



**CREDIT ACCESS, INNOVATION, AND
KNOWLEDGE MANAGEMENT: CRITICAL
FACTORS INFLUENCING SME GROWTH IN
THE LAO PDR**

By

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ABSTRACT

In the Lao People’s Democratic Republic (Lao PDR), small and medium enterprises (SMEs) are the backbone of socioeconomic development, job creation, and poverty reduction. SMEs account for approximately 99.8% of all registered firms in the country. Consequently, SME development has increasingly become the focus of policymakers to strengthen the national economy. However, SME growth rates remain low, and are subject to challenges. Moreover, research on factors hindering SME growth in the Lao PDR is scant.

To bridge this gap, this thesis explores the influence of credit access, innovation, and knowledge management on SME growth in the Lao PDR. A qualitative method utilizing semi-structured interviews was used to obtain data from 47 participants, varying in terms of expertise, gender, and managerial level. The participants included SME owners/managers, professionals, and experts from the government, the private sector, banks and research and educational institutions. The interviews were conducted between July 2018 and May 2019. Purposeful sampling and thematic analysis were used to analyze the data. Peer debriefing added to the trustworthiness of the research findings.

The findings revealed that pre-credit access and post-credit constraints come from both demand-side and supply-side constraints. For pre-credit access, key demand-side constraints were the nature of SMEs (lack of collateral, informal SMEs, and information asymmetry) and lack of financial literacy, while key supply-side constraint was an underdeveloped financial market. For post-credit constraints, the misuse of loans, lack of specific policies and insufficient support systems were the main causes of non-profit loans and loan defaults. Importantly, the practice of *Souy Dai* was found to be critical in assisting SMEs to access formal credit.

The analysis of non-research and development-based (non-R&D-based) innovation highlighted the role of “know-who” (i.e., strong relationships with government officials) as an essential source of new knowledge, up-to-date information, and support systems (e.g., funding sources, technical

assistance and consultation). The findings also revealed that “imitation innovation”, technology adoption, and marketing innovation are the main non-R&D-based innovation activities used by SMEs to improve product and process of innovation.

Further, social media platforms and traditional knowledge acquisition processes significantly facilitated SMEs’ knowledge acquisition about markets, technology, and internationalization. Interestingly, the findings showed that through knowledge acquisition, SMEs can enhance organizational learning capabilities supporting internationalization.

This study is the first of its kind in the Lao PDR. It identifies key factors influencing SME growth in the Lao PDR as one of the Asian Emerging Economies (AEEs) through the lens of the pecking order theory, the knowledge spillover theory of entrepreneurship, and the knowledge-based view theory. This thesis also contributes to the literature on finance, innovation, and knowledge management and the influence of these factors on SME growth in developing countries generally, and in Lao PDR in particular.

DECLARATION

I hereby certify that this thesis is my own work, and does not incorporate without acknowledgment any material previously submitted for a degree or diploma at the Flinders University or in other university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

A handwritten signature in blue ink, appearing to read 'Mans', is written above the signature line.

Signature:

01 December 2021

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PEER REVIEWED CONFERENCE PRESENTATION

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Chapter 1: INTRODUCTION

1.1 INTRODUCTION

This chapter sets the foundation for thesis. It begins with a summary of the background of significant factors that influence the growth of small and medium enterprises (SMEs). The gaps in the literature on SMEs growth are then identified. The chapter then goes on to discuss the study context, the background of SMEs in the Lao People's Democratic Republic (Lao PDR), thesis objectives, and research questions. An outline of the structure of thesis ends the chapter.

1.2 SME DEVELOPMENT IN THE LAO PDR

The Lao PDR is an emerging Asian economy located in Southeast Asia. The country is landlocked and has the lowest population density of the Association of Southeast Asian Nations (ASEAN) members. Spread out over 236,800 km², the country's population of approximately 7.16 million (World Bank, 2019) is projected to increase to 7.8 million by 2030 (International Labour Organization [ILO], 2017). The Lao PDR is an ethnically diverse country with 49 officially recognized groups and hundreds of sub-groups living across 17 provinces (ILO, 2017). In 1986, the Lao PDR economy shifted from a centrally planned, socialist economy to a market-oriented economy, known as the New Economic Mechanism.

The economic reforms in this transition were the first tentative steps toward strengthening the role of enterprises, and particularly, promoting SME development (Ministry of Industry and Commerce [MoIC], 2020). The reforms were concentrated in three areas: (i) macroeconomic stabilization, (ii) price and market liberalization, and (iii) restructuring privatization of state-owned enterprises (MoIC, 2010). The government of Lao has gradually introduced economic reforms to remove constraints faced by the private sector, including SMEs. These reforms have established laws, SME development policies, and administrative activities. Further, the government has increased

economic integration with neighbors as well as regional and global economies. For example, it joined ASEAN in 1997, became a member of the World Trade Organization (WTO) in 2013, and in 2016, became a member of the ASEAN Economic Community (AEC). These actions provided the impetus for continuing economic reforms and helped the Lao PDR revise tariffs to the level of a preferential tariffs scheme. This created a more business-friendly environment and removed non-tariff barriers to promote private sector growth, especially SMEs, improving productivity, and increasing access to international markets (MoIC, 2020).

1.2.1 Overview of Economic Development

Since 2005, the annual growth rate of the Lao PDR has remained at 7% and above, while gross domestic product (GDP) per capita has increased consistently from US\$476 in 2005 to US\$1,812 in 2015, with the growth rate estimated to remain robust at 6.5% in 2019 (World Bank, 2018, 2019). This growth has been mainly driven by the export of minerals such as gold and copper as well as wood and wooden products, together with foreign direct investment and hydropower projects (Sisounonth et al., 2021).

The government of Lao is articulating a plan to transform itself from a landlocked to a land-linked economy (World Bank, 2020). The Lao–China Railway, which will connect the PDR to the entire network of the Chinese Belt and Road Initiative, is also likely to expand the trade network from Kunming in China to Singapore via the Lao PDR, Thailand, and Malaysia (World Bank, 2020). This has the potential to make the Lao PDR a more attractive investment destination, linking it to major production and consumption areas in China and the ASEAN. It would also enable the private sector, including SMEs, to access global value chains. With efficient logistics services, the Lao PDR could develop into a logistics hub, with targeted new export opportunities promoting SME growth. This logistics hub would be based on regional and international integration, low labor costs, and a generalized system of preference privileges from 42 countries. This would create a favorable business investment environment, offering diverse business opportunities to both domestic and foreign direct investors (Lao National Chamber of Commerce and Industry [LNCCI], 2021; MoIC, 2020).

1.2.2 Background of SMEs in the Lao PDR

During the economic transition process in the Lao PDR, many state-owned enterprises were privatized to allow them to operate more freely (Kyophilavong, 2011). As a result, the number of state-owned enterprises decreased from more than 800 in the 1990s to 149 in 2004, and conversely, the number of SMEs gradually increased (Kyophilavong, 2011). The private sector, especially large enterprises, has been largely concentrated in the resource-based industries of mining such as copper, gold and hydropower. Conversely, most SMEs are dominated by agriculture, manufacturing (e.g., garments and furniture), construction, retail and wholesale trade, handicrafts, tourism, and services (Vixathep & Phonvisay, 2019).

According to the most recent data from the Lao Statistics Bureau in 2013 (the latest data available), there are 124,832 enterprises nationwide, with SMEs accounting for 124,518, and only 314 large enterprises. The SME sector accounts for approximately 99.8% of all registered firms (of which 86% are micro enterprises employing five workers or less), and 82.2% of total employment, contributing 20% to the GDP (World Bank, 2019), as shown in Table 1.1. SMEs appear highly concentrated in three provinces: the Vientiane Capital, the Savannakhet province, and the Champasack province (Organisation for Economic Co-operation and Development [OECD], 2018).

Table 1.1: Breakdown Across Business Sectors

Firm Size	Business Sector	Percentage
Micro Enterprises	Trade, wholesale, retail and car repairs	69.4
	Industrial processing and manufacturing	11.2
	Food and accommodation	11.2
	Other sectors	13
Small Enterprises	Trade, wholesale, retail and car repairs	46
	Industrial processing and manufacturing	19.4
	Food and accommodation	17.5
	Other sectors	13
Medium Enterprises	Manufacturing	28.2
	Mining and quarrying activities	43
	Electricity, gas, steam and air conditioning supply	47.1
Large Enterprises	Electricity and hydropower	11
	Mining	4.7

Source: Ministry of Industry and Commerce (2015)

After the implementation of the 8th National Social-Economic Development Plan (2016–2020) as well as the Vision for 2030, the Lao PDR's macroeconomic performance has been remarkably strong and stable (World Bank, 2019). Two of the ultimate goals of Vision 2030 are for the Lao PDR to become an industrialized middle-income country with sound infrastructure and to have competitive enterprises that are integrated into regional and global production networks (MoIC, 2020; OECD, 2018). Thus, the government of Lao is actively proposing long-term strategies that support the objectives of Vision 2030 (MoIC, 2020). As a result, SME growth has been prioritized in national government strategy, with an ambitious goal for their growth to elevate the least developed country (LDC) status of the Lao PDR. However, it was found that the majority of firms with a proper business registration were small enterprises, and these businesses intended to stay small (Emerging Markets Consulting [EMC] and the Mekong Business Initiative [MBI], 2016). According to a 2013 survey of firms conducted by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), only 6% of small SMEs had grown into medium and large enterprises, and only 2% of medium-sized SMEs had move up to large enterprises (Deutsche Gesellschaft für Internationale Zusammenarbeit [GIZ], 2014). In contrast, 46% of firms had downsized into small SMEs in that period (GIZ, 2014). This implies that small SMEs have faced difficulty growing into medium or large enterprises and achieving the scale necessary to reach internationalization.

While many obstacles cause SMEs to choose to remain small or unable to expand, credit access constraints are among the most significant factors that have impeded SME growth in the Lao PDR. The financial system in the Lao PDR is considered underdeveloped compared with other ASEAN members (OECD, 2018). According to the World Bank (2017), 90% of banks tended to provide lending terms of less than 3 years to SMEs. This could reflect either riskiness in lending to SMEs, fewer financial products, or lack of innovative financial service availabilities. Therefore, 38% of micro enterprises and SMEs were found to lack capital, whereas only 16% of micro enterprises, 25% of small SMEs, and 36% of medium SMEs could access bank loans (GIZ, 2014). As a result, credit access constraints limited SMEs' ability to invest in new technologies and manufacturing equipment, gain access to international markets, and expand the business. Moreover, this hindered the diversification of the national economy.

Innovation is another significant factor that has caught the attention of policymakers and has been put on the agenda for achieving sustainable growth (MoIC, 2020; Vixathep & Phonvisay, 2019). The government of Lao is seeking to promote SME productivity and innovation through policies, grants, technical support and consultancy, and training (MoIC, 2020; OECD, 2018). Promoting innovation and industrialization significantly enhances SMEs' productivity and product agglomeration, particularly in manufacturing, which in turn, generate employment opportunities (Vixathep & Phonvisay, 2019), as well as value-add and increased exports (MoIC, 2020). However, such policies and supporting systems are still at an early stage of development and do not yet adequately meet SMEs needs (Vidavong, 2019). The resources to promote innovation programs and start-up entrepreneurs are limited and most activities are funded by donors (OECD, 2018), with many SMEs being unable to access the programs.

Increasing market access and internationalization for SMEs is considered one of the most important tasks in the government's development agenda (MoIC, 2020; OECD, 2018). Thus, policy reforms have been introduced to create a favorable business environment, reduce import and export barriers, and support SMEs' needs to access foreign markets and achieve internationalization (MoIC, 2020). Moreover, knowledge related to market information systems, production standards, and branding promotion have been provided through training, workshops, and international trade exhibitions (LNCCI, 2020; MoIC, 2020). However, such a strategies and implementation activities to enhance SMEs access to the international market are still in the early phrase of development, and many export promotion activities for exporting SMEs are still fragmented and depend on support from development partners (OECD, 2018). Importantly, e-commerce is also in the early development stage, and does not have a comprehensive set of laws and regulations. Thus, while SME involvement in export and e-commerce has recently been put in place (MoIC, 2020), the link between export promotion and social media platforms and the associated benefits are still lagging.

Although many policies and support systems to promote SMEs have been established, such mechanisms are considered broad and require further improvement. Some of the existing policies, regulations and support systems were created to promote SME growth; however, these target medium SMEs and are less likely to support micro and smaller SMEs. Currently, very little

research focuses on Lao SMEs in the area of credit access constraints or innovation or knowledge management, and there is no research concentrate on key factors that influence SME growth. This is a gap that the present study attempts to bridge.

1.2.3 Definition of SMEs

Lao SMEs have been classified according to the following categories and criteria, as shown in Table 1.2.

Table 1.2: Definition of Lao SMEs

Size Classification	Indicator	Unit	Sectors		
			Manufacturing	Trade	Services
Micro Enterprises	Turnover	Million (LAK)	≤ 400	≤ 400	≤ 400
	Assets	Million (LAK)	≤ 100	≤ 150	≤ 200
	Employment	Persons	1–5	1–5	1–5
Small Enterprises	Turnover	Million (LAK)	≤ 3,000	≤ 3,000	≤ 1,500
	Assets	Million (LAK)	≤ 1,000	≤ 1,000	≤ 1,000
	Employment	Persons	6–50	6–50	6–50
Medium Enterprises	Turnover	Million (LAK)	≤ 4,000	≤ 6,000	≤ 4,000
	Assets	Million (LAK)	≤ 4,000	≤ 4,000	≤ 6,000
	Employment	Persons	51–99	51–99	51–99

Source: Ministry of Industry and Commerce (2020)

Note: LAK or Lao Kip is the Lao currency

1.2.4 SME Development in the Lao PDR

Under the MoIC’s Department of Small and Medium Enterprise Promotion (DoSMEP), key policies set out in the small and medium enterprise development plan 2016-2020 are concentrated in seven areas: (i) policy to increase productivity, technology, and innovation, (ii) policy to promote access to finance, (iii) policy to promote access to business development consulting services, (iv) market access and expansion policies, (v) policy on creating and developing new entrepreneurs, (vi) policies to create an environment conducive to the creation and operation of businesses, and (vii) taxes policy and financial (MoIC, 2020). Thus, the key activities supporting

the development of SMEs are summarized below.

SME Policies and Regulatory Reforms: In line with the government’s reform agenda, a series of SME development policies, business laws, and administrative decrees was enacted, implemented, and revised (MoIC, 2015; 2020) (See more details in Appendix A). For Example:

- In 2010, Decree No. 123/PM on the Promotion and Development of Small and Medium-Sized Enterprises Law was upgraded. The objective of this law was to build an investment-friendly environment for SMEs and ensure support for entrepreneurs at both national and international level to promote the sustainable development of the nation.
- In 2019, Decree No. 299/Gov. on SME Promotion Funds was enacted and promulgated. This sought to provide funding sources with low interest rates and long-term lending conditions for micro and SMEs in the production, trade, and service sectors to enhance their competitive development and growth.

Improvement of SME Access to Funding Sources: The government of Lao made efforts to raise funds from various sources to support SMEs’ access to finance. In 2010, the SME Promotion and Development Fund, later renamed the SME Promotion Fund, was established with the objective of helping SMEs access external funding sources with low interest rates and long-term lending conditions. In 2012, the government provided LAK32 billion to the SME Promotion Fund to issue credit to SMEs through the Lao Development Bank (MoIC, 2020). In 2014, the SME Promotion Fund received US\$20 million from a joint venture between the government of Lao and the World Bank under the Small and Medium Enterprise Access to Finance (SMEA2F) project. Of this amount, US\$15 million was provided as credit to SMEs through commercial banks, while the other US\$5 million was used to strengthen capacity and provide training for the participating commercial banks, SMEs, government officials, and other stakeholders (MoIC, 2020) (see Table 1.3).

Following the modification of the Decree on the SME Promotion and Development Fund No. 123/PM to the Decree on SME Promotion Fund No. 299/Gov, the government increased funding for the SME Promotion Fund to LAK200 billion per year to the participating banks in the Lao PDR (see Table 1.3). Importantly, the SME Promotion Fund will only provide funding to SMEs

with proper business registration, an annual average of not more than 99 employees or total assets not exceeding LAK6 billion, and demonstration of responsibility for the environment and society.

Table 1.3 SME Promotion Fund

Year	Name of Bank	Interest Rate (%) Per Year	Number of SMEs Receiving Loans	Number of Loan Agreements (Provided by Sectors)
2012	LAK32 billion provided to: Lao Development Bank	6.5–09%	155	255 loan agreements: – 73 for agriculture sector – 32 for industry sector – 76 for trade sector – 64 for service sector – 9 for handicraft sector
2020	US\$15 million provided to: Lao-China Bank ST Bank SACOM Bank Lao Lao-Viet Bank	7–13%	175	181 loan agreements: – 5 for agriculture sector – 14 for industry sector – 98 for trade sector – 59 for services sector – 5 for handicrafts sector
2020	LAK200 billion per year provided to: Lao Development Bank Lao-Viet Bank Sacomb Bank Lao Maruhan Japan Bank Lao	3%		– Agriculture and animal husbandry sector – Agricultural products processing sector – Handicraft sector – Tourism sector

Source: Ministry of Industry and Commerce (2020)

In 2020, under the project: “Lao PDR Micro, Small, and Medium Enterprise (MSMEs) Access to Finance Emergency Support and Recovery”, the Department of Small and Medium Enterprises Promotion received an additional US\$40 million as a loan from the World Bank. Of this amount, US\$34 million was provided as emergency and recovery line of credit to MSMEs through commercial banks; US\$1 million was provided to strengthen Bank of Lao PDR capacity to monitor and supervise partial credit guarantee facility; and US\$5 million was provided to support technical assistance and project management (MoIC, 2020).

Boost innovation and adoption of advanced technology: Improving productivity and promoting innovation for the private sector including SMEs are the keys in the SME development plan 2016-2020 (MoIC, 2015). Hence, the government of Lao is attempting to promote SME productivity and innovation through creating policies, funding sources, technical supports and collaboration between the Department of Small and Medium Enterprises Promotion, Ministry of Industry of Commerce, with the Ministry of Science and Technology, the Lao National Chamber of Commerce and Industry, academic institutions and other ministries. However, the implementation of such policies and resources are limited and the technical staff to provide advice, support and training to SMEs for the entire country are insufficient (Vidavong, 2019).

Enhance SMEs Access to Markets and Internationalization: The Lao PDR is in the early stages of policy development to improve SME access to foreign markets and enhance internationalization. Several initiatives were also launched to increase SMEs' competitiveness in export. For example, support for Lao SMEs to participate in regional economic integration, the regional production network and global value chain, and ASEAN Free Trade Area (AFTA) to encourage SMEs to export their products (Kyophilavong, 2019; Vidavong, 2019). Moreover, the SME Service Center was established in 2017 to provide SMEs with information on markets, connectivity, and training. The Center also assists SMEs to engage in national and international trade fairs and integrate them into global value chains and e-commerce to enhance export capabilities and product standards.

Unlike the natural resource industries, SMEs have made the greatest contribution to the country's economy, poverty reduction, job creation, and industrialization. Therefore, promoting SME development is important not only in increasing income, modernization, and economic growth but also in changing Lao PDR's LDC status. However, policies, strategies, and promotion activities for boosting SME development are still in the initial stages, insufficient resources (financial and human resources), and more reliant on support from foreign donors (OECD, 2018).

1.2.5 SMEs in the Handicraft, Garment, Furniture, Gem and Jewelry Industries

The various industries in the Lao PDR have been classified into 21 business associations. This study examines SMEs in the handicraft, garment, furniture, gem, and jewelry industries for several reasons. According to the MoIC (2010; 2015), these industries create high domestic employment, and they are the main exporters in the country (see Table 1.4). This is particularly true of the garment industry, which is the fourth largest exporter with high potential growth in the AEC. Moreover, the four industries create and introduce new products into the market, employing more innovative technologies to increase competitiveness. The government expects these industries to take more advantage of the country's trade integration and liberalization policies.

Table 1.4 Profile of Handicraft, Garment, Furniture, Gem and Jewelry Industries

Industry	Significant	Job Creation	Export Value in Millions (US\$)		
			HS Code	2019	2020
Handicrafts	Traditional handmade textiles, organic and natural fiber products	2,000 firms		0.42	1.17
Garments	Substantially contributes to poverty alleviation, job creation, and economic development	<ul style="list-style-type: none"> – 101,945 people in 2005 (114 factories) – 103,021 people in 2010 (96 factories) – 407,000 people in 2018 (78 factories) 	<ul style="list-style-type: none"> 61 62 63 	212.57	217.19
Furniture	Significantly contributes to the economy. The largest sector is in the timber industry, with the largest sub-sector being in sawmilling.	In 2019, there were 1,048 wood manufacturing plants: <ul style="list-style-type: none"> – 8 sawmills – 383 wood processing factories 657 furniture manufacturers	94	16.28	24.93
Gems and Jewelry	Promoting Lao decorative, handmade designs, tourism, creating job opportunities for local people.	NA	NA	NA	NA

Sources: Handicraft = MoIC (2015; 2020); Garment = Association of the Lao Garment Industry (2018); MoIC (2020); Furniture = MoIC (2020); Gems and Jewelry = MoIC (2020).

HS Code = Harmonized System Code; NA = No available data

1.3 RESEARCH BACKGROUND AND PROBLEM STATEMENT

The growth of national economies is the aggregate growth of SMEs within the country (OECD, 2018), especially in emerging and developing countries (Ndiaye et al., 2018), and transiting economies (Obi et al., 2018). SMEs are considered a major part of business operations in the economy and can change a country's economic situation by bringing about positive transformation (Jabbour et al., 2020). Thus, SME growth plays a central role in job creation, encouraging innovation, and stimulating other economic activities, which supports the growth of GDP and alleviates poverty in most developing countries (Jabbour et al., 2020; Moyo & Sibindi, 2020). For example, SMEs comprise around 99% of all firms (OECD, 2018), and around 40% of national income or GDP in the emerging economies (World Bank, 2021). It is also estimated that SMEs in the Lao PDR contribute to over 82% of employment, and about 20% of the country's GDP (World Bank, 2019). Thus, SMEs are considered the backbone of the Lao PDR.

Academics are keenly interested in discovering and identifying factors that are vital to the success of SMEs (Alonso & Kok, 2020; Dalgıç & Fazlıoğlu, 2021). Existing literature on SME growth reveals a number of factors that influence growth: (i) SMEs' characteristics (Shakeel et al., 2020), (ii) motivation and management skills (Asah et al., 2015), (iii) innovation (Dalgıç & Fazlıoğlu, 2021), (iv) access to finance (Rahaman, 2011), (v) knowledge management (Lecerf & Omrani, 2020), (vi) information communication technology (Singh et al., 2019), (vii) human resources development (Otoo & Mishra, 2018), and (viii) network competence (Tehseen et al., 2019). In terms of support from the external environment, the role of government and its support programs—both in terms of financial support (e.g., financial assistance and credit scheme services), and non-financial support (e.g., microfinance policy support, trade advice, and training)—are considered the most critical external factors influencing SME growth (Nakku et al., 2020). However, the significant factors influencing SME growth can differ between developed, developing, and least developed countries and Asian Emerging Economies (AEEs) due to the differences in their economic, geographical, and cultural conditions (Abisuga et al., 2020; Beck & Demirguc-Kunt, 2006; Fraser et al., 2015; Liao, 2021; Vissak et al., 2020). While the literature has recognized significant factors influencing SME growth in the context of developed and developing countries (e.g., Alonso & Kok, 2020; Dalgıç & Fazlıoğlu, 2021; Hilmersson & Johanson, 2020; Thomä &

Zimmermann, 2020; World Bank, 2021), it is surprisingly silent on the significant factors that influence SME growth in the context of the AEEs. Although there are some studies related to SMEs in the AEEs contexts (Tsuji et al., 2018) and a few on the Lao PDR (Sisounonth et al., 2021; Vidavong, 2019), there is no study that has identified the significant factors influencing SME growth in the context of the Lao PDR. This study seeks to fill this void in the literature.

Among other success factors, the literature on SME growth highlights that credit access, innovation and knowledge are the most significant factors contributing to SME growth (Cheong et al., 2020; Hilmersson & Johanson, 2020; Lecerf & Omrani, 2020; Thomä & Zimmermann, 2020; Tsuji et al., 2018; World Bank, 2021), especially in the context of AEEs and the Lao PDR. First, credit access has been the focus of researchers and policymakers (Beck & Demirgüç-Kunt, 2006; Erdogan, 2018; Quartey et al., 2017), with a growing body of literature on credit access and SME growth emphasizing that access to finance is the most important factor in growth in highly competitive markets (Adomako et al., 2016; Bongomin et al., 2017; Ullah & Wei, 2017). Existing studies suggest that whenever a business grows, external sources of finance become the most important factor determining further growth (Bongomin et al., 2017). However, a common finding emphasizes that most SMEs confront constraints when attempting to access affordable loans from formal credit providers and other banking services (Petrovito & Pozzolo, 2021; Quartey et al., 2017). This is because most SMEs operate without formal business registration, in a context of high information asymmetry, with a lack of collateral, and low levels of financial literacy (Archer et al., 2020; Hussain et al., 2018; Motta & Sharma, 2020). While the influence of credit access on SMEs growth has been studied in different industries and different contexts across the globe (Beck & Demirgüç-Kunt, 2006; Song et al., 2020; Song et al., 2018; St-Pierre et al., 2018), relatively few studies examine this topic in post-credit constraints, and even fewer study the pre-credit access and post-credit constraints. Importantly, there is a growing trend in the literature to focus on demand-side constraints of SMEs (Petrovito & Pozzolo, 2021; Wellalage et al., 2019), particularly SMEs in high-tech and start-ups (Moreira, 2016; Xu et al., 2020), while supply-side constraints (banks and financial institutions) experienced by low-tech SMEs when they seek to grow are not properly acknowledged. Thus, it is very important to explore the pre-credit access and post-credit constraints and SME growth in order to enrich the contextual understanding of whether and how credit access influences SME development and growth.

Second, innovation is another factor that enhances SMEs' competitiveness and long-term success (Falahat et al., 2020; Kale & Little, 2007). Most SMEs resort to less structured approaches to innovation or conduct informal innovation (Carrillo-Carrillo & Alcalde-Heras, 2020; Tsuji et al., 2018), such as imitation innovation (Liao, 2020). This is more prevalent in the low- and medium-tech (LMT) sectors because of insufficient resources to invest in in-house R&D (Hervas-Oliver et al., 2012; Hervas-Oliver et al., 2011). Recently, scholars increasingly recognize that innovative outcomes do not necessarily depend on high investments on R&D activities, but creativity, ingenuity, adaptation, and even improvisation – known as non-R&D-based innovation (Liao, 2021; Xie et al., 2019). However, most studies focus on non-R&D-based innovation in advanced economies and high-tech industries (Lopez-Rodriguez & Martínez-Lopez, 2017). However, informal innovation is more prevalent in the low- and medium-tech (LMT) industries (Hervas-Oliver et al., 2012; Hervas-Oliver et al., 2011), as are the effects of creative imitation on product development (Liao, 2020; Luo et al., 2011), but there is less research investigating main non-R&D activities adopted by SMEs and their influence on SME growth in the LMT industries. To bridge the gap in the literature, it is therefore necessary to explore further how non-R&D-based innovation influence SME growth.

Third, knowledge management is another key factor in SME growth. Indeed, it is perhaps the most significant factor influencing the sustainable competitive advantage and growth of SMEs (Lecerf & Omrani, 2020; Pergelova et al., 2019; Shrafat, 2018; Teece, 1998). Using knowledge management enhances firm performance, versatility in resource allocation, and responsiveness to market conditions (Edvardsson & Durst, 2013; Petrov et al., 2020; Uzelac et al., 2018). Within the broad domain of knowledge management, knowledge acquisition critically contributes to organizational competitiveness and pace of international capability development (Hilmersson & Johanson, 2020; Lecerf & Omrani, 2020). In recent years, new knowledge can be acquired and thanks to the increasing adoption, diffusion, and deployment of internet-based technologies and social media platforms, which serve as the backbone of internationalization (Glavas et al., 2019; Patino et al., 2012; Pergelova et al., 2019). However, different social media platforms are utilized for different purposes (Itani et al., 2017). When focusing on AEEs, there is a need to pay more attention on social media platforms that tend to be adopted by SMEs to acquire new knowledge

and information in order to understand the international market structures, risk and uncertainty, and customer preferences (Assadinia et al., 2019; Fletcher & Harris, 2012; Hilmersson & Johanson, 2020). While the extant literature on knowledge acquisition via social media contributes to internationalization, key factors such as sources of knowledge, type of social media and international market strategy employed by SMEs in AEEs are yet to be explored in depth, and there is a dearth of such research in the Lao PDR. This gap requires investigation of the critical role of social media platforms in the acquisition of knowledge by SMEs to enhance internationalization.

Recently, SME growth has become one of the top development strategies of many countries worldwide (Abisuga-Oyekunle et al., 2020; OECD, 2018; Zafar & Mustafa, 2017). The governments of both developing and emerging economies have strongly supported the growth of SMEs by improving the business environment, regulatory policies, business laws, access to finance, and R&D and innovation (Leckel et al., 2020; Wright et al., 2015). Based on the empirical evidence, there is no doubt that access to finance supports business expansion (Rahaman, 2011; World Bank, 2021); adopting non-R&D-based innovation leads to better innovation outputs and a competitive advantage (Falahat et al., 2020; Guo et al., 2017); and knowledge management enhances organizational performance and the pace of internationalization (Hilmersson & Johanson, 2020; Lecerf & Omrani, 2020). Although the empirical studies have long investigated credit access (Nanziri & Wamalwa, 2021; Rahaman, 2011), innovation (Liao, 2021; Hervas-Oliver et al., 2021a), or knowledge management (Hilmersson & Johanson, 2020; Lecerf & Omrani, 2020) as significant factors influencing SME growth, there is still a lack of studies examining the influence of the three significant factors on SME growth in the context of AEEs. Thus, it is important to explore the influence of credit access, innovation, and knowledge management on SME growth in the Lao PDR as one of the AEEs.

The earlier well-established theories such as pecking order theory by Myers and Majuf (1984) and the extant pecking order theory by López-Gracia and Sogorb-Mira (2008), knowledge spillover theory of entrepreneurship (KSTE) by Audretsch (1995) and the extant KSTE by Acs and Sanders (2013), and knowledge-based view theory by Prashantham (2005) have addressed firm development and growth factors from various perspectives. These theories clarify the basic

challenges affecting firm performances and in seeking ways to grow. However, applying these theories into significant factors influencing SME growth and in AEEs will need some adjustment because of the unique features of SMEs businesses and conditions of economic, geographical, and culture environments.

While the influence of a critical factor such as access to credit, non-R&D-based innovation, or knowledge management on SME growth is well documented, there is little research on these three factors in AEEs. Such research is particularly urgent in the context of the Lao PDR, where the government has prioritized SME growth in national policy. Indeed, the government is pursuing the ambitious goal of elevating the LDC status of Lao PDR; however, there is a lack of studies providing insightful data, evidence, and recommendations about how to promote SME growth. Although government policies and development plans have been established, these have yet to fulfill SMEs' needs (OECD, 2018). There is virtually no information on the main reasons why loan applications are rejected, nor is there any research on non-R&D-based innovation, or knowledge management. This lack of information could inhibit researchers and policymakers from providing suitable policies and support systems to facilitate SME growth. Therefore, the present study is undertaken in this context.

1.4 RESEARCH OBJECTIVE AND RESEARCH QUESTIONS

The objective of this study is to explore the key factors that influence SME growth in the Lao PDR. To achieve this objective, the following research questions are posed:

1. How do key barriers to pre-and post-credit access impact SME growth?
2. How do key non-R&D-based innovation activities enhance product and process innovation?
3. How has knowledge acquisition via social media platforms and traditional processes influenced SMEs' international marketing strategy, internationalization, and organizational learning capabilities?

1.5 STRUCTURE OF THESIS

This thesis is structured into six chapters.

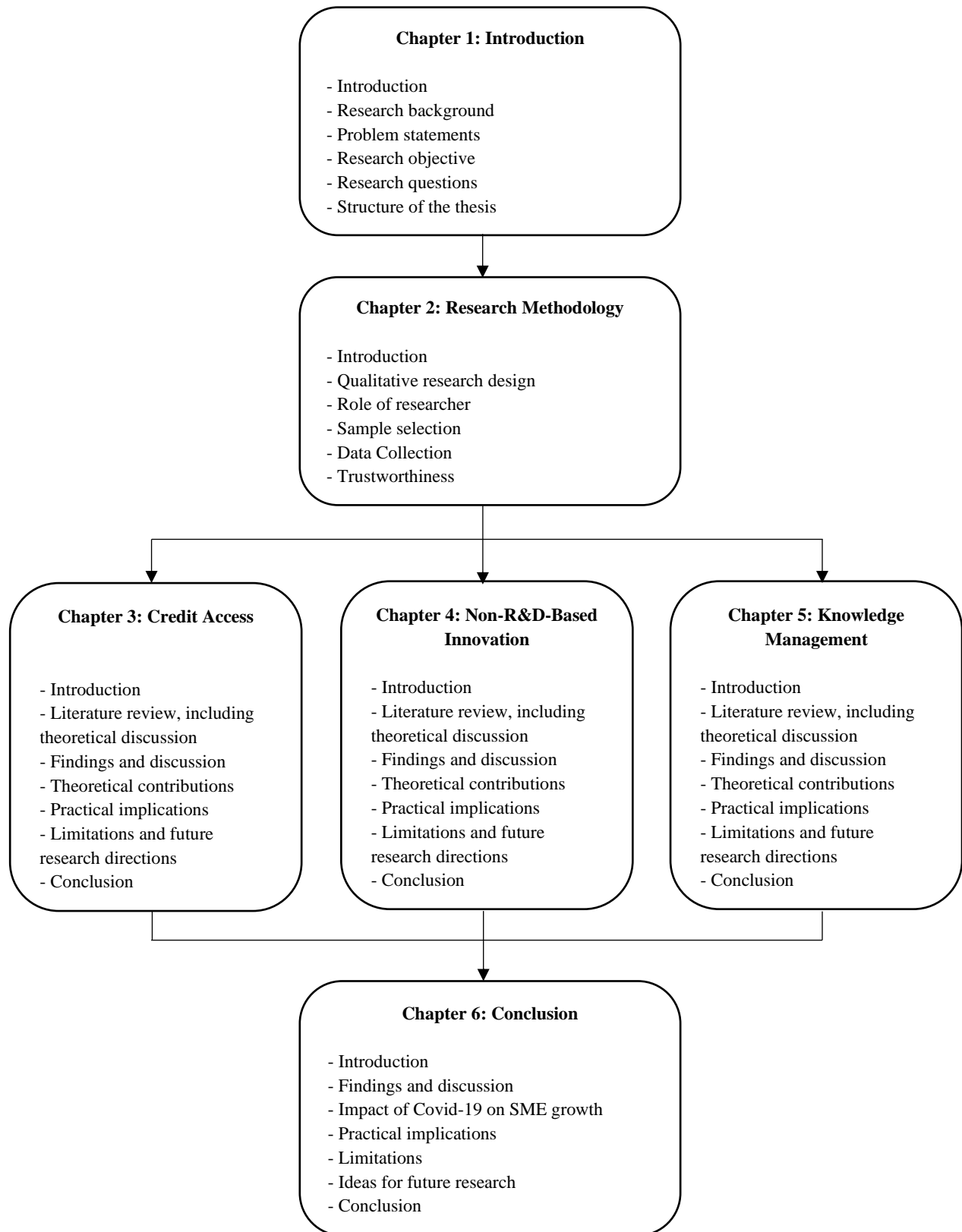
Chapter 1 provides an overview of the thesis, including the research background and problem statement, the context of the study, the research objective and research questions, the research methodology, as well as the outline of the structure of the thesis.

Chapter 2 discusses the qualitative method used to address the research questions. This is followed by a discussion of the research design, the role of the researcher, sampling selection, and the data collection procedure. The chapter concludes by presenting the method of analysis and trustworthiness.

Chapters 3, 4, and 5, which are structured as journal papers, deal with one of the three key factors influencing the growth of SMEs in the Lao PDR. Thus, each chapter begins by providing the introduction, research questions, and contribution of (i) credit access, (ii) non-R&D-based innovation, and (iii) knowledge management, and their effect on the growth of SMEs. This is followed by the literature review and a discussion of the theories used to guide the chapters. The chapters then present the findings and discuss these in relation to the research questions. Finally, the theoretical contribution, practical implementations, limitations, and a conclusion are provided.

Chapter 6 concludes the thesis by summarizing the key findings and discussing the effects of these three factors influencing SME growth. A brief discussion of the effect of COVID-19 on SME performance and growth is provided. The chapter then outlines the implications for SME owners/managers, business associations, banks, and government and development partners. This is followed by the limitations of the study and directions for future research, and conclusion.

Figure 1.1. Structure of the Thesis



Chapter 2: RESEARCH METHODOLOGY

This chapter provides a description of the qualitative method used to address the research questions. This is followed by a discussion of the research design, the role of the researcher, sampling selection, the data collection procedures, and data analysis. The chapter concludes by presenting trustworthiness.

2.1 INTRODUCTION

To assess whether existing literature on significant factors that influence SME growth in both developed and developing countries is relevant to the conditions of Lao PDR. Since studies on significant factors that influence SMEs growth in the Lao PDR are scarce, an exploratory qualitative research design is suitable to studying this unexplored phenomenon (Morrow & Smith, 2000). Semi-structured face-to-face interviews were chosen as the tool of inquiry. The flexibility of this approach enables the collection of rich data without the need for many respondents (Creswell, 2014).

According to Creswell and Clark (2017), a deductive approach is a top-down method, moving from theory to data, whereas an inductive approach is a bottom-up method, generating theory based on relationships between themes emerging from the participants' points of view. With an inductive approach, it is possible to identify emerging themes and subthemes without using a large-scale sample (Hagen et al., 2016; Khan & Quaddus, 2015). However, Polonsky and Waller (2018) suggest that qualitative approaches have limitations related to using smaller sample sizes, and the results may not support generalization. This study employed an inductive approach to observe, search, and identify patterns of data in order to establish themes (Creswell, 2014).

Ontology, generally, is the philosophical study of being (Berryman, 2019). Ontology describes what can be known, what we believe can exist, what we consider to be fundamental or basic

(Crotty, 2003). Ontology assists researchers to understand how certain they can be about the nature and existence of objects they are searching (Berryman, 2019).

Epistemology covers the aspects of the validity, scope and methods of acquiring knowledge. Epistemology is employed to describe ways of knowing, how we know, what we know, and who can be a knower (Willig, 2001). In other words, epistemology is considered a study of the nature, scope, and justification of knowledge (Berryman, 2019). In research, epistemology provides insights on how to understand the truth or reality within the world (Cooksey & McDonald, 2011). Epistemology is very important to help researchers to uncover the knowledge in the social context that they will investigate (Bowleg, 2017). Qualitative methods, e.g., individual interviews, are ideally suited for eliciting rich, culturally grounded, and contextually situated insights into people's lives and experiences (Bowleg, 2017). Thus, epistemological awareness is an essential prerequisite to the significant factors that influence SME growth in the Lao PDR.

2.2 METHOD

2.2.1 Qualitative Research Design

According to Creswell (2014), the qualitative research designs that are popular across the social and health science include narrative, phenomenology, ethnography, case study, and grounded theory. Due to the lack of existing studies to investigate the critical factors influence SME growth in the context of Lao PDR, this research adopted a phenomenological research design to explore and enhance understanding of the phenomenon (Groenewald, 2004).

A qualitative exploratory phenomenology was deemed a suitable research design for this research because it seeks to gain a deeper knowledge and develop an in-depth understanding of the critical factors influencing SME growth in the Lao PDR (Creswell, 2014). Within the phenomenology design, data was collected through an in-depth interview. Phenomenology enables a researcher to re-review the data collection and transcription to identify the meaning contained in each statement,

and generate the codes, categories or themes (Groenewald, 2004). Thus, the emerging themes may become the basis for adding new knowledge to the theory.

Qualitative research design such as ethnographic study, grounded theory and case study were considered inappropriate for this study. The ethnographic research focuses on the share pattern of a culture, belief, value, practice, language etc. of the individual and a group of people (Harris, 2001). Ethnographic research is not suitable because it is not aligned with the context of the current study. Grounded theory seeks to explore and enhance the understanding of a phenomenon in order to generate a theory or model that can fit with the particular phenomenon (Creswell, 2014). Hence, grounded theory is not suitable for this study which does not seek to develop a new theory. Lastly, the purpose of a case study is to explain, describe or explore a phenomenon within the study of an in-depth experience of a single situation (Yin, 2009), therefore case study was inappropriate as this study does not focus only on a single case experience.

Although there have been some studies on access to finance or innovation in Lao SMEs (Kyophilavong, 2019; Vidavong, 2019; Vixathep & Phonvisay, 2019), they are limited to dealing with understanding how such factors influence SME growth in the LMT industries. This present study is one of the first to explore the influence of the significant factors: credit access, innovation, and knowledge management on SME growth. Lao PDR is a transitioning economy and one of the AEEs that has unique characteristics. Thus, the question arises of whether existing studies on significant factors (credit access, innovation, and knowledge management) influencing SME growth in the developed and developing countries are relevant. Therefore, the research problems that are being addressed in this study are:

1. How do key barriers to pre-and post-credit access impact SME growth?
2. How do key non-R&D-based innovation activities enhance product and process innovation?
3. How has knowledge acquisition via social media platforms and traditional processes influenced SMEs' international marketing strategy, internationalization, and organizational learning capabilities?

Taking the pecking order theory, knowledge spillover theory of entrepreneurship, and knowledge-based view theory as the primary theories to guide Chapters 3, 4, and 5, qualitative exploratory study and semi-structured interviews were implemented to address the research questions. Semi-structured interviews that were conducted to discover the significant factors influencing SME growth in the Lao PDR. The semi-structured interviews were developed from the existing literature review on SME growth.

2.2.2 Role of Researcher

Exploratory qualitative research, as interpretive research, requires a researcher who has strategic, experiences and ethical conduct (Locke et al., 2013). The role of the researcher is to establish and implement a research plan with all qualitative procedure stages in order to explore and develop an in-depth understanding of how the critical factors contribute to SME growth in the context of Lao PDR (Robinson, 2014).

According to Creswell (2013) and Yin (2014), although the in-depth interview questions are drafted and well prepared before conducting the fieldwork, the researcher is required to be a good listener, using open-ended questions to guide the discussion and follow-up with the relevant questions to obtain rich information and data from interviewees. Thus, even though the researcher has 17 years' experience working at the Ministry of Industry of Commerce Lao as a researcher, trainer, and project team leader, the researcher was also trained in interview techniques by the supervisory team which developed the researcher's communication and listening skills. Thus, during the interviews, the researcher was flexible with the date and time preferred by the participants to reassure them while the interview proceeded. While following a set of the interview questions, the researcher allowed participants to express their feelings, share their experiences and answer the interview questions if they wanted, to gain rich data and a deeper knowledge of the research objectives. Importantly, the researcher followed up with another open-ended question if there was a need to explore more in the specific areas or guide the participants back to the set interview questions. As a result, with some experience, together with the extensively reviewed literature on the SME growth, the researcher developed an ability to identify some of the significant factors influencing SME growth during the interviews.

Regarding the ethical principles, the researcher understood that the purpose of the ethical principles was to protect human participation in the research studies (Greaney et al., 2012). Therefore, the researcher was strictly followed the ethical principles guideline provided by Flinders University, project number: 8021, before proceeding with the fieldwork in the Lao PDR. Greaney et al. (2012) explained that the researcher should adhere to the ethical standards and data collection protocol in order to mitigate bias and increase the reliability of the study. In this regard, the researcher adhered to the ethical standards to avoid the bias of personal opinion.

2.2.3 Sample Selection

To carry out the empirical study, a purposive sample selection was used to recruit participants based on their knowledge, experience, and responsibilities related to credit access, innovation, and knowledge management and SME development in the Lao PDR. This form of sampling ensured the selection of participants who would be most likely to yield useful information (Campbell et al., 2020). Therefore, 47 participants were selected in Vientiane Capital City and Vientiane Province of the Lao PDR. The participants represented the private sector (i.e., SMEs, industry associations, LNCCI, and SME Service Center), the public sector (i.e., government departments), commercial banks, and educational institutions.

Because the purpose of this study was to explore a central phenomenon, a snowball sampling technique was used. This involved asking interviewees to create a link to potential participants from their organizations, networks, or supply chains (Browne, 2005; Waters, 2015). However, the researcher always kept in mind the possibility of sample bias. As far as the researcher was aware, there was no indication that the chosen participants were reluctant to be interviewed. Moreover, the study ensured that the initial set of interviewees was sufficiently varied or diverse to generate rich data from multiple perspectives (Morgan, 2008).

The key criteria for inclusion were as follows:

- an owner/manager of SME in the Lao PDR,

- representative of a business association or SMEs such as the LNCCI of the SME Service Center,
- a senior manager in an industry association or in the public sector in a related field, and
- an expert from a university, research institution, or consultant and commercial banks.

The 47 participants were required to have at least two years’ experience in SME development, particularly in the field of credit access, innovation, and knowledge management, to ensure that they were knowledgeable about the subject. These criteria were consistent with the key informant technique (Marshall, 1996), according to which respondents occupy key roles in a business or related field; they are knowledgeable about the subject matter and willing to communicate this knowledge understandably; and they are impartial about the phenomenon. Many of the respondents were “elite” interviewees (Marschan-Piekkari et al., 2004), occupying senior management positions in major private sector organizations or in high-ranking positions in public sector entities. The final sample comprised 47 participants. The demographic characteristics of each respondent are presented in Table 2.1.

Table 2.1: Characteristics of Participants

Interviewee	Gender	Designation	Institution	Sector
Interviewee 01	Male	Vice Minister		
Interviewee 02	Male	Deputy Director of Department	Ministry of Finance	
Interviewee 03	Female	Director of Department		
Interviewee 04	Male	Deputy Director of Department		
Interviewee 05	Male	Director of Division		
Interviewee 06	Male	Director of Division		Government Ministries
Interviewee 07	Female	Deputy Director of Division	Ministry of Industry and Commerce	
Interviewee 08	Female	Director of Division		
Interviewee 09	Male	Director of Department		
Interviewee 10	Male	Deputy Director of Department		
Interviewee 11	Female	Director of Division		
Interviewee 12	Male	Deputy Director of Department	Bank of Lao	

Interviewee	Gender	Designation	Institution	Sector
Interviewee 13	Female	SME Expert	GIZ German Development Agency	Development Partners
Interviewee 14	Male	Unit Director	Plaome Project	
Interviewee 15	Male	SME Expert	National SMEs Consultant	Private Sector
Interviewee 16	Male	SME Expert	Lao National Chamber of Commerce and Industry	
Interviewee 17	Male	Director		
Interviewee 18	Male	Deputy Director	SME Service Center	
Interviewee 19	Female	Staff		
Interviewee 20	Male	Staff	Lao Development Bank	Banks
Interviewee 21	Male	Staff	Banque Pour le Commerce Extérieur Lao Public	
Interviewee 22	Male	Team Leader	ST Bank	
Interviewee 23	Male	Team Leader	Lao-Viet Bank	
Interviewee 24	Male	Manager	SACOM Bank	
Interviewee 25	Female	Senior Staff	Lao-China Bank	
Interviewee 26	Male	Manager	ACLEDA Bank	
Interviewee 27	Female	Manager	VLV Financial Institution	
Interviewee 28	Female	Senior Staff	Private Financial Institution	Private Financial Institution and Informal Lender
Interviewee 29	Female	Staff	Private Financial Institution	
Interviewee 30	Female	Informal Lender	Informal Lender	
Interviewee 31	Male	Vice President	Business Associations	Industry Associations
Interviewee 32	Male	President		
Interviewee 33	Male	Head of Office		
Interviewee 34	Male	Senior Staff	Medium-sized SME	Lao SMEs
Interviewee 35	Female	SME Owner/Manager		
Interviewee 36	Male	SME Owner	Small SME	
Interviewee 37	Male	SME Owner/Manager	Small SME	

Interviewee	Gender	Designation	Institution	Sector
Interviewee 38	Female	SMEs Owner	Small SME	
Interviewee 39	Female	SMEs Owner	Medium-sized SME	
Interviewee 40	Female	SMEs Owner	Medium-sized SME	
Interviewee 41	Male	SMEs Owner	Small SME	
Interviewee 42	Female	SMEs Owner	Small SME	
Interviewee 43	Female	SMEs Owner	Medium-sized SME	
Interviewee 44	Female	SMEs Owner	Small SME	
Interviewee 45	Male	SME Owner/Manager	Medium-sized SME	
Interviewee 46	Male	SMEs Owner	Small SME	
Interviewee 47	Male	Senior Lecturer	National University of Lao	University

However, interviewing presented four challenges: (i) gaining access to the participants in high-ranking positions, (ii) dealing with a power imbalance between the participants and the researcher, (iii) assessing the participants' openness, and (iv) providing feedback, as suggested by Welch et al. (2002). In addition, the researcher experienced time constraints because the participants, especially those in high-ranking positions, postponed dates and times without prior notice.

Thus, after several attempts to approach the high-ranking participants, the researcher overcame these challenges by searching for a mutual connection or asking colleagues at the MoIC to introduce the researcher to the high-ranking participants. Further, the researcher also allowed the participants to choose the interview time, date, and place most suitable for them to mitigate any tension and enhance willingness to share their experience and perspectives. In addition, the researcher sought to actively listen, and used open-ended questions to guide the discussion and follow-up questions when necessary to obtain rich information from the participants.

2.2.4 Data Collection

This study involved human participants, and thus, the data collection complied with the ethical principles guidelines of Flinders University. Project number 8021 was approved on 18 June 2018 (see the ethical approval in Appendix B).

Informed by work in similar contexts (Tiwari & Korneliussen, 2018), data was collected from in-depth interviews that were guided by a semi-structured research instrument/interview protocol focusing on the following topics and subtopics:

- Introduction of the study purpose and elicitation of the data related to participants' demographics
 - Participants' work histories
 - Experience and responsibilities
 - Organization, which provided the context when interpreting the responses
- Credit access:
 - Availability of sources of funding
 - Barriers to pre- and post-credit faced by SMEs
 - Strategy used in successfully in accessing finance
 - Access to finance contributes to SME growth
- Innovation:
 - Non-R&D-based innovation activities
 - Main developer of innovation activities
 - Knowledge sources
 - Factors contribute to succeed in adopting innovation
 - Factors hindering in adopting innovation
 - Non-R&D-based innovation activities influence SME growth
- Knowledge management:
 - Sources of information/knowledge
 - Knowledge acquisition (via social media and other channel) to improve market strategy

- Knowledge acquisition (via social media and other channel) to develop internationalization
- Applying new information/knowledge to enhance organizational learning capability
- Knowledge management influence SME growth

To verify the clarity and sequence of questions, academics reviewed the interview protocol. The interview protocol was subsequently translated into the Lao language (see Appendix C), and pilot tested with a government official and a senior lecturer at the National University of Lao, both of whom have expertise with SME development, access to finance, innovation, and knowledge management. Some suggestions (such as reducing the number of interview question from eight to six and keeping the question about FinTech as general as possible) were made to improve the interview questions.

The primary data were collected using semi-structured face-to-face interviews to elicit individual perspectives, problems, ideas, and concepts related to credit access, innovation, and knowledge management influence SME growth. The data collection was conducted between July 2018 and May 2019 with 47 participants in the Vientiane Capital City and Vientiane Province of the Lao PDR. The study sought to ensure that interviews reflected practice versus what informants might feel obliged to say (Hunt & Boxall, 1998). Thus, the respondents were requested to elaborate and illustrate responses with examples. This provided a better understanding of the barriers faced by SMEs when applying for a bank loan and the insufficiency of support from formal credit providers; the main non-R&D based innovation adopted by SMEs, and the source of knowledge acquisition to enhance market, technology, and international knowledge acquisition for internationalization. The interviews also revealed the participants' perspectives and ideas about the government's strategic plans and future policies to increase the number of SMEs successfully accessing finance, adopting more innovation, and leveraging knowledge related to market, technology, and international knowledge acquisition for internationalization. The interview was guided by the set of open-ended interview questions informed by the literature (see Appendix D).

Forty-six of the interviews were undertaken in the Lao language, while one interview (with the international consultant) was conducted in English. Participants were encouraged to seek clarification at the commencement of, and during the interview if a question lacked clarity. The duration of the interviews varied depending on the participants' availability, ranging between 40 and 180 minutes. With the consent of the participants, 36 interviews were recorded using a digital audio-recorder. The remaining 11 participants preferred the researcher to take notes during the interview, stating that they wanted to share more in-depth information and real experiences related to three critical factors influence growth of SME in the Lao PDR.

All interviews were transcribed to ensure data integrity. Recorded interview files, note files, and transcription files were stored in NVivo 12 software to organize and keep track of the data during data analysis. Data were also stored on the researcher's password-protected laptop to avoid the risk of losing the raw data (Creswell, 2018). To protect the participants' anonymity, all names were pseudonymized.

2.3 Data Analysis

This study employed thematic analysis of the interview data to identify and analyze emergent themes and report the results of credit access, innovation, and knowledge management and their influence on SME growth. According to Braun and Clarke (2006), thematic analysis is a highly flexible and useful research tool for exploring an under-researched area in rich detail. Thematic analysis enables the researcher to discover underlying ideas, assumptions, and conceptualizations to identify common patterns across the data, and make sense of these commonalities to answer the research question (Braun & Clarke, 2006; Cooper et al., 2012). Additionally, Braun and Clarke (2006) suggested exercising care and transparency in the data collection, interview transcription, and data analysis to increase confidence in the results. Thus, the researcher not only strictly followed the data collection guide in line with the ethical principles of Flinders University, but also carefully checked each step before and after data collection e.g., sampling selection, interview procedures, transcription, data storage, and analysis and interpretation.

According to Creswell (2014), an inductive approach begins with empirical observations, followed by a search for patterns within the data, and finally, the establishment of a comprehensive set of themes. In contrast, a deductive approach starts with the scrutiny of themes to determine whether more evidence can support each theme or whether a theme requires gathering further information (Creswell, 2014). This study adopted an inductive approach. To enhance data dependability, a recursive analysis method was followed through NVivo 12 software-enabled analysis (Sechelski & Onwuegbuzie, 2019). This linked the results with the participants' quotations from the transcripts (Miles et al., 2004; Pope et al., 2000).

2.4 TRUSTWORTHINESS

To maintain the reliability and validity of the findings, the researcher ensured that each step of data collection procedure and data analysis could be tracked and checked for validity and accuracy. According to Creswell (2014), eight strategies to enhance validity and accuracy include (i) triangulation, (ii) member checking, (iii) rich thick descriptions, (iv) avoidance of bias, (v) negative or discrepant information, (vi) prolonged time, (vii) peer debriefing, and (viii) external audit. Based on the study context, this study adopted a peer debriefing method to enhance the validity and accuracy of the findings. According to Spall (1998), in qualitative research, peer debriefing is used to confirm the credibility of the data, the accuracy of the findings, and the overall trustworthiness of the interpretations. Therefore, five experts including a national consultant, a senior lecturer and researcher, a bank's deputy manager, an SME owner in the furniture industry, and an SME in the handicraft industry, who represent SME development and growth in the Lao PDR were approached to review and provide their opinions on the final research findings. After 10 days of reviewing by the experts, the researcher received confirmation with no objections to the findings summary.

Chapter 3: BARRIERS TO SME ACCESS TO CREDIT AND GROWTH IN AN ASIAN EMERGING ECONOMY: THE LAO PDR

This chapter discusses the key barriers to pre-credit access and post-credit constraints as the first of three critical factors influencing the growth of SMEs in the Lao PDR. The chapter starts by presenting the research background, reviewing the literature, and discussing the pecking order theory. A discussion of the findings and an outline of the theoretical contribution and practical implications of the findings are provided. The chapter concludes by discussing the limitation and ideas for future studies, and conclusion.

3.1 INTRODUCTION

In the context of many developing countries, it is important to understand the marketplace dynamics, the diversification of export products, and the local business environment to gain a clearer picture of why some SMEs manage to access external finance, while other do not. Those that are successful manage to survive and thrive, developing from local to regional to international markets, while those that are unsuccessful remain static, and progressively decline and fail (Agyekum et al., 2021; Davidsson et al., 2005; Moyo & Sibindi, 2020). Empirical studies provide evidence that successful access to external sources of finance is crucial for SMEs because it not only contributes to their daily financial needs but also strengthens their competitiveness and determines further growth in a rapidly globalizing world (Adomako et al., 2016; Bongomin et al., 2017; Ullah & Wei, 2017). However, the most common finding is that in the presence of potentially profitable investment opportunities, SMEs always encounter external finance constraints (Beck & Demirgüç-Kunt, 2006; Pietrovito & Pozzolo, 2021; Quartey et al., 2017), particularly to accessible and affordable interest rates of formal credit as well as other banking services.

Because of the typical characteristics of SMEs—for example, operating a business while under-resourced, lacking adequate collateral, and with low financial literacy (Archer et al., 2020; Hussain et al., 2018; International Finance Corporation [IFC], 2017; Motta & Sharma, 2020)—the majority of SMEs rely heavily on their own savings or borrow from family members, relatives, friends, and private moneylenders in the early stage of business operations (Archer et al., 2020; Nguyen et al., 2019; Rahaman, 2011; Wahab & Abdesamed, 2012). When the costs of survival or business expansion strategies exceed the internal funding sources, external finance are often needed (Song et al., 2020; Song et al., 2018; St-Pierre et al., 2018), including informal sources of finance (Nguyen & Canh, 2020). This is because available funds may be insufficient for SMEs to facilitate their business activities and growth. The IFC (2017) indicated that most SMEs are not well established and do not have a proper business registration. The total number of SMEs in the global developing markets is 400 million, of which 93% are informal. However, the empirical studies on financial barriers faced by SMEs tend to focus on formal business operations, high-tech and start-ups when they seek to grow (Moreira, 2016; Xu et al., 2020). Credit access constraints experienced by low-tech and/or informal SMEs are not properly acknowledged. Specifically, the limited research on demand-side constraints in AEEs makes it difficult to clearly identify the main reasons for loan rejection or credit discouragement, which could mislead policymakers when formulating suitable policies and systems to support SME financing.

Even though SMEs' credit access constraints are a worldwide phenomenon, to date, studies on supply-side constraints focusing on AEEs are scarce. The few existing studies reveal that SMEs persistently experience credit access constraints. Thus, their growth is hindered by supply-side constraints such as weak financial institutions, high borrowing costs, and high collateral requirements (Pietrovito & Pozzolo, 2021; Wang, 2016; Wellalage et al., 2019). Because bank financing is seen as the most important form of external financing for SMEs' growth (Dong & Men, 2014; Erdogan, 2018), SMEs in AEEs have great difficulty in meeting the credit terms of commercial banks. Consequently, they are denied access to appropriate financial products and services specifically available for SMEs. These limitations require a more in-depth study of supply-side constraints as one of the key factors hampering SMEs' access to financing and growth.

While a growing body of literature concentrates on barriers to pre-credit access faced by SMEs

(Motta & Sharma, 2020; Pietrovito & Pozzolo, 2021; Qi & Nguyen, 2021) and the influence of credit access on growth (Beck & Demirgüç-Kunt, 2006; Fraser et al., 2015; Quartey et al., 2017), there is only a handful of studies on post-credit constraints or obstacles after the loan has been granted. Given the exogenous assessment of overdue loan repayments or non-performing loans (NPLs) embodied in the financial risks faced by SMEs, some studies have attributed post-credit constraints to the low level of education or the lack of financial literacy of SME owners/managers (Franco & Haase, 2010; Saksonova & Papiashvili, 2021). Studies on this topic are particularly scarce in AEEs, and even more so in the Lao PDR. Therefore, understanding SME access to finance and growth can be complex, requiring a comprehensive investigation of both pre-credit access and post-credit constraints faced by SMEs in the Lao PDR.

The purpose of this chapter is to address these gaps by investigating the obstacles encountered by SMEs in pre-and post-credit access and growth in the context of AEE, and the Lao PDR in particular. The study examines the key factors from both demand-side (SMEs) and the supply-side (credit suppliers) that hinder SMEs' access to external financing. Further, the study investigates the strategies that some SMEs have successfully used to access external finance. As a result of the strict lending procedures adopted by formal credit providers before a loan has been granted, many SMEs still find themselves in overdue loan repayment status following access to credit. Thus, this study explores these critical factors.

In this study, the term 'pre-credit access' refers to SMEs' circumstances before the loan has been granted, while 'post-credit constraints' refers to the critical factors causing SMEs to fall behind in loan repayments or to go bankrupt causing non-profit loan. Post-credit constraints in this context are significant barriers causing SMEs to fail in applying for a new loan as they will be labelled a bad credit borrower. Moreover, post-credit constraints are crucial reasons commercial banks create more complicated loan applications and procedures to mitigate the risk. Building on the pecking order theory and existing literature on credit access constraints faced by SMEs, the chapter addresses the following research questions:

1. How do key barriers to pre-and post-credit access impact SME growth?

- 1.1 How do the demand-side and supply-side constraints to pre-credit access faced by SMEs hinder their success in access to finance and growth in the Lao PDR?
- 1.2 How do the post-credit constraints faced by Lao SMEs impede their growth after a loan has been granted?
- 1.3 How does the strategy used by SMEs enhance the success of access to external finance?

To achieve this, a qualitative method and in-depth interviews were conducted with 47 participants. These participants included SME owners/managers, professionals, and experts in the government sector (e.g., MoIC, Ministry of Finance, and Bank of Lao), and in the private sector (e.g., business associations, Lao National Chamber of Commerce and industry [LNCCI], SME Service Center, and commercial banks), as well as experts from research and educational institutions in the Lao PDR.

The findings show that for pre-credit access, the key demand-side constraints include the nature of SMEs (e.g., lack of collateral, informal operations, and high information asymmetry) and lack of financial literacy. Underdeveloped financial markets represent the key supply-side constraints. Regarding post-credit access, misuse of funds obtained through loans and the lack of specific policies and insufficient support systems from the government have been identified as the main obstacles causing NPLs and loan defaults. Given that lack of access to finance is a key barrier to the growth of SMEs in the Lao PDR, pre-credit access may be a more substantial constraint than post-credit issues. Importantly, the study results highlighted *Souy Dai* as a key strategy utilized by SMEs to facilitate access to external finance. *Souy Dai* refers to a situation in which one individual does something in exchange for another individual who has helped them.

Thus, the contribution of this study to the literature on finance and entrepreneurship is threefold. First, this study examines both demand-side and supply-side constraints; this is a point of difference to most studies (e.g., Adomako et al., 2016; Eniola & Entebang, 2017), which focus either on demand-side constraints (SMEs) from a single perspective or on supply-side constraints (formal credit suppliers) (Ali et al., 2018; Beck et al., 2011; Erdogan, 2018). Concentrating on constraints from both demand-sides and supply-sides allows this study to identify the critical

obstacles in access to credit by SMEs. Therefore, the present study adds to the few qualitative studies that have explored barriers faced by SMEs when accessing bank loans (e.g., Erdogan, 2018; Franco & Haase, 2010) by identifying that the nature of SMEs and their lack of financial literacy are the main demand-sides constraints. This study also contributes to the Pecking Order Theory (e.g., Agyei et al., 2020; Myers & Majluf, 1984) by revealing that the underdevelopment of financial markets is the main supply-side constraint that hinder SMEs in accessing bank loans.

Second, this study advances an understanding of factors causing failure of loan repayment by SMEs in post-credit constraints. Earlier studies suggest that failure to pay off debts is mainly caused by SME managers who have low level of education, a lack of financial literacy and inadequate financial management skills (Baidoo et al., 2020; Salifu et al., 2018). The present study sheds new light on the post-credit constraints by revealing that misuse of the funds can lead to NPLs or loan defaults causing banks to create more complicated loan application procedures. Consequently, SMEs with NPLs unable to apply for any more loans as they are bad credit borrowers unless they pay off all their loans.

Third, the extant literature suggests that trust-building with bank staff or bank manager can bridge the information gap, such as high information asymmetry, while informal networking helps reduce problems with collateral, thereby facilitating credit access (Kautonen, et al., 2020; Naegels et al., 2020; Song et al., 2016). This study extends the body of finance literature by revealing that in the context of Lao PDR, most SMEs use *Souy Dai* to help relax the tough loan application procedures and screening processes and to facilitate access to formal credit suppliers. To the best of our knowledge, this is the first qualitative study that seeks to understand strategies such as *Souy Dai* to overcome such barriers.

The remainder of this chapter is organized as follows. Section 3.2 reviews the literature on pre- and post-credit constraints faced by SMEs in both developed and developing countries. The theory guiding the study is outlined in section 3.3, while section 3.4 discusses data analysis procedures. Section 3.5 shows the findings and 3.6 presents the discussion. This is followed by the theoretical contributions and practical implications in section 3.7, the study's limitations and future research direction in section 3.8 and a conclusion in section 3.9.

3.2 LITERATURE REVIEW

Indicators used to measure SME growth vary across academic disciplines. A simplistic description of growth is either the capability to transform from a weak to a competent company (employment growth, productivity growth, and value added), or the capacity to transform from a smaller to a larger company (age, size, sales growth and existence of idle resources) (Botha et al., 2021; Daunfeldt et al., 2014; Moreno & Casillas, 2007). In the literature on finance and entrepreneurship, scholars have suggested alternative patterns of SMEs growth can be seen through increased financial success, for example, sales growth, employment growth, and market share growth (Adomako et al., 2016; Andersson & Eshima, 2013; Rahaman, 2011) as well as growth in non-financial success areas, for example, skills development, organizational assets, reputational assets, customer satisfaction, network relationships, and goal achievement (Galbreath, 2005; Islam et al., 2011; Rafiki, 2020).

An SME venture is successful if it grows and expands (Bongomin et al., 2017). Numerous studies have shown the crucial factors that influence a firm's success and growth include the availability of financial resources, internal capability to utilize the financial resources, and possessing resources in business activities (Ali et al., 2018; Ayyagari et al., 2010; Kachlami & Yazdanfar, 2016; Ullah & Wei, 2017). The degree of success in entering foreign markets and in growing in internationalization is contingent on successfully accessing external finance, especially formal financing services (Petrovito & Pozzolo, 2021; Rossi et al., 2021). Similarly, Ayyagari et al. (2016) noted that firms with credit grow higher in employment by 1 to 4.2% compared with firms without credit access.

However, most SMEs are financially constrained because of their limited use of formal loans (Archer et al., 2020; Beck & Demirgüç-Kunt, 2006; Distinguin et al., 2016; Dong & Men, 2014; IFC, 2017; Nguyen et al., 2019; Quartey et al., 2017). Extant research has identified credit access as the biggest barrier faced by SMEs when they seek to grow (Moyo & Sibindi, 2020; Petrovito & Pozzolo, 2021).

3.2.1 Pre-Credit Access Constraints

Most of the financial literature indicates that the availability of formal loans significantly facilitates SME growth (Adomako et al., 2016; Rahaman, 2011; Ullah & Wei, 2017). In this scenario, the potential growth of SMEs heavily depends on external finance to innovate, invest in R&D and use foreign licensed technology to eventually improve investments in product, process, and organizational innovation (Ayyagari et al., 2011; Rossi et al., 2021). Studies examining the direct effect of credit access and SME growth suggest that successful access to external credit has a positive impact on the growth of annual labor productivity and real annual sales growth (Ndiaye et al., 2018), particularly in the context of developing countries (Ayyagari et al., 2016).

Conversely, limited capability to raise adequate capital can have serious consequences for many SMEs, which will continue to stay small or be unable to grow (Beck & Demirgüç-Kunt, 2006; Mukherjee & Chanda, 2020). Based on the World Bank Enterprise Surveys of 119 developing countries, Wang (2016) reported that lack of access to credit is the most critical barrier to growth, especially for high-growth firms. Similarly, Pietrovito and Pozzolo (2021) indicated that firm-level characteristics, degree of financial development, quality of institution, and overall level of economic freedom influence the credit access of firms and their export performance.

While banks and other formal financial institutions are the primary sources of formal funding for SMEs, especially in Asia (Yoshino & Taghizadeh-Hesary, 2015), financial products and lending conditions often do not meet SME demands (Beck et al., 2011; IFC, 2017). Mukherjee and Chanda (2020) examined 3,200 Indian export manufacturing SMEs. They concluded that the high cost of credit and high demand for collateral make it difficult for SMEs to obtain external funds. Duarte et al. (2017) noted that in less developed countries, the discouragement of firms comes from two sources: borrowers fear high loan costs, complex application procedures, and rationing, while lenders fear innovator status, poor information-sharing, and weak legal protection in the event of default. This discouragement is even more detrimental to the internationalization of SMEs, both in developing and emerging economies, where there is a lack of effective policies to support SME access to finance and international business activities (Pietrovito & Pozzolo, 2021). Therefore, examining barriers to SMEs' access to finance and growth in the context of the Lao PDR can be useful to corroborate previous findings and inform financial growth policies.

3.2.2 Demand-Side Constraints (SMEs)

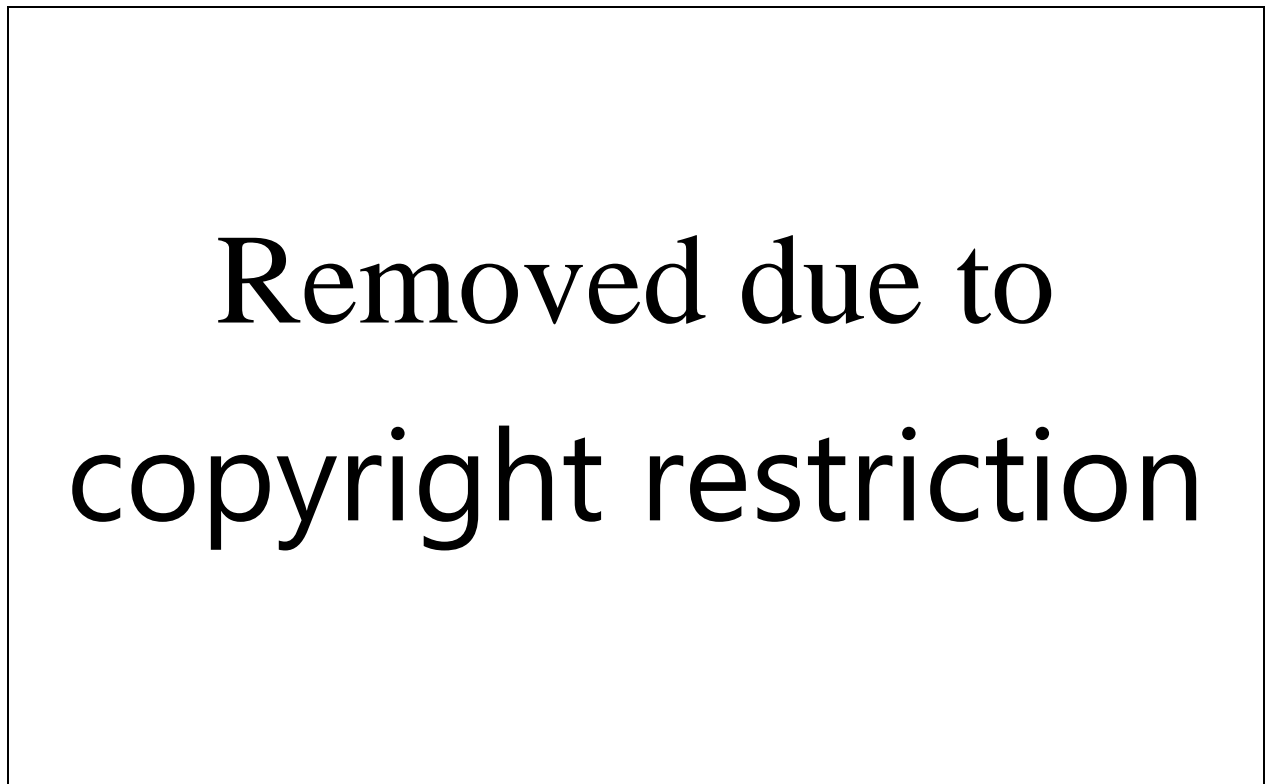
SME characteristics such as age of owner, education, gender, age and size of business can negatively affect their credit access (Dong & Men, 2014; North et al., 2010; Quartey et al., 2017). Generally, young and small SMEs are affected more than the large and old firms as they often lack collateral, are less transparent and are thus classified as high-risk clients (Chavis et al., 2010; Pietrovito & Pozzolo, 2021). Of course, young SME owners/managers are in the early stages of business operations, have limited experience, insufficient revenue and fewer assets to guarantee their loans. Thus, they are more likely to encounter credit access constraints or loan rejections (Dong & Men, 2014; North et al., 2010). Education and industry experience are essential in achieving business success and the ability to repay loans (Franco & Haase, 2010).

A significant challenge for SMEs in developing countries is informality and lack of detailed financial records. This tends to brand them as ‘informationally opaque’, exacerbating their difficulty in borrowing from formal finance institutions (Ndiaye et al., 2018). The IFC (2017) reported that in global developing markets, of the estimated 400 million SMEs, informal firms outnumber formal firms by a ratio of 3.4 to 1 (see Figure 3.1). SMEs’ informality could be a consequence of the inferior quality of the institutions and weak governance of the home country or a choice that SMEs make when establishing their businesses (Distinguin et al., 2016). Harris-White (2010) explained that informal firms usually have low capital, skills, and technology and are not registered for business operations to avoid taxation or labor regulations. Aurick et al. (2017) argued that in Zambia, the informality of SMEs is driven by factors such as changing political, economic, and social circumstances following by the implementation of structural adjustment policies.

Some studies show that firms do not register because of a lack of informational infrastructure, the complicated registration processes, and lack of explanation of tax incentives’ benefits (Bruhn, 2013; Distinguin et al., 2016). Further, Distinguin et al. (2016) showed that SMEs, especially those in less developed countries, remain informal and stay under the government ‘radar’ because they are profitable and able to minimize future risks that are hard to predict. However, informality has negative impacts on many dimensions of SMEs’ activities, such as, constraints to credit access. Ndiaye et al. (2018), for example, highlighted that informal SMEs in low-income countries often

fail to receive incentives and regulatory support, thereby experiencing loan rejection. This is not surprising, especially in least developed countries, where informal SMEs are in a disadvantaged position when they seek to apply to formal lending providers because certain documents are required to support loan applications, and as informal businesses, many SMEs do not have these documents.

Figure 3.1: Global Developing Markets' Formal and Informal SME Market Size



Source: IFC (2017)

High information asymmetry is another factor that restricts the ability of SMEs to access formal credit (Motta & Sharma, 2020; Wu & Xu, 2020). Information asymmetry refers to a situation where the lender has inadequate information and finds it difficult to determine whether the borrower is creditworthy (Bharath et al., 2008; Lara et al., 2016; Sengupta, 1998). SMEs by nature tend to have more information asymmetry than large firms (Song et al., 2020), especially the

informal SMEs that typically do not have detailed financial records (Ndiaye et al., 2018). In other words, information available on SMEs, for example, transaction activities and financial statements, have limited applicability and/or are less transparent than information on larger firms (Motta & Sharma, 2020; Ullah, 2020). Another view indicates that the high information asymmetry between lenders and borrowers arises from underdeveloped financial systems and poor institutions (Ullah, 2020). This is also known as the “Macmillan gap” and is mostly found in transition economies and developing countries. This asymmetry causes high costs and complexity in financing SMEs (Yu & Fu, 2021), and thus impedes SMEs’ ability to obtain affordable rates and fair terms in financing and other banking services (Song et al., 2020; Wasiuzzaman & Nurdin, 2019).

A common finding is that SMEs experience constrained access to external finance because of a lack of collateral to guarantee the loan (Hanedar et al., 2014; Love et al., 2016; Motta & Sharma, 2020). Collateral is a tangible fixed asset that could be used to guarantee a loan repayment and offset the loss in default by the borrower (Motta & Sharma, 2020). Prior studies reveal that high collateral requirements and track records are applied to SMEs showing signs of moral hazard and risk profiles (Hanedar et al., 2014; Love et al., 2016). In examining financing obstacles for SMEs, data from the World Bank Enterprise Survey in 2017 showed that 75% of firms in 135 countries reported that most formal credit suppliers had high collateral requirements, while up to 90% of firms in 31 low-income countries in the sample reported high collateral requirements for access to bank loans (Ayyagari et al., 2017). Beck and Demirgüç-Kunt (2006) found that high collateral requirements were the third most significant reason that firms do not apply for external credits. Therefore, collateral supporting loan applications appears to be a crucial element determining whether SMEs can obtain bank loans, survive and grow, or exit the markets (Motta & Sharma, 2020).

Empirical studies (Adomako et al., 2016; Bongomin et al., 2017; North et al., 2010; Saksonova & Papiashvili, 2021) highlight that SMEs with low financial literacy often fail to meet the requirements of formal credit suppliers when applying for external finance. The financial literacy of SMEs refers to their ability understand loan procedures, use debt more efficiently and monitor budgets (Adomako et al., 2016; Hussain et al., 2018). Usually, banks and other formal financial institutions utilize their lending criteria and lending methods to screen the potential clients before

approving loans (Bruns & Fletcher, 2008). Thus, financial literacy is considered a core attribute that not only mitigates information asymmetry and collateral deficit but also aids financial decision-making, enhances financial management skills and produces better-prepared financial information. This, in turn, enables lenders to make more effective decisions when evaluating loan applications (Bongomin et al., 2017; Hussain et al., 2018).

Because of these barriers to formal credit access, SMEs in AEEs are less likely to participate in the formal financial system and are more likely to use the traditional financing channels, because these are less complicated and more convenient (Carpenter & Petersen, 2002; Lusardi & Scheresberg, 2013; Lusardi et al., 2010). Traditional financing channels include borrowing from family members, friends, and other informal sources (Distinguin et al., 2016; Nguyen & Canh, 2020; Rahaman, 2011). Although SMEs may be able to access capital from informal lenders more readily, conditions such as high interest rates may lead to financial unsustainability in the long term (Distinguin et al., 2016).

3.2.3 Supply-Side Constraints (Banks and Other Financial Institutions)

Supply-side constraints also hinder SMEs' access to credit, given that the financial and institutional sectors in most AEEs are underdeveloped (Beck & Demirgüç-Kunt, 2006; Moyo & Sibindi, 2020). In this respect, some early studies have examined the key supply-side constraints (Beck & Demirgüç-Kunt, 2006; Yang et al., 2020). For example, Pissarides (1999) indicated that financial markets are considered less developed in transitional economies because most loans are more likely to be made to state or large enterprises. Beck and Demirgüç-Kunt (2006) reported that smaller SMEs requiring smaller loans face higher transaction costs and higher value of collateral requirements. This is known as market friction, resulting from less developed financial institutions. Further, Wang (2016) noted that financing dilemmas stem from high borrowing costs and a lack of expert/consultant support provided by formal finance institutions.

Importantly, Lee and Brown (2016) and Ndiaye et al. (2018) argued that although the absence of innovative lending technologies in most low-income countries has a negative effect on SMEs' lending services, limited availability of financial products, and inappropriate lending strategies

matter most. Another supply-side constraint in most developing countries is a strong reliance on collateral to mitigate default risk when lending to SMEs (Ayyagari et al., 2017; Beck & Demirgüç-Kunt, 2006; Motta & Sharma, 2020). Indeed, unattainable collateral requirements pave the way for borrower discouragement (Naegels et al., 2020). Inadequate availability of reliable information, for example, unavailability or limited availability of lending criteria and lending conditions, signals less transparency in the lending procedures, which also signals underdeveloped financial institutions (Agyekum et al., 2021; Ndiaye et al., 2018; Wang, 2016).

The literature on bias in the lending conditions of financial markets is limited. Only a few studies suggest that insufficient support from the banking sector and lack of interest in lending to SMEs lead to a negative impact on SMEs' access to finance (Calice et al., 2012; Lee & Brown, 2016; Yu & Fu, 2021). Some examples of bias in lending conditions include high interest rates or short-term lending applied when assessing the loan applications of SMEs (Wong et al., 2018), subjective bias and economically unjustified preferences and/or stereotypes in the assessment of loan application assessments. These lead to a high propensity of loan rejections, particularly for female applicants (Agier & Szafarz, 2013). In addition, complicated and time-consuming lending procedures, prevalent in many low-income countries, reflect poor business environments (Beck & Demirgüç-Kunt, 2006; Hussain et al., 2018).

3.2.4 Post-Credit Constraints

Post-credit constraints refer to the situations where SMEs fail to repay a debt, including interest or principal. According to the Basel Committee on Banking Supervision (2000, p. 1), failure to repay a debt can be defined as “[t]he potential a bank’s borrower will fail to meet its obligations in accordance with agreed terms”. The high rate of loan defaults continues to be a critical challenge and poses a threat to financial institutions in many developing countries (Baidoo et al., 2020). Lao PDR is no exception to this phenomenon. In the context of AEEs, it is still unclear whether the persistent rise in NPLs and loan defaults is caused by borrowers unwilling to repay, by underdeveloped financial markets, or less developed financial institutions. Thus, reducing loan defaults is beneficial not only to financial institutions but also to individuals, SMEs, and the national economy.

Post-credit constraint is more associated with the primary risk management of SMEs, including interest rate risks, raw material prices risks, e-business and technological risks, supply chain risks, and growth risks (Falkner & Hiebl, 2015). Failure to be aware of risks can lead to customer loss, environmental damage, and possible bankruptcy (Hollman & Mohammad-Zadeh, 1984). Clearly, this would also lead to the failure to make regular loan repayments of both interest and principal. Consistent non-repayment of loans eventually leads to loan default (Amuakwa-Mensah et al., 2017).

Often, overdue repayment or the risk of bankruptcy corresponds to the low level of education and insufficient business experience of SME owners/managers (Salifu et al., 2018). Fidrmuc and Hainz (2010) showed that SMEs are considered to default if they are highly indebted, less profitable, and less liquid. Erdogan (2018) and Madurapperuma et al. (2016) pointed out that SMEs are not capable of securing bank loans because they do not operate their businesses transparently nor do they regularly practice accounting record-keeping. Therefore, they cannot accurately forecast financial information and future profits. Recent studies identify several factors that affect successful loan repayments, namely, internal factors or borrowers' characteristics (e.g., gender, age, marital status, employment status, and income) and external factors or socioeconomic characteristics (e.g., loan size, interest rate, and trade liberalization) (Baidoo et al., 2020; Song et al., 2018).

Empirically, numerous studies have shown that low levels of financial literacy of SME owners/managers are not only a barrier to pre-credit access but also have a negative influence on financial decision-making and financial management in post-credit constraints (Hussain et al., 2018). Siekei et al. (2013) explained that SMEs lacking financial literacy skills tend to have low critical decision-making, which hinders financial management. Smith (2011) and Hussain et al. (2018) indicated that in the absence of financial literacy and financial management skills, SMEs tend to have limited ability to undertake rational analysis and adequately assess available options, leading to financial distress and bankruptcy. Similarly, Baidoo et al. (2020) showed that financial literacy, followed by income, education, age, and marital status, significantly affect loan repayment.

In contrast, Schwab et al. (2019) pointed out that applying macro-level bank lending regulations to micro-level business borrowers is detrimental to loan repayments. For example, underdeveloped financial institutions with stringent rules, complicated loan repayment procedures, and insufficient services have had a negative impact on SMEs' repayment of bank loans (Bekele & Worku, 2008; Watson & Everett, 1999). The implications of an underdeveloped financial system on loan repayments were evaluated by Wolfson (1996) and Erdogan (2018), who found that the high interest rates charged by banks tend to increase the likelihood of debt not being repaid. Further, Baidoo et al. (2020) confirmed that longer repayment schedules could lead to unsuccessful loan repayments. Yu and Fu (2021) disclosed that because of the key characteristics of SMEs, especially in developing and transition economies (e.g., low collateral quality, weak guarantee capacity, and the small transaction amount of a single loan) cause formal lenders to prefer to loan to larger enterprises rather than provide credit funds to SMEs.

3.3 PECKING ORDER THEORY

To gain a better understanding of pre-credit access and post-credit constraints faced by SMEs and how they manage to access bank loans in the Lao PDR context, this study has adopted the pecking order theoretical lens to guide the study. The pecking order theory was developed by Myers and Majluf (1984) in response to the information asymmetry distortions between SMEs and financiers. According to Myers and Majluf (1984), because of asymmetric information, firms adopt a hierarchical order of financing sources and prefer internal financing over external financing sources. The pecking order theory suggests that the capital investment of SMEs usually comes from three sources: internal capital, debt, and new equity (Jong et al., 2011; Myers & Majluf, 1984). In essence, SMEs prioritize their funding sources by first preferring internal funding (e.g., retained earnings), followed by debt and then raising equity as a last resource if they are growing (Saif-Alyousfi et al., 2020). Further, the pecking order theory indicates that firms are forced to resort to capital debt when internal cash flows are inadequate to implement business activities or support each growing stage (Sánchez-Vidal & Martín-Ugedo, 2005). The pecking order theory also predicts that high-growth firms with large financing demands tend to choose debt as a source

of finance because of information asymmetry and owners/managers unwillingness to issue equity (Baskin, 1989; Saif-Alyousfi et al., 2020).

Most of the existing literature corroborates the pecking order theory's propositions. This suggests that the theory is valuable in explaining SMEs' financing choices for business performance (Agyei et al., 2020; Bhama et al., 2016; López-Gracia & Sogorb-Mira, 2008; Myers & Majluf, 1984; Saif-Alyousfi et al., 2020; Shyam-Sunder & Myers, 1999). Financial needs and options change while a firm is growing, and thus, the capital structure varies with firm size and age (Berger & Udell, 1998; Yakubu et al., 2021). Further, Agyei et al. (2020) showed that Ghanaian SMEs prefer to use internal finance such as profits to lower their debt levels because of difficulty in accessing external credits such as higher requirements for collateral, and higher cost of loans, signaling the underdeveloped nature of financial markets. As posited in the pecking order theory, growing firms place a high demand on debt finance as they often do not issue traded securities because of their inability to provide (audited) financial statements (Agyei et al., 2020).

Importantly, other studies note that debt finance has had a positive effect on firm size and the growth of small firms (Sogorb-Mira, 2005; Van Caneghem & Van Campenhout, 2012). The pecking order theory is considered the most appropriate theory to explain the problem of high information asymmetry and the opaque nature of SMEs (López-Gracia & Sogorb-Mira, 2008). Supporting this view, Verwijmeren and Derwall (2010), Serrasqueiro et al. (2011), and Bhama et al. (2016) believed that the pecking order theory is suitable to describe SMEs that lack credit history and exhibit a higher level of information asymmetry. Thus, SME financing is much more complex, with the majority starting businesses with personal savings, subsequently borrowing capital from family members, friends and informal lenders with inadequate financial records (Archer et al., 2020; Cassar, 2004; Newman et al., 2012; Nguyen et al., 2019; Rahaman, 2011), which may be the reason for the high information asymmetry.

The pecking order theory provides a comprehensive contextual framework to analyze pre-credit access and post-credit constraints that hamper SME development in the Lao PDR. Lao SMEs have insufficient resources and operate in underdeveloped financial markets without adequate institutions to foster their growth potential (Saffu et al., 2012). Therefore, this study adopted the

pecking order theory, viewing credit access as the most critical factor influencing SMEs' performance, success, and growth.

In the next section, the data analysis procedures are outlined to address the research questions.

3.4 DATA ANALYSIS PROCEDURES

This study used thematic analysis to identify and analyze emergent themes and report the results of the key pre-credit access and post-credit constraints and their influence on SME growth. An inductive approach derives themes from the researcher's data, while a deductive approach employs a pre-existing theory, framework, or other researcher driven focus to identify themes of interest (Kiger & Varpio, 2020). Since an inductive approach tends to provide a broader, more expansive analysis of the entire body of data, and enable properly contextualized findings (Braun & Clarke 2006; Kiger & Varpio, 2020), this study adopted an inductive approach to theme identification.

The six data analysis steps suggested by Braun and Clarke (2006) were used in this study. First, 47 interviews were transcribed independently, checked for accuracy, and imported into the database of NVivo 12 software to prepare for data analysis. NVivo 12 is a data management tool that helps organize data, coding, classifications, attributes, and categories that emerged during data analysis (Dollah et al., 2017). To become familiar with the data, each transcript was read and re-read several times to capture the main ideas, gain an overall impression, and identify data patterns. The researcher also used the search term 'Queries' in the NVivo 12 software to search for common keywords or phrases for each interview question response to mitigate the occurrence of misunderstandings and increase the accuracy of the meaning repeated by the participants (Leech & Onwuegbuzie, 2011).

Second, open coding was conducted line-by-line, based on the features of the data, which were then clustered according to similarities or patterns, assisted by the NVivo software 12 (Saldana, 2016). Individual transcripts were initially analyzed, and patterns were inductively coded. Subsequently, overarching units were identified across the entire data (Creswell, 2014). The

inductive coding of data in fields that have not been extensively studied requires the marking of passages and sentences of a text with a code (Chandra & Shang, 2019). Before completing the coding, the researcher closely reviewed coding, made notes, and combined the data into broader themes, as the broader themes can reflect a straightforward or more complex meaning which helped researcher to compare across data and to change or drop the themes. For example, many participants said that *Souy Dai* was a significant strategy to facilitate access to finance. Thus, *Souy Dai* became the title of a unit at this stage of the analysis.

Third, the preliminary list of 227 inductive codes was reviewed, refined, and compared to eliminate duplicate codes and incorporate conceptually similar codes into potential themes. Analytical coding enabled the researcher to explore, identify and construct the broad categories to establish themes. This was followed by an examination of the findings to identify the data extracts that fitted a particular theme. For example, participants reported that “SMEs do not have sufficient collateral” or “banks prefer collateral that is a piece land with gold land title and located in a big city.” Thus, these phrases could be grouped under the caption “lack of collateral.”

Fourth, the six candidate themes and subthemes were identified and reviewed several times to ensure that they were linked to the interview data with supportive and representative quotations. At this stage, the researcher went back and forth between codes and raw data to identify themes while gathering all extracts of data relevant to each potential theme (Creswell, 2018). At the same time, codes were also reviewed and compared to identify common features that appeared worthy of analysis, and to remove any redundant codes.

Fifth, the six final themes and subthemes were reviewed and developed by checking whether they worked in relation to the coded extracts (Braun & Clarke, 2006). The number of themes reflects the quality and richness of data (Braun & Clarke, 2021). Thus, the six final themes were:

- Theme 1: Nature of SMEs
 - Subtheme 1.1: Lack of collateral
 - Subtheme 1.2: Informality
 - Subtheme 1.3: High information asymmetry

- Theme 2: Lack of financial literacy
- Theme 3: Underdevelopment of financial markets
- Theme 4: Misuse of funds obtained through loans
- Theme 5: Lack of specific policies and insufficient support systems
- Theme 6: *Souy Dai*

Six themes addressed Research Question 1, while Themes 1 – 3 addressed Research Question 1.1, Themes 4 and 5 addressed Research Question 1.2 and Theme 6 addressed Research Question 1.3.

Before moving to the discussion section, the entire data set was again carefully reviewed to consider relationships between the key themes relating to the research questions. Each theme's name was refined several times to ensure that the themes were concise and made sense (Braun & Clarke, 2006).

Sixth, the final stage of data analysis involved the write-up of the report.

3.5 FINDINGS

This section addresses Research Question 1: How do key barriers to pre-and post-credit access impact SME growth?

The findings reveal that in relation to pre-credit access, the typical characteristics of SMEs (e.g., lack of collateral, informality, and high information asymmetry) and lack of financial literacy were the key demand-side constraints, while underdevelopment of financial markets (e.g., lack of consultation and insufficient support) were the key supply-side constraints. In relation to post-credit constraints, misuse of funds obtained through loans, lack of specific policies, and insufficient supporting systems were the key factors leading to overdue loan repayments and loan defaults. In addition, *Souy Dai* was found as the most critical strategy to facilitate SME owners/managers in successfully accessing external finance.

3.5.1 Pre-Credit Access Constraints

This section addresses Research Question 1.1: How do the demand-side and supply-side constraints to pre-credit access faced by SMEs hinder their success in access to finance and growth in the Lao PDR?

Three emergent themes and subthemes were identified for both demand-side and supply-side constraints in the pre-credit access constraints, as shown in Table 3.1

Table 3.1: Coding Examples, Subthemes, Themes, and Aggregate Dimensions

Coding Examples	Subthemes	Themes	Aggregate Dimension
<ul style="list-style-type: none"> – Lack of collateral – Insufficient collateral – Collateral: land but without registered land title – Collateral: land with registered land title but not located in a big city 	<p><i>1.1 Lack of collateral</i></p>	1. Nature of SMEs	Pre-credit access constraints
<ul style="list-style-type: none"> – No proper business registration – Avoiding paying annual fees for business registration – Avoiding paying tax and customs 	<p><i>1.2 Informal SMEs</i></p>		Demand-side constraints
<ul style="list-style-type: none"> – Cash economy or cash in hand – No bank account – No bank statements – No bookkeeping/accounting records 	<p><i>1.3 High information asymmetry</i></p>		
<ul style="list-style-type: none"> – Less understanding of financial products – Poor financial management skills – Ineffective financial management – Unaware of high intermediation costs 		2. Lack of financial literacy	

Coding Examples	Subthemes	Themes	Aggregate Dimension
<ul style="list-style-type: none"> – Insufficient financial information provided – Lack of a general format to guide borrowers – Service charges not well explained – Time-consuming – First interest charge is not well informed – Loan application process is difficult to understand – Procedures are not well explained – Assessment criteria are not well explained 		3. Underdeveloped financial markets	Supply-side constraints
<ul style="list-style-type: none"> – Do not follow business plan – Personal expenses – Increase social status (e.g., buy car, house, join club) – Gambling – Pay off previous debts 		4. Misuse of funds obtained through loans	Post-credit constraints and SMEs growth
<ul style="list-style-type: none"> – Land policy – New business regulation (no. 15) – Lack of specific policy to support SMEs – High costs involved in loan application 		5. Lack of specific policies and insufficient support systems	
<ul style="list-style-type: none"> – Establish relationship with bank staff – Incentives, benefits and money offered – Seek support from government sector, development partners and business associations – Bank staff help in writing business plan – Bank staff provide extra help in exchange for incentive 		6. <i>Souy Dai</i>	Strategy used by SMEs to gain better access to finance

Theme 1: Nature of SMEs as a Demand-Side Constraint

Theme 1 sought to understand the main demand-side constraints when SMEs apply for external credit. This theme consisted of three subthemes: 1.1: Lack of collateral, 1.2: Informality, and 1.3: High information asymmetry.

Subtheme 1.1: Lack of Collateral

SMEs often struggle to survive, grow and compete externally without sufficient capital. Because of their nature, SMEs typically lack tangible assets compared with larger enterprises. Thus, lack of collateral to support loan applications appears to be the biggest obstacle in terms of demand-side constraints, preventing most SMEs from obtaining external financing, as highlighted by the participants below:

Collateral is the most important factor to support lending and to mitigate future risks. Banks cannot trust SMEs and banks cannot rely only on the financial histories provided by SMEs as they show less transparency. Interviewee 24

Regarding types of collateral, banks always prefer land with a “gold title” or registered land title issued by local government. However, although some SMEs could provide appropriate collateral (land) to support their loan applications, the banks still rejected their applications because the land was not located in a city. Two participants commented:

Without collateral, SMEs will fail to borrow money from banks because the famous type of collateral required by the commercial banks is a land with title registration. Interviewee 08

Bank prefer land as the collateral to support lending, and our bank requires the land certificate with gold title that is in the capital city or big city only. Interview 25

Given the stringent requirements for collateral, many SMEs that fail in their application for external finance must rely heavily on internal sources of funding such as family or friends or other

informal sources. These SMEs face more difficulty in growing to the next level or expanding to international markets:

SMEs, especially small ones, do not have collateral support for borrowing. Thus, they turn to borrowing from their family members and friends. Interview 05

Many SMEs gave up applying for a bank loan, especially for SMEs Promotion Fund, because the criteria and lending process are too complicated, lengthy, and time-consuming. They then chose to borrow from private financial institutions and microfinance or informal lenders as they are more convenient and shorter processes, but the interest rate might kill them. Interview 25

Subtheme 1.2: Informality

A second major barrier to credit access was the informal nature of most SMEs. According to participants, informality not only limits SMEs' access to formal funding but also prevents them from accessing loans with the lowest interest rates and longest lending conditions, such as funding provided by the SME Promotion Fund or the World Bank. This is illustrated below:

Many Lao SMEs are informal, as they do not have business registration, which makes it difficult to apply for bank loans. Without business registration, SMEs are faced with many difficulties in providing documents to support loan applications. Interviewee 07

Many Lao SMEs are informal, which becomes one of the most significant barriers to access formal credit that provides long-term lending with low-interest rates. Interview 12

The reason SMEs stay informal is that they believe that applying for business registration is complex, creates an administrative burden, wastes substantial time and involves monetary costs. Moreover, the "majority of SMEs are family businesses and never receive any special incentive from the government to motivate them to apply for business registration" (Interview 22). Thus, SMEs may prefer to stay informal because they gain extra benefits (e.g., avoid paying tax) over the formal SMEs. However, SMEs may not be aware of the importance of business registration until they seek formal credit. For example, participants indicated:

Most of the private sector are the micro and small SMEs with only 2 to 5 employees, and they all are family members, which covers 90 to 95% of the number of SMEs all around the country. They are very small and not consistently operating business or producing the product, based on the agricultural season. Thus, how the World Bank and the Lao government force them to become formal requires them to pay very high annual fees for business registration and taxation. Interviewee 32

SMEs intend to stay small and informal, as they believe that they can gain some benefits. Interview 36

Subtheme 1.3: High Information Asymmetry

High information asymmetry was another common characteristic of SMEs, hampering their access to external finance. Most participants reported that high information asymmetry occurred when SMEs were unable to provide detailed financial records, for example, reliable financial statements, bookkeeping, or credit histories when applying for formal credit. Poor documentation in loan applications was one of the common factors explaining why most SMEs failed to obtain bank loans:

SMEs inevitably face many challenges in accessing formal funding because they do not have bank accounts, bank statements, and proper business plans. Interviewee 13

Many SMEs never practice bookkeeping. They only know raw material prices and selling prices, but they do not know how much they actually gain from their businesses each month. This causes very difficulty for us (banks) to analyze their regular incomes and expenses. Interview 20

High information asymmetry exists because many transactions are concluded through cash in hand when SMEs buy and sell products. Thus, many SMEs do not have bank accounts and have little intention to use transaction banking because of their informality (avoiding paying tax). Moreover, they do not have a clear business plan and lack know-how on bank products and services. As a result, formal lenders know very little about potential borrowers (SMEs), while SMEs lack

information about banking and services. Consequently, most SMEs are unsuccessful in their attempts to access bank loans. This was explained further by participants:

The everyday business activities of SMEs comprise buying and selling products through cash, and if they need a small amount of investment, they borrow from relatives, friends and informal lenders, which is very convenient for them. Thus, when they wish to grow bigger, SMEs do not have money to expand the businesses and cannot borrow money from those mentioned people. Therefore, they decide to approach formal lenders without any plan and any knowledge. Also, SMEs that are proud of their previous success usually have overconfidence and overestimate their future business plan. Interviewee 28

The most important reason that caused SMEs to be unable to access external funding is the lack of bank statements as many SMEs trade through cash and do not use transaction banking. Thus, they do not have financial details to support their loan applications. Interview 39

According to the interviews with bank staff, high information asymmetry SMEs are perceived as less attractive by banks because of the high uncertainty and risk associated with their financial activities and prospective investment projects. Thus, high information asymmetry was ranked as one of the top three barriers to SMEs' debt credit applications. This is reflected in the statements below:

We have to understand that banks are doing business, and the money banks lend to SMEs or individuals comes from deposits of banks' customers. Thus, banks must secure that loan from non-performing loans. Interviewee 10

SMEs never plan that one day in the future, they will borrow money from banks. Thus, SMEs never practice bookkeeping or use bank services for making transactions as they believe it is inconvenient and may cost some expenses. Banks understand SMEs perceptions and know \ that they do not have financial records and cannot write business plans, but banks do not understand why SMEs were not sure how they would use the loan, which implies potential high-risk borrowers. Interview 24

Theme 2: Lack of Financial Literacy as a Demand-Side Constraint

Most participants agreed that the second demand-side constraint that restricted their access to external credit was the lack or low level of financial literacy. The lack of financial literacy of SME owners included little understanding of financial products, poor financial management skills, ineffective financial decisions, and lack of awareness of the high intermediation costs (banks might charge fees for monitoring and enforcing loan contracts). This was explained further by participants:

Lack of financial knowledge results in SMEs not knowing what the benefit margin of every month and every year would be and never practice bookkeeping. As a result, they cannot provide financial documents to support their loan applications. Interviewee 28

I think Lao SMEs have a low level of financial literacy, and financial literacy is related to education levels. Interview 47

Inadequate financial literacy of SME owners/managers would include limited ability to acquire additional information related to funding sources with low interest rates and long-term lending. Further, it would prevent SME owners/managers from providing documents to support the loan application (e.g., no bookkeeping or business plan) and decrease their understanding of loan procedures. Thus, SME owners/managers with low or lacking financial literacy tended to have less abilities to convince bank staff and would be more likely to borrow a large amount without a proper business plan. Therefore, good loan conditions, such as those obtained from funding sources such as the SME Promotion Fund, were difficult to access for SMEs:

I think the key challenge is the knowledge of financial literacy. I rarely see any “wow” client case that SMEs have financial literacy. To be specific, SMEs do not have bookkeeping or financial records to track their income and expenses. Most businesses do not provide bills with tax and VAT included to customers because the businesses are informal. When banks request for bills from SMEs, mostly banks receive not formal bills, but bills that are less accurate. Interviewee 24

I am sure that the current funding options available to SMEs are sufficient as the commercial banks have enough money to lend to SMEs with a good business background

and high social status. For example, BCEL bank and Lao Development bank have money for lending to their customers; still, they prefer to lend to medium-sized SMEs and large enterprises with financial track records, stable income, and sufficient collateral. Interview 05

Financial illiteracy is a significant problem for banks regarding profitability and loan repayments. Many participants pointed out that most SMEs that were unsuccessful in their application for a loan did not have financial literacy and their business practices were considered outdated and less likely to adapt to current business environments. Two participants commented:

Financial literacy is a very important skill for SMEs when applying for bank loans; banks will ask for their regular incomes, expenses, and profits. Interviewee 07

Financial literacy is fundamental knowledge for SMEs, but most of them do not have it. From my experience, I rarely see any 'wow cases' of SMEs walking in with some knowledge of financial literacy. This leaves lots of concern to us. Interview 24

Theme 3: Underdeveloped Financial Markets as a Supply-Side Constraint

The market frictions in less developed financial markets include inadequate availability of financial products, high borrowing costs, stringent requirements for collateral, and lack of individual consultant support. Thus, from the borrowers' perspective in this study, most funding from formal credit providers, such as banks and financial institutions, was for working capital needs rather than for long-term expansion or investment. Two participants commented:

The current funding options available to SMEs are insufficient to meet the needs of SMEs. SMEs can only borrow for a short-term period, which is for 1 to 3 years. Interviewee 17

We cannot provide lending to SMEs doing business in the rural areas as we do not have an office in each province, and we do not have much staff to follow up with SMEs every 3 months, 6 months, 9 months, and a year. Interview 25

Loan applications and the procedures associated at commercial banks are difficult to understand, time-consuming, and involve many documents and approvals from local authorities. This reflects the underdevelopment of the financial market—one of the main reasons for SMEs' lack of success in, or discouragement from, applying for formal credits:

SMEs ... complained that ... formal sources of funding, especially the commercial banks, create very complicated loan applications, requiring ... many documents to support the bank loan, and the process of lending is very slow and cumbersome. Interviewee 06

Many documents were required by banks to support loan applications. Also, SMEs have to go to many local authorities' offices to get stamp and signature approval in order to fulfill loan application form. Interview 29

The participants further revealed that information about funding sources with low interest rates available to SMEs tended to be limited, loan applications lack general format guidelines, and applications for a bank loan were costly with hidden charges:

There are only a few funding options from commercial banks available for SMEs, with the same loan conditions that apply to large enterprises, for example, the same services fees, high interest rates, and short-term lending only available to SMEs. Interviewee 08

Banks required many documents to support loan applications. Also, SMEs have to go to many local authorities' offices to get stamp and signature approval to attain loan application forms. Interview 29

A further constraint on the supply-side was the requirement for SMEs to provide a high value of collateral. Banks preferred land with a “gold title,” namely, with the stamp and signature indicating registered approval of the local authority. However, this was a costly and time-consuming bureaucratic process:

To borrow money from banks, SMEs need to get the signature and approval stamp from the village and district authorities, and fees are 10% of the total loan. It is a very expensive and long process of preparatory documents for applying for external credits. In the end,

SMEs may receive only 70 to 80% of total money borrowing, but they have to pay 100% back to the bank plus the interest. Interviewee 08

It takes longer, and without the approval and stamp from the department of the land and local court, the bank cannot move to the next step of loan procedures. Interview 24

Most participants indicated commercial banks provided less special support, and all administration or services fees were charged to the SMEs. This not only discouraged SMEs from accessing external finance but also limited their potential growth. For example, two participants indicated:

I think the commercial banks are not willing to support SMEs. Banks are still picky and choosy with their customers. Banks are still not open to or welcome the new SMEs that do not have credit or social status. Banks tend to lend money to large enterprises or SMEs that have relationships with banks. Interviewee 10

Banks do not have any specific policy to support SMEs access to funding because banks apply the same rule to every customer, which discourages SMEs from applying for a bank loan. Banks also do not have any expertise to follow up or provide advice to SMEs after the loan has been approved. Interview 46

3.5.2 Post-Credit Constraints and Growth

This section addresses Research Question 1.2: How do the post-credit constraints faced by Lao SMEs impede their growth after a loan has been granted?

Two themes emerged from the findings: Theme 4: Misuse of funds obtained through loans and Theme 5: Lack of specific policy and insufficient support from the government, as shown in Table 3.1.

Theme 4: Misuse of Funds Obtained through Loans

All participants concurred that misuse of loans by many SMEs was the most significant indicator of overdue loan repayments or loan defaults. Overdue loan repayments or loan defaults result from money being used for the wrong purposes after the loan was granted. According to participants:

...misuse of funds refers especially to micro and small SMEs whose owners/managers have a low level of education and little business experience, using a loan wrongly, such as not following business plans. For example, they use the loan to upgrade their social status, such as buying a car, or house, and joining clubs and gambling, as they seem to forget that they have a debt to repay with interest. Interview 26

Many SMEs tend to use loans to buy cars or houses instead of spending on business expansion. Consequently, they could not make a regular loan repayment to the bank; they then intended to borrow more from another bank, which caused more debts to repay at the same time. Interview 31

Other participants agreed:

SMEs use money in the wrong way. I think many SMEs receive money from banks and do not follow up with their business plans. These SMEs tend to use the money to travel, buy tangible assets and upgrade their social status by spending more money on social life or spend more than they earn. Interviewee 12

Participants also disclosed that the low level of both financial literacy and financial management also affected loan repayment. Instead of using the loan for business expansion, many SME owners/managers tended to use the new loan to pay off the existing debts:

Some SMEs cannot repay the bank when they have money because they tend to use that money to buy tangible assets, repay other debts, for gambling, and so on. Interviewee 32

In addition, most bank staff reported that many SMEs had an unclear vision about new project investment and market access strategy. They borrowed money for expanding one business but instead invested in another business. This commonly happened when SMEs saw the opportunity to gain benefit from the second project without clearly evaluating its pros and cons. This caused

many of them to fail in their investment, resulting in overdue loan repayments, which in some cases become loan defaults:

SMEs use the money for the wrong purpose. At first, SMEs borrow money from banks to expand Business A, but they use loans on Business B when funding is approved. When Business B does not go well, SMEs might fail to make repayment. Interviewee 23

Theme 5: Lack of Specific Policies and Insufficient Support Systems

A common report from the participants was that macroeconomic development had an impact on loan repayment. While many participants believed that the Lao government was attempting to revise and improve policies and support systems to enhance the capacity of SMEs and support their growth, some of these policies appeared to put more pressures on SMEs rather than assisting them:

During the implementation of the new regulation issued by the prime minister (Degree No. 15), 30 SMEs in our association were unable to survive as they could not access finance, which negatively impacted their business activities. Interview 04

External factors also play an important role in SMEs' business operations. Whenever the government improved or changed the regulations or revised the business law without sufficient dissemination, many SMEs struggled to follow or adapt to the new policy and regulatory revision, as they do not receive such information. Interviewee 20

As SMEs are different in sector, industry, and size, they require a tailored mix of financial and non-financial policies to enhance competitiveness. However, most of the participants revealed that lack of specific policy support for SMEs, particularly regarding access to finance, insufficient information about funding sources, and the high cost of bureaucratic administration associated with supporting documentation for loan applications, limited or discouraged SMEs from accessing formal sources of finance:

All the fees are applied in the same way or charged at the same rate for micro, SMEs, and large enterprises. I just want to emphasize that there is no special policy or promotion from the government to support SMEs' access to formal credit. Interviewee 09

There is no special assistance policy from the government to support SMEs when their businesses are facing problems. Even though some SMEs receive big orders from customers (without external credits and special supports from the government), SMEs always fail to meet customer demands. They cannot go beyond their current business sizes.
Interview 16

Participants also pointed out that some of the government's new policy and administration processes related to credit access were still complicated, time-consuming, and with high administration costs. For example, new business regulations related to land registration created more challenges for banks and impeded their access to formal funding sources:

All policies created to provide general support to SMEs are difficult to apply, as SMEs are different in terms of size, industry, and investment. Some regulations and laws are based on developed countries that do not match the [local] situation and are very difficult to follow. Moreover, some government incentives are intended to support large enterprises, for example, exclusion of the tax fee for 1 to 3 years if investors import or export high-value products, but SMEs may not be able to do that. Interviewee 19

I think the bank did not receive much support from the government, and an ineffective legal system caused banks to avoid lending to micro and small SMEs that have high information asymmetry and have insufficient collateral to support loans. Interviewee 44

Further, ineffective rules and enforcement mechanisms were found to be the reason that banks created complicated loan application procedures and tough criteria to reduce non-performing loans and loan defaults, as raised by most bank participants:

I think the bank did not receive much support from the government, and an ineffective legal system caused banks to avoid lending to micro and small SMEs that have high information asymmetry and have insufficient collateral to support loans. Interviewee 44

3.5.3 Strategies Used by SMEs to Access Credit

This section addresses Research Question 1.3: How does the strategy used by SMEs enhance the success of access to external finance?

The finding discovers that *Souy Dai* was the common strategy use by SMEs to facilitate access to external sources of finance, as shown in Table 3.1.

Theme 6: *Souy Dai*

All interviewees were asked to describe SMEs' key strategic approach when they succeed in applying for formal loans. Most participants mentioned the unique but common strategy of *Souy Dai*. *Souy Dai* refers to the situation in which one individual does something in exchange for another individual who helps them. Thus, a key characteristic of *Souy Dai* in this context is the offered incentive. Therefore, *Souy Dai* was found to be a significant strategic approach, and played a vital role in helping SMEs successfully obtain funding from formal sources:

The application will never go through the screening process if SMEs do not agree to pay some extra money to the banks' staff. Interview 05

Ten years ago, when I first applied for loans, I did every process and provided almost all required documents to the bank, but I was not successful. At that time, I could only complete 70% of the loan processes, and thus, I used the *Souy Dai* strategy by offering some incentives/benefits to the bank staff to help me succeed. Interviewee 31

According to the participants, *Souy Dai* creates the possibility that in exchange for benefits offered, the SME might receive extra support from the bank staff or manager, relaxation in terms of document requirements and a reduction of the complicated screening process. This is evidenced by the statements below:

Another strategy that SMEs use is building up the relationship with the bank staff or manager to ask for a favor from them when the documents supporting the loan application are missing or cannot be provided. Interviewee 06

SMEs with a great business network will have a high opportunity to receive more special supports and have a high chance of success when applying for bank loans compared to those who do not have one. Interview 44

Besides *Souy Dai*, another strategy was to access all existing support from the government, business associations, and non-government organizations (NGOs). Most participants also emphasized that SMEs with a high level of education and financial literacy would carefully study the funding types and lending conditions and thus would be more likely to succeed in obtaining credit without relying on *Souy Dai*:

SMEs that have high education can understand loan applications, the required documentation to support the loan, and loan procedures can prepare the documentation that the bank needs. Interviewee 04

I think SMEs who successfully borrow money from banks will know how to prepare the required documents. Those SMEs will research which banks have provided supports to the types of their businesses; they then compare the criteria and the interest rates from each bank before they apply for the loan. Interview 31

However, most participants were concerned that incentives, such as SMEs offering benefits to the bank staff or vice versa might lead to less transparency of a bank's procedures in providing loans to SMEs and thus, could be considered supply-side constraints:

I just want to share that some of the banks' lending procedures are less transparent. For example, SMEs need to commit to giving at least the 10% of the total loans to the bank staff if they want their loan applications to be successful. If they refuse, there is a higher chance that their loan application will be rejected. Interviewee 08

From my observation, I think some of the bank's lending procedures are not transparent. Some banks' staff make more complicated procedures and take a longer time to evaluate loan applications as they want SMEs to offer some benefits to them. Interview 17

3.6 DISCUSSION

This section addresses Research Question 1: How do key barriers to pre-and post-credit access impact SME growth?

The following section provides a discussion to address Research Questions 1.1, 1.2 and 1.3.

3.6.1 Pre-Credit Access Constraints

This section addresses Research Question 1.1: How do the demand-side and supply-side constraints to pre-credit access faced by SMEs hinder their success in access to finance and growth in the Lao PDR?

3.6.1.1 Nature of SMEs as a Demand-Side Constraint

By their nature, SMEs are relatively informal and resource-constrained and they operate in a non-transparent manner, using untried business models, with high volatility in earnings and insufficient collateral. Consequently, they are perceived by formal lenders as riskier, with high business insolvency compared with larger firms (Berger & Udell, 1998; Bernini & Montagnoli, 2017; Hyttinen & Pajarinen, 2008; Love et al., 2016). Borrowing difficulties can be one of the significant barriers to starting and running the business for SME in the Lao PDR. Borrowing difficulties can also constrain their ability to make investments and enhance their competitiveness and growth.

The findings highlight that stringent collateral requirements were the foremost reason why SMEs' loan applications were rejected. This is a new finding in the context of Lao PDR, which is a surprising finding given that most of the participants, including the representatives from banks and financial institutions, indicated that banks used collateral in loan contracts as the main screening mechanism to distinguish between high-risk and low-risk SMEs. The findings show that collateral requirements are very demanding in some commercial banks, and a loan application assessment is based on the collateral value. SMEs, by their natures, are being perceived by banks as high-risk,

and thus collateral is the only factor that could provide a guarantee to banks and offset the loss in the case of loan default. This finding is somewhat consistent with the literature, indicating that the lack of collateral prevents SMEs from accessing formal sources of finance (Beck & Demirgüç-Kunt, 2006; Chan & Kanatas, 1985; Hussain et al., 2018; Love et al., 2016), and the amount of collateral required by banks in less developed countries is determined mostly by the SMEs' characteristics and high-risk SMEs (Hanedar et al., 2014).

In the context of Asian emerging countries, particularly the Lao PDR, the analysis sheds new light on existing literature by revealing that financial products and services do not meet the nature and needs of SMEs, resulting in high collateral requirements. Importantly, this finding challenges the common assumption that providing adequate collateral will increase the probability of success in being granted a bank loan (Rahman et al., 2017; Woldie et al., 2012). This study's findings extend prior studies on pecking order theory (e.g., Agyei et al., 2020) by identifying that having sufficient collateral may not guarantee loan contracts in the Lao PDR, where financial markets are relatively fragile and underdeveloped. This makes sense when banks and other credit providers heavily rely on registered land title pledges (Gold title) and prefer land located in large cities as collateral to increase loan security and mitigate high default rates. Other possible explanations could be that the stringent collateral requirements lead to the lack of innovative lending, making bank loans unattractive to SMEs.

High rates of informality were another characteristic of SMEs that restricted their access to formal credit, particularly loans from the SME Promotion Fund, with low-interest rates and long-term loan conditions. Prior research reported that informal firms could have some benefits over registered firms because of the poor institutional environment (Distinguin et al., 2016), and informal SMEs in low-income countries often fail to receive incentives and regulatory support when accessing bank loans (Nguyen et al., 2019). In the context of Lao PDR, this finding is slightly different from prior research, which found that the high rate of informal SMEs comes from high benefits received and informal SMEs enjoy competitive advantages, thereby creating an uneven playing field over registered SMEs. This reflects the inconvenience of applying for business registration as they are complex, time-consuming, and incur high costs. Another explanation is that most SMEs are small family businesses, and many do not have a consistent business operation.

Thus, they do not have the regular income to pay annual business registration fees, taxation, and regulatory compliance fees. Therefore, this has caused many SMEs to choose to remain informal. However, when SMEs seek to expand, they confront some constraints, for example, when applying for bank loans.

High information asymmetry is another new finding in the context of Lao PDR. The finding showed that high information asymmetry is one of the top three demand-side constraints causing unsuccessful access to finance. This finding adds to existing studies (e.g., Ndiaye et al., 2018), indicating SMEs have high information asymmetry compared with larger firms because of a lack of detailed financial records, in two factors. First, high information asymmetry in the Lao PDR results from many informal SMEs and their unwillingness to use bank transactions to avoid paying tax. Second, most SMEs buy and sell products using cash or cash in hand (cash economy). SMEs, especially micro and smaller enterprises, believe that a cash economy is the most convenient, secure, and least time-consuming method of buying and selling products. This is a common business practice in Lao PDR, with ineffective administration of payroll taxes and less motivation to use bank services. The findings also provide evidence that most SMEs familiarly borrow money from family members, friends, or informal lenders to facilitate their business operations. Thus, when they wish to apply for a bank loan, they do not have reliable evidence, such as bank accounts, bookkeeping, credit histories, nor do they have clear business plans to support their loan applications.

3.6.1.2 Lack of Financial Literacy as a Demand-Side Constraint

Numerous studies, indicating that SMEs without financial literacy often fail to meet loan conditions (Adomako et al., 2016; Deakins et al., 2010; Fraser et al., 2015; García-Pérez-de-Lema et al., 2021). The findings from this study are somewhat different from these prior studies by showing that the lack of financial literacy is another demand-side constraint that directly correlates with the lack of basic financial knowledge and less experience of SME owners/managers in using financial products and understanding loan application procedures and criteria. This means most SMEs are unable to understand bank requirements such as credit histories, bookkeeping, and bank statements to support loan applications. The finding also highlighted that most Lao SMEs are

unfamiliar with the basics of budgeting because they have never practiced bookkeeping or budget planning, given that most owners started their business by drawing on their own savings or borrowing from family and friends or informal lenders. Thus, when SME owners/managers who lack financial literacy apply for a bank loan, they tended to borrow large amounts without a business plan for future investment and detailed information on regular incomes. A lack of financial literacy could also infer a lack of financial management (or risk management) skills, which results in loan rejections. This is because SMEs could not convince banks of credible future business expansion plans and their capabilities to make a regular loan repayment. This is considered a new finding in the context of Lao PDR.

3.6.1.3 Underdeveloped Financial Markets as a Supply-Side Constraint

Underdeveloped financial markets emerged as a new finding in this study. The results added new knowledge to the previous studies that adopted pecking order theory to investigate barriers to credit access, e.g., high information asymmetry faced by SMEs (for example, Baskin, 1989; Saif-Alyousfi et al., 2020), by revealing that banks apply the same one-size-fits-all standards for lending conditions to all clients across industries, whether small, medium, or large. The underdevelopment of the Lao financial market is also reflected in the traditional lending model used by most banks. Under this phenomenon, there is insufficient information provided to potential applicants about lending or funding sources, inadequate availability of financial products, and a lack of consultation services to meet the needs of SMEs across industries. This traditional lending method limits SMEs' opportunities to obtain bank loans, especially loans with low-interest rates, such as those provided by the SME Promotion Fund. The findings also revealed that in financial markets where banks are often subject to ceiling interest rates and have the potential to select clients, they tend to favor lending to the large companies to ensure receiving profitable returns on their lending.

It is clear that SMEs in the Lao PDR experience pre-credit access constraints resulting from biased lending criteria, complex loan application procedures, stringent collateral requirements, high-interest rates, and high administration costs. This implies that SMEs receive a meager share of funding compared with large enterprises that have more credit and high business profiles.

3.6.2 Post-Credit Constraints

This section discusses the study findings to answer Research Question 1.2: How do the post-credit constraints faced by Lao SMEs impede their growth after a loan has been granted?

The literature highlights the positive impact of access to credit on SMEs' competitive advantage and growth (Allini et al., 2018; Hussain et al., 2018; Ipinnaiye et al., 2017; Kachlami & Yazdanfar, 2016; McKelvie & Davidsson, 2009; Yazdanfar, 2013). However, studies on post-credit constraints and SME growth are scarce. In the context of AEEs particularly Lao PDR, most SMEs are run by owners who lack financial literacy and experience insufficient support from institutions. Thus, the results of this study shed new light on post-credit constraints and SME growth.

3.6.2.1 Misuse of Funds Obtained Through Loans

The misuse of funds obtained through loans is a new finding of this study. Misuse of funds obtained through bank loans is the most serious problem in terms of post-credit constraints in the Lao PDR. The findings revealed that micro and small SMEs tend to spend loan money for the wrong purposes, for example, on personal expenses, luxury goods, and gambling, which resulted in NPLs or loan defaults. This is because most Lao SME owners lack financial literacy and financial management skills, do not practice bookkeeping, and experience insufficient support from institutions. Thus, an imbalance occurs between income and expenses. This finding is partially consistent with the results of prior studies (e.g., Baidoo et al., 2020; Schwab et al., 2019), which report that low levels of education, financial illiteracy, and insufficient experience prevent SME owners/managers from expanding business operations, thereby resulting in overdue loan repayments or bankruptcy. In Lao PDR, this study found that many SME owners/managers tended to use bank loans to pay off existing debts, especially informal lenders' debts. Because of credit access constraints, SMEs rely heavily on informal debt because of its relative convenience, lower initial transaction fees, and less stringent collateral requirements than banks. However, misuse of funds leads to NPLs or loan defaults as SMEs cannot repay loans, causing banks and other formal financial institutions to either create more complicated loan application procedures or avoid lending to SMEs. Consequently, SMEs with NPLs will be on the lists of bad credit borrowers and

cannot borrow money unless they pay off all their loans. Eventually, this leads to slower growth of SMEs.

3.6.2.2 Lack of Specific Policies and Insufficient Support Systems

Another new finding is that policies in developing financial markets are still in the early stages of implementation. Specific policy and support systems that promote access to finance and growth of SMEs across industries have yet to be widely implemented. The results also indicate that policies are undiversified and do not cater to the financing needs of SMEs at different business stages. Further, policies tend to focus on medium and large enterprises assuming to bring more returns to the national economy. For example, loans with low-interest rates and long-term lending conditions (up to 7 – 10 years) provided by the SME Promotion Fund were mainly accessible by medium and larger enterprises. Moreover, the results show that SMEs operating in rural areas do not receive information about such funding sources, which forces them to take on loans with high-interest rates.

The findings also indicate a lack of specific policies and ineffective support systems. This was evidenced by loan application conditions that require excessive documentation, are time-consuming, and incur high administration fees. The completion of loan contracts also involves many local authorities and is associated with hidden charges. Thus, the micro and small SME borrowers are more likely to give up seeking funding from external sources such as banks. This is because, despite the size of the loan being substantially smaller than that of large enterprises, the banks' administration fees are applied. This limits SMEs' capacity for expansion and can end in business failure. This finding is in line with Beck and Demirgüç-Kunt (2006), who noted that a less developed financial sector, ineffective legal systems, and regulatory burdens exert a negative influence on SMEs' access to finance and growth. Moreover, the high cost of borrowing and insufficient support from institutions represent the main external barriers to SMEs' access to finance (Wang, 2016).

3.6.3 Strategies Adopted by SMEs to Access Formal Credit

This section discusses the findings that answer Research Questions 1.3: How does the strategy used by SMEs enhance the success of access to external finance?

This study extends the literature on networking and credit access (Ebbbers, 2014; Qi & Nguyen, 2021; Wellalage et al., 2019) and on pecking order theory (e.g., Verwijmeren & Derwall, 2010; Serrasqueiro et al., 2011; Bhama et al., 2016) by shedding new light on *Souy Dai* as a strategic approach adopted by most Lao SMEs (both male and female owners/managers) when accessing bank loans. There are pros and cons to adopting *Souy Dai*. An advantage of *Souy Dai* is that it is a unique strategic approach based on informal networking. It typically refers to incentives (financial or otherwise) offered by SMEs to bank employees to establish a relationship. The ultimate aim is to increase the likelihood of securing a bank loan. This suggests that SMEs adopting *Souy Dai* to facilitate access to formal credit will receive better service (e.g., the relaxation of application criteria or a shorter time for the loan to be assessed) than those not engaging in *Souy Dai*.

The disadvantage of *Souy Dai* is that it is perceived as a supply-side constraint to pre-credit access. For example, *Souy Dai* is employed when SME owners/managers lack the capability to produce a comprehensive business plans, have an unsatisfactory financial records, and are unable to effectively present their project proposals yet want access to credit. *Souy Dai* is also used when loan officers implicitly want some benefits from SMEs which reflect on deteriorating client's conditions. Therefore, *Souy Dai* could be viewed negatively, given that SMEs rely on this practice when they cannot fulfill bank requirements or have "internal problems." This could be considered risky or could create future NPLs or loan defaults.

Jiangli et al. (2004) indicated that in Asian countries such as Korea and Thailand, SMEs benefit from establishing a business relationship with bank employees. Lobez et al. (2018) added that the financial shortcomings found in LDCs provide an opportunity for SME owners and bank managers to cooperate, sharing the granted loan for their personal purposes. Further, Slotte-Kock and Coviello (2010) observed that relationships and networks are associated both with progression (development, growth, and advancement) and regression (backward movement and deterioration). Thus, on the one hand, *Souy Dai* is as an intangible resource that allows SMEs to successfully

expand and grow. On the other hand, it can also result in high informal debt and the use of loans for other purposes. This could increase the adverse impact of bribe loan repayments through incentives bargaining power between loan officers and SMEs, which is a paramount concern.

3.7 IMPLICATIONS

3.7.1 Theoretical Implications

This study makes three contributions. First, the findings enrich the literature on the pecking order theory on external financing sources and credit access constraints by exploring the capital structure and SMEs' decisions to seek external finance sources. Prior research in this area has concentrated on internal finance sources which are preferred by SMEs because they are associated with high information asymmetry or rely heavily on tangible assets as collateral when seeking external finance (de Jong et al., 2011; Serrasqueiro et al., 2011; Zoppa & McMahon, 2002). This study's findings contribute to the emerging literature on SMEs' access to external finance as the crucial finance choice to facilitate business expansion (Agyei et al., 2020; Saif-Alyousfi et al., 2020), by revealing that *Souy Dai* in an informal network serves as a critical strategy and create opportunities to facilitate access to bank loans.

Second, empirical studies on the pecking order theory of credit access suggest that high information asymmetry, which is a typical attribute of SMEs, could be one of the main reasons for the rejection of loan applications (Agyei et al., 2020; López-Gracia & Sogorb-Mira, 2008; Saif-Alyousfi et al., 2020; Shyam-Sunder & Myers, 1999). This study extends the existing research by providing new insights into the understanding of high information asymmetry that not only comes from demand-side constraint (SME borrowers) but is also a constraint from the supply-side (e.g., from banks and other formal lenders) because of the underdevelopment of financial markets. The study emphasizes that high information asymmetry arises from the poor availability of financial technology and financial products and services as well as the absence of innovative lending technologies. This leads to stringent collateral requirements, thereby discouraging SMEs from using banking services.

Third, this study contributes to the pecking order theory of the influences on firm growth of credit access (Sanchez-Vidal & Martin-Ugedo, 2005), external debt influences (Berger & Udell, 1998; Yakubu et al., 2021), and high information asymmetry (Bhama et al., 2016), by showing that financial literacy helps mitigate high information asymmetry in the pre-credit access constraints and financial management skills help decrease NPLs in the post-credit constraints. The study's findings emphasized that SMEs with financial literacy will practice proper accounting, e.g., bookkeeping, financial records at an appropriate level, and understand financial products when seeking bank loans. This helps in mitigating high information asymmetry between SMEs and financial institutions in the pre-credit access constraints. Furthermore, SMEs who have financial management skills have a better understanding, evaluation, and management of financial resources (including debt capital) needed for business operations and avoid using the loan for wrong purposes. This helps in decreasing the number of NPLs in post-credit access constraints.

3.7.2 Practical Implications

This study has several implications for SME owners, banks and financial institutions, and government.

The implication for SMEs is that to be successful in obtaining bank loans, SMEs should have proper accounting and business registration. This would ensure greater access to up-to-date financial information, training and workshops, as well as to loans with good conditions, such as those provided by the SME Promotion Fund. It is strongly suggested that SME owners/managers improve their financial literacy (to enable the maintenance of bookkeeping records and the use of transaction banking) and improve financial management skills (to gain a better understanding of loan applications and conditions), thereby mitigating the issue of high information asymmetry and raising SMEs' awareness of investment costs, expenses, and profits. SMEs could access training on financial literacy and financial management skills provided by the LNCCI or the SME Service Center, and the Department of Small and Medium Enterprises Promotion (DoSMEP).

As commercial banks and financial institutions are considered as the primary funding sources for SMEs, these entities should develop a greater variety of financial products and services that cater specifically to SMEs. First, they should diversify loan packages, modify the lending conditions (e.g., adjust interest rates and service fees), and invest more in innovative lending assessment pre-credit access. Second, the study also suggests that providing financial assistance and consultancy services both offline and online to prospective clients and/or SMEs will help mitigate the risk of NPLs and loan defaults in the post-credit constraints. Third, commercial banks and financial institutions should invest in innovative lending and payment systems, for example, developing an application. The application should provide information on loan applications, track loan procedures, and inform the borrower about monthly loan repayments and interest on pre-credit access. Moreover, the application should notify banks of SMEs repayment status and credit score, e.g., whether borrowers have “green status” (i.e., their loan repayments are regular), “yellow status” (loan repayments are overdue) or “red status” (NPLs) in the post-credit constraints.

The recommendations for the government of Lao are that policymakers and development partners should (i) conduct comprehensive research to explore SMEs of different sizes, at different stages of growth and in different industries to investigate why SMEs refuse to practice a proper accounting, as one policy does not fit all, (ii) conduct more research on encouraging SMEs to practice registered accounting and improving SMEs financial literacy; and (iii) the government should initially consider adopting credit guarantee scheme and lending mechanism protection to encourage SMEs access more to finance. This support will help educate SMEs about the importance of financial literacy and financial management skills (Adomako et al., 2016; Hussain et al., 2018), improve their ability to manage loans more effectively, and repay on time (Siekei et al., 2013).

3.8 LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

There are some limitations to this study. A qualitative methodology was used with 47 participants in Laos as the single context of this study. This is considered sufficient for an exploratory qualitative study; however, the findings cannot be generalized. The study should be extended to

investigate SMEs' access to finance and growth using a larger sample to enhance the generalizability of the results. Future studies could also overcome this limitation (e.g., sample selection bias) by employing quantitative or mixed methods research to investigate obstacles faced by SMEs to pre-credit access and post-credit constraints and growth in other industries and other contexts. Future research could also explore barriers faced by SMEs during the COVID-19 pandemic to gain a better understanding of key obstacles faced by SMEs in access to finance and growth.

3.9 CONCLUSION

This chapter extended the literature on barriers to SMEs' access to finance by exploring pre-credit access and post-credit constraints in the AEE, particularly in the Lao PDR context, through the lens of the pecking order theory. The chapter emphasized the significant influence of credit access on SMEs growth (Essel et al., 2019; Saffu et al., 2012; Tongkong, 2012). This has been confirmed by recent studies, which reveal that financial resources are crucial for SMEs' survival, competitiveness, and growth (IFC, 2017; Ipinnaiye et al., 2017; Lekkakos & Serrano, 2016; Ndiaye et al., 2018). The findings also indicated that the main demand-side constraints were the nature of SMEs and their lack of financial literacy, whereas underdeveloped financial markets were found to be the main supply-side constraints to pre-credit access. At the same time, misuse of funds obtained through loans and lack of specific policies and insufficient support were the key post-credit constraints. In addition, *Souy Dai* was found as the most critical strategy influencing SMEs access to a bank loan. Both pre-credit access and post-credit constraints can hamper the potential growth of SMEs.

Chapter 4: THE INFLUENCE OF NON-RESEARCH AND DEVELOPMENT-BASED INNOVATION ON SME GROWTH IN THE LAO PDR

This chapter discusses non-research and development-based (non-R&D-based) innovation as the second significant factor contributing to SME growth in the Lao PDR. The chapter begins by introducing the research background, followed by a literature review, and a discussion of the knowledge spillover theory of entrepreneurship. The thesis then presents and discusses the findings. Followed by discussing the theoretical and practical implications, limitations, ideas for future research, and conclusion.

4.1 INTRODUCTION

Innovation is complex and dynamic; it is also an essential driver of economic development (OECD, 2015; Segerstrom, 1991; Zhou et al., 2021). Innovation has been identified as the most effective strategy to ensure SMEs' competitiveness and long-term success (Falahat et al., 2020; Kale & Little, 2007). The literature on innovation suggests that the fundament of innovation is research and development (R&D), and greater investment in R&D leads to more significant innovation outputs (Audretsch & Belitshi, 2020; Deschryvere, 2014). Although R&D is essential for product improvement or the creation of new products, services, business models, and growth, scholars and policymakers may be ignoring the high risk and high investment associated with R&D (Booltink & Saka-Helmhout, 2018; Coad et al., 2016). Thus, the implications of research findings could be misleading when applied to non-tech or low-tech SMEs, especially smaller SMEs that are under-resourced and unlikely to have formal R&D units (Arundel et al., 2008; Rammer et al., 2009).

While innovation is typically linked to in-house R&D activities, it can also be associated with non-R&D activities (Thomä & Zimmermann, 2020). In fact, when comparing R&D and non-R&D firms, Arundel et al. (2008) note that non-R&D innovators spend less on innovation activities compared with R&D firms. More than half of all innovative firms from the survey of the 27 European Union (EU) member states did not carry out R&D, yet there was no difference in performance, as measured by change in revenue. Hence, scholars increasingly acknowledge that R&D is not the only innovation method, and innovative outcomes do not necessarily depend on high investments, but creativity, ingenuity, adaptation, and even improvisation (Liao, 2021; Xie et al., 2019). Most studies focus on non-R&D-based innovation in advanced economies (Lopez-Rodriguez & Martínez-Lopez, 2017), with a few studies being conducted in developing countries (Guo et al., 2017). However, this area has been largely neglected in the AEE context, particularly in the Lao PDR.

Empirical research shows that most SMEs resorts to less structured approaches to innovation (Carrillo-Carrillo & Alcalde-Heras, 2020; Tsuji et al., 2018). Informal innovation is more prevalent in the low- and medium-tech (LMT) sectors because of insufficient resources to fund in-house R&D (Hervas-Oliver et al., 2012; Hervas-Oliver et al., 2011). LMT industries refer to those with little or very limited expenditure on R&D investment and R&D intensities relative to value-added (OECD & Eurostat, 2005). Low-tech industries include textiles, clothing, leather products, furniture, and metal products, while medium-tech industries comprise electrical or non-electrical machinery, some chemical industries, and transport equipment (OECD & Statistical Office of the European Communities [Eurostat], 2005).

SMEs usually innovate through informal non-R&D-based processes of learning, absorptive capacity, experience-based know-how, and experimentation. This is also known as learning by doing, using, and interacting modes of innovation (Jenson et al., 2007; Thomä & Zimmermann, 2020). The advantages of non-R&D SMEs include less internal bureaucracy, competency in informal communication with suppliers and customers (Thomä & Zimmermann, 2020), and the acquisition of new knowledge from networking or technology transfer (Moilanen et al., 2014). Therefore, SMEs might innovate through non-R&D activities regardless of their size, resources, or physical location (Huang et al., 2010; Santamaría et al., 2009). Yet, there is limited research on

non-R&D SMEs in low- and medium-tech industries compared with research on high-tech industries with high R&D capacity. Particularly, the sources of external knowledge inflows for improving non-R&D innovation of SMEs in low and medium technology industries in the context of AEE and the Lao PDR are underexplored.

Importantly, since the notion of “Copycat” emerged in the 19th century, SMEs in emerging economies may have been seen more as copycat rather than non-R&D innovators due to their innovation starting from pure imitation to creative imitation and finally to novel innovation (Liao, 2020; Luo et al., 2011). Copycat productions refer to producers who copy all elements of other products such as product design, packaging design, brand name, and logo to take advantage of the reputation of the brand name (Horen & Pieters, 2017). Thus, the innovation capabilities of non-R&D SMEs in AEEs can be misleading. This could result in serious misconceptions, namely, that without formal R&D activities, a firm is considered non-innovative and/or tends to equate to a low-tech industry with limited innovation (Lee & Walsh, 2016; Santamaría et al., 2009). Further, it could create a “blind spot”, suggesting that SMEs may have fewer capabilities to produce significant innovation outputs because of the proposition that creating new knowledge requires a high R&D investment and scientific knowledge. As a result, how non-R&D SMEs in AEEs, particularly the Lao PDR, innovate remains an under-researched topic. Indeed, the concept of non-R&D-based innovation is not well understood by policymakers.

Thus, understanding how SMEs in AEEs innovate without significant R&D activities to leverage productivity and value-adding is not only essential for SMEs’ development, but also for policymakers to create suitable policies and promote SME growth. This chapter aims to bridge this gap by exploring the key knowledge sources and dominant non-R&D-based innovation activities that facilitate product and process development and growth of SMEs in LMT industries in the Lao PDR. The study concentrates on the Lao PDR because it is one of the fastest-growing AEEs, and a transitional economy with a large number of SMEs in non-R&D-intensive industries (Phimmahasay et al., 2017). Building on the knowledge spillover theory of entrepreneurship and existing literature on non-R&D-based innovations, the research questions guiding this chapter are:

1. How do key non-R&D-based innovation activities enhance product and process innovation?
 - 1.1 How do the primary sources of knowledge used by SMEs enhance non-R&D-based innovation?
 - 1.2 How do the dominant non-R&D-based innovation activities enhance product and process innovation and marketing adoption?

This study employed a qualitative methodology using semi-structured in-depth interviews. The sample comprised 47 interviewees, including SME owners/managers who carry out non-R&D innovation, high-ranking professionals in the government sector (MoIC, Ministry of Finance, the Bank of Lao, the private sector, business associations, the LNCCI, the SME Service Center, and commercial banks as well as experts from research and educational institutions in the Lao PDR.

The findings revealed that “know-who” is considered as the most significant source of new knowledge, e.g., for policy, up-to-date technology information and support system. “Know-who” is followed by “know-how”, acquired from family, friends, customers, trade exhibitions, business partners, and social media. The study also discovered that imitation innovation, online marketing innovation, and technology adoption are the crucial non-R&D-based innovation activities adopted by Lao SMEs to improve productivity and business expansion. The finding highlighted that through the process of imitation innovation, some SMEs (especially young SMEs) are able to generate tacit knowledge, cognitive skills and shift from imitation to creation. Importantly, the findings discovered that mixing online marketing innovation such as “electronic word of mouth” (eWOM) (using social media influencers and customers to review products), with “park tor park” (or verbal advertisements relying on existing customers to promote the products), are the most powerful marketing technique helping SMEs increase sales and access new customers. The findings also showed that medium-sized SMEs tended to invest in advanced technology, whereas smaller SMEs resorted to investing in cheaper technology and software to help facilitate their business operations.

This study makes three contributions to the innovation literature. First, prior research on non-R&D-based innovation indicates that external knowledge flows from customers, trade

organizations, personal networks (Moilanen et al., 2014), suppliers and external consulting staff (Hervas-Oliver et al., 2011). This facilitates new product development and enhances non-R&D activities. This study contributes to the current non-R&D-based innovation literature by identifying that “know-who” is the most critical knowledge source for accessing exclusive knowledge and the latest information, acquiring the right technology, and accessing the right experts and supporting systems to facilitate the process of non-R&D-based innovation.

Second, this study extends the literature which indicates that organizational innovation facilitates the effective transition from product imitation to innovation (Wang & Chen, 2020); product imitation enhances skills development (Liao, 2021); and formal learning (science, technology, innovation) and informal learning (doing, using, interacting) help compensate for the lack of R&D and positively affect organizational performance (Thomä & Zimmermann, 2020). The present study reveals that through the process of imitation innovation, SMEs are able to understand their advantages and disadvantages. The study sheds light on young SME owners’ role in attempting to imitate pioneering products and overcome their disadvantaged position through exploring customer preference and focusing on mainstream market driven. This has, in turn, enhanced experimental experiences, particularly experiential efforts, tacit knowledge, and problem-solving skills, which eventually enhance innovative behavior.

Third, extant studies focus on each innovative marketing element separately, such as studying and evaluating marketing trends (Hervas-Oliver et al., 2011), improving product design and packaging (Quaye & Mensah, 2019), or promoting innovation (Resnick et al., 2016). While there is increasing research on the use of the internet or social media platforms as channels of promotion and sales (Chatterjee & Kar, 2020; Guha et al., 2018), there is less research on marketing innovation focused on non-R&D SMEs in AEEs, and the Lao PDR in particular. Thus, the present study has bridged the gap in the literature by demonstrating that despite limited resources, smaller SMEs have managed to create successful marketing methods through social media platforms. This includes inviting social media influencers to create compelling marketing content to promote products, using customer reviews of products and brands via social media platforms such as eWOM and using customers' verbal advertisements as “park tor park”. This study adds to the marketing innovation literature by indicating that by using more creative marketing strategies, non-R&D

SMEs can offer offline and online services, provide product customization, and serve niche markets.

The remainder of this chapter is organized as follows. Section 4.2 contains the literature review, which defines non-R&D-based innovation, reviews key non-R&D activities and their influence on product and process development. Section 4.3 describes the theoretical background. Section 4.4 discusses the data analysis procedures. Section 4.5 presents the findings, which are then discussed in section 4.6. Section 4.7 contains the theoretical and practical implications, and section 4.8 discusses the study's limitations and ideas for future direction. Finally, the conclusion is presented in section 4.9.

4.2 LITERATURE REVIEW

4.2.1 Definition of Innovation

To gain a better understanding of innovation, this study uses the definition provided by the Oslo Manual (OECD & Eurostat, 2005), which defines innovation as “the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations” (p. 46). According to the Oslo Manual (OECD & Eurostat, 2005), innovation is categorized into four types: (i) product innovation, (ii) process innovation, (iii) marketing innovation, and (iv) organizational innovation (see Table 4.1).

Table 4.1: Types of Innovation

Product innovation	<ul style="list-style-type: none">– Introduces new or significantly improved goods and services utilizing new knowledge and technologies or a combination of new and existing knowledge and technologies.– Design is an important element of the development and implementation of product innovations.
Process innovation	<ul style="list-style-type: none">– The implementation of a new or significantly improved production or delivery method, for example, changes in technique, equipment, or software.
Marketing innovation	<ul style="list-style-type: none">– A new marketing method that meets customer needs and increases sales by adopting the new 5 Ps, such as new product design, packaging, placement, promotion, and pricing.– The new marketing method is developed by the innovating firm or adapted from other firms to improve both new and existing products.– A marketing method that changes seasonally, or is regularly applied is not marketing innovation.
Organizational innovation	<ul style="list-style-type: none">– The implementation of a new organizational method includes business practices, workplace organizational or external relations.– New organizational methods reduce administration costs or transaction costs, improve workplace satisfaction, obtain external knowledge, or reduce cost of supplies.– The new organizational method improves learning and knowledge-sharing as well as distributing responsibilities and decision-making among employees within the organization.

Source: OECD & Eurostat (2005)

Because of the frequent confusion over the definition of product and process innovations, it should be noted that, in the Oslo Manual (OECD & Eurostat, 2005), product innovation is associated with new improved characteristics of a service offered to customers, process innovation is associated with new improved methods, equipment and/or skills used to operate the services, while product and process innovations are associated with outstanding improvement in both services and methods offered to customers.

Innovative SMEs can be classified into two major categories: (i) R&D-based innovation: firms that perform in-house R&D activities, and (ii) non-R&D-based innovation: firms that contract R&D developers, conduct some in-house creative activities but do not perform R&D, and only

adopt new technology acquired from other innovators (Huang et al., 2010). Arundel et al. (2008) classified non-R&D-based innovation into four types:

1. *Adoption of technology*: The acquisition of new technology, new machinery and equipment, components, software/hardware, prototypes, technology output (licenses or designs), and tacit knowledge from external sources to innovate and/or improve products, goods and services.
2. *Minor modifications or incremental changes to products and processes, including the use of engineering knowledge*: Minor modifications are common in process innovation, which is used to improve products and processes or technological development by firms. Incremental change can depend on learning by doing through the improvement of skills and experiences.
3. *Imitation including reverse engineering*: The main activity is to replicate the already available products or processes in the markets, including some solutions to circumvent a patent. This innovative method is commonly seen in less developed countries or for products, processes, and business models that are not patentable.
4. *Combining existing knowledge in new ways*: This method consists of industrial design and engineering projects that build on tacit knowledge, engineering skills, and cumulative learning processes. Interestingly, tacit knowledge and highly skilled personnel can be moved from firm to firm through informal contacts and mobile employees.

In addition, Hervas-Oliver et al. (2015) extended the scope of non-R&D-based innovation by including technological innovation, non-technological innovation (e.g., organization and marketing innovation), and technological and non-technological innovation in tandem.

4.2.2 Knowledge Sources

According to Laursen and Salter (2006), external sources of knowledge influence innovation performance into two ways: (i) external search breadth, which is defined as “the number of external sources or search channels that firms rely upon in their innovative activities,” (pp. 134) and (ii) external search depth, which refers to “the extent to which firms draw deeply from the different external sources or search channels” (pp. 134 – 135).

External sources of knowledge are essential for new product development and innovation success for non-R&D SMEs (Moilanen et al., 2014; Som et al., 2015). External knowledge sources are acquired from customers, suppliers, and external consulting staff. They are considered critical sources for technology purposes and techniques in identifying innovation impulses, thereby enhancing innovative outputs (Hervas-Oliver et al., 2011; Rammer et al., 2009). Extending this view, Rammer et al. (2009), Som et al. (2015), and Lopez-Rodriguez and Martínez-Lopez (2017) indicated that non-R&D SMEs mainly exploit external sources of innovation knowledge from contracting R&D teams or through formal cooperation with external partners (e.g., external research organizations). They then combine these external sources of innovation with internal knowledge and capability (such as human resources management and teamwork) to successfully transfer R&D results into new product or process innovations. According to Moilanen et al. (2014), external knowledge inflows, which can also be acquired from trade organizations, personal networks, and customers, enable non-R&D SMEs to improve innovation performance. Therefore, firms that exploit the full potential of advanced manufacturing technologies are able to interpret how external knowledge flows from R&D intensive sectors and how this has a significantly positive impact on product and process innovations of non-R&D performers (Barge-Gil et al., 2011).

Knowledge sources assist the flexible transfer of specific and commercially sensitive information, for example, information on new product design, new product processes, and market development, without the need to formalize contracts or incur inherent expenses (Freitas et al., 2011). Competing in foreign markets, enhancing integration and internationalization require the development of information and communication technologies that have made the use of external sources indispensable (Rigby & Zook, 2002). Through digital technological advancement, knowledge is increasingly available and acquired through internet-based platforms (Glavas et al., 2019; Pergelova et al., 2019). Crupi et al. (2020) noted that digital innovation hubs assist SMEs to increase partnerships with external partners such as universities, research centers, service providers, and corporations. The type of knowledge that is being shared helps to determine the products, service providers, technologies and know-how to which SMEs have access. In addition, Lepore et al. (2021) revealed that adopting new digital technologies (Industry 4.0) will change all

steps—from production to distribution, from distribution to marketing—and will incorporate radical innovations within the organization. This will require formal and informal collaborative approaches within the organization.

Identifying and exploiting external knowledge for innovation requires certain learning capabilities or absorptive capabilities (Guo et al., 2017; Rammer et al., 2009). According to Cohen and Levinthal (1990), absorptive capacity is defined as the ability of a firm to recognize the value of new information and exploit external knowledge, then assimilate that knowledge and apply it for commercial purposes. Examining factors influencing variations in learning processes, Lee and Walsh (2016) noted that non-R&D innovators generate innovative ideas through knowledge built from learning opportunities across the organization. These include high mobility or transferability of employees or employees developing new ideas through problem-solving and routine work activities and/or repeat procedures. Jensen et al. (2007) indicated that two modes of learning can yield innovative results: (i) the formal learning mode (through science, technology, and innovation, which depends on scientific and technical knowledge), and (ii) informal learning mode (through doing, using, and interacting, which refers to experience-based know-how and user needs). Echoing this, Thomä and Zimmermann (2020) divided the doing, using, and interacting mode into two groups: (i) learning from suppliers and trade fairs (new technologies and the introduction of incremental innovation), and (ii) learning from customers (tacit knowledge acquired via personal interaction). However, absorptive capability is considered a key mechanism for recognizing the value of new, external knowledge, assimilating and transforming external knowledge into innovative performance and commercial ends (Cohen & Levinthal, 1990). Without absorptive capability, external knowledge has no value (Moilanen et al., 2014).

Although external knowledge sources serve as a critical input for non-R&D-based innovation activities to generate complex innovation outputs, essential sources of innovation knowledge acquired by non-R&D SMEs in the Lao PDR remain poorly understood and therefore need to be investigated.

4.2.3 Non-R&D-Based Innovation

The empirical literature on non-R&D-based innovation discusses the key sources of knowledge and their influence on non-R&D-based innovation activities, for example, product and process innovation (Barge-Gil et al., 2011; Liao, 2021; Hervas-Oliver et al., 2021a; Hervas-Oliver et al., 2021b; Lopez-Rodriguez & Martínez-Lopez, 2017). In advanced economies, using Innobarometer (IB) 2007 survey data on 4,395 innovative firms from 27 EU member states, Arundel et al. (2008) distinguished four common non-R&D-based innovation activities: (i) technology adoption, (ii) minor modifications, or incremental changes, (iii) imitation, including reverse engineering, and (iv) combining existing knowledge in new ways. Santamaría et al. (2009) indicated that machinery, advanced technology, design, and training are the essential components of non-R&D activities that have assisted process innovation in LMT firms in Spain. Barge-Gil et al. (2011) argued that design significantly enhances product innovation, while advanced manufacturing technologies and training support process innovation of Spanish firms.

In the context of developing countries, Kale and Little (2007) examined how the Indian pharmaceutical industry graduated from being an import-dependent industry to becoming an inventor of original pharmaceuticals. They demonstrated that imitation innovation, technology adoption, learning by doing, and cooperation with R&D sectors catalyzed the industry movement from being imitators to innovators. Kimseng et al. (2020) indicated that human resource management practices and collaboration with supply chain partners and customers leads to high-level product innovation. Further, Wang and Chen (2020) stated that organizational innovation influences product imitation and is followed by product innovation. In addition, Guo et al. (2017), Liao, (2020, 2021), and Tsuji et al. (2018) emphasized that imitation innovation, technology adoption, marketing innovation, owners' leadership, and knowledge-sharing are the most critical non-R&D-based innovation activities adopted by firms in most developing countries.

Therefore, non-R&D activities promoting product and process innovation in developed countries and developing countries can either be similar or differ. As shown in Table 4.2, non-R&D SMEs in developing countries mainly adopt imitation innovation, technology adoption, marketing innovation, and knowledge-sharing to enhance product and process innovation, increase competency, and growth (Guo et al., 2017; Wang & Chen, 2020; Xie et al., 2019).

Table 4.2. Literature Review of Non-R&D-Based Innovation

Authors	Context	Non-R&D-based innovation activities
Segerstrom, 1991	Firms in the South copying products developed in the North	Imitation innovation
Berg, 2002	UK	Imitation
Kale & Little, 2007	India	Reverse engineering, duplicate imitation, creative imitation, collaborative R&D
Arundel et al., 2008	EU	Technology adoption, minor modifications or incremental changes Imitation, including reverse engineering and innovative marketing
Santamaría et al., 2009	Spain	Design, use of advanced machinery, training
Huang et al., 2010	European Community Innovation Survey	In-house R&D performers, contract R&D performers, non-R&D innovators (suppliers and competitors are main sources of innovation) Technology adopters
Barge-Gil et al., 2011	Spain	Technology forecasting, design, use of advanced manufacturing technologies, training
Lee & Zhou, 2012	China	Pure imitation, creative imitation
Hervas-Oliver et al., 2012	Spain	Absorptive capacity, external sources of knowledge, design, human resources
Moilanen et al., 2014	Norway	External knowledge inflows (customers, trade organizations and personal networks), absorptive capacity
Hervas-Oliver et al., 2015	Spain	Organizational innovation, marketing innovation, management innovation, technological innovation
Lee & Walsh, 2016	USA	Design; training; marketing; organizational learning
Guo et al., 2017	China	Technology adoption, imitation and minor modification, innovative marketing
Lopez-Rodriguez & Martínez-Lopez, 2017	EU	Knowledge transfer Technology catch-up
Tsuji et al., 2018	5 ASEAN countries: Indonesia, Laos, Philippines, Thailand and Vietnam	1. Non-R&D-based innovation activities: Leadership owners (e.g., dominate firm technology, ideas and experiences), cross-functional team of employees discussing and sharing ideas 2. R&D-based innovation activities: Cross-functional teams consisting of marketing personnel as well as technological and manufacturing engineers, QC, a learning process such as human resource development and worker training
Wang et al., 2019	China	Creative imitation

Authors	Context	Non-R&D-based innovation activities
Xie et al., 2019	China	R&D intensity, structural embeddedness, relational, embeddedness
Thomä & Zimmermann, 2020	Germany	Science, technology and innovation (STI) mode; doing, using and interacting (DUI) mode
Wang & Chen, 2020	China	Imitation innovation, organizational innovation
Liao, 2021	Ghana, Kenya, Nepal, Pakistan	Imitation

Source: Author's review of non-R&D-based innovation literature

To demonstrate how non-R&D activities influence product and process innovation and SME growth, the remainder of this chapter follows the mainstream literature by focusing on imitation innovation, technology adoption, and marketing innovation.

4.2.4 Imitation Innovation

Imitation innovation is not imitation (Liao, 2021). According to Lee and Zhou (2012), imitation is classified into two categories: (i) pure imitation, in which a firm directly replicates already available products in the market and (ii) creative imitation, in which a firm modifies or adds new features to existing products. However, imitation innovation is generally incremental. Yu et al. (2015) explained that imitation does not introduce novelty to markets, whereas imitation innovation does create novelty. Thus, imitation innovation is an evolutionary mechanism that is driven by productivity improvements categorized under non-R&D-based innovation (Arundel et al., 2008; Liao, 2020).

Several studies have explored firms' transition from pure imitation to imitation innovation, and their subsequent evolution to innovation (Kale & Little, 2007; Liao, 2021; Wang & Chen, 2020). Berg (2002) examined imitation and found that it is similar to inventions in the eighteenth century, when imitated products were considered newly created which convey the design or functions from the original product. Kim (2001) identified three stages of technological learning in South Korea's industrialization process: (i) the duplicative imitation stage, (ii) the creative imitation stage, and (iii) the innovation stage. Kale and Little (2007) demonstrated that firms start by acquiring a basic minimum knowledge-based to facilitate the imitation procedure, followed by duplicated imitation,

creative imitation, and new competencies for innovation. Chung and Tan (2017) identified three unique Chinese innovation learning pathways: (i) *Yin*, where firms adopt others' knowledge or experiences to achieve better outcomes, (ii) *Tiao*, where an existing product is adjusted and improved, and (iii) *Chuang*, where an original design is modified to create a new product for more profit. In addition, Yu et al. (2015) identified four stages in the gradual progression from imitation to innovation: (i) pure imitation, (ii) original equipment manufacturer learning, (iii) imitative innovation, and (iv) original innovation.

Through the process of imitation innovation, non-R&D SMEs can leverage their competency in several ways. First, the process of product imitation and adaptation provides the greatest opportunity for skills improvement, with SMEs utilizing information from various sources to practice complex skills that fit their needs and overcome constraints (Liao, 2021). Second, knowledge management and standardization play pivotal roles in facilitating product imitation, eventually enhancing organizational innovation (Wang & Chen, 2020). Third, imitation strategy is usually created based on existing knowledge, learning, technology, design, and functions (Luo et al., 2011). Indeed, exploitative organizational learning and recognizing existing knowledge are essential to enhance imitation strategies and product development performance (Ali, 2021). As a result, imitation innovation is much less passive than simply copying, and could be a reliable business strategy for SMEs (Ali, 2021; Zhou, 2006), especially low-tech SMEs.

Imitation innovation is pervasive in many developing and least developed countries, especially in low-tech industries. This is because innovations are usually not patentable and the protection mechanisms (e.g., regulations, legal environment, and intellectual property rights) in these countries seem to be more tolerant of imitation (Wang et al., 2019). Many business activities replicate already available products or processes without in-house R&D (Kim & Nelson, 2000). However, intellectual property infringement, lack of sustainable innovation orientation, insufficient information collection, fierce market competition, and market entry timing decisions are considered significant barriers (Yu et al., 2015).

4.2.5 Technology Adoption

The degree of technological complexity adopted by non-R&D SMEs varies depending on their internal characteristics, size, resources, absorptive capacity, and industry (Guo et al., 2017; Hervás-Oliver et al., 2021b; Kang et al., 2015; Pavitt, 1984). In this regard, Pavitt (1984) stated that the source and direction of technology change are influenced by supplier-dominated firms (e.g., those in the textile and leather industry derive process innovations from suppliers, which usually purchase advanced machinery and equipment), production-intensive firms (e.g., those that are primarily in mechanical and instrument engineering, and make a significant contribution to their own process technology), and science-based firms (e.g., those in pharmaceuticals or information technology (IT), which develop most of their own technology and are often associated with R&D). Moreover, Santamaría et al. (2009) pointed out that advanced manufacturing technologies significantly facilitate product and process innovation as well as the economic performance of firms in LMT industries. Barge-Gil et al. (2011) stated that technological forecasting is a key component of innovation strategy for both R&D and non-R&D innovators in anticipating future developments, technological trends, and market opportunities.

External technology acquisition enables firms to overcome limitations in internal resources and capabilities, develop core technological competencies, and provide flexibility in strategic decision-making for technology development (Kang et al., 2015). However, because of an entrepreneur's personal characteristics, such as education or risk-taking, internal capabilities (Martínez-Román & Romeo, 2017), and a lack of resources, SMEs prefer less costly and lower-risk technology choices than formal in-house R&D (Spithoven et al., 2013). For example, SMEs in LMT industries achieved radical innovation outputs by acquiring second-hand equipment or reconditioning existing equipment rather than purchasing the latest technology direct from the Original Equipment Manufacturer (OEM) equipment supplier (Dooley & Som, 2018).

A growing number of studies reveal that existing and new knowledge obtained from the external environment play an important role in technological acquisition, innovation output, and competitive advantage (Brunswick & Vanhaverbeke, 2015; Caiazza et al., 2015; Hervás-Oliver et al., 2021b). In other words, SMEs improve their learning processes, technological capabilities, and innovation by combining existing knowledge and experiences with the inflow of knowledge

from others, such as customers, competitors, networks, and business collaboration or joint ventures (Santamaría et al., 2009; Thomä & Zimmermann, 2019). Moreover, exploring and exploiting quality knowledge derived from outside the company increases technological learning, product innovation, and business performance (Guo et al., 2017; Lopez-Rodriguez & Martínez-Lopez, 2017). In addition, some SMEs decide to introduce new or advanced technological activities based on information obtained from exhibitions, fairs, the Internet, and media (Varis & Littunen, 2010). This suggests that the quality of knowledge acquisition leads to the exploitation of appropriate technological opportunities and ultimately, new technological innovation for non-R&D SMEs (Barge-Gil et al., 2011; Kang et al., 2015).

Recently, many non-R&D SMEs have shifted to a more complex level of technology adoption because of better internal innovation capabilities such as human resource development (Tsuji et al., 2018). Human capital with education, knowledge, and skills provides flexibility in strategic decision-making about new technology adoption, drives sophisticated innovation management, and creates value for innovation outputs (Martínez-Román & Romeo, 2017; Santamaría et al., 2009). Increasing labor productivity is vital for externally adopted technological success; hence, innovative SMEs progress toward organizing in-house training, external training, and outsourcing to train their employees (Capozza & Divella, 2019; Norasingh & Southammavong, 2017). Further, Tsuji et al. (2018) suggested that human resources development is the most important factor for non-R&D SMEs because they innovate through the know-how of their employees.

However, both conceptual and practical understanding of the positive impact of human resources development on non-R&D SMEs is still limited in AEEs such as the Lao PDR. Thus, the lack of studies on technology adoption by non-R&D SMEs in the Lao PDR reflects a limited understanding of how technology adoption enhances the non-R&D-based innovation movement. Therefore, it is important to understand how non-R&D SMEs in the LMT industries acquire new technologies to improve products and process innovation.

4.2.6 Marketing Innovation

According to the non-R&D-based innovation literature, marketing innovation is categorized under non-technological innovation and is one type of incremental innovation (Hervas-Oliver et al., 2015). According to prior studies, marketing innovation is a critical strategy and the most important method that SMEs can use to compensate for disadvantages, such as lack of access to affordable technology, financing, and size (Guo et al., 2017; Quaye & Mensah, 2019; Rammer et al., 2009). However, there are very few studies on marketing innovation adopted by non-R&D SMEs in LMT industries in AEEs. Thus, this study attempts to better understand this phenomenon by reviewing SME marketing innovation studies in general, and the handful of available marketing innovation studies on non-R&D SMEs.

Global markets have created intense competition among businesses, including SMEs (Quaye & Mensah, 2019; Zhang & Zhu, 2021). Thus, meeting meet customer needs in the fast-changing business environments by focusing only on product improvement may not enough. Marketing innovation has been identified as a predictor of innovation performance and competitive advantage of most SMEs (Falahat et al., 2020; Naidoo, 2010), including non-R&D SMEs (Guo et al., 2017). Marketing innovation is associated with introducing new sales methods to boost competitiveness (Medrano & Olarte-Pascual, 2016), and although SMEs may not produce innovative products, they can still create innovative marketing strategies to sell existing products (Quaye & Mensah, 2019).

Existing studies indicate that marketing innovation involves the improvement or creation of products and packages (OECD & Eurostat, 2005; Quaye & Mensah, 2019). Introducing new product designs or modifying product appearance and packaging is one of the key marketing innovation strategies enhancing customer satisfaction. It is at the core of achieving a sustainable competitive advantage for SMEs (Hsu, 2011; Quaye & Mensah, 2019). In this context, Wang (2015) and Resnick et al. (2016) showed that new knowledge and information acquired from employees, retailers, advertisers, competitors, and customers are key in enabling SMEs to create and improve unique designs for products and packages. As business trends are moving rapidly, Quaye and Mensah (2019) noted that the flow of innovative ideas has recently shifted from producers to customers. Therefore, it is imperative to learn and understand customers' real

demands to increase customer satisfaction in product design and enhance business performance (O’Cass & Sok, 2013).

Pricing is the second strand of marketing innovation enabling SMEs to achieve a competitive advantage (Quaye & Mensah, 2019). SMEs apply this strategy when introducing new interactive products, demand fluctuations, or increased raw materials costs (Quaye & Mensah, 2019; S. Wang, 2015). The nature of business relationships, market conditions, and product conditions inevitably influence the price differential approach (Quaye & Mensah, 2019). However, previously SMEs used differential price systems by charging different prices for different customers for the same product (Kotler et al., 2017). Recently, with the digital era, online services enable customers to view and select their desired products with the actual prices provided, so that they are fair and acceptable to customers, SMEs, markets, and industries (Dejan et al., 2014; Kotler et al., 2017).

Promotion innovation is another common strategy that has become widely used by SMEs, especially those with resource constraints (Resnick et al., 2016; S. Wang, 2015). Observation and exploitable opportunities of new or missing ideas from mainstream markets and customer needs create unique promotion campaigns to capture consumers’ attention (O’Dwyer et al., 2009). The essence of all promotional activities is communication, for example, a viral marketing campaign using customers as promoters (Helm, 2000). The new trend of promoting innovation also involves online techniques (Chatterjee & Kar, 2020; Guha et al., 2018), for example, online platforms, such as Google, YouTube, and Facebook, to create intriguing promotions, establish a relationship with customers, and help SMEs overcome resources limitations (Dahnil et al., 2014; Kotler et al., 2017; Resnick et al., 2016; Zhang & Zhu, 2021). As a result, the Internet has radically changed marketing, serving as a catalyst for marketing innovation in the new digital era.

However, research on the main sources for enhancing non-R&D-based innovation together with key non-R&D-based innovation: imitation innovation, marketing innovation, and technology adoption implemented by non-R&D SMEs in the Lao PDR to increase growth remains scarce, thereby creating a gap in the literature.

4.3 KNOWLEDGE SPILLOVER THEORY OF ENTREPRENEURSHIP

According to the innovation literature, the knowledge spillover theory of entrepreneurship (KSTE) is the best suited theory to guide empirical research on entrepreneurship, small businesses, and innovation (Audretsch & Lehmann, 2005; Caiazza et al., 2020; Iftikhar et al., 2020). The KSTE was introduced by Audretsch (1995). It extends the endogenous growth theory by emphasizing the role of entrepreneurs as a channel of knowledge spillover in the process of knowledge commercialization and economic growth. The KSTE postulates that the existing stock of knowledge yields spillovers and suggests that entrepreneurship serves as a critical mechanism for the spillover of new knowledge, resulting in the commercialization of ideas, greater innovation activities, and increased economic performance through better resource allocation (Acs et al., 2013; Hayter, 2013).

The KSTE indicates that codified forms of new knowledge and new ideas are usually exogenously produced by universities, public research institutions, and firms' research and development laboratories (Acs & Sanders, 2013; Braunerhjelm, 2019). According to the KSTE, underutilized or uncommercialized knowledge (e.g., knowledge created by a research laboratory in a large corporation or research undertaken by a university) can be the new knowledge and ideas leveraged by entrepreneurs, providing them with opportunities (Audretsch & Lehmann, 2005). Hence, spillovers of new knowledge and new ideas create a wide range of future products (Acs et al., 2013; Acs et al., 2009; Caiazza et al., 2020).

The KSTE framework explains how firms investing enormous amounts into R&D to develop new knowledge, new technologies, and new products neither automatically become innovative nor do they transform innovation into commercialization (Audretsch & Keilbach, 2007; Caiazza et al., 2020). New product-specific knowledge is protected by intellectual property rights, and the patent law, which is also known as the "knowledge filter" (Acs et al., 2013; Audretsch & Keilbach, 2007). The KSTE indicates that entrepreneurs play a critical role in exploiting new knowledge opportunities created by incumbents, taking the risk to overcome the knowledge filter, and attempting to transform such knowledge into innovations and societal use (Braunerhjelm, 2019; Caiazza et al., 2020). Therefore, it is not only large and incumbent companies that contribute to

innovative progression and economic development, but also the activities and ventures of entrepreneurs and small firms (Audretsch & Lehmann, 2005).

Existing theoretical studies building on the KSTE emphasize the critical role of entrepreneurs in serving as a conduit for the spillover of knowledge for innovative activities and enhanced economic performance (Acs et al., 2013; Acs et al., 2009; Hayter, 2013). The KSTE also postulates that the spillover of new knowledge and ideas can be tapped through several ways: (i) without in-house R&D activities, a small business can acquire new knowledge through collaboration with research institutions and universities (Acs et al., 2013; Korosteleva & Belitski, 2017); (ii) although new knowledge and new ideas are frequently acquired from external sources, tactical knowledge and skills are embodied in human capital and could spill over through human mobility (Iftikhar et al., 2020); (iii) entrepreneurship networks play a crucial role in knowledge spillovers and are key to innovations (Hayter, 2013). Since non-R&D SMEs develop less new knowledge on their own, they can nonetheless have similar innovation success as R&D performers if they continuously update and extend their (initial) stock of knowledge through experiential learning and knowledge-sharing (Lattacher et al., 2021).

Thus, the KSTE is the most appropriate theory that provides a comprehensive framework explaining how the spillover of knowledge is exploited and transferred into non-R&D-based innovations to support non-R&D SMEs in achieving their objectives. The KSTE postulates that entrepreneurs do not need to become knowledge creators or R&D investors; instead, they can act as a catalyst to turn knowledge spillovers into creativities and innovative outputs, and to introduce such innovations to the market (Acs et al., 2013; Braunerhjelm, 2019; Caiazza et al., 2020). This leads to value-added business success, thereby enhancing economic growth (Audretsch & Lehmann, 2005; Caiazza et al., 2020). Therefore, this study employed the KSTE to analyze the sources of knowledge exploitation and main non-R&D activities adopted to enhance product and process innovations, competitiveness, and SME growth.

The following section is discussed the data analysis procedures in order to address the research questions.

4.4 DATA ANALYSIS PROCEDURES

A thematic analysis approach was adopted to identify and analyze emergent themes and report the results of the main knowledge source and dominant non-R&D-based innovation activities adopted by SMEs. An inductive approach was employed to enable properly contextualized findings and derive themes from the expansive analysis of the entire body of data (Braun & Clarke 2006; Kiger & Varpio, 2020).

Braun and Clarke's (2006) six steps for data analysis were followed. First, 47 interviews were imported to the NVivo 12 database to prepare for analysis. To become familiar with the data, each transcribed document was explored, investigated, and read several times to capture the main ideas and identify patterns. The researcher noticed that the main knowledge sources and key types of non-R&D activities adopted by SMEs were associated with many factors. Patterns in the data revealed that the critical innovation knowledge sources that enhance non-R&D-based innovations were personal networks, business networks or both.

Second, open coding proceeded line-by-line, and then clustered according to similarities or patterns, assisted by the NVivo software 12 (Saldana, 2016). Individual transcripts were initially analyzed, and patterns were inductively coded. Subsequently, overarching units were identified across the entire interview data (Creswell, 2014). Inductive coding required marking passages and sentences of a text with a code (Chandra & Shang, 2019). In the first-order coding, the researcher closely reviewed the data, made notes, and combined the data into broader themes. For example, many participants said that "social networks or know-who" was a significant source of innovation knowledge that facilitated non-R&D-based innovations. Thus, "know-who" becomes a unique title of a unit in this stage.

Third, the preliminary list of inductive codes (135) was reviewed, refined, and compared to eliminate duplicate codes and incorporate conceptually similar codes into potential themes. Analytical coding enabled the researcher to explore, identify and construct the broad categories before determining themes. This was followed by an examination of the findings to identify the data extracts that fitted a particular theme. For example, participants reported that "I have to build

a very close network with many organizations, including the government sector, related to my business,” “I believe that useful information sources of Lao SMEs are their networks and friends,” and “SMEs with more networks will have a high opportunity to receive useful information related to market trends, sources of cheap raw materials, and sources of technology and machinery.” Thus, these phrases were grouped under the caption, “know-who.”

Fourth, the four candidate themes were identified and reviewed several times to ensure they were linked to the interview data with supportive and representative quotations. At this stage, the researcher went back and forth between codes and raw data to identify themes, while gathering all extracts of data relevant to each potential theme (Creswell, 2018). The codes were also reviewed and compared to identify common features that appeared worthy of analysis and to remove any redundant codes.

Fifth, the researcher ensured that the four final themes and subthemes were reviewed and developed by checking whether they worked in relation to the coded extracts (Braun & Clarke, 2006). According to Creswell (2018), the number of themes reflects the quality and richness of data. The four final themes included:

- Theme 1: “Know-who”
- Theme 2: Imitation innovation enhances innovative behavior
- Theme 3: Technology adoption enhances product and process innovation
- Theme 4: Marketing innovation enhances organizational performance.

Four themes address Research Question 1, while theme 1 addressed Research Question 1.1 and Themes 2 to 4 addressed Research Question 1.2.

Before moving to the discussion section, the entire data set was again carefully reviewed to consider relationships between the key themes relating to the research questions. Each theme’s name was refined several times to ensure that the themes were concise and made sense (Braun & Clarke, 2006).

Sixth, was the final stage of data analysis involving the write-up of the report.

4.5 FINDINGS

This section addresses Research Question 1: How do key non-R&D-based innovation activities enhance product and process innovation?

The findings show that “know-who” is considered a key knowledge source acquired by non-R&D SMEs. At the same time, imitation innovation, technology innovation and marketing innovation have found the domain of non-R&D-based innovation mainly adopted by SMEs to improve product and process innovation and marketing innovation. Thus, they contribute to SME growth.

The following sections provide a discussion to address Research Questions 1.1 and 1.2

4.5.1 Sources of Knowledge Acquisition for Non-R&D-Based Innovation

The findings in this section address the Research Question 1.1: How do the primary sources of knowledge used by SMEs enhance non-R&D-based innovation?

The first Theme: “know-who” indicates the key sources of innovation knowledge acquired by non-R&D SMEs to facilitate their non-R&D-based innovation, as shown in the Table 4.3.

Table 4.3: Data Structure, Coding Examples, Themes and Aggregate Dimensions

Coding Examples	Themes	Aggregate Dimension
<ul style="list-style-type: none">– Strong personal relationships with government officials, managers from industry associations, and other businesses– Asking family, friends and networks– Attending training, trade exhibitions and travel– Asking customers– Foreign direct investment, joint ventures, multinational corporations– Scanning social media and other online platforms	1. “Know-who”	Key knowledge sources acquired by non-R&D SMEs
<ul style="list-style-type: none">– Observing competitors– Participating in local and international trade exhibitions and traveling overseas	2. Imitation innovation enhances innovative behavior	Domain of non-R&D-based innovation mainly adopted by SMEs to

Coding Examples	Themes	Aggregate Dimension
<ul style="list-style-type: none"> – Consolidating new knowledge and ideas with existing knowledge – Learning by doing, sharing knowledge and training 		improve product and process innovation and marketing innovation
<ul style="list-style-type: none"> – Medium-sized SMEs invest more in advanced technology and machinery – Small SMEs invest more in lower cost and simpler technology and machinery – Outsourcing and learning from experts – Finance is important for technology adoption – Reducing cost and risk and replacing complex tasks – Improving productivity – Improving product and process innovations 	3. Technology adoption enhances product and process innovation	
<ul style="list-style-type: none"> – Social media advertising – Content marketing – Social media influencers – Customer reviews – Par Tor Park (verbal advertisement) – Niche markets, providing customization for customers, and create unique products – Improving human resources development – Organizational development 	4. Marketing innovation enhances organizational performance	

Theme 1: “Know-who”

“Know-who” in this context refers to relationships that SMEs have established with government officials, business associations, customers, suppliers, and business partners to access a wide range of resources such as knowledge, information, and support systems. The analysis showed that social networks such as strong personal relationships between SMEs, particularly medium-sized SMEs, with government officials were the most critical sources of acquiring innovation knowledge, latest regulations, funding, and technical support:

To survive, I have to build a very close network with many organizations, including the government sector, related to my business. Sometimes, I have to refer to their names when I want to get the latest information and support related to innovations such as technology, expertise, and funding. Interviewee 40

This was followed by information from family and friends to improve product design, acquire technology and market trends, as illustrated below:

In my case, I try to stay abreast of advanced technology and innovation through family, friends and networking. Interviewee 44

I believe that the valuable information sources of Lao SMEs are their networks and friends. SMEs with broad networking will have more opportunities to receive helpful information related to market trends, sources of cheap raw materials, and sources of technology and machinery. Interview 45

The participants also highlighted that SMEs generate knowledge related to “Know-how” through a variety of sources such as training, study visits, trade exhibitions for new ideas and creativity to improve product design, packaging, advanced technology and machinery; and online sources such as YouTube, Facebook, and LINE to scope competitors’ successful activities and keep up with global market trends and innovations:

To enhance productivity and innovation, SMEs used online sources to observe market trends, review competitor products, and generate social trend reports. Interviewee 09

New product design, packaging, and techniques are mainly acquired from attending and participating in non-government organization projects and training, and trade exhibitions. Interviewee 32

In addition, “Know-how” sources acquired from customer advice, international business partners, foreign direct investment, joint ventures and multinational corporations are important for enhancing product and process innovation:

Many SMEs got the idea and understood the concept of innovation through listening and learning from customers, retailers, and suppliers. Interviewee 39

SMEs have learned some techniques, ideas, technology and other innovations from foreign direct investors, then applied these to improve their own businesses. Interviewee 47

4.5.2 Key Non-R&D-Based Innovation Activities

The findings in this section address the Research Question 1.2: How do the dominant non-R&D-based innovation activities enhance product and process innovation and marketing adoption?

Themes 2, 3, and 4 demonstrate the non-R&D-based innovations that were mainly adopted by SMEs to improve product and process innovation and marketing innovation. Thus, they contribute to SME growth. Examples of these codes are presented in Table 4.3.

Theme 2: Imitation Innovation Enhances Innovative Behaviours

Imitation innovation emerged as one of the most common non-R&D-based innovations used by SMEs to improve product and process innovation. Most of the participants reported that SMEs did not understand the concept of non-R&D-based innovation, as indicated by Interviewee 06. However, most SMEs were more likely to imitate each other and/or mimic competitors' successful product or process innovation:

Many SMEs intend to copy the ideas, styles and techniques of new developers, or copy each other in everything and everywhere. Interviewee 47

In the initial stages of innovation, SMEs mainly focus on imitation innovation, such as imitating product design, features, and packaging that are already introduced and well known in the markets, as the basis of their competition. For example, SMEs imitate their competitors and market trends from neighboring countries:

Many Lao SMEs will try to buy similar technology or copy the others' successful business activities and then try to adopt them in their businesses. Even though sometimes, it is not successful, they learn from their mistake. Interview 04

I think SMEs intend to follow the trends from neighboring countries, for example, Thailand, and create a similar product design, services, and business model in Lao PDR. Besides, SMEs also like to imitate each other as they see their friends and competitors

successfully using certain techniques or innovations. SMEs then want to do the same thing as their successful competitors. Interviewee 19

Attending local and international trade exhibitions and traveling overseas provided the opportunity for young and smaller SMEs to observe and learn about new product design, innovative services, and creative redesign of low-quality existing products from across industries. This eventually led to the idea of imitation innovation by developing and improving products (e.g., design, packaging, and quality) to meet the needs of local or regional customers:

By attending many trade exhibitions, SMEs, especially the young owners, can see many new designs, various products innovation, and compelling ways of marketing innovation, from low to high quality. SMEs are then able to adopt those ideas to improve the design of their own products and packaging, utilizing advanced technology and machinery to facilitate product innovation. This helps enhance their innovative behavior and organizational innovation. Interviewee 16

Through the process of learning by doing, sharing knowledge and in-house training, some SMEs were able to consolidate new knowledge and new ideas with existing knowledge to serve as an important mechanism for imitation innovation. This could involve increasing creativity, developing original product designs, technical skills or problem-solving skills, eventually leading to innovative behavior. The participants explained this as follows:

Innovation increases when SMEs keep learning new things, adapt to changes, or adopt more advanced technologies to improve business performance. Interviewee 04

SMEs can simultaneously improve their skills and capabilities and increase productivity, by innovative know-how, obtaining new product ideas by sharing ideas, through group discussions, or by seeking expert advice. Interviewee 09

Theme 3: Technology Adoption Enhances Product and Process Innovation

Technology adoption, including the use of advanced technology, machinery, and manufacturing equipment, was found to be a key non-R&D activity adopted by SMEs to improve the efficiency

and effectiveness of various organizational activities, for example, improving productivity, replacing complex tasks, and mitigating risk:

Advanced technology, such as 3D technology, significantly helps SMEs produce furniture closer to the required designs to meet customer needs. Also, advanced technology can replace the difficult tasks and risks that humans cannot do. This helps SMEs to save on investment costs and mitigate risk. Interviewee 15

Medium-sized SMEs were found to invest more in new and advanced technology and machinery. They also sought more advice from experts and outsourcing to obtain new business models, improve know-how, learn new techniques, reduce production costs, and increase productivity. Consequently, this search for knowledge not only had a positive influence on product and process innovation, but also increased profitability:

I noticed that the jewellery industry started to utilize advanced technology to create more designs. Thus, some SMEs were starting to export their products to Europe. Interview 05

Some SMEs hire either managers or CEOs from western and neighboring countries as a form of outsourcing to improve business performance. The manager or CEO introduced new ideas, new technology, and the new system to the business. This has enabled SME owners and employees to understand the strengths and weaknesses of using innovations, for example, the business model, advanced technology, or marketing strategies to increase productivity, innovative know-how, skills, and sales. Interviewee 13

In contrast, smaller SMEs invested in lower cost technology, machinery, and manufacturing equipment as well as simpler versions of software to help them develop productivity and improve performance:

I think the business will be more successful if SMEs apply some technology to improve their productivity. I can see now that many SMEs, especially smaller ones, have been searching for alternative, cheaper supplier sources; it was initially affordable to adopt some of the low-cost technology to enhance productivity. Interviewee 08

I want to invest in advanced technology to improve productivity and my business performance, but I cannot as I cannot access a bank loan. Thus, as I have engineering skills, I adapted some of the existing technology functions I have to support my business activities. Interview 36

However, the data showed that obsolete knowledge and lack of innovative know-how of SME owners/managers, especially the older generation SME owners, were the biggest obstacles to adopting advanced technology and machinery to improve productivity. This was followed by the knowledge gap between SME owners/managers (with innovative know-how) and employees (with low labor skills and a lack of innovative knowledge). This has led to the ineffective implementation of new technologies or innovations:

Lack of knowledge-sharing and training for employees leads to a big knowledge gap between SME owners and employees. This leads to the inability to fully utilize advanced technology and perpetuates problems. Interviewee 39

Almost all participants highlighted that successful access to finance was a critical factor complementing non-R&D-based innovations, in particular, technology adoption, because of the high investment costs involved. Thus, unsuccessful access to external sources of finance or short-term loan conditions were a big concern for many SMEs as to whether they could invest in technologies or other manufacturing tools. This is illustrated in the following quotations:

Indeed, access to finance significantly facilitates SMEs to invest in advanced technology, manufacturing tools, or train their staff to upgrade their knowledge and skill. As a result, productivity is improved and can catch up with the new market trends. Interview 33

Many SMEs do not dare to take a risk, or they hesitate to invest in advanced technology because they received short-term loan conditions. Thus, if SMEs put a huge investment in advanced technology and cannot generate income within 1 to 3 years, they cannot pay back loans and interest to banks. Interviewee 45

Theme 4: Marketing Innovation Enhances Organizational Performance

The Internet and social media platforms such as Facebook, LINE, and WhatsApp were identified as some of the critical elements used by SME owners/managers to create new marketing strategies, facilitate interaction with customers, promote new products, and sell products directly to customers:

Many SMEs now use online markets, social media, and e-commerce to sell their products and expand their businesses because it is easy to use, fast, and cost-saving, it is also able to reach a thousand customers at the same time. Interviewee 08

I believe that most SMEs use social media as a critical marketing strategy to access new customers. This is because social media such as Facebook, WhatsApp, Instagram are very convenient, low cost, and can reach many customers everywhere. Interview 40

SMEs leveraged their competitive advantage over other businesses through content marketing innovation to boost sales and increase customer engagement. For example, smaller and younger SME owners competed against larger and more established companies by inviting social media influencers (such as celebrities, famous people, or brokers) to create viral marketing content to promote their products and drive interaction:

Some SMEs hire social media influencers to promote their products and present the products in a novel way to attract new customers and new markets ... these social media influencers have unique styles and have fan clubs who like to follow their style. Interviewee 19

Some SMEs invited famous people to promote their products via that person's social media platforms. This helps SMEs gain more attention and trust from customers. Interview 42

Customer reviews have also become a new marketing innovation strategy adopted by many SMEs. SMEs request customers to provide their opinions and comments on products when posting and selling on social media. This refers to the "Park Tor Park" strategy, namely, verbal advertising to promote products and increase trust using customer 'advertainments' and networks:

I observe that the successful SMEs can export to international markets using either local or foreign networks to access new markets. Current customers can explain to potential customers or their family and friends that the products from this SME are good quality.
Interviewee 10

I create a webpage on Facebook to advertise my new design and new products. By doing this, I can reach many customers and receive a lot of orders simultaneously. Some customers provide feedback on my posts as they believe in my service and product quality.
Interview 31

Most of the participants reported that combining online and offline marketing strategies enabled SMEs to serve niche markets, provide customization for customers, and create unique products:

The marketing strategy I used to attract new customers and keep existing customers is by providing offline and online services to customers. I also offer product customizations as a special service to customers who prefer a unique style. Interviewee 35

Adopting online marketing innovation requires SMEs and employees to increase knowledge-sharing, provide the fastest advice to solve problems and the quickest service to meet customers' needs. This helps to improve employees' service skills and enhance organizational performance:

Many SMEs adopt social media to improve their organizational development. For example, WhatsApp, LINE and Skype were used for group meetings, customers order, and progress reports while SME owners/managers were away from their companies to save time.
Interviewee 17

Nowadays, online marketing is essential for SMEs. If SMEs learn to use social media more effectively to access new markets and new customers, they will grow dramatically and increase their exports to the international markets. Interview 37

Offering both online and offline services to customers is another technique used by SMEs to establish differentiation in marketing technique and increase customer satisfaction.

I noticed that successful SMEs always try to understand customer needs. Thus, SMEs offer services from inside and outside their offices/factories/shops. If the customer needs their services, the SME will go all the way to service the customer, even when there are not so many orders. Interviewee 33

In terms of marketing strategy, I use offline and online modes, e.g., social media, mobile banking, and Google map to help me access new customers, provide information and deliver products to customers within the agreed time. Interview 42.

4.6 DISCUSSION

This section addresses Research Question 1: How do key non-R&D-based innovation activities enhance product and process innovation? This is followed by a discussion to address Research Questions 1.1 and 1.2.

4.6.1 Sources of Knowledge Acquisition for Non-R&D-Based Innovation Activities

The findings in this section address the Research Question 1.1: How do the primary sources of knowledge used by SMEs enhance non-R&D-based innovation?

Non-R&D-based innovations and their influence on SME growth have increasingly gained attention from researchers and policymakers; however, most studies have been conducted in developed nations (Barge-Gil et al., 2011; Hervas-Oliver et al., 2015; Lopez-Rodriguez & Martínez-Lopez, 2017; Santamaría et al., 2009), and a few developing countries (Guo et al., 2017; Kale & Little, 2007; Liao, 2021). Most AEEs remained unexplored, particularly in the Lao PDR.

This study attempts to bridge this gap by discovering that “know-who” is an essential source of knowledge for non-R&D SMEs in the context of Lao PDR to acquire and use to facilitate product and process innovation. The findings highlight that “know-who” is a new finding from this study. The findings indicate that “know-who” is found to be a significant source for acquiring innovation

knowledge, and knowledge about the latest policies and regulations, funding sources, and technical support to facilitate the process of non-R&D-based innovation. This study extends the existing literature, which maintains that external knowledge sources support non-R&D-based innovation and are mainly derived from customers, suppliers, and external consulting staff (Hervas-Oliver et al., 2011; Moilanen et al., 2014; Rammer et al., 2009), by discovering that “know-who” source is the most critical knowledge source for non-R&D-based innovation activities. The “know-who” source refers to the knowledge sources that come from government officers, which are not only an exclusive source of new knowledge for enhancing non-R&D-based innovation but also provides advantages and benefits, such as access to funding with low-interest rates or free training. However, not everyone could access this exclusive source of knowledge. It would appear that this source of knowledge, information, funding, and technology to develop product and process innovations is mainly accessed by medium-sized SMEs.

Further, the findings from this study went one step further from existing literature by showing that SMEs, particularly the small SMEs, acquired the latest innovation knowledge and information from online sources, e.g., YouTube, Facebook, and LINE, to explore competitors’ successful activities and keep up with international market trends. The quality of knowledge, ideas, and information can vary depending on the individual SME’s search experiences and capabilities. Another new finding is that the Internet and online sources were useful for SMEs, particularly smaller ones that could not access “know-who” sources.

The findings also show that SMEs exploited the new techniques and know-how from international business partners, foreign direct investment, joint ventures, and multinational corporations. These sources of knowledge were found to be crucial sources for exploiting experience, technical know-how, and skills transfer to improve process innovation (e.g., organizational innovation and business models). The findings are consistent with prior non-R&D-based innovation research (e.g., Lopez-Rodriguez & Martínez-Lopez, 2017; Som et al., 2015), indicating that external knowledge and know-how can be acquired from R&D contracted from organizations or through formal cooperation with external partners. In Lao PDR, the experience, knowledge, and technology transfer could take place through active cooperation, social networking, and collaboration, which medium-sized SMEs mostly access. In addition, the findings from this study confirmed the existing

literature (e.g., Hervas-Oliver et al., 2011; Rammer et al., 2009), showing that SMEs exploited new knowledge and know-how from family members, friends, customers, suppliers, business associations, and business partners for technological purposes and techniques to improve product design and acquire new technology and market trends.

Considering that knowledge sources are the most important means of driving innovation for non-R&D SMEs, it was found that “know-who” could help strike a balance between know-how, know-what, and know-about to generate policy and support systems, acquire the right innovation knowledge, adopt the most suitable technology, and approach the right expert to facilitate non-R&D-based innovation and growth. Indeed, “know-who” is a privileged source of non-R&D-based innovation, and together with other knowledge sources, it can enhance SMEs’ innovation output. However, in many cases, SMEs are unable to access such knowledge sources.

4.6.2 Key Non-R&D-Based Innovation Activities

This section addresses Research Question 1.2: How do the dominant non-R&D-based innovation activities enhance product and process innovation and marketing adoption?

Existing literature indicates that non-R&D-based innovation activities are mainly adopted by SMEs to improve product and process innovation (Barge-Gil et al., 2011; Guo et al., 2017; Kale & Little, 2007; Liao, 2021; Quaye & Mensah, 2019; Xie et al., 2019), due to insufficient resources to invest in R&D activities (Hervas-Oliver et al., 2011; Hervas-Oliver et al., 2012). However, how non-R&D SMEs in AEE, particularly Lao PDR, used imitation innovation, technology adoption, and marketing innovation to increase competitiveness and growth remains an under-researched topic among researchers. This study aims to address the gap.

4.6.2.1 Imitation Innovation Enhances Innovative Behaviour

The analysis reveals that imitation innovation is a new finding emerging from the present study. This finding is that non-R&D SMEs neither practice formal innovation nor understand the concept

of non-R&D innovation. But to survive, grow and succeed, many SMEs adopted imitation innovation in the initial stage of their innovation to improve product development. This could be called the “me too” stage as SMEs produce similar products that have already been introduced to the mainstream markets. Though there are prior studies on imitation innovation (e.g., Liao, 2021; Yu et al., 2015), none explored the influence of external knowledge on imitation innovation that leads to an increase of innovative behavior of non-R&D SMEs in the low-medium industry. This study discovered that the process of transforming external knowledge (mainly derived from competitors) into the imitation innovation process, enables SMEs to minimize the risk and uncertainty that new product may not be successful when introduced to the markets and consequently allows them sale at lower prices to attract customer attention. At the same time, analyzing and focusing on incremental changes in a product’s design, package, and functions lead to skills improvement. Given that highly novel design and production are highly detailed and involved, these are not easy tasks. Thus, learning by using, doing, and interacting leads to more searching and improving while producing imitative products. This helps to increase creativity and innovative behavior development.

Further, this study discovers that by regularly conducting imitation innovation, non-R&D SMEs understood their advantages (e.g., skills to identify and ensure fit between products and customer needs, less formal organizational structures, being able to access “know-who” knowledge sources) and their disadvantages (e.g., lack of understanding of innovation, limited resources). Thus, SMEs, particularly young owners/managers, exploited knowledge and information from various sources (e.g., trade exhibitions, advice from experts and customers) and then consolidated new and existing knowledge to overcome their weaknesses and improve product innovation. The findings also indicate that by paying close attention to customer feedback, learning by doing, and knowledge-sharing, SMEs were able to improve the quality of products through the imitation innovation process. This led to skills development and the transformation of some SMEs from imitators to creators by creating an original product design. While studies such as that of Liao (2021) found that product imitation enhances the skills of SMEs in developing countries, by attempting to imitate pioneering products, Lao non-R&D SMEs have improved creativity, analytical and technical skills. This was particularly the case in problem-solving skills through imitative efforts, which in turn, increased experience based on new product design, innovative services, and creative

redesign to eventually enhance innovative behavior. This is considered a new finding in the context of the Lao PDR.

4.6.2.2 Technology Adoption Enhances Products and Process Innovation

Although the adoption of technology, especially the use of advanced technology, machinery, and manufacturing equipment, has significantly assisted SMEs to improve productivity (Arundel et al., 2008; Guo et al., 2017; OECD & Eurostat, 2005), few studies have examined how technology adoption (such as advanced technology, manufacturing equipment, and hardware and software) enhances productivity development and the non-R&D-based innovation movement. This study addressed this research gap by exploring the impact of technology adoption on promoting efficient non-R&D-based innovation activities resulting in the development of new products performance and greater insights into non-R&D-based innovation management.

This finding reveals that while advanced technology helped develop new product performance, mitigates risks and reduce production costs, while the utilization of hardware and software helped store data and information on both business activities and customers. This is a new finding in the context of Lao PDR. The findings show that based on the economies of scale, proper organizational structures and resources, medium-sized SMEs invested more in advanced technologies and new manufacturing equipment to improve product and process innovations. The findings also indicate that medium-sized SMEs tended to outsource to help improve business models and knowledge and skills transfer. However, this strategy is not easy to implement. It depends on the innovative know-how of SME owners/managers, employees' capabilities and learning skills, and capital investment of individual SMEs to create a better fit with technology adoption and advanced technologies in line with the nature of their business operations.

The findings show that smaller SMEs that could not afford to invest in advanced technology adopted lower-cost technology, second-hand manufacturing equipment, and simpler software to develop products, manage storage and raw materials, and facilitate business activities. This finding enriches the current understanding that, although non-R&D SMEs understand the advantages and benefits of technology adoption in product and process innovation, barriers to accessing external

finance can undermine their investment in such technology adoption activities. This could have a negative impact on their success, growth, and internationalization. This finding is in line with other studies (e.g., Guo et al., 2017; Kang et al., 2015; Rammer et al., 2009; Santamaría et al., 2009; Tsuji et al., 2018) which indicate that technology adoption facilitates the process of innovation, improves product development and increases profits. In the context of Lao PDR, the finding is slightly different by indicating that small SMEs may not afford investment in advanced technology; they make incremental changes to the existing technology, machinery, or equipment to facilitate the innovation process. Further, SME owners/managers, especially smaller ones with low capital investment, were found to manage technology changes in the organizations and serve as implementers and technical developers in the same role or position.

4.6.2.3 Marketing Innovation Enhances Organizational Performance

While empirical research has focused on SMEs utilizing social media for customer engagement, increasing trust, receiving feedback, and increasing sales in Western economies (Guha et al., 2018) and developing countries (Chatterjee & Kar, 2020), there is a lack of research on marketing innovation using social media to facilitate non-R&D-based innovation activities in the AEE context, particularly Lao PDR. This study extends the literature, shedding new light on prior non-R&D-based innovation in the literature by exploring how social media support marketing innovation.

The study discover that online marketing innovation using social media platforms was mainly employed by non-R&D SMEs to help promote products and increase sales. This is a fresh finding in the context of Lao PDR. The findings show that Facebook, LINE, and WhatsApp were the most common social media platforms used by SMEs, especially smaller and younger ones, as a significant method of facilitating marketing strategies to increase sales and profits. Besides, findings reveal that SMEs used novel marketing methods: (i) inviting social media influencers to create compelling marketing content; (ii) encouraging customers to evangelize about their own experiences with products via social media or EWOM; and (iii) through verbal advertisement, known as “park tor park” or “word of mouth” to help promote their products. This shows how “influencing behavior” can be used by SMEs to access potential customers by using their

customers' networks. The findings also indicate that SMEs not only adopted social media as a significant marketing innovation but also used it to facilitate interaction with customers.

Further, the findings highlight that in attempting to offer offline and online services and provide product customization, SMEs could establish differentiation and increase value-added products, thereby serving niche markets. By differing from others through adopting marketing innovation, SMEs were inevitably required to use marketing methods to improve the quality of products, services, and efficiency of internal workflows, leading to better business performance and new product development. This is a new finding, indicating that marketing innovation, especially online marketing, not only significantly promotes products or brands, gains access to various customers, and establishes an alternative sales channel for SMEs, but it also enables SMEs to improve human resource development, which is at the core of organizational performance.

4.7 IMPLICATIONS

4.7.1 Theoretical Implications

There are three theoretical contributions of this study. First, this study contributes to the KSTE and non-R&D-based innovation by exploring the emerging influence of social networks, particularly the significant role of “know-who” on non-R&D intensive SMEs' knowledge acquisition process for non-R&D activities. Previous studies on the KSTE of non-R&D-based innovation focused on the spillover of knowledge from R&D, public research institutions, universities, and laboratories of incumbent firms (Acs et al., 2013; Audretsch & Lehmann, 2005; Braunerhjelm, 2019). This study's findings add to the emerging KSTE literature on the influence of knowledge spillover on innovation (Acs et al., 2009; Caiazza et al., 2020), and non-R&D-based innovation (Acs et al., 2013; Braunerhjelm, 2019; Caiazza et al., 2020), by shedding light on “know-who” as the most important source of external knowledge contributing to non-R&D-based innovation. Exploiting knowledge and support from “know-who” sources significantly enables SMEs, especially medium-sized SMEs, to increase the firm-internal stock of knowledge and competencies and use

this knowledge to obtain better non-R&D-based innovation performance in terms of quality, speed, and efficiency.

Second, this study contributes to the KSTE by providing new insights into the value of external knowledge flows, and how these contribute to non-R&D activities, particularly imitation innovation. Extant research on a KSTE of non-R&D-based innovation such as imitation innovation has overwhelmingly focused on external knowledge flows from competitors (Guo et al., 2017; Liao, 2021), target markets and customer cultures, and on combining new knowledge with existing resources (Liao, 2021; Luo et al., 2011; Wang et al., 2019; Wang & Chen, 2020). This study highlights that external knowledge flowing from local and international trade exhibitions and overseas study visits enhances new product design, innovative services, and creative redesign. While the KSTE suggests that knowledge could spill over through employees' mobility (Iftikhar et al., 2020), this study extends the current KSTE by indicating that experimenting and exploiting knowledge within organizations, knowledge sharing between owners and employees and then consolidating new knowledge and new ideas with existing knowledge enhance creativity and skill improvement. Increasing existing competencies, such as the stock of knowledge, human resources development, and organizational efficiency, could serve as a critical mechanism for improving product and process innovation, thereby enhancing value-add and profits.

Third, prior research on a KSTE of innovation (Acs et al., 2013; Korosteleva & Belitski, 2017) indicates that without R&D, external knowledge can be acquired by collaborating with research institutions and universities. Iftikhar et al. (2020) added that tacit knowledge and skills can spill over through the mobility of human capital. This study extends the literature on the KSTE by highlighting the role of external knowledge sources in non-R&D activities, such as technology adoption and marketing innovation, and showing that medium-sized SMEs exploit knowledge and technology spillover by outsourcing and learning from experts. In contrast, small and young SMEs exploit new ideas and knowledge from external sources, such as social media platforms (e.g., Facebook, LINE, and WhatsApp) and customers. Significantly, knowledge exploitation from customers through social media platforms (e.g., interactions, seeking opinions, and feedback), critically helps mitigate risk and potential failure in introducing new product design, services, and promotion campaigns. The findings underlined the important role of smaller and younger SMEs

in exploiting new knowledge, ideas, and know-how from offline and online sources. These SMEs integrate new knowledge and new ideas with existing knowledge and efficiently transform these into innovations, thereby becoming creators rather than purely imitators.

4.7.2 Practical Implications

This study has several practical implications. First, SME owners/managers who wish to adopt non-R&D-based innovation to remain competitive and internationalize should seek new knowledge from various sources (Acs & Sanders, 2013; Braunerhjelm, 2019; Kogut & Zander, 1992), e.g., online and offline sources. SMEs should also actively seek advice from: business associations, local and international experts, MoIC, LNCCI, and the SME Service Center, to better understand global trends and customer needs, enabling them to forecast future market trends and flexibly adapt to the fastest change environments. To mitigate the risk of producing new products but not meeting customer needs, SMEs could avoid failure by conducting market research using offline and online approaches to seek information from potential customers and target markets. SMEs could also produce prototypes or small products to test whether these new products have addressed customer needs and whether they are worth introducing into mainstream markets. Moreover, SMEs should encourage knowledge-sharing and idea exchange with employees to identify the advantages and disadvantages of their employees. This will help them put the right person into the job and provide suitable in-house training to leverage employee knowledge and skills more effectively. In addition, SMEs should increase more collaboration with foreign direct investment, multinational corporations, and joint ventures to exploit new knowledge and technology spillovers. This would help SMEs to leverage their expertise and create better quality products and services.

The Lao government has recently prioritized support for the SME sector (MoIC, 2020). To assist the government's national strategy plan at both provincial and national levels, this study suggests gaining a better understanding of innovation, particularly non-R&D-based innovation activities that SMEs mainly adopt. This would assist policymakers in tailoring policies and support systems to match the nature of SMEs' business activities across industries. Further, policymakers need to consider providing more funding, technical assistance, the latest information, and promoting knowledge and information about the patent acquisition, new design registration, and SMEs'

intellectual property rights. All SMEs should be able to access the latest know-how and information on funding and financial support to facilitate their decision-making and innovation. This would also help SMEs become aware of their rights to protect their original designs and products and, conversely, become aware of legal implications when imitating ideas. The government should also consider reallocating funds to support public and private research institutes, provincial laboratories, and universities because they are responsible for creating a knowledge-based economy (Doh & Kim, 2014). In addition, this study recommends that the government should increase technological development networks with outside organizations. For example, it could establish a memorandum of understanding with other international public and private research institutions, collaborate with well-known regional and international universities, and promote study visits to exchange experiences with other countries. This would enhance the knowledge of local governments responsible for promoting innovation, science, and technological development to support SMEs' growth.

4.8 LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study is not free from limitations, which opens several avenues for future research. This study adopted a qualitative research methodology; therefore, it did not address how the findings on non-R&D-based innovation influence SMEs' specific growth areas (e.g., turnover, assets, and market share). The study could be extended by investigating the influence of non-R&D-based innovation on SME growth. Using larger samples and employing a quantitative or mixed methods research methodology would enhance generalizability. Future research could also explore non-R&D-based innovation in other industries, for example, the coffee and tea industry, the hospitality industry, and the agro-processing industry to generate a broader perspective.

4.9 CONCLUSION

Recognizing and fostering SMEs' capabilities can accelerate non-R&D-based innovation development and growth (Braunerhjelm, 2019; Carrillo-Carrillo & Alcalde-Heras, 2020). Thus, this study sought to understand how non-R&D intensive SMEs in AEEs, particularly in Laos,

adopt non-R&D-based innovation to facilitate growth. Drawing on the KSTE (Acs et al., 2013; Acs et al., 2009; Audretsch & Caiazza, 2016; Iftikhar et al., 2020), and on empirical literature on innovation, non-R&D-based innovation, and entrepreneurship (Arundel et al., 2008; Guo et al., 2017; Kang et al., 2015; Liao, 2021; Moilanen et al., 2014; OECD & Eurostat, 2005; Rammer et al., 2009; Santamaría et al., 2009; Thomä & Zimmermann, 2019; 2020; Tsuji et al., 2018), the findings indicate that “know-who” sources play a crucial role and act as a catalyst for enhancing non-R&D activities. Moreover, imitation innovation was found to enhance innovative behavior, technology adoption enhanced product and process innovation, and marketing innovation helped human resource management and growth for non-R&D SMEs.

Chapter 5: KNOWLEDGE ACQUISITION, SOCIAL MEDIA AND INTERNATIONAL MARKETING STRATEGY: A STUDY OF SMES IN THE LAO PDR

This chapter discusses the role of social media platforms in the acquisition of internationalization as the third critical factor influencing SME growth in the Lao PDR. The chapter introduces the research context, a literature review, and the knowledge-based view theory. This is followed by reporting and discussing the findings. The thesis then discusses the theoretical and practical implications. The chapter ends by providing limitations and ideas for future research, and a conclusion.

5.1 INTRODUCTION

A firm's capability to quickly acquire new knowledge and assimilate it with existing knowledge has been shown to significantly increase institutional regulatory knowledge and drive internationalization (Bell & Cooper, 2018). For growth in internationalization, knowledge management (KM) and knowledge acquisition have been critical in enhancing organizational competitiveness and increasing international capabilities (Hilmersson & Johanson, 2020; Lecerf & Omrani, 2020). Indeed, the acquisition of domestic knowledge (Bell & Cooper, 2018), international knowledge, logical decision-making, and network relationships (Vissak et al., 2020), and consolidating this with existing knowledge enhances the capability of firms to identify and realize internationalization opportunities. Therefore, this chapter examines how SMEs acquire knowledge to promote internationalization.

The literature on internationalization indicates that digitalization has become a new path supporting SME internationalization (Denicolai et al., 2021). There is consensus that knowledge

is one of an enterprise's most critical resources in today's knowledge-based economy, underpinning a firm's competitive advantage (Teece, 1998) and underscoring the importance of KM (Natalicchio et al., 2017). Digital technologies, particularly social media, are increasingly used by organizations to improve KM (Paroutis & Al Saleh, 2009). Enterprises, including resource-constrained SMEs, also use social media platforms to leverage international market opportunities (Glavas et al., 2019; Katsikeas et al., 2019) through export (Mahmoud et al., 2020; Samiee & Chirapanda, 2019).

The social media phenomenon has attracted significant practitioner interest, particularly in Southeast Asia, where 13.4% of worldwide social media users were located as of 2020 (Statista, 2020). However, research on this phenomenon lags behind the rapid advances in social media practice (Katsikeas et al., 2019; Leonidou et al., 2018). For example, there is a dearth of research on how internet-enabled technologies facilitate the acquisition of knowledge for internationalization processes (Glavas et al., 2019; Katsikeas et al., 2019), particularly international marketing strategy (IMS). With few exceptions (Mahmoud et al., 2020), research tends not to distinguish between internet-enabled technologies (Glavas et al., 2019), or examine the internationalization process or IMS of SMEs in emerging markets. This is surprising, given the significant variations between countries' information telecommunications infrastructure. This has implications on the extent to which specific internet-enabled technologies, including social media platforms, can be used (Katsikeas et al., 2019). Similarly, different social media platforms may be used for different purposes (Itani et al., 2017), underscoring the importance of context, and the need to take account of the specific social media platforms with which a firm from a particular country might engage. This lack of research in the emerging markets context is all the more surprising, given the growing importance of emerging markets, particularly AEEs. These markets account for a significant proportion of users of digital technologies (Statista, 2020). For example, as of 2020, 56% of worldwide social media users were located in Asia. Thus, there is a great need for empirical studies on the impact of social media platforms on knowledge acquisition and the internationalization of small and medium-sized emerging market exporters in the context of AEEs.

The Lao PDR presents a unique case study. The country is one of the fastest-growing AEEs, and the business activities of Lao SMEs, especially exporting SMEs, drive GDP, reduce poverty, and

create jobs (Phimmahasay et al., 2017). Given the novelty of social media, very little is known about its benefits to the knowledge acquisition and organizational learning processes of emerging internationalizing SMEs in AEEs. Thus, this chapter's primary purpose is to address these gaps by examining how owners/managers of SMEs from the Lao PDR acquire and utilize knowledge for internationalization, and IMS in particular, via social media platforms. Because of the limited understanding of the evolution of IMS as a result of growing internationalization, this study also investigates traditional knowledge acquisition used by SMEs in exploiting internationalization opportunities. The analysis covers various factors involving specific types of social media platforms used to acquire new information, promote products, observe competitors' activities, share information with employees, and communicate with customers, suppliers, and business associations. This chapter also analyzes the traditional knowledge acquisition related to market, technology, internationalization knowledge and organizational learning capabilities.

Building on the knowledge-based view theory and existing literature on internet-enabled platforms, IMS and internationalization, the key research questions are as follows:

1. How has knowledge acquisition via social media platforms and traditional processes influenced SMEs' international marketing strategy, internationalization, and organizational learning capabilities?
 - 1.1 How can social media platforms influence SMEs' knowledge acquisition to promote internationalization?
 - 1.2 How can traditional knowledge acquisition processes facilitate SMEs' entry into international markets?
 - 1.3 How does knowledge acquisition for internationalization influence SMEs' organizational learning capabilities?

This study used a qualitative methodology and semi-structured in-depth interviews. The sample comprised 47 high-growth SME exporters as well as experts in key decision-making roles from the government sector (e.g., the MoIC and the Ministry of Finance), the private sector (e.g., business associations, the LNCCI, and the SME Service Center), commercial banks (e.g., the Bank of Lao) and experts from research and educational institutions in the Lao PDR.

The study found that market, technological, and international knowledge can be acquired through social media platforms and traditional knowledge acquisition processes. Social media platforms, in particular, enable SME owners/managers to create and use real-time learning to enhance their competitive advantage. At the same time, knowledge for organizational learning capabilities that supports internationalization can be generated from complementary knowledge acquisition processes, particularly overseas travel and study visits.

This study makes two contributions to the internationalization literature by emphasizing the role of social media platforms in facilitating knowledge acquisition as well as the role of traditional knowledge acquisition processes for international market expansion. First, the study contributes to the literature on the influence of internet-enabled platforms on emerging market exporters' knowledge acquisition processes for internationalization (Glavas et al., 2019). Thus, the study provides a fine-grained understanding of social media as a knowledge acquisition process for internationalization in the emerging market context. In doing so, the study also responds to the call for further research on how SMEs from emerging markets acquire and apply knowledge in the internationalization process (Tiwari & Korneliussen, 2018).

Second, despite widespread recognition that knowledge is an essential resource that contributes to internationalization activities and thus an enterprise's competitive advantage (Grant, 1996; Tiwari & Korneliussen, 2018), research on the influence of internet-based platforms and social media on the acquisition of knowledge for international marketing, and specifically for IMS, tends to be conceptual in nature (Katsikeas et al., 2019). Moreover, if such knowledge is empirical, it does not include social media (Samiee & Chirapanda, 2019). The present study addresses this gap and contributes to the emerging international marketing KM literature by explicating how specific types of social media facilitate the acquisition and transfer of market knowledge needed for real-time learning, developing organizational learning capabilities, and creating IMS by SMEs in emerging markets. In doing so, this study responds to the call for research on the role of social media in exploring and exploiting knowledge for market success.

The chapter is organized as follows. Section 5.2 reviews literature on KM, particularly knowledge acquisition processes, international marketing and social media, including perspectives from emerging markets. Section 5.3 describes the knowledge-based view theory. Section 5.4 explains data analysis procedures. Findings are presented in section 5.5 and discussions are presented in Section 5.6. Theoretical and managerial implications are outlined in section 5.7. Limitations and directions for future research are outlined in section 5.8. The conclusion is presented in section 5.9.

5.2 LITERATURE REVIEW

5.2.1 Knowledge Management as a Catalyst of International Marketing

Knowledge management is essential for sustainable competitive advantage and success (Lecerf & Omrani, 2020; Shrafat, 2018). The KM process involves knowledge acquisition, knowledge creation, knowledge storage, and knowledge application (Aujirapongpan et al., 2010). This process facilitates internationalization ventures, reduces risk and uncertainty, and enhances profits (Assadinia et al., 2019; Fletcher & Harris, 2012; Hilmersson & Johanson, 2020). According to Shrafat (2018), intangible rather than tangible resources mainly contribute to organizational competitiveness. In this context, knowledge is seen as an intangible resource playing an essential role in creating value for new product development (Kianto et al., 2017; Santoro et al., 2017), enhancing export know-how and management skills (Assadinia et al., 2019), and leveraging the internationalization of the firms (Pergelova et al., 2019; Tiwari & Korneliussen, 2018).

According to the literature, SMEs that manage to survive, are versatile in resource allocation, responsive to market conditions, and successful in expanding, have adopted KM process capability (Edvardsson & Durst, 2013; Goncalves, 2021; Petrov et al., 2020; Uzelac et al., 2018). The KM literature indicates that KM capabilities can be both static and dynamic (Hock-Doepgen et al., 2021; Smith et al., 2005). The static dimension refers to internal KM capabilities of maintaining, replicating, storing, and exploiting existing knowledge (Hock-Doepgen et al., 2021; Smith et al., 2005). The dynamic dimension refers to external KM capabilities of acquiring, converting, and

employing knowledge from sources outside an organization, such as observation of competitors' activities, analysis of customer behavior, and identifying global market trends (Hock-Doepgen et al., 2021; Smith et al., 2005). Additionally, Hoque et al. (2020) identified that to enhance export performance and internationalization, strong dynamic marketing capabilities or market knowledge management processes are required. These include ambidextrous market orientation, new product development capability, brand management capability, and customer relationship management capability. By leveraging dynamic marketing capabilities, SMEs, especially emerging exporters, can better adapt to the market environment and effectively carry out their knowledge accumulation and development.

Compared with firms in developed countries, firms in emerging economies particularly SMEs, are characterized by resource limitations, underdeveloped capabilities, and limited support infrastructure. Such firms are becoming a significant presence in international markets by acquiring, learning and utilizing internationalization knowledge (Bianchi & Mathews, 2016; Dotsika & Patrick, 2013; Fletcher & Harris, 2012; Gherhes et al., 2016; Tiwari & Korneliussen, 2018; Uzelac et al., 2018). However, existing research on the internationalization of emerging market exporters has centered on multinational and tech-related SMEs (Filatotchev et al., 2009; Hoskisson et al., 2013), leading to a gap in the literature about the many other SMEs from emerging markets involved in internationalization.

5.2.2 Knowledge Acquisition for Internationalization

Knowledge acquisition refers to the process by which knowledge is obtained (Huber, 1991). Internationalizing enterprises, including SMEs, require different types of knowledge (Johanson & Vahlne, 1977), which may be acquired through different knowledge acquisition types (Huber, 1991). Within the broad domain of KM, knowledge acquisition has played a significant role in influencing organizational competitiveness and speed of international capabilities development (Hilmersson & Johanson, 2020; Lecerf & Omrani, 2020).

Internationalization broadly refers to the firm's growth from national to international, aiming for improvement of profitability (Pergelova et al., 2019). In other words, internationalization

knowledge refers to the principles for operating business in foreign markets, including how to search for information, how to identify and evaluate opportunities, and how to make logical decisions about foreign market entry (Vissak et al., 2020). When firms plan for lateral expansion into international markets, prior research suggests that they require two forms of new knowledge: general internationalization knowledge and market-specific internationalization knowledge (Johanson & Vahlne, 1997). General internationalization knowledge could include marketing methods, international operations, and common characteristics of foreign customers, while market-specific internationalization knowledge refers to characteristics of individual customers and of particular international markets (Johanson & Vahlne, 1997).

Fletcher and Harris (2012) identified market, technological and internationalization knowledge as supporting internationalization. Market knowledge includes objective or explicit information about foreign markets, including market size, consumer behavior, competitors, suppliers, payments, and institutional knowledge (e.g., regulations, rules, etc.). Technological knowledge refers to techniques, methods and designs that may be used to develop and adapt products for new international markets. Assadinia et al. (2019) suggested that firms require export learning know-how, such as export knowledge, international experiences, and marketing strategy adaptation to internationalize and enhance export sales growth. Hanvanich et al. (2003) argued that understanding product development management, customer relationship management, and supply chain management significantly contributes to the creation of marketing knowledge and marketing strategy innovation. In addition, acquiring knowledge related to government institutional frameworks, such as laws, regulations, norms, and values, helps increase knowledge and understanding about the laws and norms that apply in international marketing and the local government (Eriksson et al., 1997).

It was found that smaller global firms can achieve accelerated international growth by utilizing pre-existing and newly established relationships with business partners to quickly and proactively develop new knowledge for the rapid commercialization of products (Freeman et al., 2010). Pellegrino and McNaughton (2017) showed that rapidly internationalizing SMEs depend mostly on alternative modes of learning (e.g., congenital learning) during the pre-internationalization phrase. Extending this finding, Hilmersson and Johanson (2020) provided quantitative insights by

sampling 618 SMEs in Sweden, Poland and China. They confirmed that knowledge acquisition strategy comprising multidimensional activities and different knowledge sources, is essential and leads to rapid development of international capability and expansion.

However, some researchers argue that experiential knowledge also leads to internationalization (Pellegrino & McNaughton, 2017; Tiwari & Korneliussen, 2018). This type of knowledge includes market knowledge, general knowledge, and business network knowledge (Johanson & Vahlne, 2009). Drawing on Huber's (1991) conceptualization of knowledge acquisition, Fletcher and Harris (2012) further classified experiential knowledge into two categories: direct experience or internal experience. The former refers to the first-hand experience of the firm based on its international efforts, while the latter refers to second-hand experience that firms acquire vicariously, such as observing others' experiences or outsourcing. Interestingly, Tiwari and Korneliussen (2018) revealed that emerging market micro export firms operating in the low-tech sector depend on social networks to acquire experiential knowledge and resources needed for internationalization. They further highlight that micro export firms that built networks with importers at trade fairs are more likely to acquire new knowledge and become familiar with changes in market trends, diverse international clients' requirements, and rivals' positions (Tiwari & Korneliussen, 2018).

Despite emerging market SMEs using social media to acquire knowledge, the literature provides little guidance on the strategic uses of social media, although broader research is available on knowledge acquisition via internet-enabled platforms.

5.2.3 Internet-Enabled Platforms, International Marketing and Knowledge Acquisition

The pace of growth of digital information technologies and the use of the Internet have changed the business environment from traditional international activities to new globalized, diversified, and intensified competitive marketplace (Bianchi & Mathews, 2016; Fawzee et al., 2019; Järviemi et al., 2020). Scholars have argued that new knowledge can be acquired through the increasing adoption, diffusion, and deployment of Internet-based technologies, which serve as the

backbone of internationalization (Bianchi & Mathews, 2016; Glavas et al., 2019; Pergelova et al., 2019).

Digital technological advancement and the ubiquity of the Internet have led to knowledge increasingly being acquired through internet-based platforms (Bianchi & Mathews, 2016; Glavas et al., 2019; Pergelova et al., 2019). Internet-enabled platforms enable SMEs to not only interact with stakeholders and customers and acquire knowledge, but also provide data storage and a database for accessing, analyzing and sharing knowledge within and across organizational boundaries for a small investment (Bianchi & Mathews, 2016; Fawzee et al., 2019; Katsikeas et al., 2019).

The Internet is a basis for enterprise growth, especially for SMEs from small countries with limited local markets. It provides unparalleled opportunities for exporting, and a source of international information and knowledge exchange (Bianchi & Mathews, 2016; Fawzee et al., 2019; Pergelova et al., 2019). The Internet not only aids SME exporters to develop better IMS by providing access to valuable detailed information about markets (e.g., buyers, competitors) in different countries, but also facilitates the management of business transactions across borders in a cheaper, faster, and more effective way (Bianchi & Mathews, 2016; Katsikeas et al., 2019; Pergelova et al., 2019). SMEs also depend on Internet-enabled platforms to circumvent barriers in the search for potential customers outside the domestic market (Bianchi & Mathews, 2016; Mathews et al., 2016; Pergelova et al., 2019). Thus, Internet-enabled platforms assist in market research and identification of international market opportunities as well as enhancing communication and interaction with foreign customers. Firms using Internet-based platforms may exploit international knowledge and opportunities faster and more efficiently than competitors without these platforms (Katsikeas et al., 2019; Mathews et al., 2016). The evolution of the international marketing, stemming from the growth of digitalization, plays a key role in searching, targeting, purchasing, and international distribution and communication with foreign customers (Mathews et al., 2016; Pergelova et al., 2019).

5.2.4 Social Media, International Marketing and Knowledge Acquisition and Utilization

Social media refers to “Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user generated content” (Kaplan & Haenlein, 2010, p. 61). Social media platforms include mainstream social and professional networking (e.g., Facebook and LinkedIn), instant messaging application platforms including WhatsApp and LINE, blogs and microblogs (e.g., Twitter), collaborative platforms (e.g., Wikipedia), and content-sharing sites (e.g., YouTube) (Fischer & Reuber, 2011; Piller et al., 2012).

As interactions increasingly shift to the virtual world, social media has produced a paradigm shift in how enterprises operate. Thus, social media has been used for a range of business purposes (Alalwan et al., 2017; Corral de Zubielqui et al., 2019). From an international marketing perspective, social media has transformed how enterprises interact with customers globally, providing faster and cheaper market access, particularly to geographically distant markets (Berthon et al., 2012). For example, through interactive brand communities, organizations can engage with consumers beyond their immediate geographic reach (Johnston et al., 2018). By integrating social media into international marketing, firms expand their reach and provide personalization and the potential for better customer relationships (Okazaki & Taylor, 2013). Thus, social media can contribute to SMEs’ marketing aims and strategy, particularly customer relationship management, brand management, sales, advertising and promotion (Alalwan et al., 2017; Filo et al., 2015; Saxena & Khanna, 2013).

Social media enables the capture of competitive intelligence (Pérez-González et al., 2017), and facilitates market research (Patino et al., 2012), which is expected to be especially important in the SME context of the present study. This is because SME exporters are characterized by limited resources, particularly in their ability to access the requisite knowledge about the host market and other support resources, which are integral to developing appropriate strategies for targeting markets offshore (Samiee & Chirapanda, 2019).

For example, customers in online communities share ideas, experiences and evaluations of existing products, services and processes (Chen et al., 2017), leading to user-generated content (Wang &

Yu, 2017) or social word of mouth (sWOM) (Yan et al., 2016). sWOM not only provides information to the online community of users (Wang & Chang, 2013), but valuable opportunities for managers to passively observe and listen (Hsieh & Wu, 2019). By reading and/or viewing comments, chat histories, likes and shares, users' responses reveal what they care about. Because customers are close to the market (Pittaway et al., 2004), they are well placed to provide ideas about future market needs (von Hippel, 2005). This facilitates the development of customized, commercially viable products, and reduces commercialization risks (Laage-Hellman et al., 2018; Parida et al., 2012). Positive sWOM is also an important source of information about new products and brands, which managers can use to generate consumer interest in new product launches and boost early acceptance of products (Roberts & Candi, 2014).

SMEs can also use social media to acquire knowledge from competing enterprises (Roberts et al., 2016) by monitoring and/or listening to experiences shared on competitors' social media platforms (e.g., discussion forums and rating sites). The value of competitor information lies in its influence on customer needs and on the market in general (Kohli & Jaworski, 1990). By acquiring competitive intelligence about competitors' and the competitive environment, SMEs can monitor, adapt and respond quickly to changing customer needs (Itani et al., 2017). Thus, social media also facilitates information and KM (Olanrewaju et al., 2020), particularly knowledge acquisition and sharing, which are crucial to innovation and productivity (Olanrewaju et al., 2020; Pérez-González et al., 2017). Conversely, the transparency or visibility of some social media platforms (e.g., Twitter) mean that competitors can also learn from the same businesses (C. Smith et al., 2017). "Misinformation" is also ubiquitous on social media, and thus a firm relying on social media to gather information may be just as likely to get "fake news" as to get reliable information.

5.2.5 Knowledge Acquisition and Utilization Enhance Organizational Learning

According to Jerez-Gómez et al. (2005), organizational learning is defined as "[t]he capability of an organization to process knowledge—in other words, to create, acquire, transfer, and integrate knowledge, and to modify its behavior to reflect the new cognitive situation, with a view to improving its performance" (p. 716). Argote et al. (2003) indicated that organizational learning consists of acquisition, dissemination, and use of knowledge by the firm. There is strong evidence

that knowledge is the most imperative ingredient for success in the internationalization era, which has gradually shifted from physical assets to intellectual capital and knowledge assets (Zakery & Saremi, 2020). By going through the initial stages and acquiring more knowledge that will reduce cognitive and psychic gaps between decision-makers and target markets, SMEs will move closer toward international markets and better allocation of resources (Andersson, 2000). In addition, international learning, which searches the width and the breadth of international networks, enables internationalizing SMEs to acquire additional valuable knowledge and skills possessed by established global players (Peng & Lin, 2021; Xiao et al., 2020).

Empirical literature notes that knowledge acquisition and utilization for internationalization enhance SMEs' organizational learning (Puthusserry et al., 2020; Sendawula et al., 2020). According to Puthusserry et al. (2020), rapidly internationalizing SMEs utilize both internal sources of knowledge (e.g., self-learning from trial-and-error and experiential efforts) and external sources of knowledge (e.g., peer learning, international customers, suppliers, trade fairs) which are valuable and diverse forms of learning, enhancing internationalization. Pellegrino and McNaughton (2017) claimed that experience learning is a dominant learning process that is adopted by incrementally internationalizing SMEs in the early internationalization phase. In contrast, rapidly internationalizing SMEs rely on congenital learning, which involves acquiring knowledge from founders' prior learning. Sendawula et al. (2020) reported that the internationalization process of manufacturing exporting SMEs could be predicted through business networking, for example, by developing trust with customers and business partners to understand regulatory and international cultures involving global operations, by organizational learning, for example, by adopting the acquisition of knowledge into practice and ensuring that employees are aware of timeliness when handling international markets.

The research also suggests that several business activities—especially preparation for the internationalization process, such as acquiring knowledge, communication, transaction, and environmental scanning—are now facilitated by internet-enabled technology, including social media (Glavas et al., 2019; Raymond & Bergeron, 2008). Ainin et al. (2015) studied the influence of Facebook usage on a sample of 937 Malaysian SMEs and found that the overarching objective of social media usage was to enhance organizational performance in both financial and non-

financial terms. This included areas such as cost reduction, enhanced customer interaction, and information acquisition. Further, Cegarra-Navarro et al. (2007) found that organizational learning occurs when all members of the organization acquire knowledge recognized to be useful to the organization. For example, through well-developed capabilities in the acquisition of knowledge, employees not only improve problem-solving skills but also develop the ability to discover new and novel practices and, eventually, facilitate e-business to achieve competitive advantage.

In addition, Zebal et al. (2019) noted that to develop sustainable competitive advantage, growth, and profitability, firms need to improve internal explicit marketing outcomes (e.g., employee productivity, internal market orientation), tacit knowledge marketing outcomes (e.g., creativity, retention of tacit knowledge), and external explicit marketing outcomes (e.g., customer satisfaction, innovative marketing programs). However, the authors indicate that all knowledge transfer is influenced by context and interpretation (Zebal et al., 2019).

In summary, while research provides insights into knowledge acquisition and utilization via social media, how emerging market exporters, including SMEs in the Lao PDR, acquire and utilize knowledge for internationalization, organizational learning and IMS via social media has not been investigated.

5.3 KNOWLEDGE-BASED VIEW THEORY

This study is informed by the knowledge-based view theory (Grant, 1996), which is recognized as an appropriate framework for explaining an enterprise's internationalization (Keupp & Gassmann, 2009), including smaller SME exporters (Mejri et al., 2018; Tiwari & Korneliussen, 2018). The central premise of the knowledge-based view theory is that different types of knowledge constitute critical strategic assets, and enterprises that effectively utilize and leverage heterogeneous knowledge resources attain a competitive advantage (Grant, 1996).

The knowledge-based view theory of the firm is an extension of the resource-based view theory. The resource-based view theory posits that strategic resources are the essential factors enabling

firms to create competency, drive sustainable competitive advantage, and increase profits (Barney et al., 2001; Hitt et al., 2016; Taylor & Taylor, 2009). Resources can be tangible (e.g., financial and physical assets) or intangible (e.g., human skills, know-how, capabilities, intellectual property, and organizational systems) (Fernández et al., 2000; Galbreath, 2005; Hall, 1992; Hitt et al., 2016; Roberts & Dowling, 2002). Fundamental to the resource-based view theory is the notion that knowledge is a valuable intangible resource, in particular, unique knowledge. This is crucial for creating innovation, new products, and sustainable market expansion for firms in diverse international markets (Assadinia et al., 2019; Johanson & Vahlne, 1997; Petrov et al., 2020). Therefore, knowledge is the most important resource available to firms, and is a critical value-creating resource for firms targeting international markets (Morgan et al., 2003).

The knowledge-based view theory proposes that knowledge is the dominant business resource in receiving information on internationalization (Prashantham, 2005). Knowledge for internationalization refers to the type of knowledge, the role of knowledge, and sources of knowledge (Johanson & Vahlne, 1997; 2003; Prashantham, 2005). According to Johanson and Vahlne (2003), market knowledge and resources are critical factors in internationalization. Thus, the acquisition, consolidation, and utilization of knowledge are central to the organizational learning process that influences marketing strategy adaptation (Assadinia et al., 2019; Villar et al., 2014). This is consistent with the notion that the ability of firms to develop and maintain experiential knowledge and the capability to effectively and efficiently perform marketing-related tasks increase in export venture performance, for example, adaptation strategy and sales growth in foreign markets (Assadinia et al., 2019; Morgan et al., 2003). Therefore, internationalization represents a firm's innovation, value creation, effective marketing strategy and decision-making in response to the uncertain circumstances of international markets (Prashantham, 2005; Stoian et al., 2018).

Shifting lenses in understanding the role of digital technology in knowledge acquisition for internationalization, the knowledge-based view theory explains that exporting firms in emerging economies use internet-enabled platforms to disseminate, acquire and share information (Prashantham, 2005). Glavas et al. (2019) highlighted that internationalizing SMEs recognize the advantages and benefits of the Internet and compete in foreign markets by using internet-enabled

experiences. These experiences provide explicit and tacit knowledge required for the preceding, initial, and later stages of internationalization (Glavas et al., 2019). Further, the Internet facilitates the development of firms' organizational capabilities in emerging economies, such as bundles of knowledge and skills research, and it enables them to establish business relationships with foreign customers and suppliers (Bianchi & Mathews, 2016). Hence, an individual firm's ability to search for crucial knowledge and acquire information on internationalization can enhance the learning process, organizational development, and growth in internationalization.

Further, the knowledge-based view theory suggests that social capital (e.g., inter-firm networks, distributors, strategic partners, customers, and suppliers) leads to the creation and acquisition of knowledge (Prashantham, 2005). A significant challenge that SMEs face is resource constraints (Supyuenyong et al., 2009; Uzelac et al., 2018); hence it is important to know when, with whom, and how to collaborate to have secure access to external support, services, resources or expertise. To survive, leverage competitive advantage, and grow, the knowledge-based view theory suggests that SMEs require the ability to search for new knowledge, and to transfer and share that knowledge (not only between firms but even more critically, within the firm), synthesize new and existing knowledge, and implement knowledge to increase the rate of internationalization (Morgan et al., 2003; Pellegrino & McNaughton, 2017; Prashantham, 2005).

The next section explains the data analysis procedures to address the research questions.

5.4 DATA ANALYSIS PROCEDURES

Thematic analysis was used to discover new information on knowledge acquisition about markets, technology, and internationalization through social media platforms and the traditional knowledge acquisition process for internationalization. Since an inductive approach derives themes from the researcher's data, provides a more expansive analysis of the entire body of data, and contextualizes findings (Braun & Clarke 2006; Kiger & Varpio, 2020), this study employed an inductive approach to theme identification.

The six steps of data analysis suggested by Braun and Clarke (2006) were followed. First, 47 interviews were imported to the NVivo 12 database to prepare for analysis. To become familiar with the data, each transcribed document was explored, investigated, and read several times to capture the main ideas and identify patterns. As a result, the researcher noticed that main knowledge sources exploited and acquired by SMEs were associated with many factors. Through patterns in the data, the researcher established that market, technology, and international knowledge for IMS and internationalization can be acquired from many sources, such as online searches, Facebook, LINE, the observation of competitors, sub-contracting, international trade exhibitions, and overseas study visits. This initial examination was followed by a more in-depth investigation of the data, and several topics emerged, such as “SMEs use social media as a main market strategy to access new customers;” “Facebook, Instagram and LINE are the most common platforms for SMEs to observe competitors;” “Foreign direct investors also introduce new knowledge;” “Many SME owners/managers intend to send their children to participate in short-term overseas study visits to learn and gain new experiences.”

Second, open coding proceeded line-by-line, and then codes were clustered according to similarities or patterns, assisted by the NVivo software 12 (Saldana, 2016). Individual transcripts were initially analyzed, and patterns were inductively coded. Subsequently, overarching units were identified across the entire interview data (Creswell, 2014). Inductive coding required marking passages and sentences of a text with a code (Chandra & Shang, 2019). The researcher closely reviewed coding process, took notes, and combined the data into broader themes, as the broader themes can reflect a straightforward or more complex meaning which helped researcher to compare across data, to change or drop the themes. For example, many participants said, “A common knowledge source nowadays is social media.” Thus, social media was found to be a significant source of market knowledge and information that facilitated IMS. Consequently, “Social Media” became the unique title of a unit at this stage.

Third, the preliminary list of inductive codes (93) was reviewed, refined, and compared to eliminate duplicate codes and incorporate conceptually similar codes into potential themes. Analytical coding enabled the researcher to explore, identify and construct the broad categories to prepare to establish themes. This was followed by an examination of the findings to identify the

data extracts that fitted a particular theme. For example, participants reported, “I observe and learn about customer behaviors and market trends from the USA, Canada, Japan or even Australia through social media;” “Social media such as Facebook, LINE, WhatsApp, and Instagram are very convenient, cheap and can reach a huge number of customers everywhere, anytime;” and “I also learn from successful SMEs that access international markets.” Thus, these phrases could be grouped under the caption “Social media as a platform for knowledge acquisition.”

Fourth, the three candidate themes and three subthemes were identified and reviewed several times to ensure they were linked to the interview data with supportive quotations. At this stage, the researcher went back and forth between codes and raw data to identify themes, while gathering all extracts of data relevant to each potential theme (Creswell, 2018). Codes were also reviewed and compared to identify common features that appeared worthy of analysis and to remove any redundant codes.

Fifth, the researcher ensured that the three final themes and subthemes were reviewed and developed by checking whether they worked in relation to the coded extracts (Braun & Clarke, 2006). According to Creswell (2018), the number of themes reflects the quality and richness of data. The three final themes included:

- Theme 1: Social media as a platform for the acquisition of internationalization knowledge
 - Subtheme 1.1: Market knowledge
 - Subtheme 1.2: Technology knowledge
 - Subtheme 1.3: Internationalization knowledge
- Theme 2: Traditional knowledge acquisition process for internationalization.
 - Subtheme 2.1: Being part of a global value chain
 - Subtheme 2.2: International trade exhibitions and NGOs
 - Subtheme 2.3: Business partners’ international knowledge
 - Subtheme 2.4: The Internet
 - Subtheme 2.5: Institutional network partners
 - Subtheme 2.6: Social networks
- Theme 3: Organizational learning capabilities

Three themes address Research Question 1, while theme 1 addressed Research Question 1.1, Theme 2 addressed Research Question 1.2 and Theme 3 addressed Research Question 1.3.

Before moving to the discussion section, the entire data set was again carefully reviewed to consider relationships between the key themes relating to the research questions. Each theme's name was refined several times to ensure that the themes were concise and made sense (Braun & Clarke, 2006).

Sixth, the final stage of data analysis involved the write-up of the report.

5.5 FINDINGS

This section addresses Research Question 1: How has knowledge acquisition via social media platforms and traditional processes influenced SMEs' international marketing strategy, internationalization, and organizational learning capabilities?

The findings discover that social media platforms influence knowledge acquisition (including market knowledge, technology knowledge, and internationalization knowledge) for internationalization. While traditional knowledge acquisition processes were found to facilitate entry into the international markets. In addition, knowledge acquisition for internationalization influences organizational learning capabilities. Thus, they contribute to SME export performance and growth.

The following sections provide a discussion to address Research Questions 1.1, 1.2, and 1.3.

5.5.1 Social Media Platforms Influence Knowledge Acquisition for Internationalization

This section address Research Question 1.1: How can social media platforms influence the acquisition of knowledge for internationalization?

Table 4.1 shows that Facebook/Messenger and LINE were the most common social media platforms used to acquire knowledge, promote products and observe competitors' activities. This was followed by Instagram. Medium-sized enterprises were more likely to use more platforms than their smaller counterparts. Facebook/Messenger, LINE and WhatsApp were used by all SMEs, including SME exporters communicating information internally and externally. Table 5.1 lists the codes, the subthemes and themes emerging from the data analysis.

Table 5.1: Data Structure, Coding Examples, Themes and Aggregate Dimensions

Coding Examples	Subthemes	Themes	Aggregate Dimensions
<ul style="list-style-type: none"> – Facebook/Messenger used for knowledge acquisition – Instagram – LINE – WhatsApp – Firm–customer interaction – Promote products – Observe customer behavior – Observe competitor activities – Communicate with business partners – Product customization 	<p><i>1.1 Market knowledge acquisition</i></p>	<p>1. Social media as a platform for acquisition of internationalization knowledge</p>	<p>Social media platforms influence the acquisition of knowledge for internationalization</p>
<ul style="list-style-type: none"> – Sub-contracting arrangements – Online searches & learning – Informal KM systems adoption – Unconstructed social media analytics – Reliability of information – YouTube 	<p><i>1.2 Technological knowledge acquisition</i></p>		
<ul style="list-style-type: none"> – Advantages of LINE – Observe customer behavior – Communication with customers – Establish business relationships – Observe successful internationalized enterprises 	<p><i>1.3 Internationalization knowledge acquisition</i></p>		

– Contract manufacturing for Western organizations	<i>2.1 Being part of a global value chain</i>	2. Traditional knowledge acquisition processes for internationalization	Traditional knowledge acquisition processes facilitate entry into the international markets
– Learn from Western companies			
– Technology transfer			
– Knowledge transfer			
	<i>2.2 International trade exhibitions and NGOs</i>		
– Institutional network partners (NGOs)			
– International trade exhibitions			
– Learn from competitors			
– Technology transfer			
– Knowledge transfer	<i>2.3 Business partners' international knowledge</i>		
– New ideas generated			
– Learn from business partners			
– Exchange international knowledge			
– Exchange international experiences			
– International reputation	<i>2.4 The Internet</i>		
– Access international opportunities			
– The Internet			
– Marketing knowledge	<i>2.5 Institutional network partners</i>		
– International knowledge			
– Documentation availability			
– Institutional network partners			
– Training, workshops, and seminars	<i>2.6 Social networks</i>		
– Market knowledge			
– International knowledge			
– Social capital			
– Social networks			
– International knowledge			
– International trade exhibitions			
– Overseas trips and study visits		3. Organizational learning capabilities	Knowledge acquisition for internationalization

<ul style="list-style-type: none"> – Learning from experts and outsourcing – In-house training – Knowledge transformation and sharing – Social media usage – Real-time learning – Knowledge and skills improvement – Productivity improvement – Services improvement 	<ul style="list-style-type: none"> influences organizational learning capabilities
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Theme 1: Social Media as a Platform for Knowledge Acquisition

Theme 1 provides insights into SMEs’ acquisition of market, technology, and internationalization knowledge through social media platforms. The findings indicated that different types of social media platforms are used for different purposes. Thus, they are presented as three subthemes: 1.1: Market knowledge acquisition, 1.2: Technological knowledge acquisition, and 1.3: International knowledge acquisition.

Subtheme 1.1: Market Knowledge Acquisition

Social media was used by all emerging SME exporters to acquire knowledge, especially market knowledge. Customers were the major source of market knowledge, followed by competitors:

Many Lao SMEs now are using online sources for improving their knowledge and update the market trend. A few years ago, the main sources of knowledge for SMEs were their supplier and customers. Recently, everything changed; high-speed and online knowledge sources help SMEs catch up with the global trend. Interviewee 16

A common knowledge source nowadays is social media. SMEs learn from their customers and competitors. Interviewee 43

Social media, particularly Facebook/Messenger, LINE, and Instagram were popular platforms for the acquisition of market knowledge and to promote products, and with WhatsApp, they provided fast, easy and cheap access, interaction and communication with customers and potential customers, irrespective of time or geographic location:

I not only use social media to acquire new knowledge and up-to-date information but also to promote my products, e.g. I paid to Facebook to advertise my products which I can focus on the group of customers (age, gender, interests, and location). Interviewee 35

SMEs use social media as a main marketing strategy to access new customers. This is because social media such as Facebook, LINE, WhatsApp, and Instagram are very convenient, cheap and can reach a huge number of customers everywhere, anytime. Interviewee 40

Customer and competitor knowledge was acquired directly through SME–customer interactions on social media and indirectly (or “vicariously”) through observing customer–customer interactions on social media, particularly on Facebook and LINE. In vicarious learning, users generate shared content, which enables emerging market exporters to acquire competitive intelligence through social listening. Quotes from SME owners/managers illustrate these knowledge acquisition processes:

The main information sources are social media from customers who advise me on what I should improve to meet customer demands. Interviewee 41

Facebook, Instagram and LINE are the most common platforms for SMEs to observe competitors, gain new ideas about market trends and learn new knowledge to improve product designs and services to customers. Interviewee 47

Collectively, information and knowledge on social media from and about customers and competitors enabled SME owners/managers to better understand and anticipate customers’ needs and preferences, which formed the basis for innovation, particularly the improvement of products, designs and services:

SMEs prefer social media, using information from customers and buyers to help them improve their products, designs and services. Interviewee 16

I try to access the Japanese market. Therefore, I used social media to search for information, communicate with Japanese people, and find out that they love handmade products and organic cotton and silk. Thus, now I use that information to help create new design products such as souvenirs, scarves, and clothes using organic cotton and silk to add more value to my products. Interviewee 38

Knowledge of customers and potential customers in specific international markets, particularly knowledge in respect of their needs and wants, enabled owners/managers to better respond to market needs and capitalize on international market growth opportunities by customizing products to meet users' needs and expectations in international markets:

I observe customers comments, likes, shares on social media... The more I know about international customers in Japan, South Korea, and the USA, the more I can design and customize products that match their particular desires. Interviewee 39

Thus, social media was integral to the acquisition of market information for customization:

By observing and learning about customer behaviors and market trends on social media from the USA, Canada, Japan or even Australia, I can offer customized products for customers who want unique handmade products or customers can design their own. Interviewee 35

Subtheme 1.2: Technological Knowledge Acquisition

The acquisition of technological knowledge was less salient than market knowledge, possibly reflecting the non-R&D nature of emerging market exporters in the sample. Medium-sized SMEs acquired technological knowledge vicariously through sub-contracting arrangements, while owners/managers of smaller SMEs searched purposefully for technical information and knowledge online, including on YouTube. For example, a manufacturer of garments who sought access to the Japanese market used YouTube to acquire information and knowledge on the different ways of

using natural ingredients to dye cotton, silk and yarn used to manufacture handmade products such as souvenirs, scarves, and clothes. For example, Interview 33 revealed that:

Most Lao garment firms are SMEs that operate as sub-contract operators, engaged in simple Cut, Make, and Trim (CMT) implementation. As sub-contract operators, Lao SMEs can learn many things from foreign investors, business partners, and buyers, including knowledge transfer, technology transfer, logistic operation, and marketing techniques.

There was no evidence of the use of formal KM systems or social media analytics, although some respondents utilized informal KM programs and analytical techniques, as illustrated by Interviewee 35:

I acquire a lot of information from my customers. I manage and store their suggestions, both positive and negative feedback, and customers' demographics on a hardware and software program. I then search for major common interests from my customers based in specific countries and regions. This has helped me to come up with new customized ideas and designs for my products.

SME owners/managers were cognizant of the potential for fake news or “misinformation” on social media and highlighted the need to verify the accuracy of market-related knowledge acquired via social media, and the internet more generally: “I double-check the reliability of information from online sources before I take any action.” Interviewee 40

Subtheme 1.3: Internationalization Knowledge Acquisition

Likewise, SME owners/managers acquired knowledge vicariously by following and observing social media initiatives of successful enterprises that had internationalized, as illustrated by participants:

I also learn from the successful SMEs that access international markets. Interviewee 31

The main information sources that I use to access new knowledge about internationalization include online sources, social media, business association, and training and workshops. Interview 41

The mini case below provides a detailed illustration of how SMEs in the Lao PDR use one of the social media platforms, LINE, to acquire new knowledge, particularly market and international knowledge, to facilitate market entry and capitalize on the enormous potential of the Japanese luxury textile and handicraft sector.

Emerging SME exporters' knowledge acquisition using LINE in Japan:

The luxury textile and handicraft sector

This study illustrates how social media, and specifically, the Japanese domestic messaging app, LINE,¹ facilitated access to, and transfer of, market knowledge needed by Lao SMEs to facilitate expansion into the lucrative Japanese market.

Japan is considered an important market for Lao textiles and handicrafts, given the so-called “democratization of luxury” in Japan (Fujioka et al., 2018). However, macro-level institutional barriers, including complex regulatory frameworks, the role of government agencies, and cultural and social norms (Bebenroth et al., 2014), make Japan a difficult market to enter, particularly for SMEs. Emerging SME exporters in Lao PDR tend to have limited knowledge of Japanese consumer behavior, culture and institutional arrangements.

Given institutional barriers and market knowledge gaps, Lao’s emerging SME exporters, particularly medium-sized SMEs, are heavily reliant on their network partners to overcome established macro-level institutional barriers (Bebenroth et al., 2014). They also use social media to acquire market knowledge, particularly knowledge on market trends and customer behavior. This includes culturally specific behavior, so that they can adapt products and capitalize on

¹ LINE was introduced to Japan in 2011 during the Great East Japan Earthquake. As other communication modes were disrupted, LINE facilitated communication of news, and enabled family members and friends to communicate to confirm their safety.

market opportunities in Japan. To this end, owners/managers of medium-sized SMEs use social media platforms, particularly LINE, Twitter, Instagram and Facebook, to acquire and transfer market knowledge, customize and internationalize.

LINE, Twitter and Instagram are the dominant social media platforms used by people in Japan. By audience reach, LINE ranks as the dominant social media platform, with 84 million monthly active users as of 2020, or 77.4% of all Japanese (Statista, 2020). LINE is followed by Twitter and Instagram, which account for 38.5% and 35.7% respectively as at July 2020.

LINE has become the most popular social media platform in Japan, in part, because it offers free voice, video calling and stickers of popular characters in Japan. It also offers access to a multitude of other features and functions, from news, TV, music, digital comics and games, to shopping, insurance, cashless payment, and e-commerce platforms. E-commerce platforms enable sellers and customers to sell and buy products and services on LINE, with a digital wallet service facilitating seamless online purchases. Further, LINE accounts do not appear in public searches, and thus the only way to become a friend with a person in Japan through LINE is to make a request for their LINE ID or QR code. This feature is highly valued by Japanese users given Japanese society's anxiety about privacy protection on social networking services (Miyashita, 2011).

Many medium-sized SMEs in the Lao PDR register accounts on LINE to facilitate interaction with existing Japanese customers, and connect with prospective customers, distributors and other businesses (e.g., retailers) in Japan. Becoming a friend with a Japanese buyer, potential buyer or distributor through LINE encourages trust and leads to marketing opportunities. These include introducing, advertising and promoting new products and services to existing and potential customers; receiving valuable information and feedback from users on existing products and services; better understanding of customers and buyers, particularly in terms of Japanese consumers' high expectations of excellence in product and service quality; the potential to co-create designs; and the potential to connect with new customers through the network of existing customers.

Through trust and networking, Japanese customers established the LINE group, which provides an important venue for the introduction of new potential buyers to emerging SME exporters in the Lao PDR. This is because LINE allows existing users to create group chats and invite their friends, family and business counterparts who, in this case, share an interest in Lao textiles and handicrafts. Through LINE, SMEs in Laos are able to acquire valuable knowledge about new market trends, potential customers, retailers and competitors, facilitating customization of products and services and expansion into the Japanese market. LINE also enables Lao SME exporters who do not have a Japanese network or partnership to cost-effectively acquire first-hand knowledge about customers, retailers and competitors in the Japanese market through knowledge-sharing and exchange on LINE. In summary, social media platforms, particularly LINE, have been integral to Lao SME exporters' ability to acquire, transfer and utilize market knowledge needed to adapt Lao textile and handicraft products and effectively advertise customized products in the Japanese market.

All emerging SME exporters in the sample acquired knowledge, particularly market knowledge, using traditional knowledge acquisition processes, outlined in the sub-section below.

5.5.2 Traditional Knowledge Acquisition Facilitates Entry into International Markets

This section addresses Research Question 1.2: How can traditional knowledge acquisition processes facilitate entry into the international markets?

Traditional knowledge acquisition facilitates alternative modes of learning and provides the fastest services to increase organizational learning capabilities for internationalization. Table 5.1 lists the codes, the subthemes and themes emerging from the data analysis.

Theme 2: Traditional Knowledge Acquisition

Theme 2 discusses how traditional knowledge acquisition provides SMEs with market, technology, and internationalization knowledge. The findings indicate that there are different types

of knowledge acquisition. There are presented as six subthemes: (2.1) Being part of a global value chain, (2.2) International trade exhibitions and NGOs, (2.3) Business partners' international knowledge, (2.4) The Internet, (2.5) Institutional network partners, and (2.6) Social networks.

Subtheme 2.1: Being Part of a Global Value Chain

Owners/managers of medium-sized SMEs also learned vicariously from being part of a global value chain of Western multinational corporations. As enterprises undertook contract manufacturing for well-known Western apparel organizations, local firms were the recipients of technological and market knowledge transfer:

SMEs become sub-contractors for foreign direct investors because they ... share orders with SMEs in Lao PDR. Foreign direct investors also introduce new knowledge (e.g., logistics, operations management, and marketing techniques) and technology transfer to SMEs to upgrade their technology, product design, quality and customer service. Interviewee 39

Some SMEs who intend to apply for and become the sub-contractor of big or well-known foreign companies have learnt many business strategies and organizational management techniques from their headquarters. Interviewee 44

Subtheme 2.2: International Trade Exhibitions and NGOs

In addition to sourcing customers, international trade exhibitions and NGOs, such as the World Bank, the UNDP, the United Nations Children's Fund (UNICEF), JICA, and the Japan External Trade Organization (JETRO), are integral to the acquisition of technological and market knowledge, particularly competitive intelligence. SME owners/managers vicariously acquired ideas for improving existing products or services and developing new ones from competitors, as well as from potential customers:

I use new knowledge and skills gained from offline sources such as training, workshops, and seminars provided by UNICEF, JICA and JETRO for product and services

development, new technology investment, and creation of new marketing strategy for accessing internationally targeted market. Interviewee 35

Attending exhibitions is a good place to source new ideas, new production techniques and designs and innovation from other producers ... and helps me to meet many new target customers who are interested in Lao products. Interviewee 40

Subtheme 2.3: Business Partners' International Knowledge

Interviewees also leveraged their business partners' international knowledge, experience and reputation to access greater international opportunities, as illustrated by Interviewee 43: "With the international reputation and business experiences of my business partner, I can export my products to many countries."

Subtheme 2.4: The Internet

The acquisition of marketing and international knowledge was a priority among all owners/managers, who searched purposefully for knowledge on the Internet:

I study Non-Tariff Barriers (NTBs), which are known as a form of restrictive trade set up by using quotas, sanctions, embargoes and exorbitant fees to replace tariffs from the Internet. I have to learn many things to improve my knowledge related to internationalization because I want to access USA and EU markets. Interview 38

I acquire knowledge from the Internet on payments, logistics, and insurance to be able to provide the details to my ... Japanese, Canadian, or South Korean customers. Interviewee 39

Respondents highlighted the importance of knowledge of documentation and compliance requirements to export products to Japan, as illustrated by Interviewee 40:

I have learned a lot about quality control required for Japanese markets. There are many documents related to applying for international standards certification, which is costly. I had little knowledge about international standards certification. Now I access this information in both online and offline sources to improve my knowledge about export and import procedures as I am aiming to export more to Japan.

Subtheme 2.5: Institutional Network Partners

Medium-sized SMEs also acquired market and international knowledge vicariously from institutional network partners and in training workshops and seminars:

I also access new information and knowledge related to policy, import and export rules and regulations, and Generalized System of Preferences (GSP)² information from the business association, LNCCI and government sectors. The information provided is very helpful for SMEs that aim to access international markets. Interviewee 43

I also learn from other participants who attend the training or workshop. Sharing problems experienced by other attendees helps me to avoid the same problems. Interviewee 35

Subtheme 2.6: Social Networks

Another critical source of vicarious knowledge was social capital, with social networks a crucial source of international knowledge. This was especially apparent among smaller SMEs that lacked experience in international markets, institutional networks and investment capital to attend international trade exhibitions. Interviewee 44 explained:

I rely on networks: family members and friends. My cousins are SME [owners/managers] married to foreigners [Chinese, South Korean, and French], who have better opportunities to access international markets. This is because their partners, who have international

² Generalized System of Preferences (GSP) is a preferential tariff system that provides tariff reductions on various products for LDCs.

business experience, can access a variety of information, understand the international standards and the process of importing and exporting products.

5.5.3 Knowledge Acquisition Influences Organizational Learning Capabilities

This section addresses Research Question 1.3: How does knowledge acquisition for internationalization influence organizational learning capabilities?

Like Themes 1 and 2, Theme 3 was identified as an emerging theme, as shown in Table 5.1.

Theme 3: Organizational Learning Capabilities

A significant challenge for SMEs is the lack of proper organizational structures and management. Learning capabilities of the employees mostly depend on SME owners' experiences and the traditional organizational cultures. The transfer of knowledge through expatriates, study visits, and internships abroad helped SME owners/managers increase their understanding of the internationalization process and eventually helped develop organizational learning process. The findings highlighted that experiential learning can be generated through overseas trips and study visits, as illustrated below:

Many SME owners/managers intend to send their children to participate in short-term overseas study visits to learn and gain new experiences. New generations already have the knowledge, creativity, and higher education. Thus, they need to gain more experience from field trips to adapt their knowledge and experiences in improving product design and packaging, and market innovation. Interviewee 32

Many SMEs spend a lot of time traveling to foreign countries to learn techniques, ideas and concepts of doing businesses. Interviewee 42

Owners/managers of medium-sized SMEs were more likely to focus on organizational learning as the dominant approach for growing internationalization. The participants revealed that medium-

sized SMEs were more likely to recruit experienced international experts and/or managers who could provide international knowledge and develop an organizational learning culture for their employees. This helped improve organizational learning capabilities and productivity and eventually, success in internationalization. This was illustrated as below:

I always invite expert, professional or technical persons (e.g., from Korea, Japan, Australia and UK) to provide the training or sharing new knowledge and new market trends to the members of the handicraft association. By doing this, SMEs owners can transfer such knowledge and skills to their employees to improve product design, effectively use the raw material, and upgrade technical skills. This leads to organizational improvement and productivity development. Interview 32

I can see that some furniture SMEs hire external experts to help improve their organizational performance. For example, the experts provide knowledge and skills transfer for SMEs' employees, improve product design, increase product standard, and reduce the production process's risk. Eventually, employees can learn more complex skills and produce products to meet foreign customer needed. Interviewee 34

Organizational performance increases when the capabilities to acquire knowledge, practice more complex skills, and problem-solving skills increase. Most participants indicated that owners of smaller SMEs developed their organizational learning capabilities through social media, for example, Facebook/Messenger, WhatsApp and LINE, to share the latest information, encourage real-time learning and provide management support to their staff. This helped improve productivity to provide faster service to foreign customers:

Employees nowadays can learn faster and easier; in-house training can be done through social media. For example, SME owners create group chats on WhatsApp, LINE or Facebook/Messenger and then share video clips from YouTube with their employees on new creative ideas, skills, motivation, or a new technology. Interviewee 47

5.6 DISCUSSION

This section addresses Research Question 1: How has knowledge acquisition via social media platforms and traditional processes influenced SMEs' international marketing strategy, internationalization, and organizational learning capabilities? This is followed by a discussion to address Research Questions 1.1, 1.2, and 1.3.

5.6.1 Social Media Platforms Influence Knowledge Acquisition for Internationalization

This section addresses Research Question 1.1: How can social media platforms influence the acquisition of knowledge for internationalization?

Research indicates that social media is an especially valuable mechanism for smaller SMEs to alleviate resource constraints by providing access to and mobilizing knowledge and other resources from consumers and competitors (Corral de Zubielqui et al., 2019; Corral de Zubielqui & Jones, 2020). However, there is a dearth of empirical evidence on how the strategic use of social media for the acquisition of knowledge (Glavas et al., 2019) can aid in developing IMS by SMEs in the AEE context.

This study addresses this gap by explicating how SMEs from the Lao PDR acquire and utilize knowledge for IMS via social media platforms. The findings reveal that social media is used by all SMEs to leverage international market opportunities with emerging market exporters. The SMEs vicariously acquire the requisite market knowledge from customers and competitive intelligence via social listening to adapt products to specific international markets. The findings also reveal that SMEs vicariously acquire knowledge of social media initiatives of successful enterprises that have internationalized (see Table 5.2). Thus, the study extends prior literature on IMS (Katsikeas et al., 2019; Samiee & Chirapanda, 2019) in two ways. First, it underlines how social media can help resource-poor SMEs to access geographically distant markets and the requisite market knowledge for IMS adaptation, particularly product customization (Katsikeas et al., 2019). Second, while the literature suggests that SMEs may either extend their domestic marketing strategies (i.e., adopt a standardization marketing strategy) or mimic their developed-

market counterparts (i.e., an adaptation strategy) (Samiee & Chirapanda, 2019), this study indicates that firms not only emulate their developed-market counterparts, but also mimic successful foreign competitors exporting to advanced economies. In doing so, the study responds to the call for research to address the strategic marketing role of social media (Bocconcelli et al., 2018).

Table 5.2: Characteristics of the Sample

Interview	Designation	Institution	Social Media Platforms/Usage				International Markets
			I	II	III	IV	
Interviewee 1	Vice Minister		-	-	-	-	-
Interviewee 2	Deputy Director of Department	Ministry of Finance	-	-	-	-	-
Interviewee 3	Director of Department		-	-	-	-	-
Interviewee 4	Deputy Director of Department		1, 2, 3, 6	1, 3	3, 4, 5	3, 4, 5	C
Interviewee 5	Director of Division		1, 3, 6, 7, 8	1, 3, 4	3, 4, 5	3, 4, 5, 8	B
Interviewee 6	Director of Division		1, 2, 3, 4	3, 4	3, 4, 5	3, 4, 5	A
Interviewee 7	Deputy Director of Division	Ministry of Industry and Commerce	1, 3, 4	3, 4, 6	3, 4, 5	3, 4, 5	C
Interviewee 8	Director of Division		3, 4, 5, 6	3, 4, 6	3, 4, 5	3, 4, 5	C
Interviewee 09	Director of Department		1, 3, 5	3, 4, 6	3, 4, 5	3, 4, 5	A
Interviewee 10	Deputy Director of Department		3, 4, 6	3, 4, 6	3, 4, 5	3, 4, 5	A
Interviewee 11	Director of Division		1, 3	3, 4, 6	3, 4, 5	3, 4, 5	B
Interviewee 12	Deputy Director of Department	Bank of the Lao PDR	-	-	-	-	-
Interviewee 13	SME Expert	Development agency	1, 3, 6, 7, 8	1, 3, 4	3, 4, 5	3, 4, 5, 8	B

Interviewee 14	Unit Director	Plaome Project	1, 2, 3, 6	1, 3	3, 4, 5	3, 4, 5	A
Interviewee 15	SME Expert	National SMEs Consultant	1, 3	1, 3	3, 4, 5	3, 4, 5	A
Interviewee 16	SME Expert	Lao National Chamber of Commerce and Industry	1, 3, 4	1, 3	3, 4, 5	3, 4, 5	C
Interviewee 17	Director		1, 3, 4	1, 3, 4, 6	3, 4, 5	3, 4, 5, 8	C
Interviewee 18	Deputy Director	SME Service Center	3, 4, 5	1, 3, 4	3, 4, 5	3, 4, 5	C
Interviewee 19	Staff		1, 3, 5	1, 3, 4	3, 4, 5	3, 4, 5	C
Interviewee 20	Staff	Lao Development Bank	-	-	-	-	-
Interviewee 21	Staff	Banque Pour le Commerce Extérieur Lao Public	-	-	-	-	-
Interviewee 22	Team Leader	ST Bank	-	-	-	-	-
Interviewee 23	Team Leader	Lao-Viet Bank	-	-	-	-	-
Interviewee 24	Manager	SACOM Bank	-	-	-	-	-
Interviewee 25	Senior Staff	Lao-China Bank	-	-	-	-	-
Interviewee 26	Manager	ACLEDA Bank	-	-	-	-	-
Interviewee 27	Manager	VLV Financial Institution	-	-	-	-	-
Interviewee 28	Senior Staff	Private Financial Institution	-	-	-	-	-
Interviewee 29	Staff	Private Financial Institution	-	-	-	-	-
Interviewee 30	Informal Lender	Informal Lender	-	-	-	-	-
Interviewee 31	Vice President		1, 3, 4, 7, 8	1, 3, 4, 6	3, 4, 5	3, 4, 5	A
Interviewee 32	President	Business Associations	1, 3	1, 3, 4	3, 4, 5	3, 4, 5	A
Interviewee 33	Head of Office		3, 4, 5	1, 3, 4	3, 4, 5	3, 4, 5	A
Interviewee 34	Senior Staff		1, 3, 5	1, 3, 4	3, 4, 5	3, 4, 5	A

Interviewee 35	SME owner/manager	Medium-sized SME	1, 2, 3, 4, 6, 7, 8	1, 3, 4	3, 4, 5	3, 4, 5, 8	A
Interviewee 36	SME owner	Small SME	3, 4	3, 4	3, 4, 5	3, 5	C
Interviewee 37	SME owner/manager	Small SME	3, 4	3, 6	3, 4, 5	3, 4, 5	C
Interviewee 38	SME owner	Small SME	1, 3, 4	3, 4, 6	3, 4, 5	3, 4, 5	A
Interviewee 39	SME owner	Medium-sized SME	1, 3, 4, 5, 6	1, 3, 4, 6	3, 4, 5	3, 4, 5	A
Interviewee 40	SME owner	Medium-sized SME	1, 3, 4, 7	3, 4	3, 4, 5	3, 4, 5	C
Interviewee 41	SME owner	Small SME	3, 4	3, 4	3, 4, 5	3, 4, 5	B
Interviewee 42	SME owner	Small SME	3, 6	3, 4	3, 4, 5	3, 4, 5	B
Interviewee 43	SME owner	Medium-sized SME	1, 2, 3, 4, 6	3, 4, 6	3, 4, 5	3, 4, 5	C
Interviewee 44	SME owner	Small SME	3, 4, 6	3, 4	3, 4, 5	3, 4, 5	B
Interviewee 45	SME owner/manager	Medium-sized SME	1, 2, 3, 4, 6, 8	1, 3, 4, 6	3, 4, 5	3, 4, 5	A
Interviewee 46	SME owner	Small SME	3, 4	3, 4	3, 4, 5	3, 4, 5	B
Interviewee 47	Senior Lecturer	National University of Lao	1, 2, 3, 4, 5, 6	1, 3, 4	3, 4, 5	3, 4, 5	C

Notes:

Social media platforms

1 = Website; 2 = Wikipedia; 3 = Facebook (including Messenger); 4 = LINE; 5 = WhatsApp;
6 = Instagram; 7 = Twitter; 8 = Facetime

Social media usage

I = Social media used for acquiring new information and knowledge

II = Social media used for promoting products and observing competitors' activities

III = Social media used for sharing information with employees

IV = Social media used for communicating with customers, suppliers, and members in business associations

International markets

A = Advanced markets e.g., United States, Canada, European Union and Japan

B = Emerging markets e.g., China, Thailand and Vietnam

C = Advanced markets and emerging markets

5.6.2 Traditional Knowledge Acquisition Facilitates Entry into International Markets

This section aims to address Research Question 1.2: How can traditional knowledge acquisition processes facilitate entry into international markets?

The results revealed that traditional knowledge acquisition is a new finding of this study. The results also revealed that social media is not a stand-alone market knowledge acquisition process. This is because SMEs, particularly medium-sized SMEs, also vicariously acquire market knowledge—along with technological knowledge—by sub-contracting relationships with multinational corporations and international trade exhibitions. While some overlap exists in the market knowledge acquired through both international trade exhibitions, the Internet and social media, social media and traditional knowledge acquisition processes are complementary. They provide SMEs with the opportunity to verify the accuracy of knowledge obtained from knowledge acquisition processes. Likewise, there is interplay between marketing knowledge acquisition processes, where marketing knowledge acquired through one process can increase the effectiveness of market knowledge acquired from another. The findings indicated that SMEs engaged in a global value chain of Western multinational corporations or sub-contracting relationships with multinational corporations, thereby benefiting from technology and market knowledge transfer (e.g., introduction of new marketing techniques or upgrading quality standards). These resources helped the SMEs to adapt to international business environments, facilitating their own exporting activities (Li et al., 2017), and identifying new opportunities to access international markets.

Further, the findings revealed that SMEs acquired international knowledge vicariously from institutional actors. In the absence of institutional network partners or capital to attend trade exhibitions, smaller SMEs tended to rely on social networks to acquire international knowledge and support from NGOs such as the World Bank, UNDP, UNICEF, JICA, and JETTRO. They also used social media for acquiring market and technological knowledge. Thus, the capabilities to acquire, combine and utilize knowledge from different sources are essential for the acquisition of internationalization knowledge and experiences for resource-limited, small SMEs. For example, the ability to identify opportunities and obstacles in foreign markets, remain up-to-date with

technological advancements, and understand foreign customers' behavior is crucial for developing suitable IMS, and for distinguishing the SME from competitors.

5.6.3 Knowledge Acquisition Influences Organizational Learning Capabilities

This section addresses Research Question 1.3: How does knowledge acquisition for internationalization influence organizational learning capabilities?

Organizational learning capabilities were the third finding of this research. The complex context of internationalization requires special knowledge and organizational learning capabilities. While a combination of knowledge acquisition processes from social media platforms (Glavas et al., 2019; Raymond & Bergeron, 2008) and non-social media platforms increases export performance (Cegarra-Navarro et al., 2007; Sendawula et al., 2020), complementary knowledge generated from overseas trips and study visits is also crucial; knowledge acquisition process is no use without organizational learning development. By recruiting experts and/or managers with internationalization knowledge, medium-sized SME exporters can reap many benefits, such as better knowledge and skills transfer, effective technological adoption, improved productivity, and in turn, develop an organizational learning culture for their employees. Significantly, this helps improve organizational learning capabilities and productivity and eventually, success in internationalization.

Conversely, because of the limitation of both tangible resources and international experience, small SMEs rely heavily on social media to facilitate organizational learning capabilities. For example, smaller SMEs enhance their organizational learning capabilities by using social media platforms, for example, Facebook/Messenger, WhatsApp and LINE, to share information, provide in-house training, real-time learning, problem solving, and management support to employees to increase internationalization opportunities. Obviously, the SMEs in this study did not rely on a single source of knowledge acquisition to improve their organizational learning capabilities and to foster their internationalization. Thus, the finding is consistent with prior research (e.g., Katsikeas et al., 2019), indicating that IMS have evolved by consolidating internationalization knowledge acquired from various sources.

5.7 IMPLICATIONS

5.7.1 Theoretical Implications

There are three theoretical implications of this study. First, the study contributes to the existing literature on the knowledge-based view theory of internationalization and international marketing by exploring the influence of internet-enabled platforms, particularly the important role of social media on knowledge acquisition processes for internationalization by SMEs. Prior research in this context chiefly focuses on the sources and role of knowledge as essential intangible resources, enhancing firm internationalization (Johanson & Vahlne, 1997; 2003; Prashantham, 2005; Tiwari & Korneliussen, 2018). The study findings contribute to the emerging literature on the influence of digital technology (Katsikeas et al., 2019) and internet-enabled platforms (Glavas et al., 2019). The study specifically sheds light on the influence of social media on SMEs' knowledge acquisition processes (Samiee & Chirapanda, 2019) by providing a detailed understanding of how social media platforms facilitate knowledge acquisition processes (market, technology, and international knowledge) which are then utilized to create suitable IMS for the internationalization process.

Second, the growing body of research on the knowledge-based view theory of internationalization emphasizes non-social media or traditional knowledge acquisition from various sources, especially from business network relationships, which enables SMEs to overcome limited knowledge, thereby driving international market expansion (Assadinia et al., 2019; Puthusserry et al., 2020). This study adds to the current knowledge-based view theory by providing new insights into the value of the traditional knowledge acquisition process for internationalization. The study emphasizes that through sub-contracting relationships with multinational corporations and attending international trade exhibitions, medium-sized SMEs acquire market and technological knowledge transfer for product standard improvement and creative marketing strategy. This enables them to adapt to foreign market conditions and identify new internationalization opportunities. In contrast, small-sized SMEs are heavily dependent on social networks to acquire international knowledge, and support from NGOs and social media to acquire market and technological knowledge. This allows them to create new knowledge and exploit international business opportunities.

Third, consistent with the knowledge-based view theory, the findings reveal that knowledge, particularly knowledge related to host countries' industry and customer-related information, enabled SMEs to adapt their international marketing plans and strategies, including their product strategy (Katsikeas et al., 2019) to hosts' market conditions (Samiee & Chirapanda, 2019). However, relative to their developed country counterparts, SMEs tended to be characterized by resource scarcity, including limited international experience and/or access to relevant market information. These are essential for developing an IMS (Samiee & Chirapanda, 2019), to adapt products to foreign consumer expectations and to enhance organizational learning capabilities. Thus, the findings extend the theoretical view on knowledge acquisition for internationalization by demonstrating that organizational experiment, knowledge sharing within organization and study visits complement knowledge acquisition from social and non-social media platforms, enhancing organizational learning capabilities. This is because knowledge acquisition may be of no use without organizational learning and utilizing capabilities, which, in turn, support sustainable international market expansion. Importantly, this study contributes by indicating that emerging medium-sized SMEs utilize their acquired knowledge to develop organizational learning capabilities through recruiting managers/ experts with internationalization knowledge, quite differently from small SMEs. Despite capital investment limitations, less international experience, and a lack of institutional support, small SMEs improve their organizational learning capabilities based on day-to-day working experience and use social media platforms to share up to date information, knowledge and skills with their employees.

5.7.2 Practical Implications

The study proposes several recommendations for exporters or SMEs from the Lao PDR as well as other AEEs seeking to internationalize their operations. The findings point to the significant advantages of internet-enabled platforms and social media in facilitating knowledge acquisition for the market, technology, and internationalization. Thus, SMEs should utilize social media as a strategic resource to facilitate interaction and communication with overseas consumers and acquire new foreign market knowledge. In doing so, SMEs would be required to open an account and be familiar with the service terms of social media platforms, for example, Facebook, Instagram, or

LINE. This would help SMEs increase the number of friends or followers, establish relationships with the right customers, seek their advice on new product and service development and find new customers through networks.

SMEs should adopt social media and traditional knowledge acquisition processes to obtain the requisite knowledge needed to adapt IMS, specifically, customization, to exploit new growth opportunities in international markets. The mechanism is as follows: (i) SMEs should regularly observe customers' behaviour, seek feedback, and be open to such feedback to explore ideas for new product design; (ii) SMEs should adopt a more "vicarious learning" mode by learning from foreign business partners, multinational corporations and joint ventures (Zakery & Saremi, 2020); (iii) They should increase "direct experience" learning by acquiring more external knowledge from training, workshops, and experts from the government sector, business associations, and NGOs; and (iv) SMEs should focus on assimilation and creation of knowledge sources as beneficial forces behind technology adoption and international market strategy creation. In addition, SMEs should increase more real-time learning and adopt "the faster, the better" strategy by using social media platforms to share practical knowledge with employees, giving employees adequate advice on tasks and solutions to problems. This will improve organizational knowledge, and its application will strengthen IMS and the internationalization process.

The findings highlight the need for policymakers to encourage the development of social media and digital capabilities of SME owners/managers to overcome the disadvantages of emerging markets (Mahmoud et al., 2020), particularly the lack of international knowledge and experience. Policymakers should introduce policies, initiatives, and regulations, such as electronic transactions, electronic signature legislation, and consumer protection legislation in e-commerce. They should also provide consultation, information, and advice on cyber-crime and dispute resolution (Asia Pacific Economic Cooperation Electric Commerce Steering Group, 2020) to improve the environment for e-commerce and digital markets. This would support emerging market exporters' international growth opportunities.

Government activities related to export and import should shift to online, including the provision of up-to-date online information (e.g., global market trends, GSP, etc.), online training and

consultation (e.g., online marketing), and online transactions (e.g., taxation, and import and export procedures). Further, the government should consider moving business matching activities from physical meetings to online meetings using online tools, such as Microsoft Team, Zoom, and Collaboration.

5.8 LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Qualitative research raises the question of generalizability. This study is based on a small sample from a single country; therefore, the study makes no claims to generalizability. This limitation presents an opportunity for future research, particularly in the form of quantitative studies, to determine the extent to which the findings are generalizable to the broader population of emerging market exporters in Lao PDR.

The sample comprised SMEs from product groups with the greatest potential in terms of export growth and employment. Future research should seek to evaluate the group's marketing performance, focusing on relationships between social media and traditional knowledge acquisition processes, and marketing performance variables. This would include the combined effect of social media and traditional knowledge acquisition processes on marketing outcomes, given the study's suggestion of interplay among knowledge acquisition processes. The findings may also be used as a baseline for future research to track the evolution of social media and traditional knowledge acquisition processes over the different stages of internationalization of emerging market exporters. Given the diversity of emerging markets, particularly in AEEs, further investigation of social media and traditional knowledge acquisition in different geographic and country settings is also warranted.

5.9 CONCLUSION

The mainstream literature on internationalization indicates that rapidly internationalizing firms, especially firms from emerging markets, acquire knowledge related to their industries, products, technologies, and international marketing by utilizing internet-enabled platforms (Assadina et al.,

2019; Bianchi & Mathews, 2016; Mahmoud et al., 2020; Samiee & Chirapanda, 2019). Based on the study findings, it is argued that social media platforms not only facilitate knowledge acquisition for IMS development and enhance the internationalization process, but also enable real-time learning and improve organizational learning capabilities, thereby eventually increasing competitive advantages at the international level.

Chapter 6: CONCLUSION

6.1 INTRODUCTION

This research examined how three key factors influence SME growth in the Lao PDR, namely, credit access, non-R&D-based innovation, and KM. The results were reported in Chapters 3, 4, and 5. This chapter begins by providing the main findings of the research and discussing the influence of these three factors on SME growth in the Lao PDR in section 6.2. A brief discussion of the effect of COVID-19 on SME performance and growth provided in section 6.3. Section 6.4 presents potential practical implications for SME owners/managers, business associations, the SME Service Center, the LNCCI, banks, policymakers, and development partners. The limitations of this study are discussed in section 6.5, while ideas for future research are provided in section 6.6. The chapter ends with a conclusion in section 6.7.

6.2 CREDIT ACCESS, NON-R&D-BASED INNOVATION, AND KNOWLEDGE MANAGEMENT, THE CRITICAL FACTORS INFLUENCE SME GROWTH IN THE LAO PDR

The chapter addresses the following Research Questions:

1. How do key barriers to pre-and post-credit access impact SME growth?
2. How do key non-R&D-based innovation activities enhance product and process innovation?
3. How has knowledge acquisition via social media platforms and traditional processes influenced SMEs' international marketing strategy, internationalization, and organizational learning capabilities?

A number of studies (Alonso & Kok, 2020; Dalgıç & Fazlıoğlu, 2021; Falahat et al., 2020; Gupta et al., 2013; Lecerf & Omrani, 2020; Liao, 2021; Pietrovito & Pozzolo, 2021; Shakeel et al., 2020; Tsuji et al., 2018; Uzelac et al., 2018; World Bank, 2021) have examined the critical factors that contribute to SME success, performance enhancement, and internationalization. While the literature on SME growth points to many factors that influence the growth of SMEs, three factors—credit access, innovation, and KM—have consistently been identified as having the greatest impact on SMEs’ competitiveness and success (Beck & Demirgüç-Kunt, 2006; Guo et al., 2017; Hilmersson & Johanson, 2020; Lopez-Rodriguez & Martínez-Lopez, 2017; Pergelova et al., 2019; Rahaman, 2011). However, few studies have examined the combined effect of these three factors, particularly in AEEs, and the Lao PDR.

For more than two decades, the growth of SMEs has been prioritized in the Lao PDR as part of the Five-Year National Development Strategy Plan (MoIC, 2015; 2020). This is because in the Lao PDR, SMEs play an important role in socioeconomic development, income generation, industrialization, employment creation, and poverty reduction (MoIC, 2020; OECD, 2018; World Bank, 2019). While the government of Laos has been promoting SMEs’ competitiveness with the ambitious goal of elevating the nation from LDC status, SMEs, particularly small ones, have faced difficulties growing into medium-sized and large enterprises, and have been unable to achieve the scale necessary to access international markets. This situation is compounded by the fact that there are limited studies providing evidence on how to promote SME growth in the Lao PDR.

Many obstacles have caused SMEs to choose to stay small or have prevented them from expanding. Credit access constraints are the most significant factor that impedes SMEs’ development in the Lao PDR (EMC & MBI, 2016). However, limited studies have been conducted on barriers to SMEs’ access to formal sources of finance (Kyophilavong, 2011), and it is not clear whether these constraints stem from the SMEs, from the commercial banks and financial institutions, or from both. According to EMC and MBI (2016) and Kyophilavong (2011), only a small portion of SMEs is able to access formal credit; the rest confront many barriers: SMEs are informal, they lack collateral, the loan procedures are cumbersome, and there is a lack of information provided when accessing bank loans.

Even though the government of Lao is continuing to enhance the productivity and innovation of SMEs through the policies, the national strategy plan, and support systems such as matching grant and technical assistance, (MoIC, 2020), Lao SMEs are considered less competitive and are seen as technology followers rather than innovators. The policy to promote SMEs to increase innovation and industrialization is at the early stages of development (OECD, 2018). Moreover, SMEs, especially those in the manufacturing and service sectors, are hamstrung by unskilled or low-skilled labor. This leads to low productivity and limits their ability to expand (EMC & MBI, 2016).

Recently, the government of Lao introduced many regulatory and legislative reforms under the WTO and the AEC, focusing on policies and support systems that promote SME development (EMC & MBI, 2016; MoIC, 2020). A key concern of the private sector, including SMEs, is the limited research on the key factors that contribute to SME competitiveness prior to the government's efforts to formulate policy. Although there have been some positive moves toward providing funding and technical consultation, many SMEs are yet to receive adequate support. Therefore, to formulate a suitable policy and provide appropriate support systems that match SME needs, it is imperative to conduct research and examine the factors that influence SME growth in the Lao PDR.

This study contributes to the literature by exploring the key factors that influence SME growth in the Lao PDR. The three factors identified in this study were derived from a literature review on SME growth theories. Of the many theories on SME growth, three theories are considered the best suited in terms of SME growth, namely, (i) the pecking order theory of Myers and Majluf (1984), (ii) the KSTE of Audretsch (1995), and (iii) the knowledge-based view theory of Grant (1996). Through the lens of these theories, this study examined SME growth and how the specific context of SMEs interacts with three critical factors: (i) credit access, (ii) non-R&D-based innovation, and (iii) KM.

Credit Access: It has been acknowledged by the Lao government that to strengthen the capability and competitiveness of the private sector, in particular SMEs, credit access is the most imperative factor requiring immediate action (MoIC, 2020). The inability to access formal sources of finance not only hinders business operations but also creates the biggest obstacle to the growth of SMEs

(EMC & MBI, 2016). Existing empirical studies highlight the positive impact of access to credit on SMEs' competitive advantage and growth (Allini et al., 2018; Hussain et al., 2018; Ipinnaiye et al., 2017; Kachlami & Yazdanfar, 2016; McKelvie & Davidsson, 2009; Yazdanfar, 2013). However, the fact remains that SMEs in AEEs, including the Lao PDR, have limited access to formal sources of finance and lack resources to facilitate their growth potential (OECD, 2018; World Bank, 2021). The findings of this study revealed that the key barriers faced by SMEs in pre-credit access and post-credit constraints are posed by both demand and supply-side constraints.

In terms of the demand-side constraints to pre-credit access, this research found that most SMEs, particularly micro and smaller SMEs, confront more constraints than larger enterprises for several reasons. First, because of the nature of SMEs: (i) they operate businesses informally or without business registration; (ii) they lack or have insufficient collateral supporting a loan application, (iii) they suffer high information asymmetry as they lack proper accounting and financial records. Second, the findings indicate that majority of SMEs lack financial literacy. The lack of financial literacy is perceived as a major concern by banks when assessing loan applications due to SMEs' limited understanding of financial products, poor knowledge of accounting and bookkeeping, and because they make unsound financial decisions. This means that SMEs may struggle more than others in applying for formal credit; consequently, they may be more likely to seek funding from informal credit providers.

In terms of the supply-side constraints to pre-credit access, this research found that financial markets in the Lao PDR are relatively underdeveloped. In less developed financial markets, banks and other formal credit providers have less availability of financial products, have high requirements for collateral and complex loan application procedures, and impose high interest rates and short-term lending. Moreover, most formal credit providers do not have consultation services available for SMEs, and if they do provide such services, they charge high fees. Importantly, it was found that most banks in the Lao PDR apply the same loan conditions and lending conditions to all clients, irrespective of size. Thus, a "one-size-fits-all" approach is applied to small, medium, and large enterprises alike. Formal finance sources tend to have biased lending criteria which tend to favor large, affiliated enterprises because they take out large loans and have more credit and

collateral to support their applications. This means that there are very limited financial products available to SMEs which hampers their potential to expand business and grow.

In terms of post-credit constraints, this study found that the misuse of funds obtained from loans is considered a serious problem, leading to NPLs and loan defaults when SMEs fail to follow their business plans. Most micro and small SMEs do not spend money obtained from loans on the intended purpose of the loan. Instead, the money is spent on personal expenses or to pay off existing debts, especially informal lenders' debts with very high interest rates. It could also be inferred that banks do not follow up closely with SMEs and provide them with sufficient assistance to guide them and to help prevent business failure. The results also highlighted that applying for a good lending conditions and completing loan contracts involve many local authorities, and is time-consuming and associated with various hidden charges. Thus, micro and smaller SME borrowers are more likely to give up seeking external sources of funding. Further, SMEs in rural areas receive insufficient information about the SME Promotion Fund. As a result, they borrow from informal sources at high interest rates and unfavorable lending conditions.

Critically, to address the constraints experienced in accessing formal credit, SMEs resort to the *Souy Dai* strategy. *Souy Dai* is considered an important strategy adopted by SMEs to facilitate their access to formal sources of finance when they are unable to satisfy bank requirements. Indeed, it was found that some of the bank staff also use *Souy Dai* with SMEs. This refers to incentives offered in exchange for speeding up the loan assessment process and granting the loan. Interestingly, while *Souy Dai* has been perceived as an intangible resource associated with formal and informal social networks, in this context, it is perceived negatively and considered a supply-side constraint if it has been used by SMEs who are unwilling to expand businesses, or by bank employees using it for their personal benefit, or both.

Non-R&D-Based Innovation: While innovation is a critical factor that contributes to SMEs' competitive advantage and growth, knowledge sources are at the heart of innovation. There are many sources of knowledge exploitation; however, in the context of the Lao PDR, this study identified "know-who" as an essential source of knowledge that enhances non-R&D-based innovation performance. "Know-who" is an essential knowledge source for exploiting up to date

policies, laws and regulations, funding sources, and technical assistance which contribute significantly to non-R&D-based innovation. In parallel, specific knowledge related to know-how was acquired from customer feedback, training, study visits, and trade exhibitions. Other knowledge sources were also acquired from family, friends, foreign direct investment, joint ventures, and online sources. “know-who” most likely to be accessed by medium-sized SMEs. Interestingly, the study found that “know-who” could help balance between “know-how”, “know-what” and “know-about” to generate unique policy and beneficial support systems.

The study’s findings showed that most SMEs were found to adopt more non-R&D-based innovation such as imitation innovation, technology adoption, and marketing innovation to improve product and process innovation. The finding revealed that while most SMEs neither practiced formal innovation nor understood the concept of non-R&D-based innovation; to survive, many SMEs initially adopted imitation innovation to improve product development. SMEs mainly exploited the creativity and new ideas of competitors and then adapted this knowledge by incrementally changing product design, packaging, and function. Through the process of imitation innovation, SMEs increased their own creativity and skills, and better understood their advantages and disadvantages. This, in turn, led to tacit knowledge enhancement, the development of problem-solving skills, and experiential efforts, which enhanced the SMEs’ innovative behavior. Eventually, this process transformed some SMEs from imitators into creators.

This study found that SMEs are more likely to invest in technology, machinery, and manufacturing equipment to improve productivity, reduce production costs, and mitigate risk. Based on their resources and size, medium-sized SMEs were found to invest more in advanced technology and new manufacturing techniques to improve product and process innovations. Smaller SMEs, on the other hand, were found to acquire lower cost machinery and manufacturing equipment to improve productivity or purchased a simpler software version to help manage storage and run business operations. This could hinder smaller SMEs in achieving the economies of scale necessary to internationalize.

The findings revealed that many SMEs devised innovative marketing methods to promote their products and access new markets. SMEs, especially smaller and younger SME owners/managers,

mainly utilize Facebook, LINE, and WhatsApp as their key marketing strategy to channel access to customers and foreign markets. Importantly, all SMEs had adopted both eWOM and “park to park” or “word of mouth” strategies to help promote their products. Young SME owners/managers also offered offline and online services and customized products for customers, thereby opening up value-added and niche markets.

Knowledge Management: This research found that most SMEs acquire and utilize knowledge for international marketing strategy and internationalization via social media platforms. In particular, SMEs vicariously sought the requisite market knowledge from customers and competitors via social media platforms, and then adapted their products and IMS to meet specific international target markets. Information obtained this way was used to develop new products or customize products. SMEs also used social media to observe and emulate their developed-market counterparts and to mimic successful foreign competitors exporting to advanced economy markets. The study also found that different types of social media offer different functions, different forms, and different advantages.

Aiming to increase their internationalization, SME exporters also acquired market, technology and international knowledge through traditional knowledge acquisition processes. Medium-sized SMEs vicariously acquired international market and technological knowledge through subcontracting relationships with multinational corporations or by attending international trade exhibitions. In contrast, smaller SMEs tended to rely on social networks and support from organizations such as the World Bank or JICA to acquire market, technological, and international knowledge. In addition, traditional knowledge acquisition processes were complementary with knowledge acquired from social media platforms, providing SMEs with the opportunity to verify the accuracy of the knowledge. The study results found that emerging SME exporters did not rely on a single source of knowledge acquisition to foster their internationalization.

This research found that complementary knowledge generated from overseas trips and study visits was crucial for organizational learning capabilities to support sustainable internationalization. By learning from experts and/or hiring international chief executive officers or managers, medium-sized SME exporters could reap many benefits to enhanced organizational learning capabilities.

Conversely, because of the limitation of both tangible resources and international experience, smaller SMEs relied on social media to facilitate organizational learning, managing support and problem-solving for employees, thereby increasing internationalization opportunities.

The study findings highlighted that to promote SMEs growth, it is critical to focus on three crucial factors: credit access, innovation, and KM. These three factors are essential in facilitating SMEs' survival, expansion, and progression from producing primary products to sophisticated models. Moreover, these factors also leverage SMEs' competitiveness and allow them to evolve and grow to maturity through reinvention or diversification. Therefore, it is critical to understand not only the role of each factor in isolation but also the effect of these factors in combination in influencing SME growth. SMEs are considered the backbone of the Lao PDR in stimulating socio-economic development, job creation, and poverty alleviation. Given the fierce market competition, geographical conditions and high standard requirements for internationalization, understanding why SMEs need better access to finance, tailored policies to enhance innovation, and sufficient support to implement KM is essential. Due to very limited studies concentrated on credit access, innovation, and KM as significant factors influence SME growth in AEEs and in Lao PDR, the outcomes of this study not only contribute new knowledge to the pecking order theory, the KSTE, and the knowledge-based view theory but also bridge the gap in the literature of SME growth by enriching the contextual understanding of whether and how the three significant factors contribute to SMEs development and growth. In addition, the study's findings could also serve as a guide for policymakers to draft national development plans, or for entrepreneurs wishing to improve business performance and internationalization.

In summary, the findings of this study have identified the important influence of credit access, innovation, and KM on SMEs' competitiveness and growth. To the best of the researcher's knowledge, this study is the first to explore the critical factors influencing SME growth in the context of AEEs, particularly Lao PDR. This extends prior knowledge on SME growth in the AEEs context.

6.3 ADDRESSING THE IMPACT OF COVID-19 ON SME GROWTH

The COVID-19 pandemic has had a profound macroeconomic impact globally, and the Lao PDR is no exception to this phenomenon. While the GDP of the Lao PDR grew consistently at an average of 7.2% from 2010 and 2019, the pandemic has compounded previous shocks that the Lao PDR had experienced in recent years. These include natural disasters (flooding in the South and drought in the North of Lao PDR), animal diseases and pest infestations, which have had a major impact on growth, shrinking the economy in 2019 (LNCCI, 2020). The COVID-19 pandemic also poses a raft of new challenges to the Lao PDR's socioeconomic development strategy plan, both immediately and in the longer term. The private sector, including SMEs, will inevitably face significant challenges that will need to be mitigated by government intervention.

However, considering the positive side, the pandemic presents a prime opportunity for the government and society to advance structural changes to transform the country economically, socially, and environmentally (MoIC, 2020; United Nations, 2020). Generally, the Lao PDR is more dependent on imports from the neighboring countries and foreign markets, and runs a negative trade balance with China, Thailand, and Vietnam. In this context, the COVID-19 pandemic has helped boost Lao product and service development through domestic value chains (MoIC, 2020). On the downside, COVID-19 is expected to cause the biggest economic slowdown to date for the Lao PDR. Up to 65% of formal businesses have reported the high risk of needing to terminate at least some parts of their operations (LNCCI, 2020). Further, fragile businesses, supply chains and remittance inflows have collapsed, particularly in key sectors of the Lao economy. For example, in the tourism and accommodation sector, which previously employed a large proportion of the workforce, huge numbers of jobs have been lost (MoIC, 2020).

In a report on the impact of COVID-19 on businesses, the LNCCI (2020) called on the government to consider “relief measures on tax payment, unemployment support, loan principal and interest payment, access to finance, liquidity of the financial sector and utility payment, to assist SMEs to survive, remain competitive, and grow” (p. 3). The proposal of the LNCCI is similar to the findings of this study which emphasizes the key factors of credit access, innovation, and KM as having a significant influence on SME development.

Although this study began collecting data before COVID-19, the findings have provided new knowledge on promoting SME growth. By addressing the challenges caused by COVID-19 and supporting the need to advance structural changes to transform the Lao PDR economically, socially, and environmentally, this study provides recommendations to assist SMEs to access finance, enhance innovation, and improve KM, that would promote survival and greater competitiveness and growth. According to the findings, credit access is one of the most significant factors contributing to SME growth. Thus, it is suggested that the government urgently increase funding source availability, support financial institutions to improve financial products and services for SMEs and provide more channels to disseminate information about funding sources provided by the World Bank and the SME Promotion Fund to SMEs throughout the country.

Because the Lao PDR depends more on imported products and services, when the border is closed because of COVID-19, domestic production, value-add, and e-commerce could be strengthened through the introduction of structural transformation to revitalize the manufacturing sector and support product innovation. This would enhance the unique selling points and quality improvement of Lao products to meet customers' needs (MoIC, 2020). The results of this research indicated that the most SMEs in the Lao PDR are associated with non-R&D-based innovation; therefore, the government could proceed step by step by first creating a specific policy to promote non-R&D-based innovation and encourage non-R&D SMEs to develop innovative behavior and promote a culture to enhance product and process innovation. In doing so, the government should actively encourage innovation in SMEs through funding, technical assistance, training, and consultation.

Because the Lao PDR is located in a unique geographical position, it can create a crucial strategy to increase regional trade, which could exploit the vast potential of e-commerce by boosting micro and small business opportunities. Moreover, a sound e-commerce strategy would be of benefit from a holistic perspective, for example, improving internet services, online payments, infrastructure and services, trade facilitation and logistics, and access to finance (MoIC, 2020; UN, 2020). Thus, when SMEs have better access to finance, they will be in a position to operate the business and invest more in non-R&D-based innovation (e.g., advanced technology, machinery, software and hardware programs to facilitate their operations). This will enhance the quality of

product standards to access foreign markets. To grow in internationalization, the study findings highlight that knowledge acquisition about market, technology and internationalization is key, and SMEs can acquire such knowledge via social media platforms or traditional knowledge acquisition processes.

Moreover, although one or two factors may be important, it is unlikely they will be sufficient to contribute to SME growth, while at the same time responding to the COVID-19 situation. Therefore, this research identified a high need for a combination of the three significant factors—credit access, innovation, and KM—to promote SME growth.

6.4 IMPLICATIONS

This study has several implications that contribute to the survival, competitiveness and growth of SMEs. First, SMEs should have a proper accounting and business registration to help increase opportunities to access up-to-date information, funding, and technical support provided by the government, the LNCCI, and development partners (e.g., World Bank or GIZ). SMEs should also learn and improve their financial literacy skills to write proper and accurate business plans, maintain financial records, and use loans more effectively to avoid NPLs in the post-credit constraints. Second, SMEs wishing to adopt non-R&D-based innovation to achieve economies of scale, improve productivity, and add value should acquire and exploit new knowledge and technology spillover from as many sources as possible to gain a better understanding of innovation, global trends, and customer preferences. Furthermore, the quality of a product is the key to competitive advantage. Thus, SMEs should ensure that new innovations or the implementation of new business models are accompanied by training provided for employees to enhance their knowledge and skills to keep up with the changes in organizational structure. Third, successful business expansion is reflected in the capability to access foreign markets and internationalize. Thus, SME exporters should exploit knowledge from both social media and traditional sources to facilitate interaction and communication with overseas consumers and acquire foreign market knowledge. In addition, due to the complexity of the internationalization process, SMEs should

increase organizational learning capability to ensure that products and services meet international quality standards.

Business associations should act as a focal point for their members and actively provide up-to-date information on sources of funding, grants, technical support, and expert or consultancy services to all members equally and consistently. Business associations should also act as credit guarantors for members who are seeking to expand their business from local to international markets, e.g., invest in new product development, invest in advance technology and manufacturing equipment, and recruit manager or experts with the international experience. The LNCCI should increase collaboration with national and international organizations such as chambers of industry and commerce, development partners and NGOs to generate up-to-date policies and regulations, and funding and technical assistance to support SME development and growth.

Banks and other formal credit providers are the primary sources of funding for SMEs. Thus, these bodies should develop a greater variety of financial products and reduce the complexity of loan application procedures to better meet the needs of SMEs. Banks should also invest more in innovative lending assessment and human resource development to reduce the stringent requirements for collateral, and NPL, thereby mitigating high information asymmetry and the risk of NPLs and loan defaults in the pre- and post-credit access. For example, banks should consider investing in an application that can be track pre-and post-credit access procedures. This would improve access to financing, reduce NPLs, facilitate SME growth, and finally, enhance national economic development.

For policymakers, this study recommends: first, increasing funding availability for SMEs and reducing the number of obstacles in pre-and post-credit access. For example, gaining a better understanding of demand-side and supply-side constraints in pre-and post-credit access would help policymakers to see the “big picture”. This would allow policymakers to tailor policies that would translate financing access into high growth outcomes. Thus, the policies and support systems for SMEs should consider their size, industry, and stage of growth. Eliminating one-size-fits-all policies and regulations would assist SMEs to access formal credit and expand their operations. Second, to promote SMEs’ innovation, this study suggests that policymakers and development

partners should conduct comprehensive research to explore the pros and cons of each of non-R&D-based innovation activities. This would allow policymakers to allocate funding and support systems that cater for SMEs based on type of innovation adopted at different stages of growth. Third, as KM is an intangible resource for SMEs and is key to increasing competitive advantage and internationalization, it is recommended that policymakers formulate policies and regulations to enhance digital markets (e-commerce) and logistics, thereby assisting emerging SME exporters to pursue internationalization and growth opportunities. In addition, the government should also follow up such supports and ensure that SMEs use loan, the government grants and/or technical supports effectively. This would ensure that the support provided is having a positive impact on SMEs business expansions, product and process innovation, internationalization and growth.

6.5 LIMITATIONS OF THE RESEARCH

While this study has implemented strategies to ensure trustworthiness and credibility, this section outlines some of the study limitations. These limitations do not negate the usefulness of the research findings; rather, they demarcate the scope of the research.

First, a qualitative research methodology is appropriate when a study is exploratory, unique, and lacks prior research data (Marshall & Rossman, 2014). This was the case in the present study, which examined the key factors influencing SME growth in the Lao PDR. Because this study is inherently exploratory, it raises the question of generalizability. Consequently, the study findings should be generalized with caution.

Second, this study is based on SMEs in four industries and in a particular geographical location. Thus, the key factors identified as influencing SME growth could be limited to the selected industries and location. However, the participants in this research were context-focused, and were selected based on their knowledge and experience in SME development. Participating SME owners/managers were purposefully selected to derive findings from the interviews, thereby contributing to theories and SME growth literature.

Third, this research produced substantial amounts of data. All data were considered, although not all were pertinent to the research questions. All the data finally included in this research were judged to be of significance by the researcher and were therefore susceptible to researcher bias.

6.6 RECOMMENDATIONS FOR FUTURE RESEARCH

The limitations of this research have opened up prospects for future research. These include: (i) exploring the emergent findings in relation to development partners such as the World Bank, JICA, and the Asian Development Bank; (ii) deepening the understanding of policies and support systems provided through NGO cooperation projects on the influence of credit access, non-R&D-based innovation, and KM on SME growth; (iii) transferring the conceptual model of this study into a research project to further understand a wider geographical pool of SMEs in other industries, such as SMEs in special economic zones, or in the accommodation and services sector; and (iv) exploring the survival and growth of family business as SMEs.

SME growth could be further investigated with larger sample sizes to enhance the generalizability of the results. Future studies could also employ a mixed methods approach to investigate critical factors influencing SME growth in other industries and other contexts. Moreover, future research could explore the perspectives of development partners such as the World Bank, the Asian Development Bank, or the UNDP in supporting SMEs' competitiveness and growth.

6.7 CONCLUSION

This thesis has provided fresh theoretical insights on key factors influencing SME growth, especially SMEs operating in AEEs. Three factors—credit access, non-R&D-based innovation, and KM—were discussed with reference to SMEs' unique features and were found to be the most important contributors to SME growth. Although there is broad consensus in the literature that SME growth drives economic development, job creation, and poverty reduction in most developing and developed countries, there is a lack of such research in the Lao PDR. Understanding these three key factors could help the government, the banking sector, the LNCCI,

and business associations to take steps to increase collaboration and cooperation with other stakeholders, such as development partners and NGOs, to enhance the competitiveness and growth of SMEs. This could be achieved by improving SMEs' access to formal credit, strengthening non-R&D-based innovation capacity, and enhancing KM and organizational performance in SMEs. In conclusion, the three most significant factors influencing SME growth in AEEs such as the Lao PDR can be identified unarguably as credit access, non-R&D-based innovation, and KM.

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APPENDIX A

SME Policies and Regulatory Reforms

In line with the government's reform agenda, a series of SME development policies, business laws, and administrative decrees was enacted, implemented, and revised (MoIC, 2015, 2020).

- In 1998, the Foreign Investment Promotion Law was announced by the government to actively promote, attract and encourage foreign investors to invest in the Lao PDR.
- In 1994, the Business Law was promulgated as the legal entity for SMEs. However, in 2006, this law was replaced by the Enterprise Law. The objective of this law was to promote manufacturing, businesses, and services in all economic sectors as well as to reduce administrative costs and other business barriers.
- In 2004, the Prime Minister's Decree No. 42/PM on the Promotion and Development of Small and Medium-Sized Enterprises was enacted and promulgated. The objective of this decree was to serve as a strategy and action plan for promoting SME development. Further, the ministerial position of the Ministry of Industry and Commerce (MoIC) was established, with the minister of the MoIC acting as chairman of the Small and Medium-Sized Enterprises' Promotion and Development Committee (SMEPDC). The National Small and Medium Enterprises Promotion and Development Office (SMEPDO) was also established as a secretariat of the SMEPDC to promote the sustainable development of SMEs in the Lao PDR. The SMEPDO has now been changed to the Department of Small and Medium Enterprises Promotion (DOSMEP).
- In 2008, the Prime Ministerial Decree No. 157/PM approved the SME Development Policy. Thus, 5 years after the Prime Minister's Decree No. 42/PM was introduced, the first Lao SME promotion policy was approved.
- In 2009, the Foreign Investment Promotion law was revision. The government enacted and promulgated the new Investment Promotion Law. This law combined both domestic and foreign investment laws.

- In 2010, Decree No. 123/PM on the Promotion and Development of Small and Medium-Sized Enterprises Law was upgraded. The objective of this law was to build an investment-friendly environment for SMEs and ensure that this law would support entrepreneurs at both national and international level to promote the sustainable development of the nation.
- In 2019, Decree No. 299/Gov. on SME Promotion Funds was enacted and promulgated. This sought to provide funding sources with low interest rates and long-term lending conditions for micro and SMEs in the production, trade, and service sectors to enhance their competitive development and growth.

APPENDIX B



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LETTER OF INTRODUCTION

CREDIT ACCESS, INNOVATION, AND KNOWLEDGE MANAGEMENT: CRITICAL FACTORS INFLUENCING SME GROWTH IN THE LAO PDR

Dear Sir / Madam,

This letter is to introduce Malaykham Philaphone who is a Doctor of Philosophy (PhD) student in the College of Business, Government and Law at Flinders University in Adelaide, South Australia. She will present her study card, which carries a photograph, as proof of identity. She also has professional affiliation with the Economic Research Institute for Industry and Trade, Ministry of Industry and Commerce. She is undertaking research leading to a thesis or other publications on the subject of *Credit access, innovation, and knowledge management: Critical factors influencing SME growth in the Lao PDR*. More specifically, her project will address several aspects, namely, credit access, innovation, knowledge management and external factors (including financial institutional development, market competition and support from the government).

She would like you to assist with this project by agreeing to answer the interview questions (or filling the questionnaire) which covers the abovementioned aspects. It is estimated that the interview (or survey) will be between 60 and 90 minutes. Since she intends to make a tape recording of the interview, she will seek your consent, on the attached form, to record the interview, to use the recording or a transcription in preparing the thesis, report or other publication.

The questionnaire and interview are intended for research purposes. There are no commercial purposes attached to this research. Therefore, the principal researcher and Flinders University will maintain the confidentiality of all information provided by the respondents. Your name or identity will not be revealed, and to make the recording available to other researchers on the same conditions.

The researcher anticipates few risks from your involvement in this study. If you have any concerns regarding anticipated or actual risks or discomforts, please raise them with the principal researcher. Any enquiries you may have concerning this project should be directed to me by telephone on +61 426 486 388 or email (weeching.pok@flinders.edu.au).

Thank you very much for taking time to consider the request and assistance. It is very highly appreciated.

Yours sincerely

Dr Wee Ching Pok
Senior Lecturer in the College of Business, Government and Law
Flinders University

*This research project has been approved by the Flinders University Social and Behavioural Research Ethics Committee (Project number: 8021).
For more information regarding ethical approval of the project only, the Executive Officer of the Committee can be contacted by telephone on (08) 8201 3116, by fax on (08) 8201 2035, or by email to human.researchethics@flinders.edu.au*

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity



SMEs Service Center
Lao National Chamber of Commerce and Industry
Kaysone Phomvihane Ave, Phonphanao Village,
Xaysettha District,
Vientiane Lao PDR
Tel: (856-21) 416 266-7
Fax: (856-21) 720 456

Date : 11th April, 2018

**Subject: Credit Access, Innovation and Knowledge Management, The Critical Factors
Influence on SMEs Growth: A Case Study in Lao PDR.**

Dear

This letter is to introduce Ms Malaykham Philaphone who is a Director of Division in the Economic Research Institute for Industry and Trade (ERIT), Ministry of Industry and Commerce Lao, and a Doctor of Philosophy (PhD) student in the College of Business, Government and Law, Flinders University in Adelaide, South Australia. Malaykham will present her student card, which carries a photograph, as proof of identity. Malaykham is undertaking a research leading to the production of the thesis or other publications on the subject of *“Credit Access, Innovation and Knowledge Management, The Critical Factors Influence on SMEs Growth: A Case Study in Lao PDR”*. More specifically, her study will address several main aspects namely: credit access, innovation, knowledge management and external factors (including financial institutional development, market competition and support from the government).

Malaykham would like you to assist with this study by agreeing to be involved in answering the interview questions (or filling the questionnaire) which covers the abovementioned aspects of this topic. It is estimated that the interview (or questionnaire) will be between 60 - 90 minutes. Since Malaykham intends to make a tape recording of the interview, she will seek your consent, on the attached form, to record the interview, to use the recording or a transcription in preparing the thesis, report or other publication.

The questionnaire and interview are fully intended for the research. There are no commercial purposes attached to this research. Therefore, Malaykham and the Flinders University will maintain the confidentiality of all information provided by respondents. Your name or identity is not revealed, and to make the recording available to other researchers on the same conditions.

Any enquiries you may have concerning this study should be directed to Malaykham by telephone on +61 424 457 077 or +856 20 555 999 32 or e-mail: phil0510@flinder.edu.au.

Thank you for your attention and assistance.

Phoukhong Sonevongxay
Deputy Director
SMEs Service Center
Lao National Chamber of Commerce and Industry



PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROPERTY

Ministry of Industry and Commerce
Economic Research Institute for Industry and Trade (ERIIT)

Date: April 11th, 2018

Subject: Credit Access, Innovation and Knowledge Management, The Critical Factors Influence on SMEs Growth: A Case Study in Lao PDR.

Dear

This letter is to introduce Ms Malaykham Philaphone who is a Director of Division in the Economic Research Institute for Industry and Trade (ERIIT), Ministry of Industry and Commerce Lao, and a Doctor of Philosophy (PhD) student in the College of Business, Government and Law, Flinders University in Adelaide, South Australia. Malaykham will present her student card, which carries a photograph, as proof of identity. Malaykham is undertaking a research leading to the production of the thesis or other publications on the subject of *“Credit Access, Innovation and Knowledge Management, The Critical Factors Influence on SMEs Growth: A Case Study in Lao PDR”*. More specifically, her study will address several main aspects namely: credit access, innovation, knowledge management and external factors (including financial institutional development, market competition and support from the government).

Malaykham would like you to assist with this study by agreeing to be involved in answering the interview questions (or filling the questionnaire) which covers the abovementioned aspects of this topic. It estimated that the interview (or questionnaire) will be between 60 - 90 minutes. Since Malaykham intends to make a tape recording of the interview, she will seek your consent, on the attached form, to record the interview, to use the recording or a transcription in preparing the thesis, report or other publication.

The questionnaire and interview are fully intended for the research. There are no commercial purposes attached to this research. Therefore, Malaykham and the Flinders University will maintain the confidentiality of all information provided by respondents. Your name or identity is not revealed, and to make the recording available to other researchers on the same conditions.

Any enquiries you may have concerning this study should be directed to Malaykham by telephone on +61 424 457 077 or +856 20 555 999 32 or e-mail: phil0510@flinder.edu.au.

Thank you for your attention and assistance.

Viengsavang Thippavong
Deputy Director General
Economic Research Institute for Industry and Trade
Ministry of Industry and Commerce



Mrs Malaykham Philaphone

(PhD Student)

College of Business, Government and Law
Level 3, Law and Commerce Building,
Ring Road, Bedford Park SA 5042
GPO Box 2100, Adelaide SA 5001

PERMISSION LETTER FOR EMPLOYEE TO PARTICIPATE IN:

**Title: Credit Access, Innovation and Knowledge Management, The Critical Factors
Influence on SMEs Growth: A Case Study in Lao PDR.**

Dear

My name is Malaykham Philaphone. I am now a PhD student in the College of Business, Government and Law at the Flinders University in Adelaide, South Australia. I am being supervised by Dr Wee Ching Pok, Dr Janice Jones and Dr Ashokkumar Manoharan, the lecturers and supervisors at the College of Business, Government and Law at Flinders University. My study title is *“Credit Access, Innovation and Knowledge Management, The Critical Factors Influence on SMEs Growth: A Case Study in Lao PDR”*.

The study aims to explore and investigate the significant factors influence on SMEs growth in the context of LDCs and Lao PDR is a case study. The study will first explore the significant external factors such as financial development, market access and the government support to SMEs growth. Further, the study will also investigate the credit access, innovation and knowledge management as they are the most critical factors drive SMEs growth, especially to grow in heterogeneity. The interview with the key stakeholders will provide the sufficient evidence, information and statistic to the study and to the principal researcher to take further analysis and to be able to provide the

useful recommendation to both public and private sectors in their current and future development in effort to improve the business performance, increase the market competition, improve business expansion and improve the policies implantation in the Lao PDR.

Your employee has been invited to participate in an interview with me, where I will ask for a few questions covering the aspects of the research project that have been mentioned above. The interview will take approximately an hour to complete. With your employee's permission, the interview will be recorded using a digital voice recorder to ensure all relevant information is included in the subsequent analysis of the interview data. The interview will be transcribed (typed-up) and stored as a computer file and then destroyed when the results have been finalised. Their participation in this study is entirely voluntary and you/they are entirely free to decline to participate.

Be assured that any information provided will be treated in the strictest confidence and none of the participants will be identifiable in the resulting thesis, report or publications.

In order for the interview to be arranged with your employee, I seek your signed consent below.

Please sign and return to me by return email or at the interview day at your convenience.

Supervisor's signature Date

This research project has been approved by the Flinders University Social and Behavioral Research Ethics Committee (Project number).

Any enquiries you may have concerning this study should be directed to me at the address given above or by telephone on +61 4 24457077, fax +61 8 82012644 or e-mail phil0510@flinders.edu.au.

Thank you very much for your participation and assistance.

Your sincerely,

Malaykham Philaphone
PhD student
College of Business, Government and Law
Flinders University

This research project has been approved by the Flinders University Social and Behavioural Research Ethics Committee (Project number: 8021).

For more information regarding ethical approval of the project only, the Executive Officer of the Committee can be contacted by telephone on (08) 8201 3116, by fax on (08) 8201 2035, or by email to human.researchethics@flinders.edu.au



CONSENT FORM FOR PARTICIPATION IN RESEARCH

(Interview)

**Credit Access, Innovation and Knowledge Management Significantly Influence
SMEs Growth: A Case Study in Lao PDR**

I

being over the age of 18 years hereby consent to participate as requested in the Letter of Introduction and Information Sheet for the interview for the research project with the title listed above.

1. I have read the information provided.
2. Details of procedures and any risks have been explained to my satisfaction.
3. I am aware that I should retain a copy of the Information Sheet and Consent Form for future reference.
4. I understand that:
 - I may not directly benefit from taking part in this research;
 - Participation is entirely voluntary, and I am free to withdraw from the project at any time, and can decline to answer particular questions;
 - While the information gained in this study will be confidential and published as explained, on the basis that the interview will be undertaken in my place of employment, anonymity cannot be guaranteed.
5. I agree/do not agree to the tape/transcript* being made available to other researchers who are not members of this research team, but who are judged by the research team to be doing related research, on condition that my identity is not revealed.
6. I have had the opportunity to discuss taking part in this research with a family member or friend.

Participant's name

Participant's signature **Date**

I certify that I have explained the study to the volunteer and consider that she/he understands what is involved and freely consents to participation.

Researcher's name

Researcher's signature **Date**

NB: Two signed copies should be obtained. The copy retained by the researcher may then be used for authorisation of Items 7 and 8, as appropriate.

1. I, the participant whose signature appears below, have read a transcript of my participation and agree to its use by the researcher as explained.

Participant's signature **Date**

This research project has been approved by the Flinders University Social and Behavioural Research Ethics Committee (Project number: 8021). Approval Date: 18 June 2018. For more information regarding ethical approval of the project only, the Executive Officer of the Committee can be contacted by telephone on (08) 8201 3116, by fax on (08) 8201 2035, or by email to human.researchethics@flinders.edu.au

APPENDIX C

ຄຳຖາມສຳພາດ

ບົດຄົ້ນຄ້ວາຫົວຂໍ້: ການເຂົ້າຫາແຫລ່ງທຶນ, ນະວະນະກຳ ແລະ ການບໍລິຫານຄວາມຮູ້ ແມ່ນປັດໃຈສຳຄັນທີ່ສົ່ງເສີມໃຫ້ SME ມີ ການຈະເລີນເຕີບໃຫຍ່: ກໍລະນີສຶກສາໃນປະເທດ ສປປ ລາວ

- ຊື່ຂອງຜູ້ໃຫ້ສຳພາດ:
- ຊື່ຂອງອົງການຈັດຕັ້ງ:
- ທີ່ຢູ່ຂອງອົງການຈັດຕັ້ງ:
- ໂທ:, ອີເມວ:, ເວບໄຊສ໌:
- ຕຳແໜ່ງ:
- ຂະແໜງຂອງທຸລະກິດ (ຖ້າແມ່ນ SMEs):
 - ຕັດຫຍິບ
 - ຫັດຖະກຳ
 - ລາວເຟີນີເຈີ
 - ເຄື່ອງອັນຍະມະນີລາວ

A. ການເຂົ້າຫາແຫລ່ງທຶນ

1. ທ່ານຄິດແນວໃດກ່ຽວກັບປະເທດຂອງແຫລ່ງທຶນທີ່ປ່ອຍກູ້ໃຫ້ແກ່ SMEs ໃນຂະແໜງຕັດຫຍິບ, ຫັດຖະກຳ, ລາວ ເຟີນີເຈີ ແລະ ເຄື່ອງອັນຍະມະນີລາວ ໃນປະຈຸບັນ?

ກ່ອນການເຂົ້າຫາແຫລ່ງທຶນ:

2. ອີງໃສ່ປະສົບການຂອງທ່ານ, ກະລຸນາອະທິບາຍໂດຍຫຍໍ້ວ່າ: ແມ່ນຫຍັງທີ່ເປັນອຸປະສັກທີ່ SMEs ມີບໍ່ຫລາຍທີ່ສຸດໃນ ການຂໍກູ້ຢືມເງິນນຳທະນາຄານ?

- ສະໜອງຫລັກຊັບຄຳປະກັນໃຫ້ພຽງພໍ
- ສະໜອງປະເຈັບ ຫລືຂໍ້ມູນທີ່ຈຳເປັນທີ່ກ່ຽວຂ້ອງກັບເຈົ້າຂອງທຸລະກິດ ຫລືຜູ້ຈັດການ
- ບໍ່ມີຄວາມຮູ້ທາງດ້ານການເງິນທີ່ພຽງພໍ
- ບໍ່ໄດ້ຮັບການສະໜັບສະໜູນເທົ່າທີ່ຄວນຈາກທະນາຄານ
- ທະນາຄານ ແລະ ສະຖາບັນການເງິນ ແມ່ນບໍ່ໄດ້ຜັດທະນາດີເທົ່າທີ່ຄວນ
- ອື່ນໆ, ກະລຸນາອະທິບາຍ :

3. SMEs ນຳໃຊ້ກົນລະຍຸດຫຍັງແດ່ ເພື່ອໃຫ້ສາເລັດໃນການເຂົ້າຫາແຫລ່ງທຶນ ຫລືຂໍກູ້ຢືມເງິນນຳທະນາຄານ?

ພາຍຫລັງການເຂົ້າຫາແຫລ່ງທຶນ:

4. ແມ່ນຫຍັງທີ່ເປັນອຸປະສັກຕົ້ນຕໍ ທີ່ SMEs ມີບໍ່ພໍ ພາຍຫລັງພວກເຂົາໄດ້ຮັບອະນຸມັດການກູ້ຢືມເງິນແລ້ວ?

- ບໍ່ສາມາດຈ່າຍດອກເບ້ຍໄດ້ຕາມກຳນົດເວລາ
- ບໍ່ສາມາດຈ່າຍຕົ້ນທຶນໄດ້ຕາມກຳນົດເວລາ
- ນຳໃຊ້ເງິນຜິດວັດຖຸປະສົງ ແລະ ເປົ້າຫມາຍ
- ບໍ່ມີຄວາມຮູ້ທາງດ້ານການເງິນ
- ອື່ນໆ, ກະລຸນາອະທິບາຍ

5. ການເຂົ້າຫາແຫລ່ງທຶນ ຈະຊ່ວຍສົ່ງເສີມໃຫ້ SMEs ປະກອບກິດຈະການໄດ້ຄ່ອງໂຕຂຶ້ນ ແລະ ປະສົບຜົນສຳເລັດໃນການດຳເນີນທຸລະກິດ ແນວໃດແດ່?

B. ມະວະຕະກຳ

6. ກະລຸນາອະທິບາຍໂດຍຫຍໍ້ ກ່ຽວກັບມະວັດຕະກຳທີ່ເປັນກິດຈະກຳຫລັກ ຂອງ SMEs ໃນຂະແໜງຕັດຫຍິບ, ຫັດຖະກຳ, ລາວເຟີນີເຈີ ແລະ ເຄື່ອງອັນຍະມະນີລາວ ໃນໄລຍະ 3 ປີທີ່ຜ່ານມາ (2016-2018)?

- ນຳໃຊ້ມະວະຕະກຳ ເພື່ອພັດທະນາຜະລິດຕະພັນ: ການອອກແບບເປັນຫລັກ, ການນຳໃຊ້ເຕັກໂນໂລຊີທີ່ທັນສະໄຫມເປັນຫລັກ, ການຝຶກອົບຮົມເປັນຫລັກ ແລະ ອື່ນໆ, ກະລຸນາອະທິບາຍ
- ນຳໃຊ້ມະວະຕະກຳ ເພື່ອພັດທະນາອົງກອນ: ນຳໃຊ້ມະວະຕະກຳເຂົ້າໃນການບໍລິຫານອົງກອນ, ນຳໃຊ້ມະວະຕະກຳເຂົ້າໃນການຕະຫລາດ ແລະ ອື່ນໆ, ກະລຸນາອະທິບາຍ

7. ແມ່ນໃຜທີ່ເປັນຜູ້ພັດທະນາ ຫລືດຶງເອົາມະວະຕະກຳໃຫມ່ເຂົ້າມາຊ່ວຍໃນການດຳເນີນທຸລະກິດຂອງ SMEs ໃນ 4 ຂະແໜງ ການ ທີ່ໄດ້ກ່າວມາຂ້າງເທິງນັ້ນ ໃນໄລຍະ 3 ປີ (2016 – 2018)?

- ການອອກແບບ, ການນຳໃຊ້ເຕັກໂນໂລຊີ ທີ່ທັນສະໄຫມ, ການຝຶກອົບຮົມ, ແລະ ອື່ນໆ: ກະລຸນາອະທິບາຍ
- ການບໍລິຫານອົງກອນແບບທັນສະໄຫມ, ການນຳໃຊ້ການຕະຫລາດທີ່ທັນສະໄຫມ, ແລະ ອື່ນໆ: ກະລຸນາອະທິບາຍ

8. ແຫລ່ງຂໍ້ມູນສຳຄັນ / ຄວາມຮູ້ສຳຄັນ ທີ່ SMEs ນຳໃຊ້ເຂົ້າໃນການພັດທະນາ ຫລືຍົກສະມັດຕະພາບຂອງ (i) ທັກສະການນຳໃຊ້ມະວະຕະກຳ, (ii) ຄວາມຮູ້, (iii) ກິດຈະກຳ ໃນການດຳເນີນທຸລະກິດຂອງພວກ ແມ່ນຫຍັງ?

9. ອີງໃສ່ປະສົບການຂອງທ່ານ, ແມ່ນຫຍັງທີ່ເປັນປັດໃຈຫລັກ ປະກອບສ່ວນເຂົ້າໃນການນຳໃຊ້ ແລະ ການພັດທະນາມະວະຕະກຳຂອງ SMEs ຈົນປະສົບຜົນສຳເລັດໃນໄລຍະ 3 ປີ ທີ່ຜ່ານມາ?

- ເຈົ້າຂອງ ຫລືຜູ້ອຳນວຍການ SMEs ມີທັກສະຄວາມຮູ້
- ຜະນັກງານ ມີທັກສະຄວາມຮູ້
- ມີງົບປະມານສະໜັບສະໜູນ
- ໄດ້ຮັບຂໍ້ມູນຈາກລູກຄ້າ
- ມີເຄື່ອຂ່າຍ
- ໄດ້ຮັບການສະໜັບສະໜູນຈາກສະຖາບັນຄົ້ນຄ້ວາ
- ອື່ນໆ, ກະລຸນາອະທິບາຍ

10. ແມ່ນຫຍັງທີ່ເປັນປັດໃຈຫລັກ ທີ່ເຮັດໃຫ້ SMEs ບໍ່ສາມາດນຳໃຊ້ ຫລືພັດທະນາໜະນະກຳໄດ້ດີເທົ່າທີ່ຄວນ ໃນ ໄລຍະ 3 ປີທີ່ຜ່ານມາ?

- ເຈົ້າຂອງ ຫລືຜູ້ອຳນວຍການ SMEs ບໍ່ມີທັກສະຄວາມຮູ້
- ພະນັກງານ ບໍ່ມີທັກສະຄວາມຮູ້ພຽງພໍ
- ບໍ່ມີງົບປະມານສະໜັບສະໜູນ
- ບໍ່ໄດ້ຮັບຂໍ້ມູນຈາກລູກຄ້າ
- ບໍ່ມີເຄື່ອຂ່າຍທີ່ດີ
- ບໍ່ໄດ້ຮັບການສະໜັບສະໜູນຈາກສະຖາບັນຄົ້ນຄ້ວາພຽງພໍ
- ອື່ນໆ, ກະລຸນາອະທິບາຍ

- ພວກເຂົາໄດ້ກ້າວຜ່ານອຸປະສັກນີ້ໄດ້ແນວໃດ?

11. ການນຳໃຊ້ ແລະ ການພັດທະນາໜະນະກຳ (ເຊັ່ນ: ການອອກແບບ, ການນຳໃຊ້ເຕັກໂນໂລຊີທີ່ທັນສະໄຫມ ແລະ ການ ຝຶກອົບຮົມ) ຊ່ວຍສົ່ງເສີມໃຫ້ SMEs ປະກອບກິດຈະການໄດ້ຄ່ອງໂຕຂຶ້ນ ແລະ ປະສິບຜົນສຳເລັດໃນການດຳເນີນທຸລະ ກິດ ແນວໃດແດ່?

C. ການບໍລິຫານຄວາມຮູ້

12. ແຫລ່ງຂໍ້ມູນທີ່ສຳຄັນ / ແຫລ່ງຄວາມຮູ້ທີ່ສຳຄັນ ທີ່ SMEs ນຳໃຊ້ ເພື່ອເພີ່ມທັກສະຄວາມຮູ້ທາງດ້ານການດຳເນີນທຸລະ ກິດ ໃນໄລຍະ 3 ປີ ທີ່ຜ່ານມາ ແມ່ນຫຍັງ? (ຂໍ້ມູນໄດ້ຮັບທາງ ອອນໄລສ ຫລື ອອບໄລສ, ກະລຸນາ ອະທິບາຍ)

13. ແຫລ່ງຂໍ້ມູນທາງອອນໄລສ / ອອບໄລສ ທີ່ SMEs ນຳໃຊ້ ເພື່ອເພີ່ມຄວາມຮູ້ ແລະ ທັກສະທີ່ພົວພັນກັບຍຸດທະສາດ ການດຳເນີນທຸລະກິດ, ຊອກຫາໂອກາດໃນການສົ່ງອອກ, ແລະ ຊອກຄວາມຮູ້ກ່ຽວກັບຂະບວນການສົ່ງອອກ ມີຫຍັງ ແດ່?

14. SMEs ໄດ້ນຳໃຊ້ຂໍ້ມູນທີ່ໄດ້ມາ / ຄວາມຮູ້ທີ່ໄດ້ມາແນວໃດແດ່ ເຂົ້າໃນການພັດທະນາຄວາມຮູ້-ຄວາມສາມາດ ແລະ ການດຳເນີນທຸລະກິດຂອງພວກເຂົາ?

15. SMEs ໄດ້ເຮັດຫຍັງແດ່ ເພື່ອພັດທະນາທັກສະ ແລະ ຄວາມຮູ້-ຄວາມສາມາດ ຂອງພະນັກງານ ໃນໄລຍະທີ່ຜ່ານມາ?

ການພັດທະນາຊັບພະຍາກອນມະນຸດ

16. SMEs ໄດ້ກຳນົດສິ່ງຈູງໃຈ / ລາງວັນ ຫຍັງແດ່ໃຫ້ແກ່ພະນັກງານຜູ້ທີ່ເຮັດວຽກດີເດັ່ນໃນອົງກອນ ໃນໄລຍະ 3 ປີ ທີ່ ຜ່ານມາ?

17. SMEs ໄດ້ກຳນົດລະບຽບການລົງໂທດໄວ້ແນວໃດສຳລັບພະນັກງານຜູ້ທີ່ເຮັດຜິດຕໍ່ລະບຽບຂອງອົງກອນ ໃນໄລຍະ 3 ປີ ທີ່ຜ່ານມາ?

18. ການບໍລິຫານຄວາມຮູ້¹ ຈະຊ່ວຍສິ່ງເສີມໃຫ້ SMEs ປະກອບກິດຈະການໄດ້ຄ່ອງໂຕຂຶ້ນ ແລະ ປະສິບຜົນສຳເລັດໃນການດຳເນີນທຸລະກິດ ແນວໃດແດ່?
- ການຂົນຂວາຍຮ່າຮຽນ ຫລືຊອກຫາຄວາມຮູ້ໃຫມ່ໆ
 - ການນຳໃຊ້ຄວາມຮູ້ທີ່ໄດ້ມາ
 - ການເພີ່ມທັກສະຄວາມຮູ້ໃນການບໍລິຫານອົງກອນ

D. ປັດໄຈພາຍນອກ

ການພັດທະນາສະຖາບັນການເງິນ

19. ກະລຸນາອະທິບາຍໂດຍຫຍໍ້ ກ່ຽວກັບການບໍລິການ ແລະ ການຊ່ວຍເຫລືອຂອງ ທະນາຄານທຸລະກິດ ແລະ ສະຖາບັນການເງິນ (ລວມເຖິງກະຊວງການເງິນ) ໃນການສະໜອງແຫລ່ງທຶນກູ້-ຢືມ ໃຫ້ແກ່ SMEs (ກ່ອນ ແລະ ຫລັງການກູ້-ຢືມ ໄດ້ຮັບອະນຸມັດ)?
20. ລັດຖະບານຄວນຈະຕ້ອງປັບປຸງການສະໜອງແຫລ່ງທຶນກູ້-ຢືມໃຫ້ແກ່ SMEs (ກ່ອນ ແລະ ຫລັງການກູ້-ຢືມ ໄດ້ຮັບອະນຸມັດ) ແນວໃດ?

ການເຈາະຕະຫລາດ

21. ກະລຸນາອະທິບາຍໂດຍຫຍໍ້ ເຖິງລະດັບຂອງການແຂ່ງຂັນຂອງຕະຫລາດພາຍໃນ ແລະ ຕະຫລາດພຸມມິພາກ ຂອງ SMEs (ໃນຂະແໜງຕັດຫຍິບ, ຫັດຖະກຳ, ລາວເຟີນີເຈີ ແລະ ເຄື່ອງອັນຍະມະນີລາວ) ໃນໄລຍະ 3 ປີທີ່ຜ່ານມາ?
22. SMEs ໄດ້ເຮັດຫຍັງແດ່ ໃນການພັດທະນາເສລີຕະພັນຂອງພວກເຂົາ ເພື່ອໃຫ້ໄດ້ມາດຕະຖານທັງພາຍໃນ ແລະ ສາກົນ?
23. ຍຸດທະສາດໃນການເຈາະຕະຫລາດແບບໃດ ທີ່ SMEs ນຳໃຊ້ໃນການຂະຫຍາຍທຸລະກິດຂອງພວກເຂົາ ໃນຕະຫລາດພາຍໃນ, ພຸມມິພາກ ແລະ ສາກົນ?
24. ລັດຖະບານ ຄວນຈະຊ່ວຍເຫລືອ SMEs ແນວໃດ ເພື່ອຍົກສະມັດຕະພາບການແຂ່ງຂັນທາງດ້ານການເຈາະຕະຫລາດທັງພາຍໃນ ແລະ ສາກົນ?

ການຊ່ວຍເຫລືອຂອງລັດຖະບານ

¹ Knowledge management is the systematic management of an organization's knowledge assets for the purpose of creating value and meeting tactical & strategic requirements; it consists of the initiatives, processes, strategies, and systems that sustain and enhance the storage, assessment, sharing, refinement, and creation of knowledge.

25. ລັດຖະບານ ໄດ້ເຮັດໃຫ້ການຊ່ວຍເຫລືອ ແລະ ສົ່ງເສີມ SMEs ຫນັງແຕ່ ເມື່ອຊຸກຍູ້ໃຫ້ເຂົາເຈົ້າມີການຂະຫຍາຍໂຕ ແລະ ພັດທະນາ ໃນໄລຍະ 3 ປີທີ່ຜ່ານມາ?
- ການເຂົ້າຫາແຫລ່ງທຶນ
 - ນະວະຕະກຳ
 - ການບໍລິຫານຄວາມຮູ້ ແລະ ການພັດທະນາການບໍລິຫານຊັບພະຍາກອນມະນຸດ
 - ການປັບປຸງສະພາບການເຮັດທຸລະກິດ (ການພັດທະນາສະຖາບັນການເງິນ, ການຊ່ວຍເຫລືອໃນການເຈາະຕະຫລາດ ແລະ ການຊ່ວຍເຫລືອອື່ນໆ ຈາກພາກລັດ)
 - ອື່ນໆ, ກະລຸນາອະທິບາຍ
26. ຖ້າຕ້ອງການຊ່ວຍເຫລືອ ແລະ ສົ່ງເສີມ SMEs ໃຫ້ມີການຂະຫຍາຍໂຕ ແລະ ພັດທະນາໃນອະນາຄົດ, ທ່ານຢາກແນະນຳ ຫຍັງ ໃຫ້ແກ່ພາກລັດ / ສະພາການຄ້າ ແລະ ອຸດສາຫະກຳແຫ່ງຊາດ / ສະມາຄົມນັກທຸລະກິດ ເພື່ອໃຫ້ເພີ່ມການຊ່ວຍ ເຫລືອໃຫ້ແກ່ SMEs?
27. ປັດໃຈພາຍນອກ ຊ່ວຍສົ່ງເສີມໃຫ້ SMEs ປະກອບກິດຈະການໄດ້ຄ່ອງໂຕຂຶ້ນ ແລະ ປະສົບຜົນສຳເລັດໃນການດຳເນີນ ທຸລະກິດ ແນວໃດແດ່?
- ການພັດທະນາສະຖາບັນການເງິນ ແລະ ທະນາຄານ
 - ການແຂ່ງຂັນທາງການຕະຫລາດ
 - ການຊ່ວຍເຫລືອຈາກພາກລັດ
28. ອີງໃສ່ປະສົບການຂອງທ່ານ, ທ່ານຄິດວ່າ ຍັງມີປັດໄຈອື່ນອີກບໍ່, ນອກເໜືອຈາກ ການເຂົ້າຫາແຫລ່ງທຶນ, ນະວະຕະ ກຳ, ການບໍລິຫານຄວາມຮູ້, ການພັດທະນາສະຖາບັນການເງິນ ແລະ ທະນາຄານ, ການເຈາະຕະຫລາດ ແລະ ການຊ່ວຍ ເຫລືອຈາກລັດຖະບານ, ທີ່ຊ່ວຍສົ່ງເສີມໃຫ້ SMEs ປະກອບກິດຈະການໄດ້ຄ່ອງໂຕຂຶ້ນ ແລະ ປະສົບຜົນສຳເລັດໃນ ການດຳເນີນທຸລະກິດ?

APPENDIX D

Interview

SMEs, Government Sector, Commercial Banks and Financial Institutions, Research Institution, University, and Consultant

Information on Respondent:

Name of respondent:

Name of your organization:

Address of your organization:

Tel:

Email:

Website:

Your position in the organization:

Type of firm (if you are SMEs) Garment Handicraft
 Furniture Lao Gem and Jewelry

A. Credit Access

1. What do you think are the current funding options available to SMEs in the garment, handicraft, Lao furniture and Lao gem and jewelry industries?

Pre-Credit Access

2. Based on your experience, please briefly explain what are the challenges faced by SMEs when applying for bank loans?

- Providing sufficient collateral
- Providing credit history
- Providing sufficient information on SME owner/manager
- Insufficient knowledge of financial literacy
- Poor support from banks
- Poor financial development
- Other, please explain.

3. What financial strategies do SMEs use to access to credit?

Post-Credit Access

4. What are the challenges faced by SMEs after their loan applications have been approved?
5. How does credit access contribute to the firm's performance and success?

B. Innovation

6. Please briefly explain about the main innovation activities practiced by SMEs in the garment, handicraft, furniture and gem and jewelry industries in the last 3 years (2016 to 2018)?
 - E.g., design-based, technology-based, training-based or other; please explain.
 - E.g., organizational innovation, market innovation or other; please explain.
7. Who is the main developer of innovation activities of SMEs in the mentioned industries in the last 3 years?
8. What are the information/knowledge sources used by SMEs to improve the innovation skills/knowledge/activities in their firms?
9. Based on your experience, what are the main factors contributing to SMEs' successful innovation activities in the last 3 years?
 - i. SME owners/managers' resourcefulness
 - ii. Knowledgeable support staff
 - iii. Financial resources
 - iv. Feedback from customers
 - v. Networking
 - vi. Support from research institutions
 - vii. Other; please explain.
10. What are the main factors hindering SMEs' innovation activities in the last 3 years?
 - i. Lack of SME owners/managers' resourcefulness
 - ii. Lack of knowledgeable support staff
 - iii. Lack of financial resources
 - iv. Lack of feedback from customers
 - v. Poor networking
 - vi. Lack of support from research institutions

vii. Other; please explain.

- How do they overcome this?

11. How do innovation activities (design-based / technology-based / training-based / others) contribute to firm performance and success?

C. Knowledge Management

12. What are the information/knowledge sources that SMEs use to gain their knowledge/skills related to business operations in the last 3 years? (Online or Offline sources, please explain)

13. What are the main online/offline sources that SMEs use to gain their knowledge/skills related to business strategy, identify export opportunities, and internationalization process?

14. How have SMEs apply the new information/knowledge gain to benefit their professional development and to create international marketing strategy?

15. What have SMEs done to upgrade their employees' specialized skills and knowledge?

Human Resource Development

16. What types of incentives supports/rewards have SMEs applied to employees in the last 3 years?

17. What type of penalties have SMEs imposed on employees in the last 3 years?

18. How has knowledge management³ contributed to firm performance and success?

- i. New knowledge gain
- ii. Applying new knowledge
- iii. Knowledge of human resource management.

D. External Factors

Financial Development

³ Knowledge management is the systematic management of an organization's knowledge assets for the purpose of creating value and meeting tactical and strategic requirements. It consists of the initiatives, processes, strategies, and systems that sustain and enhance the storage, assessment, sharing, refinement, and creation of knowledge.

19. Please briefly explain for how have commercial banks and financial institutions (including the Ministry of Finance) provide financial support (pre- and post-credit access)?
20. How can the government improve providing financial support (pre- and post-credit access) to SMEs?

Market Competition

21. Please briefly explain the level of competition in domestic and regional markets of SMEs (garment, handicraft, furniture and gem and jewelry industries) in the last 3 years?
22. What have SMEs done to ensure that their products meet national and international standards?
23. What market access strategies do SMEs use to expand business to national, regional and global markets?
24. How can the government assist SMEs to improve their competitiveness at national, regional and global level?

Government Support

25. How has the government performed in providing support to SMEs' growth and development in the last 3 years?
 - i. Credit access
 - ii. Innovation
 - iii. Knowledge management and/or human resource management
 - iv. Business environment improvement
 - v. Other; please explain.
26. To support SMEs' growth and development, what would you like to suggest to the government / LNCCI / business associations?
27. How have external factors contributed to SMEs' business performance and expansion?
 - i. Financial development
 - ii. Market access
 - iii. Government support.
28. Based on your experience, what other factors besides credit access, innovation, knowledge management, financial development, market access and government support do you think will significantly contribute to SME growth in the Lao PDR?

APPENDIX E

Illustrates The Link Between Credit Access, Non-R&D-Based Innovation, and Knowledge Management, The Critical Factors Influence SME Growth In The Lao PD

