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Small tourism enterprises (STMs) and sustainable tourism development in Lao PDR: a GSEM-based analysis

1 Introduction

With unique features and advantage location, tourism in Lao People's Democratic Republic is getting increasing attentions since 1980s. International tourists have been welcomed in small, tightly-controlled groups in Lao PDR since 1989 (Hall, 2000:183). In 1995, tourism became a priority for economic development (Schipani, 2002: 18) when Lao PDR decided to move from command economy to a more capitalist, market-orientated system. Tourism is now a major contributor to national income (7%–9% of GDP) and employment. The Lao PDR's tourism strategy favors pro-poor, community-based tourism development, the enhancement of specific tourism-related infrastructure improvements, and sub-regional tourism cooperation. (Lao PDR, 2004: 104). Facing increasing demands, a wider, broad-brush approach in the National Tourism Strategy for Lao PDR was raised later, which was to emphasize the role of properly 200 Current Issues in Tourism planned tourism in reducing poverty and promoting national development, and the appeal to tourists of ethnic minority groups and traditional cultures. It also noted the wide range of archaeological and religious sites, and recommended promotion of the country's arts, crafts and its numerous natural attractions to visitors (Allcock, 2004: 12–13, 18, 43). The changing strategies in Lao tourism policies indicated that the agenda of tourism is not only about economic income but also includes cultural and social promotion.

To reach the target of sustainable tourism in developing country, firstly, tourism should generate revenue from tourism development (Mathieson and Wall, 1982). In addition to these economic values, tourism should also offer social, cultural and environmental benefits that add to its allure (Desbiolles, 2006). With the increase of international tourism market in Lao PDR, more and more local and foreign people have

engaged in small tourism enterprises. Previous research showed that small tourism firms in rural destinations play a significant role in supporting rural development (Lane and Kastenholtz, 2015). It is easy to understand that small and local enterprises could contribute to sustainable tourism development and benefit local communities economically. But it is still hard to tell their social and cultural effects. What's more, globalization brought challenges, opportunities to local area as well as foreign STMs. The positive effect of migrated operators is that they can motivate individuals conserve important natural, social, and cultural features that are essential to the sustainability of rural landscapes and contribute to destination competitiveness (Morrison, 2006). For the long term, local STMs and foreign STMs affect each other and bond to tourism development in local destination.

Being one of the irreplaceable stakeholders in destination, STEs took the responsibility to contact with tourists and deal with authorities, living under tourism and also making contributions. Their increasing importance within the framework of sustainable tourism development cannot be ignored (Roberts and Tribe, 2008). The purpose of this study is to find out the balance between business operation and sustainable tourism development. Concretely speaking, we attempt to figure out, (1) what kinds of firms are more concerned about sustainable tourism development that contributes to local economy, (2) what factors are associated with these types of firms, and eventually, (3) how to encourage more firms to be engaged in promoting sustainable tourism for local economy. For this purpose, we conducted a questionnaire survey in two major tourist destinations, Luang Prabang in the northern Laos and Pakse in the Southern Laos, to tourism-related business owners and obtained 177 valid questionnaires.

Below we first make a brief literature review and then introduce the questionnaire survey. After that, we clarify the features of small tourism enterprises in this case study. Furthermore, we present a quantitative analysis framework. Finally, we discuss expected outcomes from this analysis.

2 Literature review

Small tourism enterprises are described by their small size in terms of space, employees or level of capital investment (Thomas et al., 2011). Normally the business of STMs was generated in small scale and sometimes were dominated by owner-managers with non-economic motivations. Different regions had different standards to define the scale of small enterprise, one of the most pervasive definitions given by European Union (2003) is that business within 50 employees and €10 million turnover is called small business. In this research, we chosen this standard to classify STMs.

Small tourism enterprises have a significant research history. For the past decades, research on small tourism enterprise were evaluated in approaches, perspectives and thoughts (Morrison, 2006). Both the development of tourism businesses and contribution that research made to local destination policy-making, planning and the future prosperity of tourism were impeded through inadequate information and analysis of behavior and awareness of small tourism sectors (Page et al. 1999, p. 436). Topics about STMs are often about destination management, such as small tourism business networks and destination development (Tinsley and Lynch, 2001); positive and negative effect on indigenous sustainability in local region caused by STEs (Irvine and Anderson, 2004; Kamsma and Bras, 2002); service quality and destination competitiveness (Pikkemaat et al., 2016) and etc. For the different kinds of STEs, the motivations may vary from each other. Ateljevic and Doorne (2000) found that enjoying local lifestyles and surrounding areas are often among the reasons of operating STEs in disadvantaged area.

However, the study of small tourism enterprise in the third world and disadvantaged areas are still lacking. Except that, foreigners from developed countries or economic advantaged areas who open small tourism enterprise in developing countries were not traced in a comprehensive way. How they fit in the local policy and competition is still remained to be studied. More importantly, how these immigrated business influence local business and tourism is essential for destination development. Many research in small

tourism enterprise have been done in mature tourism destination and advantage regions, while in developing countries, especially in disadvantage regions, the profile, motivation and behavior of business operators are vague. What's more the relationship between small tourism enterprise and local destination are not clear, most of the small tourism research in disadvantage areas focus on poverty alleviation (Preston, 2016, Ashley et al., 2000). However, not only bring in economic stimulation, tourism plays more important roles in social and cultural aspects. Research on STMs is essential for policy-making and destination planning.

3 Survey

We designed a questionnaire consisting of the following parts.

Part 1 contained the basic information about the small tourism enterprises, for instance, the business type, structure, employee information, operation time, the motivation of tourism business, and also the evaluation towards local destination and their operation.

Part 2 used Likert scores to measure the awareness and evaluation towards different statements. Such as the satisfaction of operation and life, the evaluation of local tourism and destination, the awareness of sustainable tourism, the relationship between tourists, government and other enterprises, problems met in policies/operation and future intentions of operation.

Part 3 was used to measure the working mobility of operators or main staff in the enterprise. The working experience was asked and also the reasons for job changing.

Part 4 were the information of individual attributes and information of main household members. What are the jobs, degrees and relationships of different household members and whether if they live together or not?

The two target cities, Luang Prabang and Pakse, are shown in Figure 1. Luang Prabang is one of the world heritage towns and is well on its way to becoming one of the country's richest provinces. As it is already famous worldwide, the number of tourists and

small business enterprises in Luang Prabang is bigger than other cities. Compared to Luang Prabang, Pakse seems to be in inferior position in tourism development. Although being the third biggest city in Lao PDR, the unbalance economic development between south and north create disadvantage business environment for Pakse. Fortunately, due to the historic issues in Pakse, many western tourists still came there for sightseeing, bring bigger tourism market. In order to understand tourism in Lao PDR thoroughly, we pick up the two target cities, to have a comprehensive understanding of both heritage city and normal city with tourism potentiality.



Figure 1 The map of two target cities

Source from: http://www.d-maps.com/carte.php?num_car=3552&lang=en

Due to the language problems, we hired local surveyors to help implement the questionnaire survey. The surveyors distributed 84 questionnaires in Luang Prabang and 98 in Pakse, and obtained 80 and 97 valid questionnaire sheets, respectively. In total, the number of respondents is 177 persons.

4 Preliminary Results

4.1 Features of small tourism enterprises in Laos

Based on results shown in Table 1, we had a brief understanding of our respondents. 57.4% of our respondents are male, the average age is between 25~64, 39.8% got the degree from junior college, only 11.9% had bachelor degree. The average operation time is 10.7 years. 77.97% of the respondents are Lao operators, only 22.03% are foreigners. Most of the enterprises hired Lao people, even the foreign enterprises. Most of the firms are evolved in catering, accommodation or retail, which are easy to access in tourism. The three main reasons why people moving to this place are attracted by local lifestyle, attracted by living environment and to help local people to increase income. While one of the important reasons we assumed before is that people get there for high profits, only received small rate of 14.69%. 32.2% of the enterprises used Facebook to do the propaganda, then their own website and booking system, however, 9% never used social media before. The main factors which influence their operation are tax, fierce competition, operation cost and facilities rent. For the improvements in the future, 39.5% want to expand business scale and 30.5% want to improve the quality of products/services. Meanwhile they also concern about the working skills of employees and diversity of products/services.

From Figure 2, we could find that although the main motivations of opening business are similar. Foreign operators have stronger motivation in advocating culture and helping local people to increase income compared to Lao operators.

Table 1 The basic information of small tourism enterprises in Laos (N=177)

Basic information		Respondents in Laos		
sex	Male		Female	
	57.4%		42.6%	
Age	15~24	25~44	45~64	>65
	9.7%	45.5%	41.5%	3.4%
Degree	Secondary and below		High school	Junior college
	11.4%		34.1%	39.8%
	No chance to school		University or above	Other
2.3%		11.9%	0.6%	
Average income (USD/year)		7454.8 USD		
Average operation time (till 2016)		10.7 years		
Average number of employees		Lao employees	Foreign employees	
		6	Less than 1	
Business type	Catering	Accommodation	Retail	Others
	30.51%	26.55%	35.02%	7.91%
Invest type	Lao invest	Joint invest with foreigners		Foreign invest
	77.97%	6.78%		12.43%
Main motivations	Attracted by local lifestyle		High profits	
	28.81%		14.69%	
	Attracted by living environment		Help local people increase income	
32.77%		25.99%		
Main used social media	Facebook		Own website	Booking system
	32.2%		14.1%	13.6%
	Never used social media before			9.0%
Main obstacles in operations	Operation cost		Operation tax	Operation Renting
	27.7%		36.7%	28.2%
	Employee salary		Fierce competition	
18.1%		33.9%		
Main desired improvements in the future	Business scale		Quality of products/services	
	39.5%		30.5%	
	Working skills		Diversity of products/services	
23.2%		24.3%		

Motivations in different business operators

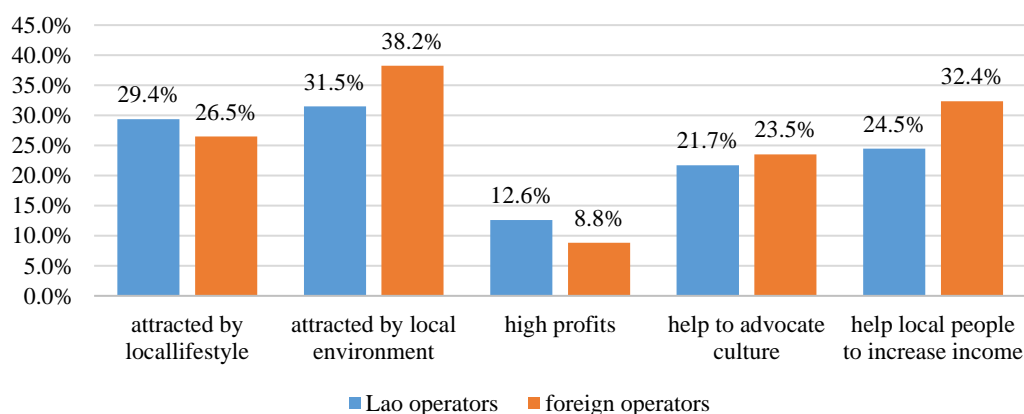


Figure 2 Business motivations in different business operators

4.2 A GSEM-based analysis framework and preliminary results

To examine what kinds of firms are more concerned about sustainable tourism development that contributes to local economy and how their current business and problems met in government policies and operation effect their awareness of sustainable tourism and thus, future intentions, we assume the following cause-effect relationships and quantify them based on a generalized structural equation model (GSEM), where all items are latent variables used to better understand complicated cause-effect relationships between a large number of observed variables.

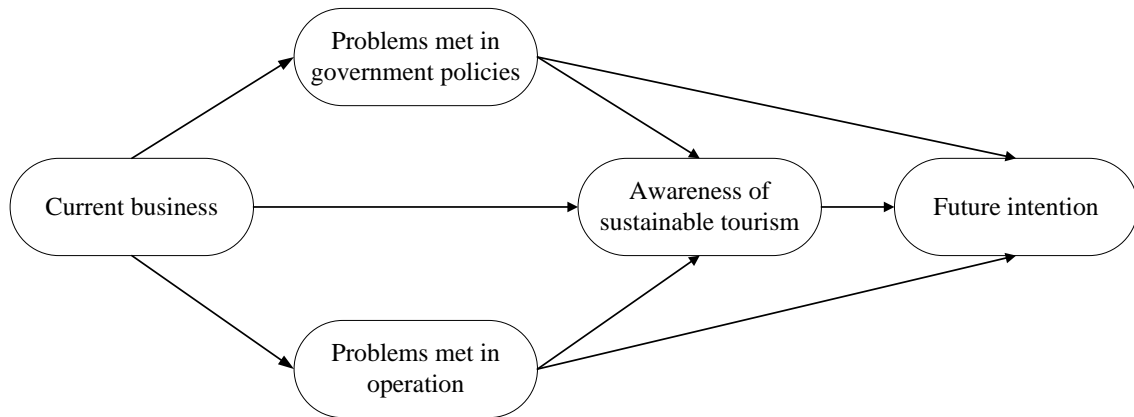


Figure 3 Cause-effect relationships captured based on a generalized structural equation model

To verify the above assumed relationships, standard structural equation model (SEM) was considered first to verify these assumptions. However, SEM only treats continuous outcomes and accommodates just single level data structures. In reality, there are various types of variables (binary, multinomial, ordered, count, etc.). SEM treats them as continuous variables (note: multinomial variables need to be transformed into dummy variables with a value of 0 or 1). Differently, generalized SEM (GSEM) can treat more general types of data, including generalized linear responses, continuous data, binary data (probit, logit, or complementary log-log), count data (Poisson or negative binomial),

categorical data (multinomial logit), ordered data (ordered logit or ordered probit), censored continuous data, and survival time data (exponential, loglogistic, Weibull, lognormal, gamma). GSEM also allows for multilevel data structures: e.g., multiple levels, hierarchical structure, crossed structure, latent variables at different levels, random intercepts, random slopes, or mixed models. In short, GSEM can reflect the features of various types of data used in this analysis in a more scientifically convincing way.

Current business includes business type, structure, annual income, employee number and satisfaction with current operation. As showed in Table 2, the scale of foreign firms is averagely bigger than Lao firms, based on the number of employees and annual income. Only one Lao firm hire foreign staff. More Lao enterprises open business in retail is higher than foreign ones.

Table 2 Current business information of Lao firms and foreign firms

Indicators	Lao firms	Foreign firms
Catering	28.7%	38.2%
Accommodation	25.2%	32.4%
Retail	39.9%	29.4%
Average number of Lao employees	5.3	0.01
Average number of foreign	9.2	0.7
Average annual income (USD)	4747.9	18840
Average score of satisfaction on current business	3.74	3.70

About the problems met in government policies, the observed variables are problems in land use planning, government regulations and the instability of policies. Lao enterprises feel more unease in changing policies. The observed variables of problems met in operation are difficulty in hiring qualified employees, getting financial supports, expanding business scale and getting over of tourism seasonality. Foreign firms found it is more difficult to employ qualified staff. In the awareness of sustainable tourism, the

observed variables are sustainable tourism should advocate culture, train local people, protect natural environment, provide benefits to local communities and increase community involvement. Both Lao and foreign firms support local culture advocating, hiring local people and protecting natural environment. However, we found that compared to Lao firms, foreign firms support more about the idea that tourism should provide more benefits to local people and communities.

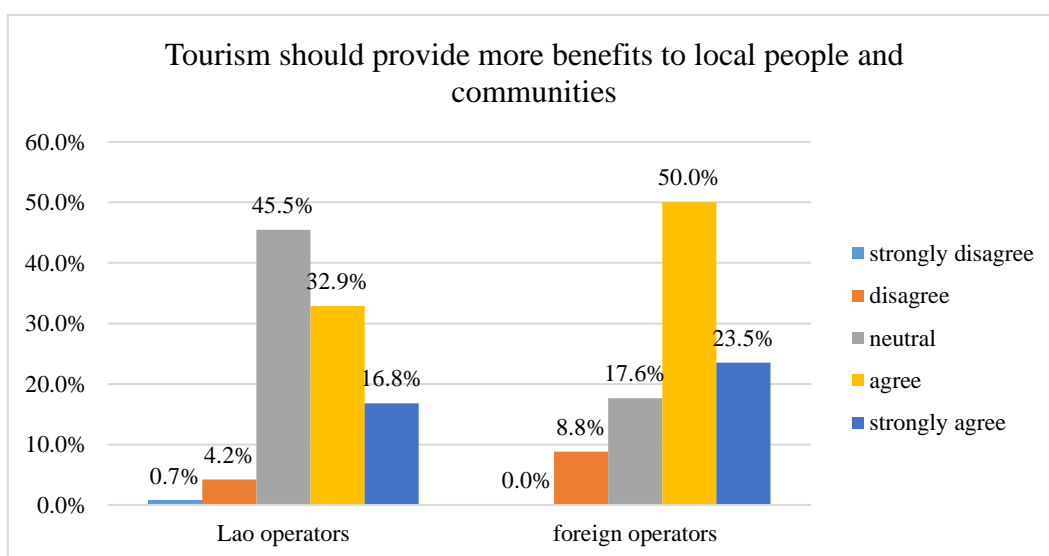


Figure 4 the awareness of sustainable tourism of Lao and foreign operators

From Figure 4, we could see that the percentage of foreign operators who believe that tourism should provide more benefits to local people and communities is much higher than Lao operators. The observed variables of future intentions are planning to expand business scale, hire more local people, build own brand of Lao culture and start new business in other place, which are linked to the observed variables before.

Based on the characteristics of observed variables, we established the following hypotheses:

Hypothesis 1: the awareness of sustainable tourism is influenced by current business, problems met in government policies and operation.

Hypothesis 2: the awareness of sustainable tourism will influence the future intentions of all kinds of firms in tourism development.

Hypothesis 3: problems met in government policies and operation are different in Lao and foreign, and thus led different future intentions.

These hypotheses will be empirically examined based on the GSEM, especially by fitting different types of data based on proper random distributions (not only normal distribution, but also ordered probit and binary probit) and reflecting multilevel data structures based on key objective features of firms and their owners.

5 Conclusions

Literature review suggests that little is known about small tourism enterprises and sustainable tourism development in Lao PDR. This study filled this research gap by conducted a questionnaire survey and built a GSEM-based analysis framework in a conceptual way. Based on data collected from 177 tourism business owners, we found that the current operation, motivation and operation problems are different between Lao and foreign operators. In a word, foreign enterprises have stronger awareness of sustainable tourism than Lao enterprises. Although doing business in foreign country, they still intend to help tourism development and local areas. Meanwhile, they met more problems in finding capable human resources for business operation and worried about instability of tourism policy. Compared to chasing high profits, having comfortable living environment and lifestyle are the main motivations for foreign operators to open business in developing countries. The foreign STMs stimulate the competitiveness and also create problems for local STMs. In the process of tourism development, Lao STMs should find the sustainability in its operation and involve in fiercer competition, cultivating the awareness of combining future intentions with destination development.

Based on our preliminary observations, we built a conceptual analysis framework based on a generalized structural equation model (i.e., GSEM), which can accommodate

various types of data in a unified estimation scheme. Even though this is an on-going research, we can expect that the future intentions of STMs may better suit the sustainability of local destination if they have strong awareness of sustainable tourism. Current operation, problems, motivations may have effects on awareness building. If this is the case in reality, tourism policy should try to solve the problems and improve the current operation of STMs and thus creating good circumstance of sustainable tourism, which may strengthen the awareness of sustainable tourism. Furthermore, to achieve sustainable tourism in developing countries, policy makers should help STMs to solve the problems met in their business operation based on tailor-made guidance by reflecting their needs and considering the formation of their awareness of sustainable tourism via stable policy schemes over a longer period.

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