	1		1.958
TW	3.77	0.65	.567**	.362**	.344**	.377**	.169	1	1.289

N = 80

\*\*Correlation is significant at the 0.01 level (2-tailed).

VIF refers to Variance Inflation Factor

The correlation matrix shows that total factors (TTT) has a positive correlation with total government factors (TG) at .791, total business factors (TB) at .843, total technical factors (TT) at .787, total social factors (TS) at .754, and total global factors (TW) at .567 indicating that as TG, TB, TT, TS, and TW relate to the success factors among SMEs agribusiness firms in Laos. TG (government factors) indicating that such as national political changes in the country, government policy to support and encourage investment in the country, exchange rate, and changes in interest rate are high in rate of important levels of perceptions for success, the SMEs of agribusiness firms in Laos will be more success. The strongest relationship between the success factors among SMEs agribusiness firms in Laos (TTT) and business factors (TB) indicate that as operational experiences of the enterprises, amount of the investment or working capital in the enterprises, the plans/targets of the enterprises are clarified, good financial management within the enterprises, executive/entrepreneur with abilities to take advantages from competitiveness, and well organized in dividing functions within enterprises concerned to the same direction with the success factors among SMEs agribusiness firms in Laos. Similarly, the positive relationship between the success factors among SMEs agribusiness firms in Laos and technical factors (TT) which are the quality management and product quality control system, the invention and creation of new products, the appropriated proportion of skilled labors in the enterprises and modern technology changes in production process indicate the high positive correlation. The social factors (TS) indicates that as awareness of information, market, economic and other, ability to produce goods to meet market demands, value and attitude changes of the customers, and competitors changes in the competitive are rated in higher numbers, the SMEs

agribusiness firms in Laos will be more successful. The global factors (TW) indicates that such as changes in the global economy, the policy to promote relations between the neighboring countries, the modern of transport and logistics system, the abundance of natural resources in the country, the increasing of the production costs, and the impacts of climate changes on agricultural products becomes the least important factor among factors. However, the global factors are rated in higher numbers, the SMEs agribusiness firms in Laos will be more successful.

**TABLE 8: DETERMINANTS OF THE SUCCESS FACTORS AMONG SMES AGRIBUSINESS FIRMS IN LAO**

Independent Variables	Coefficients
Constant	2.185*
Government Factors (TG)	.257*
Business Factors (TB)	.347*
Technical Factors (TT)	.255*
Social Factors (TS)	.248*
Global Factors (TW)	.215*
No. of respondents	80
R <sup>2</sup>	93%
R <sup>2</sup> Adjusted	92%
F-Statistic	43.84
Durbin-Watson	0.819

\* represents statistical significance at 1% level

Having identified the five factors that could explain the 24 variables, the next step was to test the hypotheses and interpret results. The coefficients of all variables are estimated in Table 8.

Table 8 shows the estimated results of the success factors among SMEs agribusiness firms in Laos performed satisfactorily; there was a very high adjusted R<sup>2</sup> (92%) for all estimates. The Durbin-Watson test shows no presence of autocorrelation (Greene, 2003). All independent and dependent variables have relatively high explanatory power (R<sup>2</sup> and adjusted R<sup>2</sup>). The F-test failed to accept the null hypothesis that the estimated parameters are equal to zero. All factors (24 variables) are positive and significant at the 1% level of significance. This shows that the SMEs agribusiness firms in Laos are significant and positively affected by government, business, technical, social, and global factors. Hence, increase in all factors encourages the success in SMEs agribusiness firms in Lao PDR.

The results also show that business factor is the most significant affecting to the success factors among SMEs agribusiness firms in Laos. Holding other factors constant, a 1% increase in business factors will increase the success factors among SMEs agribusiness forms in Laos by 0.347%. The global factors are the least affect to the success factors among SMEs agribusiness firms in Laos even it is also positive and statistically significant at the 1% level of significance. These evidences support all Hypotheses ( $H_1 - H_5$ ).

## 5. CONTRIBUTIONS OF THE RESEARCH

- 1) This research explores the currently important success factors that confront small and medium size agribusiness in Laos. The results will provide more accurate information regarding agribusiness SME's success factors to policy makers and researchers.
- 2) This research is expected to raise the awareness of the agribusiness success factors in policy makers. The better the understanding of the success factors among small and medium size agribusiness in Laos, the more appropriate will the policies be that are constructed.

## 6. SUGGESTIONS

The opportunities to assist SMEs in moving up the value chain require trade support institutions, development communities and businesses to think and act differently. Essentially it is about how best to make use of local natural resources. Laos has adopted a holistic approach by creating a more favorable investment climate in terms of infrastructure, legal frameworks and economic and financial incentives. Trade support and promotion organizations need more focused and specialized programs to assist SME exporters. Diversification of products and market is a means to reduce risk.

Developing regional markets, especially through South-South trade, offer the potential to exploit geographical proximity and less demanding product standards and trade barriers. The Asian region has proved resilient and fast-emerging in terms of economic growth in spite of the recent world economic slowdown. As a small economy surrounded by a vast and growing market, Laos is at an advantage, but access to trade finance and marketing information are areas that need to be addressed (Vorachith, 2010).

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