



Factors Influencing the Success of Hotel Business in Laos

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ธุรกิจการท่องเที่ยวถูกจัดอันดับให้เป็นกลุ่มธุรกิจที่มีความสำคัญและเติบโตมากที่สุดสำหรับการพัฒนาและการเติบโตทางด้านเศรษฐกิจในสาธารณรัฐประชาธิปไตยประชาชนลาว ซึ่งพบว่าจำนวนนักท่องเที่ยวมีจำนวนเพิ่มขึ้นเป็น 3.3 ล้านคนในปี 2556 ส่วนประกอบสำคัญที่ส่งผลต่อการเติบโตของธุรกิจการท่องเที่ยวได้แก่ การเป็นเจ้าของที่ดี บ้านรับรองและโรงแรมที่รองรับนักท่องเที่ยว ในทศวรรษที่ผ่านมาธุรกิจบ้านรับรองและโรงแรมมีการแข่งขันที่สูงมาก ปัจจัยที่ส่งผลต่อความสำเร็จของธุรกิจเป็นหนึ่งในทำเลอาจไม่มีความเกี่ยวข้องกับทำเลที่ตั้งอื่นๆ เนื่องจากกลุ่มลูกค้ามีความหลากหลาย ดังนั้นงานวิจัยนี้ทำการศึกษาปัจจัยที่ส่งผลต่อกลุ่มธุรกิจบ้านรับรองและโรงแรมในสาธารณรัฐประชาธิปไตยประชาชนลาว วิธีการโดยใช้แบบสอบถามจะถูกนำมาใช้ในงานวิจัยนี้โดยทำการศึกษากลุ่มธุรกิจบ้านรับรองและโรงแรมในเมืองหลวงเวียงจันทน์ โดยพิจารณาผลของปัจจัยต่างๆ ที่ส่งผลธุรกิจได้แก่ การดำเนินการทางเทคนิค โครงสร้างบริษัท โดยเฉพาะอย่างยิ่งความสัมพันธ์ระหว่างโครงสร้างทางการเงิน ความร่วมมือกับภายนอก นโยบายการตลาด มุมมองด้านเทคนิค คุณภาพการบริการและมุมมองของผู้ประกอบการ ซึ่งผลการศึกษานี้สอดคล้องกับการศึกษาที่ผ่านมาของ Ottenbacher และ Melia ที่ทำการศึกษานี้ปี 2546 และ 2553 ตามลำดับ นอกจากนี้ปัจจัยที่มีความสำคัญอย่างมากที่ส่งผลต่อการแข่งขันทางธุรกิจเพื่อให้เกิดผลและประโยชน์ที่ยั่งยืนสามารถนำพิจารณาได้แก่ คุณภาพของผลิตภัณฑ์ ลูกค้า ความพึงพอใจของลูกค้า ทำเลที่ตั้งและคุณภาพของโครงสร้างพื้นฐาน

คำสำคัญ : ผู้ประกอบการขนาดย่อม / ปัจจัยแห่งความสำเร็จ / อุตสาหกรรมโรงแรมที่พัก / ผู้ประกอบวิสาหกิจ / การพัฒนาทางธุรกิจ

ABSTRACT

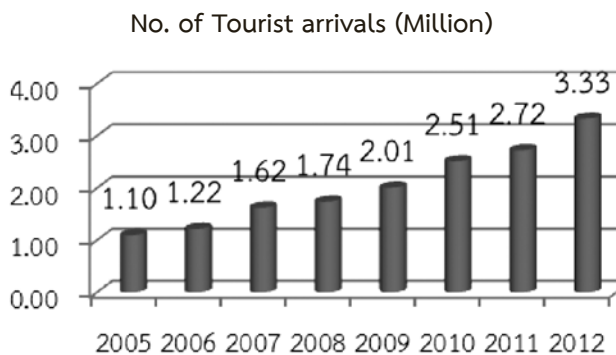
For economic development and growth in Lao PDR, the tourism business was ranked as one of the groups of businesses which have the most importance and growth. It was found that the number of tourists visiting Laos reached 3.3 million in 2013. The key components for deriving the tourism business growth have been being a good householder, and guesthouses and hotels available for accommodating the tourists. In the past decade, the competition between the guesthouse and hotel businesses has intensified. The success factors of the business in one location may not be relevant to other locations, since the customer groups vary greatly. Therefore, this study aimed to investigate the factors influencing the groups of guesthouse and hotel businesses in Lao PDR. A questionnaire was used with the groups of guesthouse and hotel businesses in the Vientiane capital city. Several factors that influenced the businesses were examined such as technical procedure, structure of the firm, especially the relation between the financial structures, cooperation with outside, marketing policy, technical point of view, service quality and entrepreneurs' angle. The results of this study were consistent with Ottenbacher's and Melia's in 2003 and 2010 respectively. Furthermore, the considered critical factors that influenced fruitfulness and usefulness sustainably in business competition were quality of product, employees, customers' satisfaction, location and infrastructure quality.

Keywords : Small and Medium Entrepreneurship (SME) / Key Success Factors (KSF) / Hotel Industry / Entrepreneurs / Business Development



Introduction

Tourism is an important sector for the Lao economy, which creates multiple benefits and generates income for ethnic people, in both cities and rural areas. It has a direct and indirect association with other economic sector (7th Socio-Economic Development Plan). Tourism in the Lao P.D.R. has experienced a rapid growth as indicated by tourists' arrival data. In 2009, tourist's arrivals were over 2 million, a 15.6% increase compared to 2008. In 2012, the number of tourists increased to 3.3 million. Tourist arrivals increased by 44.5% comparing the Sixth Five-Year Plan period with the Fifth Five-Year Plan, and the revenue from the tourism sector doubled. Vientiane capital generated the largest revenue, contributing to 28.7% of the total income, with approximately 8% increase annually.



Source : National Statistics center, 2013
and <http://www.lpptourism.org/nl1302.html>

With the constant increases in tourist arrivals, the development of hotel industry has also continuously expanded. In 2008, the number of hotels and guesthouses was 1,385, with 4.1% increase from 2007 (265 hotels and 1,120 guesthouses). In 2010, the number of guesthouses and resorts increased to 1,379. By 2012, there were 203 hotels in Vientiane capital city (468 for the whole country), and 195 guesthouses (1,562 for the whole country). These

figures show the rapid increases and intensifying competition in the hotel sector.

Table 1 The number of hotel and guesthouse from 2005 to 2012

Year	2005	2006	2007	2008	2009	2010	2011	2012
Hotel in Vientiane Capital	58	74	79	114	175	187	195	203
Total Hotel (whole country)	165	193	211	265	357	383	435	468
Guesthouse and resorts in Vientiane Capital	166	168	169	185	187	191	197	195
Total Guesthouse and resorts (Whole Country)	923	1,000	1,120	1,120	1,344	1,482	1,491	1,562

Source : National Statistic Center, 2013

Along with tourism industry, hospitality, particularly guesthouses and hotels are the key components enhancing the industry. In the previous decades, the competition among guesthouses and/or hotel businesses has been intensifying. With the rapid expansion of hotel and guesthouses, the room occupancy rate for the whole country was under 60% from 2005 to 2012 (44%, 50%, 51%, 54%, 57%, 54% 56%, and 57% respectively). As for Vientiane Capital City, the coverage ratio is much higher than the whole country occupancy ration, 63% in 2009, 65% in 2010, 63% in 2011, and 67% in 2012. From this statistics and the observation, while many businesses have been growing steadily, others are living-dead or disappearing. The success factors of the industry in one location, however, may not be relevant to the others since the customer groups vary greatly. Therefore, this paper attempts to analyze the factors influencing the success of hotel and guesthouse businesses in Vientiane Capital City.



Research Method

The research employs survey method, with questionnaires distribution to the guesthouses and hotel owners in Vientiane Capital City, the Lao P.D.R. The factors being investigated include skills, service quality, company structures, entrepreneurial characteristics, technical aspects, administration, human resources, attitudes, competitive advantage, financial structures, experiences, and external cooperation.

The research population is mainly on the database from Statistic of Commercial and Industry Department of Vientiane Capital. After population is identified, sampling was randomly chosen from the list.

A pilot survey was first conducted to test both the instrument and the survey procedures before the actual survey is conducted. The responses to surveys was analyzed to reveal expected relationships among the answers given, and to ensure consistency of respondent characteristics across questions. Once field survey was completed, the data were coded, and processed. In this research project, the researcher used SPSS program to analyze the data. The statistical analysis was both descriptive analyses using the mean and quantitative tool such as correlation analysis.

Literature Review

Key Success Factors

Key success factors (KSFs) refers to the operation of the organizations, which is concerned with a number of key features, events, or variables. Mastering KSFs will provide the business with a good competitive performance (Rockart, 1979; Boynton and Zmud, 1984; Leidecker and Bruno, 1984; Dickinson and Ferguson, 1984). On the part of competitive views, the reason why enterprises emphasize KSFs is that business must have competitive assets, technologies or capabilities to deploy resources and to segment the competitors. Therefore, mastering KSFs determines whether a company has a sustainable competitive advantage or not (Aaker, 1984; Kenichi Ohmae, 1985).

KSFs are dynamic and change over a period of time (Aaker, 1984; Dickinson and Ferguson, 1984). The industrial environment that the enterprises are in and the product or services characteristics that the enterprises serve will also have different KSFs. (Rockart, 1979; Kenichi Ohmae, 1985). There is no guarantee that owning KSFs will create advantages for the company because other competitors may also have the same KSFs. However, if the enterprise lacks the KSFs, it will be a disadvantage for it. If the enterprise owns the KSFs, it means that its assets or abilities are superior to other competitors; they can be used as the basis for competitive advantage for the organization (Aaker, 1984). Therefore, enterprises need to seek after the new KSFs.

KSFs may come from the internal or external business environment; they have positive and negative effects for the success of organization (Dickinson and Ferguson, 1984). By identifying KSFs, managers can effectively examine information management and make decisions (Rockart, 1979), as well as direct the resources to the specific areas in order to create a successful competitive strategy (Kenichi Ohmae, 1985). KSFs do not only include company's current activities, they also relate to company's future operations (Boynton and Zmud, 1984; Aaker, 1984). Therefore, exploring KSFs is useful for the businesses in planning the long-term strategy.

Lao Enterprise Development

German Technical Cooperation Agency (GTZ) conducted series of Enterprise Survey in the Lao PDR, with base line survey in 2005, and conducted follow up survey every two years since then, i.e. in 2007, and 2009. In 2007, 490 enterprises were surveyed of which 321 could be traced again in 2009, hinting at a "survival rate" of 65% with an 'above average' mortality in the micro and small-sized brackets. Two thirds of the enterprises were located in urban areas and the majority of the sampled companies were small-sized businesses. However, the small number of large-sized enterprises employed almost half of the total staff working for all the surveyed



companies. The traditionally large share of the enterprises engaged in “wholesale and retail trade” has constantly grown over the years and in 2009 made up more than 40% of the surveyed population. “Transportation and storage”, by contrast, has seen a perpetual decline in numbers of enterprises. Companies falling into the ISIC classification “agriculture, fisheries and forestry” make up less than 2% of the survey, thus underscoring the still nascent commercialization status of that group. 93% of the surveyed enterprises were owned by Lao citizens with a substantial share of Chinese and Thai ownership in manufacturing and Thai ownership in ‘construction’ and ‘transport and storage’. Female ownership has been constantly rising in the micro-sized bracket of enterprises, whereas 80% of the large-sized enterprises are owned or run by men. Regarding the changes of size, about three quarters of all enterprise remained in their size group. There was also some upward migration between size groups (from the micro & small groups) and some downward migration (from the medium & large group). All three surveys showed a positive relationship between enterprise size and enterprise performance, pointing to the challenges in promoting SME development. Of the 319 panel enterprises 35 (11%) were well performing according to the three criteria: (i) staff increases since establishment, (ii) investments made last year as well as plans and (iii) acquired management skills.

The use of business development service by enterprises is high but in most cases it is being delivered by ‘informal sources’, such as family members. Professional business development service delivery has not been adopted – only 4% of the enterprises stated to have received business development service from business membership organizations and Commercial providers, the latter figure down from 15% in 2007. Payment of taxes based on accounting records has declined which hints at a “de-professionalization” of the tax-paying system. The smaller the enterprise, the less likely it is to pay its taxes based on book keeping. Membership in

business membership organizations did not change much over time, with a positive correlation between enterprise size and the likelihood of business membership organizations.

At the time of that survey, access to institutionalized financing was seemingly difficult—in 2005; 48% of the surveyed enterprises had received a bank loan but in 2009 only less than 32%. The drop in the use of “institutionalized” loans was observed for all but the large enterprises. GTZ concludes that since 62% of enterprises stated that they would need a loan to expand their business, there is risk that the business sector—and thus the Lao economy—is running significantly below its potential and growing much slower than it could due to untapped market opportunities from lack of finance.

Research Results

Overview of the result

The number of the hotel surveyed in this research cover 50 hotels in Vientiane capital city, which fall in the above mentioned criterion. The overall results of key success factors are shown in the following table.

Table 2 Key success factors of surveyed hotels

Key success factors	Mean
Skills	6.03
Service quality	5.92
Company structure	5.89
Entrepreneurial characteristics	5.80
Technical aspects	5.69
Administration	5.67
Human resource	5.66
Attitudes	5.59
Competitive advantage	5.58
Financial structure	5.42
Experience	5.39
External cooperation	4.66



The overall assessment of success factors investigated 12 categories. The results shows that the business owners regards the skills as the highest importance, with the mean score of 6.03 out of a 7 point scale; followed by the service quality, company structure, entrepreneurial characteristics, technical aspects, administration, human resource, attitudes of the entrepreneurs, competitive advantage, financial structures, experiences, and external cooperation chronologically. The score ranges from 5.9 to 4.7, which are all higher than the average.

Service Quality

Service quality is the second highly important factor that is regarded contributing to the success of hotel business. The variables with very high mean scores, 6.15 to 6.00 are providing service with best interest at heart, long term relationship with the customers, environment inside and outside makes customers feel safe and confident, customers feel secured in receiving the services, customers feel confident with the service, facilities are convenient for the customers, sincere interest in solving customers' problems, staff deal with emergencies quickly and effectively, staff are always willing to help customers, and registrations are quick. All the other variables within service quality with mean score of 5.96 to 5.64 include environment inside and outside are very clean, 24 hour services, staff are polite, friendly and kind, staff are well dressed and appear neat, individual attention for customers, staff are highly skillful, providing services at the time promised, facilities are visually appealing, provide additional service, staff always respond to customers' requests e.g. responsive to complaint, good word of mouth and reputation on service, up-to-date equipment, understandable signs for direction, and procedures are quick and accurate in chronological order from high to low.

Company structure

In the structure of the firm's scope, clarity of operation process and clarity of contact methods between different levels are regarded as the top priority, with the mean score of 7 out of 7. Other variables in the order from high to low mean scores are clear career and managerial path, the sector that the firm's work in, feasibility study for start-up stage, managerial system followed within the firm, clear organizational chart, work centralization, and legal statues and ownership of the firm, with the score of between 5.86 and 5.16. This shows that the hotel operators regard all variables in company structure as very important contributing to the success of the business.

Entrepreneurial characteristics

Entrepreneurial characteristics assessed 10 variables. Among them, the highest mean score was persuasion and networking (6.52), followed by self-confidence, information seeking, demand for quality and efficiency, systematic planning and monitoring, goal setting, risk taking, opportunity seeking, persistence, and commitment to work contract. The lowest mean score was commitment to work contract, with the mean score of 5.31. This shows that, with the average score of entrepreneurial characteristics of 5.8, entrepreneurial characteristics is also very important contribution to the business success.

Human Resources

Human resource analysis covered 10 variables. Among them, continuous training and capacity building for the employees has the top mean score (6.02). Others variables have the score between 5.80 and 5.30; with the following order from high to low: skilled workers at the firm, employee's behavior and commitment

nt, low level of employees turn over, higher management training and development, employee's



satisfaction, managerial development, employee's safety net, financial and non-financial incentives for the employees, and employees know how. Human resource is shown to be of highly important contribution to the business success.

Attitude of the entrepreneurs

Attitude of the entrepreneurs was also regarded as highly important with the average mean score of 5.59. The importance of entrepreneur's attitudes in the order from high to low was: production quality, resource creation, social responsibility, management concept, and personal characteristics.

Competitive advantage

Competitive advantage has a total mean score of 5.58 (the detail variables have mean score 7 as the highest, and 4.47 the lowest). The order of the variables from high to low are follow up the market development and market changes, quality of the product/services, presenting or providing the products or services, firm's location, promotion and advertisements, marketing policy followed by the firm, development and adjustment of the products upon the needs, continuous customer needs studying, convenient payment facilities for the clients, market study at the start-up stage, demand on firm's products and services, firm's networking with other firms, pricing policy, specific market segment for the firm's product or services, activities by the firm, after sales services, and availability of raw materials at a local level.

Financial Structure

Financial structure has a total mean score of 5.42. Efficiency of capital at start-up stage and effective planning and financial management were considered the most important. The variables with the mean score between 5.98 and 5.00 are efficient accounting system, cost control within the firm, firm's start with a self-fund at the start-up stage, book

keeping separately, capital accessibility from different resources, investment payments by self-financing, low cost of borrowing, receive financial assistance, receive technical assistance, good financial base and adequate cash resources, low delivery and transportation costs, low costs in financing, and low total costs. The variable with the mean score of below 5 are borrowing from external resources and public financial support.

Experience

Experience variable has a total mean score of 5.39. All variables have mean score in the range of 5.78 and 5.06, with the following order from high to low: planning, planning and implementation, recruit and retain employees, fund raising, education, promotion, work experience, parent's business, and personal initiatives.

External Cooperation

External cooperation has a total mean score of 4.66. Cooperation with major customer has the highest mean score 5.04, while others have mean scores between 4.90 and 4.16: having cooperation with deliverers (delivery channels), suppliers, public organizations fostering SME development, firms in the same field, universities and research institutes, vocational schools, and subcontractors.

Correlation Analysis

Correlation analysis between the success and factors contributing to the success of hotel business reveals interesting findings. Strong correlation were found on financial structure with Pearson Correlation of 0.411 (significant level of 0.003); networking with Pearson Correlation of 0.390 (significant level of 0.005), marketing and service procedures, with Pearson Correlation of 0.377 (significant level of 0.007), technical aspect, with Pearson Correlation of 0.323 (significant level of 0.02); service quality with Pearson Correlation of 0.315 (significant level of



0.026), and attitudes of the entrepreneur, with Pearson Correlation of 0.311 (significant level of 0.028)

Conclusion

The study shows that the significance contribution to the business success are multiple, with the strong correlation found in financial structure, external cooperation, marketing policy, technical aspect, service quality, and attitudes of the entrepreneurs. The study also reveals that the entrepreneurs in hotel sectors focus on not only one particular aspect of management, but from high to very high level of all the variables tested in this study. This result is relevant to the study done by Ottenbacher (2003) and Melia (2010). The result of this study is similar to the findings by the two researchers stated in the literature review section, expressing that not the result of managing one or two activities very well contributes to the success of the hotel business, but it is the result of managing several aspects competently and in a balanced manner. The critical success factors such as quality of product, employees, quality of service, customer satisfaction, location and quality of the infrastructure may be measured against the competitor in order to provide a sustainable competitive advantage and therefore should be carefully adopted into the operation strategy of hotel business.

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