



# Perception of small tourism enterprises in Lao PDR regarding social sustainability under the influence of social network

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## ABSTRACT

This paper uses a generalized structural equation model (GSEM) to examine the relationships between a social network, the perception of social sustainability, and the future business intentions of small tourism enterprises, in the context of a developing country, Lao PDR. The data were derived from 177 such enterprises located in two destinations in 2016. Initiatives in building social networks and the provision of training and employment of local residents are identified as the key determinants of success in social sustainability, while specific attempts to create brands congruent with local culture are also important. Undifferentiated policies, while useful to the business expansion of small tourism enterprises, are less successful in generating local social sustainability.

## 1. Introduction

In the considerable amount of academic research on tourism, enterprises are typically treated as the “engine” of tourism development (Baggio & Cooper, 2010; Manyara & Jones, 2007). Particularly in developing countries, small-sized enterprises are often the face of the tourism industry (hereafter, these enterprises are called small tourism enterprises: STEs), and they represent the local community to communicate with tourists and local government. These enterprises provide the community underpinnings for entrepreneurship, facilitate information, knowledge sharing and innovation for business development purposes (Baggio & Cooper, 2010; Wanhill, 2000), and create job opportunities, thus contributing to poverty alleviation (Medina-Muñoz, Medina-Muñoz, & Gutiérrez-Pérez, 2016; Zhao & Ritchie, 2007).

To achieve indigenous development, STEs can play an important role in the process of regional convergence (Nilsson, Petersen, & Wanhill, 2005). STEs can play more roles in sustainable development; however, since they often have limited budgets and operate their business alone, making them unable to contribute to sustainable tourism development financially, particularly in remote areas (Halme, 2001; Scott, Baggio, & Cooper, 2008). Such embarrassing situations may push STEs to overlook sustainability issues, suggesting the necessity of external supports to encourage their actions toward sustainable development. In general, individual decision-making is a cognitive process informed by perceptions and beliefs based on available information (Ben-Akiva et al., 1999). In other words, perception is an instrument to facilitate the cognitive process for producing a choice.

Being small and local, STEs are often run by individual operators. Thus, to better understand STEs' involvement in sustainable development, focusing on perception is crucial. To date, existing studies have minimally explored STEs' perceptions regarding sustainable tourism. Sustainable tourism development needs to involve various stakeholders. Without a better understanding of how tourism is perceived by stakeholders who live in, use, and/or manage local resources, there is a risk that sustainable tourism will not occur (Hardy & Beeton, 2001).

Because of the rapid development of information and communication technologies and the growth in the global tourism market, communications between different stakeholders have become much easier and more active than previously. Tourists can directly communicate with tourism operators before or after visiting, and government can better provide guidance for enterprises. Tourism enterprises are at the frontline of the tourism industry to connect all other stakeholders to form a social network for their business operation (Dredge, 2006). In particular, STEs are the representatives of local culture and the implementers of tourism policies. Social networks enable STEs to share resources and information and engage in cooperative actions for mutual benefits (Saxena & Ilbery, 2008). The central role of STEs in destination development and its cooperation with other stakeholders have been confirmed through network analysis (Cooper, Scott, & Baggio, 2009; Nogueira & Pinho, 2015; Saxena, 2005; Tinsley & Lynch, 2001).

A literature review suggests that how social networks may affect the social sustainability of STEs remains an underdeveloped field. Existing studies on network analysis in the tourism literature have further neglected the view of disadvantaged areas, which are far from the popular

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tourism market. This study presents a unique case study by illuminating STEs' engagement in public-private networking towards sustainability. STEs need to utilize various social capitals for operation their business, where social network is expected to play a key role; however, the role of social network in sustainable tourism development in the context of developing countries has been largely ignored in the literature. Values added by the networking within various stakeholders in terms of affecting STEs' perceptions about social sustainability could become the mediate factors to influence STEs' future intention in business operation (Halme & Fadeeva, 2000).

In developing countries such as Lao People's Democratic Republic (Lao PDR), which is targeted in this study, tourism in Lao PDR is playing not only an economic role in reducing poverty and promoting national development but also a social/cultural role in enabling tourists to focus on the ethnic minority and traditional cultures of Lao PDR (Harrison & Schipani, 2007). However, the effects of sustainable tourism in Lao have not been well examined in the literature, particularly from an STE perspective. In 2016, the number of tourism enterprises in Lao PDR grew to 6331 (Ministry of Information, Culture and Tourism in Lao PDR, 2016): most are STEs, which are also the case for other Southeast Asian countries (Muzaini, 2006). Considering the importance of STEs in promoting local economy growth and regional development in developing countries, it is important to determine how to encourage them to achieve sustainable tourism development in a changing environment is important. Nevertheless, studies on STEs in the context of developing countries are very limited. Lao PDR was chosen for its special characteristics and common features compared to other Southeast countries. With similar tourism resources, tourism revenue in Lao PDR<sup>1</sup> is lower than other Southeast Asian countries, such as Vietnam, Cambodia, and Myanmar. The literature on sustainable tourism in Lao PDR is very limited. In this regard, it is important to implement the current study to provide empirical insights (negative (e.g., barriers) and/or positive (e.g., success)) into both enterprise management and sustainable tourism development for local communities in both Lao PDR and other developing countries.

The purpose of this study is to examine the perception of STEs in developing countries about social sustainability under the influence of social network to derive useful policymaking insights about helping STEs to deploy their businesses beneficially to the local development. In other words, this study explores whether and how the influences of different stakeholders in a social network may influence STEs in Lao PDR to behave more sustainably for their future business operation. Lao PDR is targeted as a case study country.

For the above research objective, this study raises the following research questions to fill the research gaps identified from the literature review.

Q.1. How is STEs' perception of social sustainability influenced by the current relationships with the stakeholders in their social networks?

Q.2. How is STEs' future business intention influenced by the current relationships between with the stakeholders in their social networks?

Q.3. What is the relationship between STEs' perception of social sustainability and future business intention?

To address the above three questions, this study integrated the following two key theories: network centrality (Freeman, Borgatti, & White, 1991) and stakeholder theory (Freeman, 2010; Presenza & Cipollina, 2010). Links between these two theories in the rural context has been minimally explored (e.g., Nogueira & Pinho, 2015). Furthermore, to provide quantitative evidence, this study builds a generalized structural equation model (GSEM) in a sequential manner, by explicitly reflecting features of the data adopted in this study and by accommodating cause-effect structures in a flexible manner.

This study is unique in the following ways. First, this study examines STEs' perceptions about social sustainability, in contrast to traditional focuses on economic and environmental aspects (Ashley, Boyd, & Goodwin, 2000; Imran, Alam, & Beaumont, 2014). Second, this study focuses on the influences of social network on the STEs' perceptions and future intentions in business operations, instead of on the influence of only an individual actor (Cottrell, Van der Duim, Ankersmid, & Kelder, 2004; Poria, Biran, & Reichel, 2006). Third, the context of Lao PDR is emphasized, which has been minimally explored in the literature. Moreover, this study demonstrates the usefulness of generalized structural equation models in tourism research. The research offers an integrated approach to capturing the characteristics of STEs for sustainable tourism development, which is crucial in terms of business support and sustainable tourism destination policy making. The above uniqueness is expected to contribute to the overall literature by various means.

This paper is organized as follows. First, existing studies on social networks and sustainability in the context of STEs are reviewed. Second, the methods used in this study are described, including the conceptual framework, the questionnaire survey, and the analysis approach built based on a generalized structural equation model (GSEM). Third, the characteristics of STEs in Lao PDR are illustrated based on an aggregate analysis. Fourth, GSEM-based modeling analysis results are explained, and findings are summarized. Finally, this study is concluded by discussing the implications of the findings for STE development in Lao PDR and other developing Asian countries.

## 2. Tourism development and research in Lao PDR

Since the country's first national tourism agenda was published in 1990, tourism has experienced rapid development and become one of the pillar industries in Lao PDR (Harrison & Schipani, 2007). According to Ministry of Information, Culture and Tourism in Lao PDR (2016), both international and domestic tourist arrivals show a substantial increase in the past few years and achieved a peak in 2015 when the numbers of international and domestic tourists were 4.68 million and 2.31 million, respectively. However, in 2016, tourism in Lao PDR decreased by 6.4% in the international market and 14.1% in the domestic market, and the tourism revenue slightly decreased by 0.2%. The decrease in the international market was argued to be a consequence of a sharp contraction in total arrivals from Thailand and Vietnam, both being Lao top source markets.<sup>2</sup> With the decrease in the tourism market, the number of hotels, guesthouses, resorts, restaurants and entertainment establishments increased by 48%, to 6331. The total contribution of travel and tourism to employment was 397,500 jobs in 2016, which represented 12.4% of the total employment. Thus, the tourism industry in Lao PDR has played a crucial role in the country's economic and social development. However, tourism arrivals and revenue in Lao PDR remain lower than many other Southeast Asian countries. This finding is in part due to unskilled labor forces, homogeneous tourism products, and poor planning of tourism resource usage. Nevertheless, promoting economic development has been highly prioritized as a national development agenda. In 2006, the Lao government issued "Lao PDR Tourism Strategy for 2006–2020" and created five business management programs to strengthen tourism industry, which target managing tourism business in Lao PDR and providing employment for the local community in a systematic and orderly manner.

Related to Lao PDR, there are more references on international tourism than on domestic tourism. The existing studies of Lao tourism mainly focus on the effects of tourism on poverty reduction (Harrison & Schipani, 2007; Hummel, Gujadhur, & Ritsma, 2013; Phommavong & Sörensson, 2014; Phommavong, 2011; Thomas, 2014), intangible and

<sup>1</sup> The World Bank. <https://data.worldbank.org/indicator/ST.INT.ARVL?end=2016&locations=LA-KH-MM-VN&start=2010&view=chart> [Accessed Feb 26, 2018].

<sup>2</sup> <http://asean.travel/2017/02/04/disappointing-year-2016-lao-tourism/> [Accessed Feb 28, 2018].

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