

## **SOCIO CULTURAL IMPEDIMENTS TO ENTREPRENEURSHIP: IMPLICATIONS FOR THE LAO PEOPLE'S DEMOCRATIC RE- PUBLIC**

**Balbir Bhasin; Lee Keng Ng**

*University of Arkansas Fort Smith, United States*

E-mail: [balbir.bhasin@uafs.edu](mailto:balbir.bhasin@uafs.edu)

*Received March 2019; accepted May 2019*

### **Abstract**

Though cultural explanations as determinants of economic outcomes have mainly been ignored by researchers, national culture has been proven to have a direct and identifiable impact on the level of entrepreneurial behavior. Politically, Laos remains one of the few communist countries in the world, but it too is transitioning to a market economy. In spite of being rich in natural resources, this small, land-locked nation remains a less developed country (LDC) and the poorest member of the Association of South East Asian Nations (ASEAN). The Lao culture embraces collectivism and the traditional values of Theravada Buddhism, a belief system which inherently functions against the fostering of entrepreneurial spirit. Removing impediments to entrepreneurship is a key challenge for the government. Using Laos as a case in point, this paper assesses the influence culture has on entrepreneurship and explores initiatives and measures that can be used to strengthen inherent cultural values that stimulate the entrepreneurial spirit, encourage risk-taking, and in turn promote economic development.

### **Research paper**

**Keywords:** Entrepreneurship; Culture; Laos; ASEAN; Economic Development

**Reference** to this paper should be made as follows: Bhasin, B., & Ng, L. K. (2019). Socio Cultural Impediments to Entrepreneurship: Implications for the Lao People's Democratic Republic, *Journal of Entrepreneurship, Business and Economics*, 7(1), 64–91.

## **Introduction**

Transition economies such as Laos have a dire need to develop their entrepreneurial sector which is the key engine for economic development. Laos is the one of the few remaining communist countries in the world, but it too has recently transited to a market economy like its neighbor Vietnam. It is a relatively small country about the size of Utah. Almost 70% of this mountainous country is forested. The country has a rising population of nearing 7 million but is still one of the least densely populated countries in Asia. Laos is rich in natural resources and much remains untapped due to lack of capital and technology. The resources include wood, gold, copper, tin, aluminum, rattan, coffee, and hydroelectricity. However, the country remains poor and underdeveloped due to lack of infrastructure and human capacity (Bhasin, 2010).

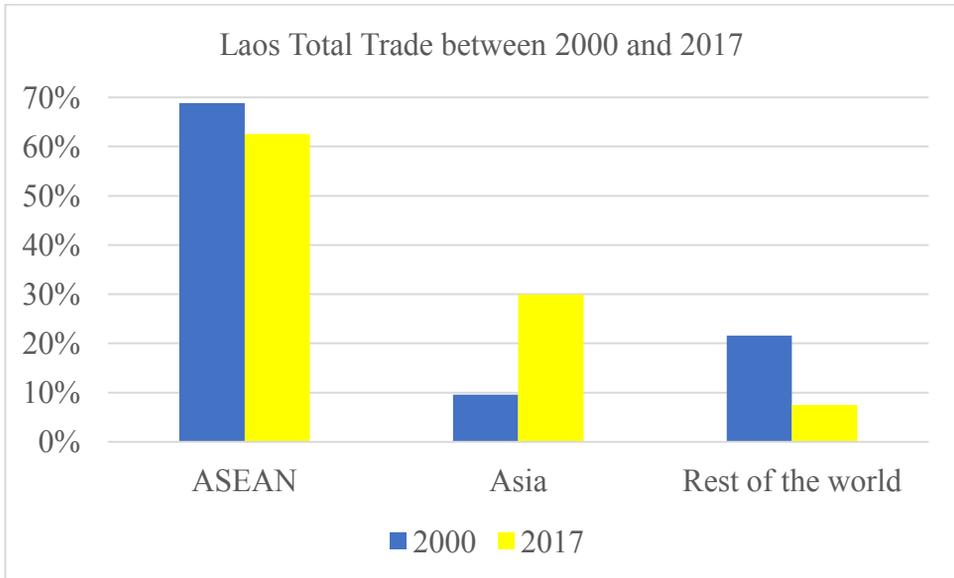
This paper explores the challenges Laos faces in its efforts to develop an entrepreneurial culture in the face of transiting to a market economy amidst a Buddhist culture which is averse to materialism. It begins with a brief history of Laos including its trade and trading partners. Then it examines the economic challenges that Laos is facing in the pursuit of economic reforms. It highlights the scholarly research on culture and entrepreneurship to deepen our understanding of the impact of socio-cultural factors on economic excellence. Next is the research methodology. The Lao culture is also examined in the context of Buddhism and Communism. Finally, the findings are summarized and the paper is concluded and recommendations made.

## **Background: transiting from a least developed country (IDC) to an emerging economy**

Laos emerged from the domination of Thailand in the 18<sup>th</sup> century and remained part of French Indo China until the Second World War when it was occupied by the Japanese. In 1946, the French reoccupied Laos but had to grant full sovereignty after their defeat by the Vietnamese and the subsequent Geneva Peace Conference in 1954 (US Department of State, 2010). The country saw little stability as a civil war ensued between the Royalists, the Communists and the Neutralists. The 1961-62 Second Geneva Conference finally provided for the neutrality and independence of the country. Laos, one of the few remaining one-party communist states began decentralising control and encouraging private enterprise only in 1986. The country had remained mostly closed with the government controlling all industrial sectors since declaring independence as the Lao People's Democratic Republic (LPDR) on December 2, 1975 (CIA, 2018).

The Lao government started encouraging private enterprise in 1986 and is transiting now to a market economy but with continuing governmental participation. Since then, the economic growth has averaged at 6.8% annually (WB, 2018). It was the last member of the Association of Southeast Asia Nations (ASEAN) to become the 158<sup>th</sup> member of the World Trade Organisation (WTO) in 2013. Asia and ASEAN are its largest trading partners as illustrated in Figure 1. Trade with the rest of Asia has increased substantially from 10% in 2000 to 30% in 2017 underscoring the importance of the Asian region. Clearly, there are many opportunities of trade with the rest

of the world such as the Americas, the European Union, and the African continent.

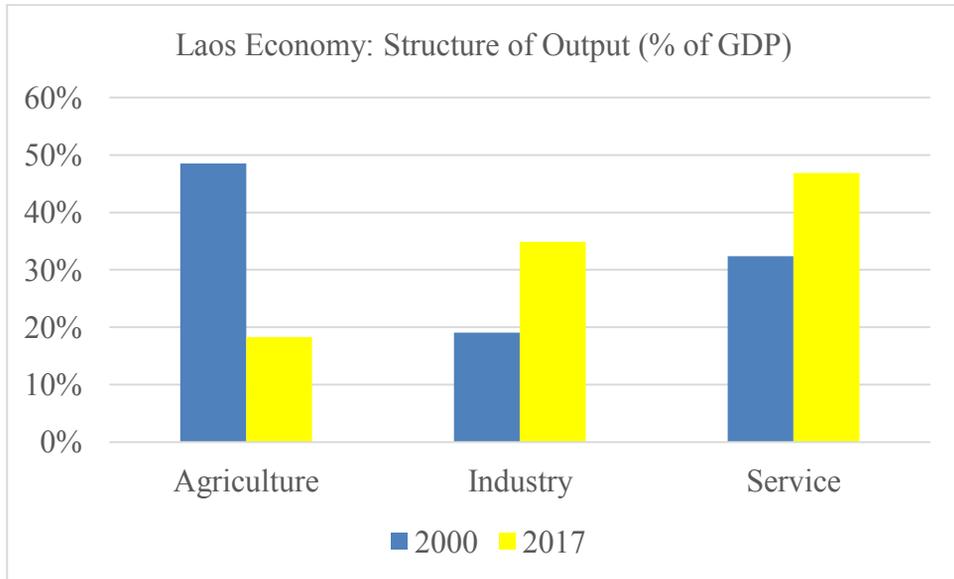


**Figure 1.** Laos Total Trade

Adapted from the Asian Development Bank (ADB, 2018a). Basic statistics. Retrieved December 2, 2018 from [https://data.adb.org/sites/default/files/lao-pdr-key-indicators-2018\\_1.pdf](https://data.adb.org/sites/default/files/lao-pdr-key-indicators-2018_1.pdf)

In terms of structural output as a percentage of gross domestic product (GDP), the agricultural share has declined tremendously from 48.54% in 2000 to 18.2% in 2017 (Figure 2). While the sectoral contributions of the industry and services have improved significantly. However, despite the shift from an agri-based economy, Laos is confronted with structural issues impeding its economic growth potential. For example, the low labor productivity is in the agricultural sector accounting for only 18% share of GDP but providing a bare subsistence for over 60% of its population (WB, 2018). When comparing to other LDCs in ASEAN Laos has the highest rate of ur-

banisation at 34.4%. Although, the urbanisation rate has improved remarkably since 2000, it is not sufficient as 23.2% of the population still lives under the national poverty line (ADB, 2018a).



**Figure 2. Laos Economy**

Adapted from the Asian Development Bank (ADB, 2018b). Key Indicators for Asia and the Pacific. Retrieved December 2, 2018 from [https://data.adb.org/sites/default/files/lao-pdr-key-indicators-2018\\_1.pdf](https://data.adb.org/sites/default/files/lao-pdr-key-indicators-2018_1.pdf)

On the other hand, the small and medium enterprise (SME) sector accounts for upward of 90% of all firms outside the agricultural sector and the biggest source of employment, providing livelihood for three quarters of the region's population (Bhasin and Venkataramany, 2010). The Global Entrepreneurship Index (GEI) that measures the quality of entrepreneurs over 14 attributes highlights that risk acceptance and human capital are the weakest and strongest attributes respectively for both Laos and Myanmar (Acs et

al., 2018). The environmental context for entrepreneurship was the least attractive as compared to the rest of the ASEAN (Table 1). The Global Entrepreneurship Monitor affirms that factor-driven economies are constrained by a weak institutional context to allow entrepreneurship to prosper (Tajpour and Salamzadeh, 2019). Factors such as entrepreneurship education at school age, government entrepreneurship programs and government policies on taxes and bureaucracy are impediment toward entrepreneurship development and growth (GEM, 2018).

**Table 1.** The Global Entrepreneurship Index (GEI) 2018 in ASEAN

<b>Rank</b>	<b>ASEAN</b>	<b>GEI</b>
<b>1</b>	Singapore	53
<b>2</b>	Brunei	34
<b>3</b>	Malaysia	33
<b>4</b>	Thailand	27
<b>5</b>	Philippines	24
<b>6</b>	Vietnam	23
<b>7</b>	Indonesia	21
<b>8</b>	Laos	18
<b>9</b>	Cambodia	18
<b>10</b>	Myanmar	14

*Source:* Adapted from Acs et al., 2018. Retrieved December 2, 2018 from [https://www.researchgate.net/publication/322757639\\_The\\_Global\\_Entrepreneurship\\_Index\\_2018](https://www.researchgate.net/publication/322757639_The_Global_Entrepreneurship_Index_2018)

Table 1 illustrates the varying degree of the GEI among those member-states that practice Buddhism, most notably Thailand. Thailand is a Theravada Buddhist country similar to Laos but has notorious economic performance. Among the Buddhist economies, Thailand has remarkable prosperity across the key indicators as highlighted in Table 2. Its GDP per

capita is more than doubled Laos reflecting better economic wealth of its citizens. It has moved from a factor-driven to an efficiency-driven economy with compelling export growth in trade of goods and services indicating higher productivity in a better institutional environment. In this instance, it is evident that Thailand is able to advance economically without corroding its Theravada Buddhist values. Hence, there is potential to duplicate the Thai model in other Buddhist countries, in particular in Laos.

**Table 2.** ASEAN: The Buddhist Economies Selected Key Indicators

Countries	Economies	Population (million)	Urban population (%)	GDP per capita (US\$)	Rate of growth goods -export (%)	Rate of growth services - export (%)	Rate of growth tourist arrival (%)	Cellular phone per 100 persons	Internet subscriber per 100 persons
Cambodia	Factor-driven	15.1	23	1,421	12	14.3	11.8	118.2	69
Lao	Factor-driven	6.6	34	2,530	-0.1	5.9	-8.7	54.1	30
Myanmar	Factor-driven	52.9	30	1,238	17.1	1.3	18.4	131.2	80.1
<b>Thailand</b>	<b>Efficiency-driven</b>	<b>67.4</b>	<b>49</b>	<b>6,735</b>	<b>9.9</b>	<b>11.8</b>	<b>8.8</b>	<b>176</b>	<b>52.9</b>

Source: Adapted from The ASEAN Statistical Leaflet 2018. Retrieved December 9, 2018 from [https://www.aseanstats.org/wp-content/uploads/2018/10/ASEAN\\_Statistical\\_Leaflet\\_2018.pdf](https://www.aseanstats.org/wp-content/uploads/2018/10/ASEAN_Statistical_Leaflet_2018.pdf)

On the other hand, the quality of the human capital as measured by the human development index (HDI) which assesses the overall economic wellbeing of citizens in terms of health, knowledge and standard of living remains low. In the last 5 years, its ranking has been hovering consistently between 137<sup>th</sup> and 139<sup>th</sup>. Over the years, there has not been any significant upward or downward shift in its ranking but growth remains at 2% between 2012 and 2017. Indeed, lack of skilled labor was cited as one of the difficulties in doing business in Laos by investors (WB, 2018). Its overall economic

productivity is low ranking 98th out of 137 countries in its global competitiveness (WEF, 2018).

Infrastructure development, streamlining business regulations and improving finance have been identified as the main priorities for the government. Its disadvantaged location that blocks access to sea lanes making transportation of goods costlier and losing its cost-competitiveness to its neighbors in particular, the manufacturing industry (WB, 2018). However, the other silver lining is in its strategic location at the center of the Great Mekong Sub-region's three most important countries: Thailand, Vietnam, and China. It will become the most important transit route linking China to Southeast Asia upon the completion of the 414 kilometer highspeed railway invested by China valued at \$6 billion (Hutt, 2017). Most significantly it has created employment for over 7,000 Laotians (The Borgen Project, 2017).

The manufacturing and tourism sectors are seen as the key sectors for private sector growth. The garment sector has created employment for over 20,000 but in 2016 there were only 2 new clothing factories registered with the Association of the Lao Garment Industry. This was mainly due to a slowdown in world demand (Vientianne Times, 2017). The economy has diversified into electricity and gas exports accounting for 10% of its national account. There was also a shift from traditional garment manufacturing to wholesale and retail trade, repair of motor vehicles and motor cycles constituting 11%.

In sum, the Lao government recognises the importance of private sector development to its economic and social development. It has commit-

ted to a series of developmental initiatives to overhaul the weaknesses of the business environment as stipulated in its 5-year strategic plan between 2018 and 2020 (LNCCI, 2018). Thus, making it more conducive for private investors SME to operate. On the macro-economic level, it aims to increase its ease of doing business and promoting “Make in Laos” products. The SME Initiatives include: “improving the competitiveness of Lao companies in priority sectors; support SME access to finance; market access and trade facilitation; reward local companies and SMEs under the Lao Business Awards; develop an ecosystem for start-up and business incubation in Lao PDR; assisting and attracting MNCs to Incorporate Business in Lao PDR; and capacity building for SME Service Centers” (LNCCI, 2018: 2).

### **Culture and entrepreneurship: literature review**

Studies of the Lao economy have mainly focused on the SMEs development (Kyophilavong, 2008, Southiseng, Ty, Walsh and Anurit, 2007; Kongmanila and Kimbara 2008; Radovic-Markovic and Salamzadeh, 2012) but limited research has examined the implications of the Lao government’s efforts in developing entrepreneurship in the face of Buddhism. In light of the strategic plan endorsed by the government pertaining to the SMEs development, our research examines the socio-cultural factors toward economic development as well as entrepreneurship in the context of Buddhism that is practiced by the majority of the Lao people.

The Nobel laureate economist Amartya Sen (2004) has noted the tendency of economists to pay inadequate attention to culture in investigat-

ing the operating of societies in general and the process of development in particular. He concludes that it is not whether culture matters, but how? That culture has a direct influence over economic development has consequently been confirmed by scientists from different disciplines over the past two decades (Johnson and Lenartowicz, 1998; Khan et al., 2010; Williamson and Mather, 2011; Goodarzi et al., 2018).

Indeed, paying attention to sociocultural variables when implementing rural developmental programs yielded positive project outcomes leading to better economic returns (Kottak, 1990; Salamzadeh et al., 2016). Johnson and Lenartowicz (1998) found a significant relationship between measures of culture, economic freedom, and economic growth. Williamson and Mather (2011) found that culture and economic freedom are both independently important for economic prosperity. Culture has been seen as a serious barrier to change and consequently to development. *Communication for Social Change*, an approach developed by the Rockefeller Foundation recognises cultural identity and tradition as important resources in people's self-directed change, rather than as problems (Gumurcio-Dragon, 2001).

Kottak (1990) examined 68 completed rural development projects between 1960s and 1970s where planners were more inclined to infer the technical and financial aspects of project-outcomes rather than the role of socio-cultural values on the project-success. The study used the dimension of socio-cultural values to infer the project-successes and found that indigenous cultural practices and social structures were crucial attributes. Change was positive when projects acted to maintain existing systems by strength-

ening their performance. However, change tended to yield negative results if projects aimed to create new structures. Examples were tea and coffee-projects worked in existing cultivations in East Africa and Ethiopia and Burundi respectively. On the other hand, projects that benefited wealthy commercial farmers rather than herders through over innovation failed miserably. The problem arose from the need to convert traditional practices by adopting innovative measures toward change did not fit into the spectrum of socio-cultural values of the farmers (Kottak, 1990). Fukuyama (2001) posited that there is a cultural dimension to economic behavior and that cultural factors affect economic development in four ways: through its impact on organisation and function; through attitudes towards consumption and work, through the ability to create and manage institutions; and through the creation of social networks.

Research on the effects of particular cultural values on development has been varied. On the one hand, it has been found that where the dominant values of a society are concentrated on “individualism, indifference to the fate of others, lack of collective responsibility, lack of interest in the general good, the pursuit of personal enrichment as the central value, consumerism, and similar goals” it may lead to serious hindrances to sustained economic development (Fellner, 2008). Collectivist values may not be detrimental to economic development due to the presence of “team-think” which has four characteristics: interdependence, making sacrifice for the in-group, relational social exchange, and being norm driven, lead to conformity, institutional-

isation, collective goal congruency, and national goal congruency, which are useful in the early phases of economic development (Bhawuk et al., 2007).

In an Asia-specific empirical study on cultural values and economic growth, Khan et al., (2010) created a model which incorporates both cultural and economic variable and were able to measure the impact of certain cultural factors on economic growths of selected Asian countries. In the studies on culture and economic development in Asia, research has included the inclusion of the impact of ‘Asian values’ described as unity, respect of authority, and a work ethic among the masses (Kerbo, 2005). This is in response to the Eurocentric view of the culture of development which began with Max Weber’s expose on the role of Protestant (mainly Calvinist) ethics in the development of capitalism and industrialisation. Confucianism as an Eastern value was seen as quite unsuited for a dynamic industrial economy by Weber. This has been debunked by a multitude of researchers who find that the opposite to be the case as demonstrated by the performance of East Asia (Sen, 2004). Even Geert Hofstede included ‘Confucian values’ as an added dimension to the earlier four in his *National Cultural Dimensions* theory. He noted that “the power behind the recent surge in Asia’s economy may have developed from the tenets of one of that continent’s earliest philosophies” (Hofstede and Bond, 1988). The architect of Singapore’s meteoric rise to first world status, Lee Kuan Yew, attributes this success partly to culture: Asian values, mostly Confucian, concepts of society and government (Zakaria, 2004).

Countries that are transitioning from centralised to market economies need to establish and grow new enterprises (Estrin et al., 2005; Salamzadeh et al., 2013). This is necessary as it implies a change in allocation of resources in which new firms have to be the main actors. In the case of mature market economies external environmental conditions are likely to be more stable and there exists a stronger tradition and experience of entrepreneurial activity. This requires transformation and involves a shift from public to private sector ownership. Market institutions such as banks and other financial intermediaries need to be established to allow for competition as well as opportunities for participation. More than transformation merely as an economic process, it also involves fundamental social changes such as liberalisation and transparency as the social context changes from inherited attitudes and behavior from the socialist past towards entrepreneurship (Smallbone and Welter, 2001).

Religion matters in the decision to become an entrepreneur. In the study by Audretsch, Boente, and Tamvada (2007) on India, it was found that Christianity and Islam are conducive to entrepreneurship, while Hinduism is not. Religions are considered depositories of values. There is considerable empirical support for the thesis that religion and related belief systems influence values and thus shape entrepreneurship. In a review of literature from the past century, Dana (2009) found that various religions value entrepreneurship to different degrees; different religions yield dissimilar patterns of entrepreneurship; religions provide opportunities for entrepreneurship; and religious beliefs may hamper entrepreneurship.

In an analysis of human freedom and happiness from the Buddhist perspective, Sivaraska (1998) highlighted the operating principles of Buddhism to attain freedom and happiness lie in 3 progressive actions of *dana*, generosity traversing to *sila*, precepts and finally *bhavana*, mindfulness. From the Buddhist perspectives, these actions are deemed positive as long as the wealth and resources are distributed to the people in need and acquired by decent means. Thus, defeating the tendency of greed arising from capitalism and consumerism that would deepen malignant business practices and crippled the *dana*, *sila* and *bhavana* (Sivaraska, 1998).

In another study, Pryor (1991) analysed the anecdotal of Buddhist values and attitudes in relation to the elements of trade, competition, and material wealth in a Buddhist economy. The analyses showed that Buddhist practices do not impede trade leading to increase in material wealth so long as the redistribution of income nourishes people (feeding the poor) and builds institutions (building of temples). Competition is not regarded as a vice so long as it does not hurt people.

Indeed, the economic success of Thailand, a Theravada Buddhist country demonstrates that the religious pillar incorporated into the economic and political structures did benefit the country and brought wealth to its people. Wider acceptance of capitalism in the Theravada Buddhist context as “Kingship, Buddhism the Thai Nation and Polity-all stand together as the three ideological pillars of Thai society” (Tambiah, 1973).

The trajectory of Japan’s industrialisation during the Meiji era shed light to the co-optation of religion by political and economic developers.

The inherent Japanese values originate from the Buddha's teaching of social harmony and harmonious unity permeates across hierarchical structures. Thus, it called for undivided obedience to the will of the authorities to increase "industrial productivity" and create a "rich country and strong army" (Davis, 1989). The early indoctrination of Buddhist teachings in the process of developing Japan's political and economic institutions was significant in modernising Japan. The Japanese hold strong work ethics deriving from the belief that they have benefited by coming to the world and are endowed with benefits from their Buddha, their parents, ancestors, the country and the emperor. As they interact with life, they derive more benefits from their community, leaders, superiors and neighbors. Hence Japanese have a moral obligation to fulfil as a way of "paying back" to the life that was given to them from the "above" (Davis, 1989).

### **Research methodology**

This paper uses secondary data to shed light on the positive and negative economic determinants that would potentially accelerate and decelerate Lao's economic performance. First, trade data is analysed specifically between Laos and the ASEAN, its core strategic trade partner. Most notably, four out of the 10 member-states share similar cultural values arising from Buddhism (Table 2). With the exception of Thailand, Cambodia and Myanmar have LDC status just like Laos. This cluster of countries is as similar as their cultural values purport but differs in sizes, pace of economic development, and technological sophistication in terms of internet usage and

cellular phone ownership. In comparing these differences within this cluster, it informs us about the relative economic sluggishness of Laos and unveils Thailand as an exemplary that economic prosperity is achievable without eroding Buddhism values. Second, the structure output of the Lao economy is analysed parallel to other secondary data such as the national poverty level, urbanization rate, SMEs' contribution to national employment, agricultural sector productivity and the Global Entrepreneurship Index (GEI). Finally, we review scholarly literature about the impact of culture on entrepreneurship to support our research theme and data analyses.

### **The Lao culture: Buddhism amidst communism**

The major component of Lao culture remains Buddhism which is the state religion, though its practice was limited under communism. Though Theravada Buddhism is dominant, many traditions and customs are derived from Mahayana Buddhism and Hinduism (Bhasin, 2010). This school of Buddhism believes that it has remained closest to the original teachings of the Buddha. Theravada Buddhism emphasizes attaining self-liberation through one's own efforts. The follower is expected to abstain from all kinds of evil, to accumulate all that is good and to purify their mind. Most Buddhist men spend some part of their lives as monks in temples, even if only for a few days. There are approximately 20,000 monks in the country, more than 8,000 of whom have attained the rank of "senior monk," indicating years of study in temples. In addition, more than 400 nuns, many of whom

are older widows, reside in temples throughout the country (United States Department of State, 2010).

Communist revolutionaries in general have been hostile to religion, especially after seizing power. This mandate comes in part from the philosophies propounded by Marx and Engels' statement in the Communist Manifesto that religion is "the opium of the people and arises from the fact that communist revolutionaries have usually been radical modernists, on the side of science and progress and against backward feudal beliefs." The materialist doctrine of Communism is in direct conflict with the Buddhist precept of detachment from the material world. While the Khmer Rouge in Cambodia attempted to exterminate Buddhism due to its conflict with Marxist ideology, the Pathet Lao embraced Laos' Buddhist community and manipulated it for political gain. Buddhist institution provided a flexible medium through which unity could be forged and order reestablished. This was made possible through Buddhism's precept of tolerance and harmony. When the Pathet Lao finally toppled the central government in 1975, it quickly sought to establish legitimacy with the *sangha* (community). Immediately issuing a political program of peace, offering extensive democratic and traditional freedoms and declaring respect for Buddhism official policy, the revolutionary government won broad appeal and the enthusiastic endorsement of the Buddhist Sangha. The Pathet Lao, in realising that cooperation with the political other was the only way to ensure its own survival, chose to sacrifice monopoly over ideology and organisation. In Laos, Marxism could not be

adopted by itself; it had to be moderated by Theravada Buddhism in a sort of mutual accommodation (Hutchinson, 2009).

### **Overcoming socio cultural impediments to entrepreneurship**

In the controlled economy under rigid communist rule, the Lao people were not permitted to engage in entrepreneurial activity. The people were accustomed to lifelong employment with no incentives to take any financial risks. Now that the country is transitioning to a market economy, the tendency to remain risk averse remains. Risk acceptance is the biggest impediment to entrepreneurship in the Laos and Myanmar's context as both countries are dominated by Buddhist followers (Acs et al., 2018). A concerted effort has to be made by the government to encourage risk taking by promoting the benefits of entrepreneurship as well as by providing assistance in the form of ease of setting up of business, access to finance and making available both information and skills for success in business. The process of transition from socialism to free-market, private-property economies calls for the development of new institutions to support entrepreneurial activity. This includes development of infrastructure, the implementation of privatisation of state-owned enterprises, currency stabilisation measures, reforming the legal system to include private ownership and the validity of commercial and private contracts, and most of all providing management

training to allow individuals to ensure their enterprises remain solvent and profitable.

Lao culture remains grounded in the Buddhist religion. Society is structured around religious practices as the Buddhist approach encompasses efforts aimed at liberating the individual from the cycle of birth and death. Buddhism's emphasis is on spiritual growth and the afterlife, less on earthly achievement. Entrepreneurial activity is acceptable, but not emphasized. The challenge for Buddhist becomes how to reconcile their religious principles with the entrepreneurial drive to create? How can they improve the world without becoming attached to the attainment of success in improving profits? (Valliere, 2008). The Buddhist tenet of Right Livelihood states that one should not do work that causes harm to the self or others. This does not prevent a Buddhist from creative and risky activities. The key element of Buddhism that affects business is mindfulness. There may be a tendency for Buddhist to prefer non-profit and socially oriented enterprises in helping others than to engage a profit-oriented business to enrich themselves. Striking a balance requires integrating compassion in the effort to succeed in business challenges that arise include having to fire people or maximize profits. It can be argued that one has to help themselves before being in the position to help others. One cannot provide for others if they themselves are struggling to cope. A holistic approach is required to create a more amenable external environment which is pro-entrepreneurial in a strict Buddhist setting.

Women entering the labor market in Laos are disadvantaged in finding decent paid employment and need to look to other sources of income. They have many opportunities to engage in self-employed entrepreneurship. Hence, self-employment rate is high averaging 50% compared with 13% in the Organisation for Economic Cooperation and Development (OECD) countries (OECD, 2017). However, where women operate their own businesses, these tend to be disadvantaged sectors (mainly in agriculture). Even those specialising in small-scale industries tend to confine themselves to specific activities such as catering, tailoring, beauty and food processing services. Women-owned businesses lag behind male-owned enterprises in terms of size and productivity. Naturally they tend to be less profitable and often impacted by adverse economic changes (OECD, 2017). The International Labour Organisation (ILO) studied gender issues in micro-and small enterprises (MSEs) in Laos (ILO, 2006) and found that: 1) Women entrepreneurs have limited education, limited experiences and limited access to resources. 2) Women's MSEs exist mostly in the villages. Women face mobility constraints and traditional customs do not allow women to leave their homes to operate away from the village. 3) Women predominate as unpaid family workers in many sectors. This reinforces their economic dependence and limits their opportunities to engage in entrepreneurship. 4) The negative cultural values disadvantage women in decision making processes. The report recommends that women be empowered through education, training and support systems (ILO, 2006). A sound policy ensuring women have unequivocal access to finances and removing societal taboos of

women entrepreneurs in the socio-cultural setting is necessary to tap the potential attractiveness of gaining more women entrepreneurs to enhance economic development in Laos.

### Conclusions and recommendations

In 1971, Laos, together with 23 other countries predominately in the African continent was the only Southeast Asian country to be recognized as the LDCs by the United Nations (UNCDP, 2018). In 2018, the United Nations Committee for Development Policy stated that: *“Laos will be considered for graduation at the next triennial review in 2021, with a view to graduating in 2024.”* This falls short of the government’s expectation and aspiration to be “LDC label-free” by 2020 (UNCDP, 2018). This paper explores the economic challenges of Laos characterized by its landlocked geographical location, a prolonged history of communistic rule and a daily life guided by Buddhist values of tolerance, contentment, and harmony. Below is a summary of our findings.

**Table 3.** Summary of findings

<b>Factors Impeding Economic Development</b>	<b>Significance to Lao Economy</b>
Low labor productivity in the agricultural sector	Agriculture is a bare subsistence for more than 60% of the population
High rate of urbanization at 34.4%	Did not alleviate poverty. About 23% of the population still lives under the national poverty line
SMEs (non-agricultural sector) account for 90% of all SMEs	Biggest source of employment
Lao people are risk-averse	Risk acceptance is essential to SME development
Laos is a factor-driven economy but SMEs’ development con-	SMEs’ development thrives on strong institutions, including entrepreneurship education at school age, gov-

<b>Factors Impeding Economic Development</b>	<b>Significance to Lao Economy</b>
strained by weak institutions	ernment entrepreneurship programs and government policies on taxes and bureaucracy
Marginal improvement of HDI in the past 5 years.	High HDI is crucial for entrepreneurial success
Lackluster infrastructural development, poor financing models to support private enterprises	Crucial for foreign direct investment and entrepreneurial stimulation
Manufacturing is losing its cost-competitiveness due to Laos being a landlocked country	Strategic location at the center of the Great Mekong Sub-region leading to trade growth potential between Thailand, Vietnam, and China
Diversified into electricity and gas exports	Exploiting its natural resources more effectively through improved processes and higher value exports
Shift from manufacturing to wholesale and retail trade, repair of motor vehicles and motor cycles	Boost in entrepreneurial spirit that is essential towards economic uplifting and wellness of citizens
Thailand has notorious economic performance	It is a Buddhist country just like Laos. Could learn from the Thai model

In transiting to a market-based economy toward economic prosperity, our findings above show that concerted efforts need to be made by Laos to remove impediments to entrepreneurship development especially with regards socio-cultural attitudes and values based on religion and tradition. This resistance is deeply embedded in the cultural psyche of the people. It is recommended that the Lao government look at neighboring Thailand, a similarly Buddhist-based culture and learn from successful methodologies implemented. As an example, Thailand is using Buddhist values to promote tolerance toward failures. The Thai motto “Women are the real legs of the elephant” was traditionally a statement defining the role of women. This tradition has been overcome and rapid urbanisation has forced Thai women out of their confined housewife role. With rising educational opportunities,

Thai women are now well equipped to venture into risk taking enterprises. Egalitarian values have increased in Thai society which has now accepted the role of women as a major contributor to the country's development. Linking religious institutions to political and economic actors have proven successful to alleviate poverty and increase economic activities of the rural poor (Tambiah, 1973). The Lao government could duplicate the model as 23.3% of Lao people are living under the national poverty line and over 60% are living in rural areas.

The success of Japan's industrialisation to its economic power today could be emulated by Lao to step up their industrialisation process. The government had vowed to remove Laos from the LDC list by 2020. Recently it is reported that this is unattainable because Laos failed to meet the threshold of the HDI and the economic vulnerability index (EVI) (The Lao-tian Times, 2018). The prime minister emphasized that "Laos must strive harder to meet the set criteria by creating a firm foundation in preparation for graduation". Of interest to the government is to improve the stability of agricultural production and its exports of goods and services. These are existing economic activities since the national development program started in 2001, the government should reassess the socio-cultural variables impacting their growth. Could it be that the uneducated workforce is led to adopt sophisticated production method beyond its literacy that makes them uncomfortable and unmotivated? Socio-demographics such as age and gender in agricultural production and export-oriented industries should be reexamined. Appropriate strategies should be tuned to the cultural norms. The

Buddhist perspective of a moral sense of duty to the community and the country to unify economically and successfully defeating the LDC status.

Laos can also learn from Singapore's efforts to transform its culture to foster economic development. The Singapore government implemented an integrative approach to transforming its culture by creating a highly efficient civil service, ensuring compliance to law and order, removing corruption and using social inclusion to protect minorities. Singapore also instituted numerous programs to stimulate entrepreneurial activities including financial assistance, entrepreneurship incentives and entrepreneurship education. Most of all it is imperative that the education system includes values that encourage risk taking.

## **References**

1. Acs, Z.J., Lloyd, A., & Szerb, L. (2018). The global entrepreneurship index 2018. Retrieved December 2, 2018 from [https://www.researchgate.net/publication/322757639\\_The\\_Global\\_Entrepreneurship\\_Index\\_2018](https://www.researchgate.net/publication/322757639_The_Global_Entrepreneurship_Index_2018)
2. Asian Development Bank (ADB). (2018a). Basic statistics 2018. Retrieved December 2, 2018 from <https://www.adb.org/publications/basic-statistics-2018>
3. Asian Development Bank (ADB). (2018b). Key indicators for Asia and the Pacific 2018. Retrieved December 2, 2018 from [https://data.adb.org/sites/default/files/lao-pdr-key-indicators-2018\\_1.pdf](https://data.adb.org/sites/default/files/lao-pdr-key-indicators-2018_1.pdf)
4. Association of Southeast Asian Nations (ASEAN). (2018). ASEAN Statistical Highlight. Retrieved December 9, 2018 from [https://www.aseanstats.org/wp-content/uploads/2018/10/ASEAN\\_Statistical\\_Leaflet\\_2018.pdf](https://www.aseanstats.org/wp-content/uploads/2018/10/ASEAN_Statistical_Leaflet_2018.pdf)
5. Audretsch, D. B., Boente, W., & Tamvada, J. P. (2007). Religion and entrepreneurship. Jena Economic Research Papers, Friedrich Schiller University Jena, Jena, Germany.

6. Bhasin, B. & Venkataramany, S. (2010). Globalisation of entrepreneurship: policy considerations for SME development in Indonesia. *International Business & Economics Research Journal*, 9(4), 95-103.
7. Bhasin, B. (2010). *Doing Business in the ASEAN Countries*. New York, NY: Business Experts Press.
8. Bhawuk, D. P.S., Munusamy, V.P., Bechtold, D. J., & Sakuda, K. (2007). Collectivism & Economic Success: A Cultural Model of Economic Development. Paper presented at the Academy of Management Conference, Philadelphia, August 3-8, 2007.
9. Central Intelligence Agency (CIA). (2018) The World Factbook: Laos. Retrieved March 8, 2018 from: <https://www.cia.gov/library/publications/the-world-factbook/geos/la.html>
10. Dana, L.P. (2009). Religion as an explanatory variable for entrepreneurship. *Entrepreneurship and Innovation*, 10(2), 87-99.
11. Davis, W. (1989). Buddhism and the modernisation of Japan. *History of religion*, 28(4), 304-339.
12. Estrin, S., Meyer, K.E., & Bytchkov, M. (2005). *Entrepreneurship in Transition Economies*. In Basu, A., Casson, M. & Wadeson, N. (Eds.), *The Oxford Handbook of Entrepreneurship* (pp. 693-725). Oxford, England: Oxford University Press.
13. Fellner, A. (2008). Role of culture in economic development: Case study of China and Latin America. Retrieved from <http://scholarcommons.usf.edu/etd/236>
14. Fukuyama, F. (2001). Culture and economic development: cultural concerns. In Smelser NJ, Baltes PB (Eds.), *International Encyclopedia of the Social and Behavioral Sciences*. (pp. 3130-3134). Amsterdam, Netherlands: Elsevier Internet Publication.
15. Global Entrepreneurship Monitor (GEM) (2018). Global report 2017/2018. Retrieved December 7, 2018 from [file:///C:/Users/LiLee%20Ng/Downloads/gem-2017-2018-global-report-revised-1527266790%20\(1\).pdf](file:///C:/Users/LiLee%20Ng/Downloads/gem-2017-2018-global-report-revised-1527266790%20(1).pdf)
16. Goodarzi, S. M., Salamzadeh, Y., & Salamzadeh, A. (2018). The Impact of Business Ethics on Entrepreneurial Attitude of Manager. In *Competitiveness in Emerging Markets* (pp. 503-539). Springer, Cham.
17. Gumucio-Dagron, A. (2001) *Making Waves: Stories of Participatory Communication for Social Change*. New York, NY: Rockefeller Foundation.
18. Hofstede, G. & Bond, M. H. (1988). The Confucius connection: From cultural roots to economic growth. *Organisational Dynamics*, 16 (4), 5-21.

19. Hutchinson, J.R. (2009). For Passion or Power: Buddhism and Communism in Cambodia and Laos. *Yale Journal of International Affairs*, Spring/Summer 2009: 40-50.
20. Hutt, D. (2017). Laos is a key link for China's Obor ambitions. Retrieved November 3, 2018 from <http://www.atimes.com/article/laos-key-link-chinas-obor-ambitions/>
21. International Labour Organisation (ILO). (2006). Report on gender issues in micro- and small enterprises in Laos PDR. Retrieved from [https://www.ilo.org/asia/publications/WCMS\\_103494/lang--en/index.htm](https://www.ilo.org/asia/publications/WCMS_103494/lang--en/index.htm)
22. Johnson J. P. & Lenartowicz T. (1998) Culture, Freedom and Economic Growth: Do Cultural Values Explain Economic Growth? *Journal of World Business*, 33(4), 332-356.
23. Kerbo, H. (2005). Foreign investment and disparities in economic development and poverty reduction: A comparative-historical analysis of the Buddhist countries of Southeast Asia. *International Journal of Comparative Sociology*, 46(5), 425-459.
24. Khan, M.M., Zhang, J., Hashmi, M.S., and Bashir, M. (2010). Cultural Values and Economic Growth in Asia: An Empirical Analysis. *International Journal of Business and Social Science*, 1(2), 15-27.
25. Kongmanila, X. and Kimbara, T. (2008). Financial Performance of Founder-Managed and Professionally-Managed SMEs: An Empirical Investigation of Lao Trading Firms. *Journal of International Development and Cooperation*, 14(1), 13-25.
26. Kottak, C.P. (1990). Culture and economic development. *American Anthropologist*, 92(3): 723-731.
27. Kyophilavong, P. (2008). SME development in Lao PDR. In Lim, H. (Ed.), *SME in Asia and Globalisation*. Retrieved <http://www.eria.org/RPR-2007-5.pdf>.
28. Lao National Chamber of Commerce and Industry (LNCCI). (2018). Strategic private sector development plan 2018-2020. Retrieved November 3, 2018 from [file:///C:/Users/LiLee%20Ng/Downloads/13052018\\_LNCCI%20Strategic%20Action%20Plan%202018-2020\\_FINAL.PDF](file:///C:/Users/LiLee%20Ng/Downloads/13052018_LNCCI%20Strategic%20Action%20Plan%202018-2020_FINAL.PDF)
29. Organisation for Economic Cooperation and Development (OECD). (2017). Strengthening women's entrepreneurship in ASEAN: Towards increasing women's participation in economic activity.
30. Pryor, F.L. (1991). *A Buddhist economic system*. In practice: The rules of state policy making of the ideal kings sought a 'Middle Way' between right and left. *The American Journal of Economics and Sociology*, 50(1), 17-32.

31. Radovic-Markovic, M., & Salamzadeh, A. (2012). *The Nature of Entrepreneurship: Entrepreneurs and Entrepreneurial Activities*. LAMBERT Academic Publishing (LAP): Germany.
32. Salamzadeh, A., Azimi, M. A., & Kirby, D. A. (2013). Social entrepreneurship education in higher education: insights from a developing country. *International Journal of Entrepreneurship and Small Business*, 20(1), 17-34.
33. Salamzadeh, Y., Salamzadeh, A., & Radovic Markovic, M. (2016). Cultural intelligence and network organizations in society: Case of Tehran neighborhood councils. *International review*, 4(1-2), 46-58.
34. Sen (2004). *How does culture matter?* In Rao, V. & Walton, M. (Eds.), *Culture and Public Action* (pp. 37-58). Redwood City, CA: Stanford University Press.
35. Sivraska, S. (1998). Buddhism and human freedom. *Buddhist-Christian Studies*, 18, 63-68.
36. Smallbone, D. & Welter, F. (2001) The Distinctiveness of Entrepreneurship in Transition Economies. *Small Business Economics*, 16(4), 249-262.
37. Southiseng, Ty, Walsh, M., & Anurit, P.J. (2006) Development of Excellent Entrepreneurs in Small and Medium Enterprises in Laos and Cambodia. *GMSARN International Journal*, 2, 147-156.
38. Tajpour, M., & Salamzadeh, A. (2019). The Effect of Spiritual Intelligence on Organizational Entrepreneurship: Case Study of Educational Departments in University of Tehran, *International Journal of Management and Enterprise Development*, 18(3), 205-218.
39. Tambiah, S.J. (1973). Buddhism and this-worldly activity. *Modern Asian Studies*, 7(1), 1-20.
40. The Borgen Project. (2017). Railways in Laos. Retrieved December 21, 2017 from <https://borgenproject.org/tag/railways-in-laos/>
41. The Laotian Times. (June 11, 2018). PM: Laos won't graduate from Least Developed Country Status by 2020. Retrieved December 9, 2018 from <https://laotiantimes.com/2018/06/11/laos-not-graduate-least-developed-country/>
42. The World Bank (WB). (2018). GDP Growth (annual 8%). Retrieved November 3, 2018 from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=AR-LA>
43. United Nations Committee for Development Policy. (UNCDP). (2018). List of Least Developed Countries. Retrieved May 7, 2019 from [https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc\\_list.pdf](https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf)
44. United States Department of State (2010). Laos, International Religious Freedom Report 2010. Retrieved May 7, 2019 from <https://www.state.gov/j/drl/rls/irf/2010/148878.htm>

45. Valliere, D. (2008). Exploring Buddhist influence on the entrepreneurial decision. *International Journal of Entrepreneurial Behavior & Research*, 14(3), 172-191.
46. Vientianne Times. (2107, January 31). Lao Garment Industry Fails to attract new investors. Retrieved November 20, 2018 from <http://jclao.com/lao-garment-industry-fails-attract-new-investors/>
47. Williamson C. R. & Mathers, R.L. (2011), Economic freedom, culture, and growth. *Public Choice*, 148(3-4), 313-335.
48. World Economic Forum (WEF). (2018). The global competitiveness report 2017-2018. Retrieved December 7, 2018 from <http://www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf>
49. Zakaria, F. (2004). *Culture is destiny: A Conversation with Lee Kuan Yew*. Foreign Affairs, 73(2), 109-124.

**Balbir Bhasin** is the author of three monograph books: *Doing Business in the ASEAN Countries*, *Assessing and Mitigating Business Risks in India and Burma: Business and Investment Opportunities in Emerging Myanmar*. He is the Ross Pendergraft Endowed Professor of International Business at the University of Arkansas Fort Smith. He holds a PhD from the University of South Australia and has spoken both at Harvard and Oxford. He turned to teaching after being in the business world for over 19 years and having served in the government sector for 10 years. He also advises companies seeking to benefit from the opportunities in emerging Asian markets.

**Lee Keng Ng** is the Assistant Professor of Management (Strategy and International Business) at the University of Arkansas Fort Smith. She holds a PhD from Curtin University, Australia. She was a European Commission scholar investigating flows between Europe and China in the renewable energies and environmental industries. She is originally from Singapore and is fluent in English, Chinese and Icelandic. She has lived and worked in Asia, Europe and America in international trade compliance for over 10 years.