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The Solutions Improving the Enterprises' Performance in LAOS

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ABSTRACT

In this paper, the authors use analytical method of explore factor analysis to determining factors affecting on the enterprises' performance in Laos. This paper conducted during the period from June 2014 to October 2014. The method of the exploratory factor analysis (EFA) results showed that there were five factors following: (1) Financial support, (2) Government (policy and programs) (3) Education and training (4) Openness and competitive in the domestic market, (5) Cultural and social norms affecting on the enterprises' performance in Laos with significance level 5 %. In addition, the research results processed from SPSS 20.0 software. The results showed that there were 564 enterprises interviewed and answered about 39 questions with a 5-point Likert scale: 1. Strongly disagree; 2. Disagree; 3. Normal; 4. Agree and 5. Strongly agree (but 524 enterprises processed and 40 enterprises lacked of information). The researcher had analyzed KMO test, the results of KMO analysis used for multiple regression analysis. At the same time, the results were also a scientific evidence and important information for researchers, and policy makers who apply them for the developing of enterprises in the future. After analyzing the data, the researcher had obtained the main objectives of this study were to:

1. The first objective was to analyze and to test some factors that affected on the enterprises' performance in Laos.
2. The second objective was to propose recommendations in order to improve the enterprises' performance in Laos.

Keywords: Laos, environmental factors, enterprises and performance.

INTRODUCTION

The relationship between enterprises and economic growth has been an interested issue for several decades. In the new growth theory, the enterprise is an important factor that contributes to economic growth through technology transfer efficiency improvement. The enterprise affects economic growth in several ways. It is argued that the enterprise has been a major channel for the access to advanced technologies by recipient countries and hence plays a central role in the technological progress of these countries (Borensztein, E., Gregorio, J.D. and Lee, J.W. (1998).

The purpose of this paper is to explore the impact of the environmental factors affecting on the enterprises' performance in Laos. In this study, I used the data that interviewed enterprises in Laos. This study covers the time period from June 2014 to October 2014. This study attempts to determine empirical impact of the enterprises' performance. The multiple regressions are employed in this study. This study finds that there is a strong and positive impact of the enterprises' performance.

The question is how to help the Laos enterprises to improve its competitive position to resist threats from major competitors and the instability of the economy, and to ensure that the development of Laos enterprises has sustainable development. The above issue is closely related to the topic "The environmental factors affecting on the enterprises' performance in Laos" as a paper for researching in the improvement of Laos enterprises' performance.

The results are to improve the enterprises activities, have good policies and support many other services develop them in the future.

Literature review

Environmental analysis is a strategic planning method used to evaluate the Strengths, Weaknesses/Limitations, Opportunities, and Threats involve in a project or in a business venture.

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It involves specifying the objective of the business venture or project and identifying the environmental factors that are favorable and unfavorable to achieve that objective such as enterprises' performance. The technique credited to Albert Humphrey, who led a convention at Stanford University in the 1960s and 1970s using data from Fortune 500 companies.

Setting the objective had done after the environmental analysis had been performed. This would allow achievable goals or objectives to be set for the organization.

Financial support

It includes the availability of financial resources but also informal businesses nascent and the growth of this business (Garnerr, 1985).

The Government's policy and programs

It is to provide support for the establishment of business entrepreneurs as well as provide dynamic incentives for businesses in the initial stage of the growth process (Radas and Božić, 2009).

Education and training

It involves the provision of formal training programs and short-term training program for business owners as well as employees of these units. The external links between business owners and the consultants and training will create benefits for acquiring the knowledge necessary for the success of the enterprise (Radas, 2009).

Market

Enterprises access to infrastructure services such as communications, energy and other essential activities for production and business activities have an impact. In the study of Lagace and Bourgault (2003) as well as Zain and Kassim (2012) also indicates the level of competition in the business sector will affect the competitiveness of businesses which will affect the results of the implementation of enterprise.

Cultural and social norms

It is the support or opposition of business activities also has a major impact on the operation of enterprises and entrepreneurs. Culture of respect for those who start a business successful, many businesses will form. Or areas held meetings for entrepreneurs and potential entrepreneurs, where they can discuss ideas, problems and solutions are often more business than in other regions (Antoncic et, 2002).

The enterprises' performance

It includes two things: First, the indicators of non-financial result reflected the performance and they often include: the satisfaction of business owners and the development of the unit, perceived customer satisfaction, comments satisfaction of employees, good relationships with suppliers, build workplace attachment, product/service is accepted in the marketplace, and building up the image of the business (Chandler and Hanks, 1994). Second, the financial indicators measuring business results in this study will include: an increase in sales, profit growth, a significant increase in market share and effective use of resources, coefficients return on investment (Ahmad and Seet, 2009; Hoque, 2004). Research model for environmental factors affecting on the enterprises' performance in Laos:

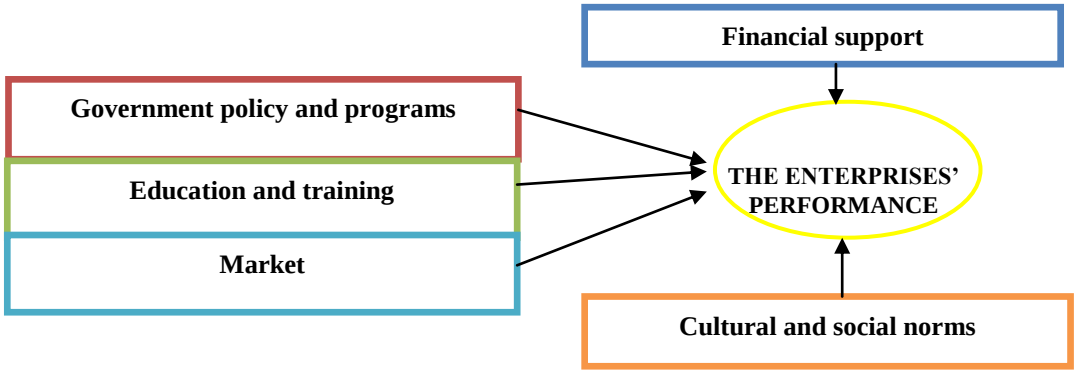

Figure 1.*Research model for environmental factors affecting on the enterprises' performance in Laos*

Hypothesis of the Study

Based on the aforementioned research questions the following hypotheses used to investigate each question:

H_1: There is a positive relationship between financial support and the enterprises' performance in Laos.

H_2: There is a positive relationship between Government policy and programs and the enterprises' performance in Laos.

H_3: There is a positive relationship between Education and training and the enterprises' performance in Laos.

H_4: There is a positive relationship between Market and the enterprises' performance in Laos.

H_5: There is a positive relationship between Cultural and social norms and the enterprises' performance in Laos.

RESEARCH METHODS

This study used of quantitative research methods to survey the factors that are components of the environmental factors of enterprises in Laos. The results obtained from quantitative research processed by SPSS statistical software version 20.0.

Quantitative research methods describe and measure the level of occurrences based on numbers and calculations. Moreover, the questions of "how many?" and "how often?" asked in quantitative studies. The quantitative research is the collection of numerical data and exhibiting the view of relationship between theory and research as deductive, a predilection for natural science approach, and as having an objectivist conception of social reality. Therefore, this specific form of research uses the quantitative data to analysis.

After preliminary investigations, formal research is done by using quantitative methods questionnaire survey of 564 enterprises (but 524 enterprises processed) in Laos related and answered 39 questions. The reason tested measurement models, model and test research hypotheses. In addition, Data collected were tested by the reliability index (excluding variables with correlation coefficients lower < 0.30 and variable coefficient Cronbach's alpha < 0.60), factor analysis explored (remove the variable low load factor < 0.50). The hypothesis was tested through multiple regression analysis with linear Enter method.

Multiple linear regression attempts to model the relationship between two or more explanatory variables and a response variable by fitting a linear equation to observed data. Every value of the independent variable x is associated with a value of the dependent variable Y. The population regression line for p explanatory variables X1, X2... Xn is defined to be $Y = \beta_0 + \beta_1X1 + \beta_2X2 +...+ \beta nXn$. This line describes how the mean response y changes with the explanatory variables. The observed values for Y vary about their means y and are assumed to have the same standard deviation σ. The fitted values b_0, b_1... bn estimate the paramètres β_0, β_1... β_n of the population regression line.

$$Y = \beta_0 + \beta_1X1 + \beta_2X2 + \beta_3X3 + \beta_4X4+ \beta_5X5$$

Note:

Y: the Enterprises' performance

X1: Financial support;

X2: Cultural and social norms;

X3: Education and training;

X4: The Government's policy and programs;

X5: Openness and competitive in the domestic market (Market)

β_0 - β_5: Regression coefficients

RESULTS

Descriptive Statistics for environmental factors affecting on the enterprises' performance in Laos

Table1.*Descriptive Statistics for environmental factors affecting on the enterprises' performance*

QUESTIONS	N	Min	Max	Mean	Std.Deviation
Fin.A6: Procedures maturity when bank loans is easily	524	1.00	5.00	3.5115	.91611
Fin.A5: Easier to raise capital from informal channels (family, friends)	524	1.00	5.00	3.3187	.95178
Fin.A2: The bank procedures is simple	524	1.00	5.00	3.2786	.95333
Fin.A4: Easy to get loans from the fund startups	524	1.00	5.00	3.4771	.88403
Fin.A3: Easy to get loans from the auspices of organizations supporting entrepreneurship	524	1.00	5.00	3.1908	1.00944
Fin.A1: Access to get loans from the bank easily	524	1.00	5.00	3.2424	.98964
Go.S2: State has policies on financial support (tax exemptions)	524	1.00	5.00	3.5439	.91304
Go.S1: Registration procedures established businesses simple and convenient	524	1.00	5.00	3.4218	.97951
Go.S5: Government announces support information for small and medium businesses to quickly and openly	524	1.00	5.00	3.5611	.90362
Go.S6: The problems are resolved promptly by the state	524	1.00	5.00	3.6718	.79138
Go.S4: State has supports for training programs at startup	524	1.00	5.00	3.3321	.95623
Go.S3: The State creates favorable conditions for calculating and paying taxes	524	1.00	5.00	3.8435	.82639
Edu.A5: Associations, local businesses are always well supported business activities	524	2.00	5.00	3.9332	.70326
Edu.A4: Organizations and training consultants provide program training guide and improve the qualifications of entrepreneurs	524	1.00	5.00	3.6050	.82182
Edu.A2: Easy access to start-up counseling organizations of the State, associations and unions	524	1.00	5.00	3.5210	.87974
Edu.A6: Get free advice on matters related to law	524	1.00	5.00	3.6966	.83512
Edu.A7: Guided implementation of quality standards for products	524	1.00	5.00	3.7786	.86831
Edu.A1: Entrepreneur organizations supported by local State	524	1.00	5.00	3.4160	.88249
Edu.A3: The consulting organization always happy in consulting, solve problems	524	1.00	5.00	3.7061	.85098
Mar.A3: Foreseeing the needs of customers for products and services from business support organizations	524	1.00	5.00	3.7271	.65732
Mar.A4: Foreseeing changes in customer demand from business support organizations	524	1.00	5.00	3.6679	.74749
Mar.A1: The information is readily available on the market from organizations that support small and medium enterprises	524	1.00	5.00	3.7118	.79613
Mar.A2: Being Easy access to sources of public information on the Internet Market	524	1.00	5.00	3.6317	.81327
Mar.A5: Being of the State institutions and associations supporting intrusion of modern distribution channels	524	1.00	5.00	3.6317	.82494
Cul.A6: The Community emphasizes business entrepreneurship	524	1.00	5.00	3.6813	.71821
Cul.A2: The culture encourages creativity	524	1.00	5.00	3.6431	.70814
Cul.A3: The social norms in the community respected businessman	524	2.00	5.00	3.7347	.66621
Cul.A5: Local communities appreciate the contribution of the business entrepreneur	524	1.00	5.00	3.4866	.74837
Cul.A1: The culture highlighted the risk appetite	524	2.00	5.00	3.7290	.66821
Cul.A4: The legal authorities are to respect and protect the rights of businessmen	524	1.00	5.00	3.6622	.69581
OP3: Number of customer increased satisfaction	524	1.00	5.00	3.4523	.74696
OP6: Number of new products, new services increase	524	1.00	5.00	3.4885	.80739
OP5: Capacity machinery achieve targets	524	1.00	5.00	3.3798	.70158
OP7: Number of employees trained and rose	524	1.00	5.00	3.4790	.84651
OP9: Unemployment rate is low	524	1.00	5.00	3.4924	.79068
OP1: Total Revenue is good	524	1.00	5.00	3.3378	.76392
OP4: The company's market share to reach targets	524	1.00	5.00	3.2462	.80539
OP2: Profit targets	524	1.00	5.00	3.5038	.71449
OP8: The satisfaction of the employees is high	524	1.00	5.00	3.3569	.76774

(Source: The researcher's collecting data and SPSS)

Table 1 showed that there were 524 enterprises processed and average value of Data is around 3.0. And Std. Deviation is around 1.0.

Exploratory Factor Analysis (Efa)

Test KMO and Bartlett shows two tests that indicate the suitability of your data for structure detection. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is a statistic that indicates the proportion of variance in your variables that might be caused by underlying factors. Besides, the Bartlett's test of Sphericity tests the hypothesis that your correlation matrix is an identity matrix, which would indicate that your variables are unrelated and therefore unsuitable for structure detection. Small values (less than 0.05) of the significance level indicate that a factor analysis may be useful with your data.

Table2. *KMO and Bartlett's Test for environmental factors affecting on the enterprises' performance*

Com.	Initial Eigen values (KMO = 0.906)			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	12.265	40.883	40.883	12.265	40.883	40.883	9.089
2	2.073	6.910	47.793	2.073	6.910	47.793	8.198
3	1.902	6.342	54.134	1.902	6.342	54.134	7.530
4	1.619	5.396	59.530	1.619	5.396	59.530	8.878
5	1.301	4.338	63.869	1.301	4.338	63.869	7.470
6	.964	3.213	67.082				
7	.855	2.850	69.932				
8	.792	2.640	72.572				
9	.699	2.331	74.903				
10	.669	2.231	77.134				
11	.626	2.086	79.221				
12	.577	1.924	81.145				
13	.565	1.884	83.028				
14	.514	1.713	84.741				
15	.502	1.674	86.415				
16	.457	1.523	87.938				
17	.446	1.487	89.425				
18	.431	1.436	90.861				
19	.396	1.320	92.182				
20	.355	1.184	93.366				
21	.336	1.119	94.485				
22	.304	1.014	95.498				
23	.298	.992	96.490				
24	.280	.933	97.423				
25	.240	.801	98.224				
26	.198	.662	98.885				
27	.191	.636	99.521				
28	.106	.353	99.874				
29	.031	.103	99.976				
30	.007	.024	100.000				

(Source: The researcher's collecting data and SPSS)

Table 2 showed that Kaiser-Meyer-Olkin Measure of Sampling Adequacy was statistically significant and high data reliability (KMO = 0.906 > 0.6). This result is very good for data analysis. Table 2 showed that Cumulative percentage was statistically significant and high data reliability is 63.869 % (> 60 percentage). Besides, table 2 showed that the structure Matrix for environmental factors affecting on the enterprises' performance had 5 Components. Component 1 is Financial support; Component 2 is Cultural and social norms; Component 3 is Education and training; Component 4 is The Government's policy and programs and Component 5 is Openness and competitive in the domestic market.

Table3. *KMO and Bartlett's Test for the enterprises' performance*

Com.	Initial Eigenvalues (KMO = 0.898)			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.940	65.995	65.995	5.940	65.995	65.995
2	.767	8.521	74.516			
3	.648	7.200	81.715			
4	.562	6.250	87.965			
5	.370	4.112	92.078			
6	.276	3.062	95.139			
7	.230	2.557	97.697			
8	.133	1.473	99.170			
9	.075	.830	100.000			

(Source: The researcher's collecting data and SPSS)

Table 3 showed that Kaiser-Meyer-Olkin Measure of Sampling Adequacy was statistically significant and high data reliability (KMO = 0.898 > 0.6). This result is very good for data analysis. Table 3 showed that Cumulative percentage was statistically significant and high data reliability is 65.995 % (> 60 percentage). Besides, the structure Matrix for the enterprises' performance had 1 Component. We named enterprises' performance.

After processing structure Matrix for the environmental factors affecting on the enterprises' performance, we had 5 Components following.

Component 1 is financial support – X1

Component 2 is Cultural and social norms – X2

Component 3 is Education and training – X3

Component 4 is The Government's policy and programs – X4

Component 5 Openness and competitive in the domestic market (Market) – X5

The enterprises' performance - Y

Regression analysis for the environmental factors affecting on the enterprises' performance

Table4.*Regression Model Summary analysis about the environmental factors affecting on the enterprises' performance*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.751	.564	.560	.66310739	1.847

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	295.229	5	59.046	134.283
	Residual	227.771	518	.440	
	Total	523.000	523		

Coefficients[a]

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	1.746E018	.029		.000	1.000		
X1	.278	.040	.278	6.925	.000	.520	1.922
X2	.126	.038	.126	3.356	.001	.594	1.684
X3	.180	.036	.180	4.964	.000	.641	1.561
X4	.266	.041	.266	6.518	.000	.503	1.988
X5	.086	.038	.086	2.258	.024	.575	1.739

(Source: The researcher's collecting data and SPSS)

Table 4 showed that **Adjusted R Square** was statistically significant and high data reliability. In addition, **R Square** reached **56.0 %.** Results showed that all t value > 2 was statistically significant

and high data reliability (Sig < 0.05). Besides, the regression coefficients were positive. This means that the effects of independent variables in the same direction with the enterprises' performance. And VIF < 10. There is no multi collinearity.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The results of regression analysis showed that the regression coefficients were positive. Moreover, all of hypothesizes accepted. H_1: There is a positive relationship between financial support and the enterprises' performance in Laos with significance level 5 %. H_2: There is a positive relationship between Government policy and the enterprises' performance in Laos with significance level 5 %. H_3: There is a positive relationship between Education and training and the enterprises' performance in Laos with significance level 5 %. H_4: There is a positive relationship between Market and the enterprises' performance in Laos with significance level 5 %. H_5: There is a positive relationship between Cultural and social norms and the enterprises' performance in Laos with significance level 5 %.

Recommendations

Recommendation 1 is Financial support

State and bank executives should create clear policies and simplify procedures to provide rapid and effective capital for the business. The Laos government can also learn from countries supporting successful businesses as Germany. The government provision of capital for business startups and Bank reconstruction and development - offers loans for businesses are operating.

Recommendation 2 is Cultural and social norms

One of the measures the government could apply is calling on business leaders to help solve the difficulties and problems of the community and the nation. The Laos government can learn from Costa Rica and Uruguay. The Laos government organizes fairs and exhibitions to promote small business, enhance entrepreneurial spirit, and reward those businesses that contribute to society. Thus, the government can do a lot to encourage small business development.

Recommendation 3 is Education and training

The Government can create financial incentives for universities to build the business programs with high training quality. Professors and other experts take the time and their expertise to teach new entrepreneurs everything from sales and marketing to law and taxes. In addition, widespread universal knowledge, skills starting a business for personal or individual business households want to start a business, especially targeting the youth.

Recommendation 4 is The Government's policy and programs

The Government policies need to innovate and to become more public, transparent, predictable in order to help entrepreneurs easily scheduled his business plan. The Government should also create favorable conditions for business people who can access information, technical assistance and finance; support dissemination of information to help people recognize the market demand.

Recommendation 5 Openness and competitive in the domestic market (Market)

The start-up support programs from the Government should focus on providing consultancy support for the enterprise: Supports legal advice for businesses; Advice, support business development and investment opportunities; Support capacity building for the enterprise; Gather opinions about the difficulties enterprises and problems in the course of business operations; Organizations build a database on enterprises in the locality.

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