

Convergence of Lao Human Resource Management:

Lessons from Four Firms

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Abstract

This study characterizes Lao human resource management (LHRM) and investigates the extent of its convergence towards global practices. After conducting research on employment management practices in four Lao manufacturing firms, the study has found that some convergence towards formal HRM practices has occurred in general, but at a slow pace, and tendencies to adopt a paternalistic approach to management remain. This suggests that Lao firms have begun to recognize the importance, and impact, of HRM practices on organizational performance. Such recognition will allow for potential changes in organizational management, behavior, culture, and way firms operate in terms of people management. However, the degree of convergence leaves the key question, “will organizational transformation move further towards high involvement type practices, where long-term employment, internal labor market and unions are still the norms of employment relations planning?” This study recommends that these norms of employment relations be further explored because they will likely pose a great challenge to performance-based HRM policies and practices.

Introduction

Lao People’s Democratic Republic (Lao PDR¹ or Laos) launched the economic reforms, so-called “new economic mechanism” in 1986. The reforms recognized economic liberalization, discarding of ideological isolationism, and commitment to regional and global integration: ASEAN,² GMS³ and so forth. Illustrating such commitment to open up the economy, the Lao government set up an ambitious goal for the country to be industrialized and modernized by 2020 (Lao Government Report 2005; and UNIDO 2003). Tiny, landlocked Laos is currently in the transitional stage, from a centrally planned to a more market-oriented economy. Since the reforms, it has enjoyed economic growth which marks Laos as one of the emerging economies in the region. Albeit significant reforms and progress, the Lao government, represented by sole Party (Lao People’s Revolutionary Party), maintains its socialist ideology in directing market-oriented economic development. These unique characteristics and socioeconomic and political development paths have, to a great extent, influenced how LHRM functions, and transforms strategically, and at the same time, location-specifically.

The process of HRM convergence can be observed through changing patterns of globalization,

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economic integration, dominance of free market ideas, workforce composition and privatization, for instance (Beer 1997; Rowley 1998), which integrate within a framework for understanding cross-national HRM practices (Budhwar and Sparrow 2002). The changing patterns of national development have affected corporate development in many ways, including that of HRM policies and practices. While HRM is undertaking colossal change in the new economic environment in Southeast Asia as well as Laos, it is however, always the case that HRM policies and practices should be done in the context of their location-specific cultures and developmental characteristics. Strong connections between corporations and employees should also be strengthened so that the importance of loyalty, collaboration, and innovation can be ensured. Since the New Economic Mechanism (NEM), Lao firms have slowly become internationally integrated, and in an effort to compete, have begun to exploit new potential technological advances, management know-how, skill development, continued growth, and so forth. These are the crucial factors re-aligning Lao employment management functions as a whole. It has recently been reported (see Lao Government Report 1997, 1998, 2005) that LHRM functions have a number of deficiencies and obsolescence, making indigenous firms uncompetitive and inflexible, and unable to cultivate new technology and management know-how. In the knowledge-based economy, there is an urgent need for these firms to attach the importance of a strategic approach of HRM to bringing about necessary changes in organizations (cf. Beer, Spector, Lawrence, Mills, and Walton 1999; Devanna, Fombrun, and Tichy 1999). The rule-of-thumb management style dominating firms' behavior hinders rather than promotes formal HRM. For the past several decades, a series of research have been carried out to investigate the impact of HRM practices on organization performance across borders. Research of HRM transformation/convergence at the firm level has been increasingly conducted in transitional, emerging economies like China or Vietnam, for instance, but not yet in Laos.

This study intends to characterize LHRM practices and investigate the extent to which HRM practices have been converged from traditional personnel management to sophisticated HRM practices. This study is structured as follows: The first section addresses the environment affecting changes in business behavior and organizational structure during the two periods of economic revolutions—socialist and market. The second section reviews theoretical literature by locating trends in management in the context of social and economic development. The third section explains the research methodology, followed by the fourth section addressing HRM practices in the case studies. The fifth section presents the results and the last section discusses the degree of adoption and convergence of HRM practices and challenges based on Rowley's 1998 collection work, whose concept was devised by the previous research of Storey (1992) on the transformation of the human resource function. This concept was applied to measure the degree of development of HRM policies and practices in select Asia Pacific countries such as China, Japan, Thailand, etc., (see Rowley 1998) in which the existence of some convergence was concluded, but the role of national institutions and

some influencing variables posed challenges to the convergence. It is hoped that the findings derived from this study will provide further evidence of the development of HRM practices in the Asia Pacific region by specifically looking at the case of Laos.

1. The Environment for HRM in Laos

Since the economic reforms, the average gross domestic product (GDP) growth rate has stood 6 percent annually, compared with 3.7 percent in 1990. In 2005, the Lao government expected that it would stand above 7 percent (Vientiane Times 25-7-2005). The GDP per capita is US\$364 in 2003 (ASEAN statistics yearbook 2004). The population increased to 5.7 million in 2003 from 3.7 in 1985, with an annual growth rate of 2.4 percent. Eighty percent of the total population is still engaged in farming activities in rural areas. Approximately half of the total population are relatively young laborers aged 15-40, but largely unskilled. The unemployment rate of 15 years and over increased from 4 percent in 1996 to 7 percent in 2001 (ASEAN statistics yearbook 2004). Living standards have also increased substantially since the 1990s, with some improvement in social and physical infrastructure. There is no doubt that opening the economy to the rest of the world has given the people multiple choices. Consequently, it is changing behavior and values of the people on the demand side and stimulating the creation of a domestic production base on the supply side.

The industrial structure changed significantly in terms of outputs and shares of GDP over the transitional period. For example, there was an increase in the shares of manufacturing and service sectors between 1985 and 2003, from 11 to 23 percent, and from 18 to 26 percent respectively. The agricultural output, despite its continued growth, declined to 51 percent in 2000 from 71 percent in 1985. The change in sectoral structure has directly affected job creation, labor movement, employment relations and management, skill requisition, and market structure, which pose challenges to managers.

At the institutional level, Lao political leaders have recently acknowledged that effective utilization and management of people is the key to implementing market-based economies. Recognizing people as the most important and valuable assets to development, the Lao government has begun to pay increased attentions towards developing HRM policies that encourage performance-based HRM practices for more effective and efficient organizations (see Lao Government Report 2003, 2005). Educational institutions like Lao-Japan Center provide basic HRM courses to civil servants and firm managers.

At the firm level, a move towards a more market type entrepreneurship led to transforming state-owned enterprises (SOEs) through decentralization and privatization processes. For example, 547 of 640 SOEs were privatized in the late 1980s (UNDP 1998). 34 of them are held under state portfolio and eight are state-joint ventures (Lao Government Report 2000). Restructuring of public enterprises

is under way. The private sector, at the same time, has been encouraged to play an increased role in national development. According to the state's news agencies, KPL and Vientiane Times (2005), Lao economy is equipped with 26,200 companies (119 large, 623 medium, and 25,458 small) increasing from 23,574 in 2001, and only over 100 in 1975. The processing sector accounts for 95% in which agriculture processing covers 66%, following food processing (4%), wood processing (4%), garment production (3%), car assembly (5%), construction and material production (4%), and others (9%). These industries create about 100,000. The processing industry was reported to grow at 12% annually from 2005 to 2020 (Vientiane Times 22-11-2005). The business expansion has been intensified by the recent emphasis on the industrial reformation that includes plans to put away from traditional exports of raw materials to value-added product exports. A wide range of laws and decrees were issued to encourage firms to acquire, develop, and utilize available sources, new technologies, and management know-how. Since the late 1980s, numerous laws and supporting organizations have been established, for example, business law (1994), enterprise accounting law (1990), bankruptcy law (1994), domestic investment promotion law (1995), tax law (1994), labor law (1994), foreign investment promotion and management law (1994), contract law (1990), Lao trade promotion center (2001), Lao chamber of commerce (1989), and many others not mentioned. There are over 100 training centers across the country (KPL 2005), but they lack budgets, training materials and equipment, qualified teachers and curricula (UNIDO 2003). These facilities are however considered important steps towards improving organization, corporate culture, labor management, technology, and a productive population.

Laos became a member of the Association of Southeast Asian Nations (ASEAN) in 1997 and currently is preparing to enter the ASEAN Free Trade Area (AFTA) by 2008. AFTA will be the toughest arena for many Lao firms and it will mean a total borderless competition creating both opportunities and threats. Certainly, it will bring in a new landscape for LHRM.

In spite of significant socioeconomic changes and improvements, the challenges for development in LHRM are enormous. Laos' underdeveloped industries and workforce pose great challenges for most Lao firms (regardless of size, type, ownership, and location) who try hard to compete in a 'free market' where their increasing foreign competitors are more advanced in expertise, technology and finances. These foreign competitors are not only competing for market shares, but also to attract the most skilled workers, already limited in the labor market, by introducing a better pay package and creating an environment where ideas expressed by workers can be shared and listened to. Laos has relatively small and scattered markets, and its economy is generally, equally underdeveloped (i.e. social and physical infrastructure, education, labor productivity, technology, etc.) which indeed has hindered business development in many ways. If its economic growth stage were categorized, Laos would be in the preconditions for take-off, in which, according to Rostow (1960: 6), growth embraces societies in the process of transition.

2. Understanding of the Research Concept

2.1. *The Current Trends of HRM*

Scholars (like Poole 1999; Legge 1995) acknowledge that HRM has unarguably been developed from the 'Western' way of doing business and perhaps dealing with people at work because of its rational efficiency and control. As the term "HRM" is now widely used but very loosely defined (Guest 1987), it has become a familiar mantra. Keenoy (1997) terms it "HRMism". As globalization continues to expand its wings squarely, much management duplication has been observed across borders. The current HRM practices tend to focus on individual contract-orientation, performance-based pay, training orientation, and empowerment, flexibility, and decentralization (industrial relations specialist versus line managers), for instance. Highly increased amounts of attention are being paid by firms to actually implementing HRM policies and practices. The source of high involvement type HRM consists of a set of policies designed to maximize organizational integration, employee commitment and involvement, a minor role of unions in industrial relations, and flexibility and quality of work (cf. Guest 1987, Storey 1992; Rowley 1998). In fact, it is what a learning organization is characterized as Chan (2001). A series of empirical studies have witnessed a gradual process of integrating the two different, but unique, management styles — Western and Asian — as firms from both spheres continue to increase their international activities. The case of Delta Airlines by Kaufman (2003) found that the airlines made a shift of HRM practices from an enlightened, but paternalistic command-and-control model to one that emphasizes greater sharing of decision-making, information, and risks and rewards through employment involvement. Kaufman warned that implementing high-involvement type HRM like high-level employment involvement could be beneficial and costly which should be carefully considered. Flexibility promises organizations the ability to become competitive in a rapidly changing environment and also promises improved working conditions and more varied and interesting jobs (Dyer 1998). The gradual process of HRM convergence becomes a fad approach for many firms. For example, Japanese lifetime employment protecting regular employees from economic difficulties has become irrational and costly to Japanese corporations, who have been forced to diverge from their traditional employment management practices to consider short-term contracted employment (Robinson 1993; and Morishima 1999). A change in Thai companies, from firms' viewing formal training practices as very costly, resulted in convergence of training and staffing practices (Lawler and Atmiyanandana 1995). Some practices like lean and efficient production systems and total quality management (TQM) (Gill and Wong 1998) were applied and brought about success in Singaporean firms. The global success of Japanese firms led Western management to be restructured and to develop leaner and fitter organizations (Benson and Debroux 1998). When an indigenous way of doing business and managing people is not practical, strategic adoption of imported, more sophisticated approaches is the only alternative for firms. As a result, a new management approach is

introduced in order to match the organization's HRM version with its strategic position. A mixture of management practices and perhaps a hybrid management practice therefore emerges. Storey (1992: 26) states that in HRM practices there are two versions: 'hard' and 'soft'. According to Storey, the 'hard' version puts stress on the idea of resources, which are something to be used dispassionately, and in a formally rational manner or according to utilitarian instrumentalism (cf. Legge 1995). The 'soft' version lays stress on the term human, thus conjuring up echoes of the human relations movement or developmental humanism (cf. Legge 1995). The literature review (Kane, Crawford, and Grant 1999) reveals that the hard version was focused more on cost minimization measures (i.e. low labor costs) than upon significant investment in human resources; whereas the soft version involved employee motivation, commitment and development, which was necessary for effectively implementing HRM.

The 'hard' version of Japanese management practices refers to lean and efficient production systems such as TQM and cellular group of small members volunteering to evaluate, discuss, and solve problems together, whereas the 'soft' version is concerned with quality control circles and lifetime employment (Gill and Wong 1998). Both versions, however, are intertwined (Howard 1991) as they are crucial for firms to achieve competitive performance in which organizational management such as decentralization, team orientation, customerization, flattening and leaning, networking (Walker 1992), and learning organization (Snell, Youndt, and Wright 1996) should be considered in order to fill a gap, and to minimize a concern with the way in which their traditional practices have not done enough for organizational effectiveness (Boxall and Parcell 2000; and Ferris, Hochewarter, Buckley, Harrell, and Fink 1999). The empirical study of Kane, Crawford, and Grant (1999) supported such intertwining in which HRM effectiveness could be achieved via both soft and hard approaches. Each economic system—capitalist or socialist—has its own uniqueness and values of dealing with a thing. The way in which human resources are managed can always be compromised and reflects certain ways of thinking, belief, behavior, cultural values, and specific location. Is the Lao version soft or hard? The following sections will try to provide the answer.

2.2. Lao Management Styles

It can be said that the Lao version of management has been embedded in a heritage of colonialism (1860s–1970s), socialist revolution (mid 1970s–mid 1980s), and most recently in a movement towards a market-oriented economy (mid 1980s–present). Albeit the past decades of reforms and further engagement in the process of global integration, Lao indigenous management styles seem intact and generally are viewed as authoritarian, having a high degree of bureaucracy and hierarchy, a low degree of formality and standardization, personal connections, close government-business relationships, clan management or familism extension, seniority orientation and merit. Evidence of such characteristics can be traced to and has been retained by the following:

Cultural Influences: Some common factors can be seen in a code of ethics such as moral discipline in human relations, behavior of respecting the elderly (seniors), and interaction with friends, family members, colleagues and bosses, which are also observed in some other Asian countries. The Lao methods and systems, according to Boase (1999), have been developed in the context of a collectivistic, hierarchical society quite opposite to that of the West—pluralistic and individualistic in general, but at a certain level, it appears conformistic. Laos' cultural characters partly are influenced by Buddhist^{iv} thinking, attitudes, and behaviors (Boase 1999), which is why Buddhism is a symbol of Lao-ness and Lao values, as well as for Thailand and Thai-ness (Evans 1999). And some characters are also observed in locally adopted socialism in Laos, such as practices of community-ism and collectivism. The revolution of Buddhism in Laos saw attempts made by the Lao government between 1970s and 1980s to reinterpret Buddhist doctrine in ways that were compatible with the claims of socialism (Evans 2002). In Laos, a large proportion of the population who worship spirits and follow Buddhist practices live in collective societies and therefore strong relationships among communities, villages, families, and individuals are pervasive at large, and in which close personal relationships, and favoritism and strong bonding develop. Such personal relationships are essential parts of doing business in Laos and some Asian countries, and at the same time, can become challenges to managers when implementing formal HRM practices: recruiting, promoting, and even evaluating a person's performance, for instance.

Socialism Influences: After taking power in 1975, the Lao PDR government imposed a centrally planned economic system. All key industrial enterprises were put under state control. Managers were directly recruited by the state. Administrative functions were planned and determined in accordance with the state's intervention and instructions in terms of business administration, planning, decisions on personnel, labor allocation, union, salaries, training, and so forth. Some of these practices remain pervasive in SOEs today. The Western notion of doing business with high involvement type HRM was unfamiliar to many firms. Many Lao view the so-called 'capitalists' as 'unfair and opportunistic' syndicates. Despite the government's reduced role, from controlling to facilitating the economy, it maintains a large presence through affiliated groups or so-called mass organizations, namely youth unions, women's unions, and trade unions operating on its behalf. These organizations are present at all levels from that of government to firm, especially SOEs, in disseminating the government's policies, political ideologies, and so forth. The influence of cultural tradition and the political environment are reflected in employment management/relations dimensions. The Lao government has adopted socialist principles by integrating them with existing collective community-based activities, which have already existed for centuries in the Lao society. Establishing and maintaining social harmony continues to be highly valued goals in Lao society and anything that potentially threatens such harmony is discouraged (Mansfield 2000: 125). Layoffs, for example, are tightly restricted in firms. During the centrally planned economy, the difference between the socialist-

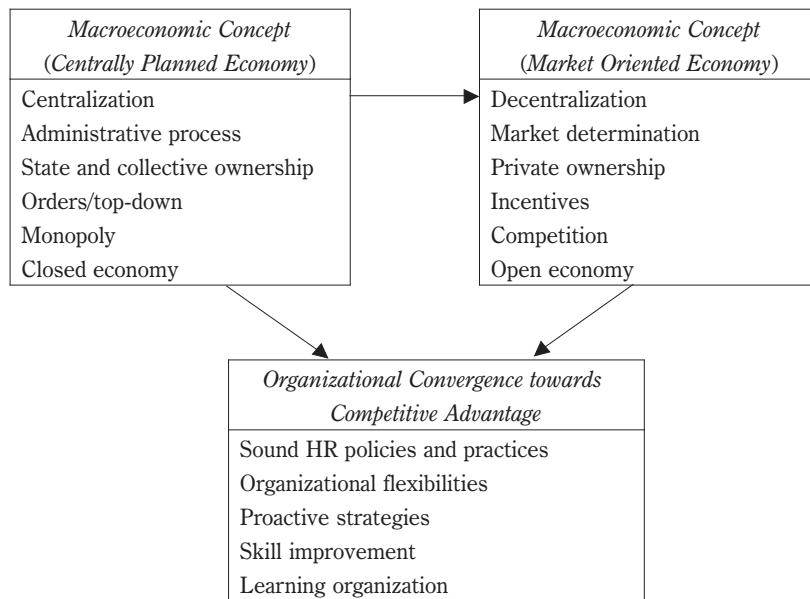
dominated collective community-ism and the traditional collective community-ism having already existed and having become the norm in Lao society was that the socialist one considered the use of force for achieving the objective whereas the traditional one did not and viewed such action as distorting collective ownership. That may be one of the reasons why the collective cooperative schemes imposed in the country failed shortly after just a few years of operation.

Underdevelopment of Indigenous Industries: Lao management practices and styles could also be explained by the nature of the industrial revolution itself, in which the majority of enterprises were established as light industries, run by the state or families. Partly due to the war (Evans 2002), there was no industrial and financial base until national independence. Most enterprises in Laos began as entrepreneurial enterprises or 'garages', as termed by Walker (1992). These are among many reasons why managers have not considered size, complexity of workforce and labor management systems as necessary challenges to tackle. Generally, these industries have been equipped with relatively low-level technology that has not required any sophisticated system of personnel or HR management. Such imperfect and underdeveloped industries have slowed down the development of HRM in Laos.

2.3. Potential Management Practices for Lao Firms

Based on the literature review, forces of change in the transformation of the HR function from a traditional administrative, to a new strategic, role are competition, globalization and continued change in markets and technology. Laos is currently experiencing these forces of change, following the market-based economic system. As its economy integrates slowly into the global economic system, it is expected that potential, rational socioeconomic and political development emerge through increased trade, investment, and regional economic ties between it and regional countries. These, according to Jennings, Cyr, and Moore (1994), signaled greater competitiveness among firms, internationalization of enterprises across borders, and changes in socioeconomic and political perspective in response to a changing market or other demands. Economic transformation and integration will not only reshape socioeconomic and political perceptions but will also change the way firms operate businesses. More importantly, it will continue to bring new comparable management practices and new cultures to all firms.

Depicted in Figure 1 is an overall proposed conceptual framework demonstrating the economic transformation processes from a centrally planned to a market-oriented style, currently undertaken in Laos. In response to political and socio-economic shifts, the firm is supposed to re-align its organization accordingly. It should be noted that most HR practices and business strategies are logically linked to the level of changing environment and that business behavior and development is shaped by the mentioned shifts. Therefore, this framework suggests that the potential, hybrid management practices in Lao firms be characterized as those with sound HR policies, organizational flexibility, proactive organizations with emphasis on skill development and organizational learning.



Source: Author.

Figure 1 Conceptual Framework for Developments in HRM Policies and Practices for Lao Firms

These patterns are increasingly recognized as crucial for fostering a new organizational culture. From the point of view of geopolitics and socioeconomics, the organizational convergence process of the domestic employment relations system in Laos will be a mixture between Socialist and Capitalist concepts. Overall, a certain degree of organizational convergence towards competitive advantage in the Lao context is expected. To what extent have organizations and HRM practices been converged or transformed? The following cases will provide us with the answer and hopefully, the findings will be useful for further HRM development in Lao firms.

3. Data Collection and Description of Firms Selected

The basic methodological approach undertaken in this study was to collect data from a limited number of firms. Only four firms were selected for case studies. The cases were selected from among a large set of enterprises that have been registered with the Lao National Chamber of Commerce and Industry. These firms are located in the capital city of Laos, Vientiane, the most industrialized zone in the country, which is better equipped with facilities than the rest of the provinces, and housing the most industries. The rationale for choosing them was (1) they witnessed the two economic revolutions; (2) they were relatively well-performing enterprises as attested by their increased production outputs; (3) agreements made regarding cooperation and availability of personnel exist; and (4) size. For the firms' pseudonyms, A, B, C, and D were used. The firms selected were in the

manufacturing sectors, namely those of garment, alcoholic and non-alcoholic beverages, and pharmaceutical. The field visits were made in October 2004 and four make-up telephone interviews were made early 2005. In-depth interviews were undertaken with top management of the targeted firms (i.e. three managing directors, two vice directors, or three line managers). Additional interviews were also conducted with some government officials and individuals working on business development in Laos. Because this study intends to determine the preliminary LHRM characteristics and the degree of its transformation towards international practices from the viewpoint of the management level, only the persons at the decision-making level were therefore targeted. Emphasis on leaderships is one area in which organizational research and study is particularly needed (Drucker 1999). Leaders create organizational cultures, and one of the most decisive functions of leaderships may well be the creation of a management style (Schein 1985); Transformation of HR function would be HR executives to take the initiative, and that one of the obstacles to the transformation is top management itself (Beer 1997). It is, however, fully understood that the exclusion of workers' viewpoints in connection with HRM analyses would be producing a bias and therefore the results in this study should be treated cautiously. A brief description of the firms selected is provided below.

Firm A was an export-oriented family business in garment production employing over 600 workers. It was the only firm in this study established two years after the launching of economic reforms in 1986. The pace of the early economic reforms did not show much significant growth and the centrally planned economic system was still at large which A was partly influenced. In addition, this firm was a well-represented family business enterprise (FBE), which was probably the biggest Lao FBE in terms of size. This is why it was included in this study. B and C were state joint ventures (SJVs) producing alcoholic and non-alcoholic beverages. The foreign shares of each were 50 and 70 percent respectively. B had about 450 workers and C had 150. Despite being joint ventures, B and C were totally managed by Lao. D is a state-owned enterprise (SOE) employing about 180 workers. By the Lao definition, they are considered large enterprises in terms of the employment. B, C, and D were established, before revolution, by private investors, but were taken over by the state when the Lao government imposed the centrally planned economic system. They were privatized the early 1990s following economic reforms. Although D remained state-owned, it had been given greater responsibilities and self-autonomous management (i.e. planning, managing people, marketing, sales, etc.) than before, similar to other SOEs and SJVs, but the state remained decisive of designating, transferring, and removing top management posts.

Product distribution and competition in the domestic market varied among these industries. There were slightly over 50 garment and textile factories operating across the country and exporting their products mainly to Europe and some Asian countries. Both alcoholic and non-alcoholic beverage markets were strongly dominated by B and C in the country, who held 98 and 95 percent of the market share respectively. Imported drinks accounted for the rest. The two were recognized for their quality

control and received some international awards in recent years. They were well protected by the state. B was one of the most successful SJV. About five factories in Laos made up 70 percent of the pharmaceutical market share, including D's 35 percent share. The challenge these firms were and would be facing was AFTA. AFTA accession would bring both opportunities, adding an international standard to LHRM practices, and threats, eroding the Lao collectivist economic and political management systems. Another challenge is how to respond the indigenous employment management system to external pressures and internal demands.

4. HRM Practices in Firms Selected

Since the economic reforms Lao firms have gradually begun to realize that they cannot continue to be traditional, hierarchical, and command-and-control organizations. They are encountering a variety of challenges squarely, i.e. increased competition, the globalization of enterprises and a new, better educated generation entering the workforce. These trends are slowly breaking down the traditional boundaries of employment relations, HRM, and management in the country. More importantly, another challenge the firms face is to transform the rule-of-thumb management style into the formal and structured one. This section presents the characteristics of HRM practices (i.e., recruitment, training and development, performance appraisal, compensation, and unions).

4.1. Recruitment

In all the cases, the study found much indifferent recruitment practices. Reliance on head hunting and market intelligence has traditionally been problematic in Southeast Asian recruitment processes (Andrew, Chompusri, and Baldwin 2003). Laos has no exception. Labor markets in Laos are systematically unorganized and scattered. As a new trend of formal recruitment practices (i.e. screening resumes, interviews, etc) practiced in many multinational firms operating in Laos, the recruitment practice of local firms yet relies mainly on personal connections and informal channels (i.e. friends, relatives of people working in companies.) This practice has divided societal members into 'insiders' and 'outsiders' and also has conceptualized a 'privilege-not-a-right' mode. Personal networks/connections 'guanxi' are the shortcuts for these firms to minimize screening and testing procedures and more importantly, to reduce the costs of advertising and formalities. This kind of social capital is widely seen in general industries and societies in Laos as it is associated with trust and strengthens social and career networks among individuals within organizations. In recruiting higher positions, Lao firms often give priority to internal labor market i.e. filling core, managerial, or administrative vacancies with people already employed at the firms. This is part of the long-term employment policy. The long-term employment practice involves not only promotability, but it is also perceived as inclusion in the firms' long-term benefits plan and various packages such as training,

increased pay, fringe benefits, and so forth. The external labor market conditions strongly influence recruitment (Werther and Davis 1996) but are not always the case of Laos. Retaining experienced people for instance, the firms studied acknowledged that the long-term employment was a key tool. It was, however, noticed that these firms played down the importance of recruitment practices, although they, in principle, recognized the importance of the HR departments as strategic partners, worthy of an increased role including comparable board room status with other departments: accounting and finance, marketing, and production departments, and so forth. To realize it will take time. Surprisingly, A was found setting up an independent HR department in 2000, once under the administrative department. This new department was expected to play a supporting and advising role to other line departments in handling HR issues and to help integrate business strategy with HR policy. One important task of this department would be to help design job descriptions that were currently too broad or in verbal and unwritten forms. Despite setting up this department, it was encountering the unclear role division between the line and HR departments. A gradual process of restructuring was on the way in this firm—relocating right resources for right skills and positions. On the other hand, B, C, and D placed their HR departments or units under administrative departments and left major HR responsibilities to line departments, i.e. recruiting, interviews and so forth. New HRM policies such as improved job security/pay system, more training, wider promotion, and participation orientation were introduced to the four firms in different forms. For example, C and D had applied partly the ‘5S’ model to help design and formulate better job descriptions, more specific tasks, and increased accountability with emphasis on line managers and technical workers at this stage.^v

4.2. Training and Development

Economic takeoff in 1986 largely involved the activities of indigenous firms. Training and development have become important tools for firms overall. The most important thing for the firms interviewed was to train key personnel i.e. managers and technical workers so that they were familiar with the new business environment, whereas the on-the-job training (OJT) remained pervasive in development of both blue-collar and junior employees. The training they emphasized was marketing, modern management, planning, and so forth. A study on SOEs in Laos by Guang and Thavisay (1999) pointed out that those firms limited unnecessary recruitment and instead put more emphasis on training and developing a more effective workforce within their organizations. This was also found in the cases in this study, even when there seemingly should have been layoffs of under-qualified workers and replacement by more educated young workers. Layoffs are uncommon. It is the state’s guideline ensuring that workers are protected and that any employment conflicts should be minimized as it will cause social instability. For example, C considered that layoffs were not practical. In the Lao worldview, dismissing a worker due to his or her incompetence or failure to perform tasks assigned is associated with social norms—immorality and making the person lose face. Of course, breaking rules

or robbery is not tolerated. In sum, to maintain morale and solidarity among employees, layoffs were not to dismiss people but to transfer people to more suitable positions. Training is considered costly and unfamiliar, although important. The firms studied relied on 'ad hoc and random' programs usually provided by outsiders: UN Industrial Development Organization, Asian Productivity Organization, partnership, and membership of business-related associations (Lao national chamber of commerce, or Group International) and so forth. According to interviews with government officials and individual consultants (2004), many Lao firms did not attach much the importance to training and workshop. Training is not only costly but also unconvincing and the firms perceived it as a double-edged sword—training staff for other people [firms]. These are among many reasons why Lao firms, in general, do not have training budgets, including the firms studied, except B. B said "we have budgets for training every year" and "they are in our annual business plan". Training was a function aimed at providing employees with skills or competencies (Wright 1991), which the firms studied also acknowledged. However, they perceived that employees' skills and competencies could be best cultivated through long-term employment and commitment to organizational development. Ideally, it refers to seniority (i.e. the number of working years) plus merits (behaving well) as the entry to skill development and collective knowledge. Overall, the absence of training and budget planning led to the absolute disconnection or very unclear relationship between training and job performance appraisal and between other components.

4.3. Performance Appraisal

Universally, doing appraisal is associated with rewards and training needs. In the firms studied, performance appraisal was generally broad and none of them had standardized performance systems. Each department and/or personnel in charge had to create and develop their own forms. The tools used to evaluate workers by these firms included self-assessment, group/peer rating, and observation by supervisors. Observation (of employees' performance and behavior) is widely used. With unclear appraisal methods, during OJT, for example, supervisors could tell if subordinates had the potential and ability to perform tasks. Performance-related practice becomes more globally recognized in terms of reward than that of seniority and merit. The study found that the firms studied perceived seniority, following behavior i.e. compliance with rules, disciplines, absenteeism, and social interaction as determinant factors, despite their recognition of performance. B, for example, did evaluation by looking at absenteeism, strict compliance with employment rules and regulations, orders and laws, accountability for jobs and tasks, motivation and enthusiasm while on duty, human relations, and promoting reputation on behalf of firm. These were related to employees' behavior. In general, job descriptions are broad, brief, and perhaps even inexistent for some positions like blue-collar workers or non-managerial workers. In A, there were no written job descriptions. Tasks were usually verbalized by supervisors. For them, job title explained the surface of tasks a person was supposed to

perform. When needed, additional explanations were given to ensure that the person handles tasks without difficulties. This tell-to-do approach automatically became a common OJT practice, which functioned as important, interactive linkages between managers and subordinates and the relationships between both were then established. Such activities impelled laissez-faire and informal appraisal practices which had inconsistent links to jobs and training needs assessment. In unionized firms (D) probably applied to B and C, the processes of appraisal was involved individuals (self-evaluating), supervisors and unions (elaborating based on their observation), and top management (considering and approving). The processes began with each employee evaluating employees' self-evaluation, following immediate supervisors' overall evaluation based on their observation and the overall evaluation of employees at monthly and quarterly firms-sponsored union meeting with presence of members of trade, youth, women, and party. The final report was then sent to the management team for future references, in case bonuses, pay increases, training, promotion, etc., were to be considered. One of the major purposes of the meeting was to share ideas, strengths and weaknesses of workers, and problems faced by members while on duty. In A it is the same process but no unions' involvement. A did appraisals for financial purposes (bonuses or other financial rewards) rather than training or promotion compared to the others. It is common that family enterprises are not unique in this respect. The merit rating, i.e. coming to work and leaving office on time and social interaction—respecting the seniors, was one of the factors used to determine financial rewards and even training; whereas the worker's ability was measured by group achievement at production lines. At the managerial level, it was by deadline with close supervision of managers. The number of errors the person made was considered in all firms. In C it did not tolerate a frequent error-maker. If an employee made a mistake, it 'reminded' him or her first. If the mistake was repeated, it would 'discipline' him or her and marked the person of 'poor' performance which would result to bonuses or financial rewarding. This punishment system was also applied to those breaking the rule. The appraisal practice found in D was more associated to financial aspects than those in A, B, and C. The results of appraisal reflected monthly pay. As it was state owned, the salary rate was the same as that of civil servants. The pay rate was the lowest among the three firms. In order to retain its workers, D established a supportive income program using the base salary scale to calculate incrementally. B was found linking the appraisal with training and skill development components and yearly bonuses. A, C and D were found associating the appraisal with bonus provision, whereas training and promotion are determined by years employed. Overall doing the appraisal means 'collective performance' of workers for future raises, promotion, and so forth.

4.4. Compensation

This section searched for whether seniority based or performance based pay was practiced. Dating back to the centrally planned economy, employees of government and state enterprises were

paid partly in coupons, which were exchanged for food, clothes or gasoline at state-designated shops or cooperatives. After the reforms, the pricing control system was abolished and replaced with the market-based pricing system, consequently liberalizing the overall salary and wage system in the country. As Laos integrates, the economy is determined by the global economy causing economic uncertainties and social concerns. The 1997 Asian crises, for example, made people feel motivated by financial rather than non-financial reward. In the studied firms, salaries and wages were sensitive issues as they touched upon financial matters. It therefore was impossible to compare salary and wage scale systems in these firms in particular. However, based on the available information from other sources, the study could conclude an average wage scale. For example, in labor-intensive sectors like garment and textile, wages were between 20 and 30 US dollars per month for blue-collar workers, and between 50 and 300 or more US dollars per month for white-collar workers. In general, there is a big difference in monthly pay between the public and private enterprises. An example in local currency, Kip, would be roughly 3 hundred thousand for public servants and 1 million for employees of private firms. The income gap between two sectors resulted in a serious internal 'brain drain', as government employees left for jobs in the private sector. The pay was strictly fixed in the egalitarian salary scale system—step and grade—in which seniority and merit determined pay increases and bonuses. The wage system had inconsistent links to performance. The firms studied recognized performance as one of the important factors determining pay and other benefits, but they perceived performance-related rewards differently. Performance-based pay was directly associated with bonuses and long-term promotion rather than a rise in pay. The compensation package in the pay policy in these firms included collective behavior (human relations, compliance with rules and orders and absenteeism) and both individuals' and groups' performance or accomplishment. These criteria determined financial rewards like 'bonuses' such as the 13th month salary paid by the year end—calculated based on the number of hours a person comes to work in the whole year, and medical fees covering employees' family members, for instance. In D there was another type of bonus, 'bonus for being creative'—provided that when a person created something useful for the firm, i.e. medicine formula or design. In unionized firms (B, C and D), there was another type of non-financially related incentive. It is a certificate (grade 1, 2, and 3) of outstanding work to recognize exceptional workers. For promotion, both performance and seniority and merits were determining factors.

4.5. Unions

The Lao federation of trade unions is responsible for controlling trade unions at the firm level on behalf of the state. Besides trade unions, there are youth unions (developing youth leadership), and women unions (promoting gender equity at work at the firm level) at both the national and grass-root levels. Usually these organizations exist in public enterprises and SJVs (B and C). In principle, they are under direction of another elite group called party member. The role of trade unions as stated in

article 11 of Lao labor code is to promote solidarity, training and mobilization of workers with regard to labor discipline, work performance, participation in the settlement of labor disputes, and negotiations with the employers on various matters. Firm-based trade unions (including youth and women's) of B, C, and D played a great role in HR activities and employment relations, especially in performance appraisal most following training and compensation. Having a close link with the firm management, these trade unions have been rooted in all levels, i.e. white and blue-collar workers. Approved in 1994, the labor code allows the establishment of trade unions or laborer's representative in private enterprises. What is interesting, but contradictory (to current HRM practices that try to minimize unions' role), in the decree (1995) on implementing this labor code (Article 10) is that the 'employer' can establish trade unions and be registered as a member of the unions representing the working class in her or his enterprises. B, C, and D have managers holding dual duties representing trade unions' members and managing firms. This pattern is similar to many, if not all, SOEs and SJVs. On the other hand, not many private enterprises established trade unions, or labor representatives. A has less than a few percent of employees belonging to trade unions and obviously plays down the unions' pressures. In the eye of many private enterprises, trade unions are viewed as state-annexed bodies intervening management systems and create a situation dividing workers into fractions against each other. According to Lao law, strikes are illegal; any employment disputes should be solved in a harmonized way between the firm and employees. In B, C, and D the role of trade unions (including those of youth and women's unions, perhaps) are greater than that of HR departments regarding HR activities: performance appraisal as mentioned above.

5. Results

5.1 Summary of HRM Practices in Firms Selected

Table 1 summarizes key practices and characteristics derived from the four cases. A breakdown of HRM practices: recruitment, training, performance, compensation, and union is provided, following visions and strategies.

From Table 1, there are rather similar characteristics of HRM practices among the cases such as internal labor orientation and long-term employment in recruitment practices, informal training (OJT), seniority-based promotion and payment, and the role of unions in disciplining workers. This indicates that regardless of SOE, JV, or FBE that is managed by Lao managers, the characteristics of HRM practices are not much different. It is not uncommon that industries, whether businesses or non-businesses have to be managed differently depending on whether they are growth industries, mature industries, declining industries (Drucker 1999: 57) or the level of competition, industry-impacted labor movement. The case firms therefore prioritized and applied different strategic approaches to tackle their own problems. Their organizational improvement will be much dependent to the strategic

Table 1 Summary of Current HRM Practices in Firms Selected

	<i>Strategic Focus</i>	<i>Recruitment</i>	<i>Training</i>	<i>Performance</i>	<i>Compensation</i>	<i>Union</i>
<i>Firm A</i>	'a two way communication approach' to organizational improvement	>Internal recruitment i.e. filling core, managerial, or administrative posts, a word of mouth >Long-term employment but high reliance on contingent workers	>Training focused on management only but ad hoc >Training as a cost >OJT by management and supervisor's guidance >High reliance on ad hoc and random training from outside	>Seniority based (years of services) consideration >Lack of standardized mechanism i.e. rules or forms >Merit (i.e. coming or leaving offices on time) >Long-term focus	>Salary based >Performance and merit based bonuses (yearly)	>No unions' influence
<i>Firm B</i>	'quality control orientation and constant adjustment of organization to the emergence of new technologies'	>Internal recruitment i.e. filling core, managerial, or administrative posts >Long-term employment	>Training focused on management and technical workers >OJT oriented >Budgets planned yearly for training and skill development >Training on disciplinary and ideological education (by unions)	>Seniority based (years of services) consideration >Social activities, group interaction, work disciplinary and ideological meetings organized by unions >Long-term objective	>Salary based >Performance and merit based bonuses (yearly) >Certificate for outstanding performance and behavior	>HR and organizational activities largely influenced by unions
<i>Firm C</i>	'quality control through application of the 5S model'	>Internal recruitment i.e. filling core, managerial, or administrative posts >Long-term employment	>Training focused on management and technical workers >OJT oriented and high reliance on ad hoc and random training from outside >Training on disciplinary and ideological education (by unions)	>Seniority based (years of services) consideration >Social activities, group interaction, work disciplinary and ideological meetings organized by unions >Long-term objective	>Salary based >Performance and merit based bonuses (yearly) >Certificate for outstanding performance and behavior	>HR and organizational activities largely influenced by unions
<i>Firm D</i>	'organizational configuration and quality improvement through an application of the 5S model'	>Internal recruitment i.e. filling core, managerial, or administrative posts >Long-term employment	>Training focused on management and technical workers >OJT oriented and high reliance on ad hoc and random training from outside >Training on disciplinary and ideological education (by unions)	>Seniority based (years of services) consideration >Social activities, group interaction, and work disciplinary and ideological meetings organized by unions >Long-term objective	>Salary based >Performance and merit based bonuses (quarterly) >Innovativeness based bonuses for R & D workers (quarterly or short-term bonuses) >Certificate for outstanding performance	>HR and organizational activities largely influenced by unions

Source: Author

focuses each firm is set (i.e. a two-way communication approach in A, quality control and constant adjustment to the emergence of new technologies in B, and the '5S' model applied in C and D).

For example, A was a labor-intensive organization, whose the majority of employees were seasonal and unfamiliar with working in industrial environments. It faced a high rate of turnovers which hurt its business, overall. At first of organizational improvement, the company concentrated on communication. It hoped that a lack of communication created an unfriendly working environment for workers who liked to work in the environment called "family" and that cooperation would follow. The applied communication approach saw a decline in job-hopping. More importantly, line managers and workers were engaged in direct communication on a regular basis. This in itself broke down the communication hierarchy allowing easy interactions between line managers and employees. Where the expectation is built-up between firms and workers, a need to formulate messages of substance is likely stimulated which consequently impels a revision of expectations about the managerial role. For B, C and D, communication associated with the human resource levers is largely played by unions. As communication appears to be at the soft end of the continuum of initiative and can prove to be one of the most significant variables, its ideal is designed to elicit "involvement" (Storey 1992: 101). B had developed its organization through leadership in the quality of products and technically sound, highly efficient sales and services in which its shareholders played an advisory role in ensuring high competence and professionalism of administrative, operational, and technical staff and emphasis on long-term relationships with clients and business partners. The application of the '5S' model, the five keys to a total quality environment (Osada 1991), is a tool reshaping organizational rules and behaviors in order to enhance competence and discipline. The results from the cases have revealed, at least in broad terms, that there did appear to extensive managerial initiatives of realigning obsolescent and decentralized LHRM functions as well as an overall business mechanism (rules, managerial roles, behavior, work relations, and so forth). However, it is not surprising (Sheehan 2005) for organizations to face a degree of resistance among people and cultural clashes, when executing new approaches.

5.2 Contemporary Trends of Convergence

This section presents a clear, potential picture of HRM revolution in Lao firms by using personnel management and human resource management concepts as key measurement. To help analyze the HRM practices that were found in the cases discussed in the prior section, the employment management dimensions were used, similar to those in Rowley's collection work (1998). Doing so will lead to understanding, and even predicting, comparable directions of the transformation of the HR functions with other countries in the region. Ten items listed under dimensions were defined distinguishing the concepts of personnel management and HR management as depicted in Table 2. The definition of HRM is described as organizations with high involvement type HRM practices. To indicate the stage of HRM convergence, simplistic marks ($\sqrt{}$, ? and x) are used (see

Storey, 1992: 81). A tick (√) represents practices and evidence when HRM type characteristics are found. A question mark (?) represents the HRM agenda and certain parts of the organization such as a particular division or business unit registering the dimension as a key agenda item. And a cross (x) signifies that none of the practices are applied, observed, or represented. These marks symbolize subjective judgments but are firmly based on the data collected from the respective firms (Warner, 1998).

The results in Table 2 show that the most positively marked HRM style practices are B with three (√), followed by C and D with the same pace of change; A is ranked the lowest in terms of convergence of HRM type practices, despite the same indications among the cases (Table 1). The evidence above did find that there were extensive efforts of firms to re-engineer their organizations by applying models like “5S” and a two-way communication approach, for example. This strong commitment to improving organizations did not only minimize a job-hopping rate but also narrows down the communication gap and creates an interaction link between managers and workers. The firm-sponsored union meetings (B, C, and D) help improve communication within organizations, although the unions’ role minimizes progressive HRM activities. For divergence, the clues suggest that the maintenance management style, which has been rooted in the three factors: Buddhism, socialism, and industry underdevelopment, have been pervasive and reflected in several dimensions. With strong involvement of unions found in B, C, and D, and the family business management style in A, senior managers do not want to let go of their power to line managers.

The overall assessment of the findings derived from the four cases suggests a convergent degree of formal HRM practices, but at its early stage and in a slow motion. Guang and Thavisay (1999) in their study of SOEs and JVs also concluded the same in particular of Laos. And Jennings, Cyr, and Moore (1994) pointed out that the integrative patterns across HRM systems in different countries in

Table 2 HRM Convergence

<i>Dimensions</i>	<i>Personnel Management</i>	<i>HR Management</i>	<i>HRM Practices in Firms Selected</i>			
			A	B	C	D
Rules	Defined	Flexible	?	?	?	?
Behaviors	Norms/customs/practices	Values/Mission	?	√	?	?
Managerial roles	Monitoring	Nurturing	?	?	?	?
Key managers	Personnel/IR specialist	General/line managers	x	x	x	x
Personnel selection	Separated	Integrated	x	?	?	?
Payment systems	Job evaluation	Performance related	x	?	?	?
Work conditions	Separated negotiation	Harmonized	√	√	√	√
Labor management	Collective	Individual contracts	x	√	?	?
Job design	Labor division	Teamwork	?	?	?	?
In house training	Distinct	Ongoing	?	√	?	?

Source: Storey, 1992 and cited by Rowley 1998's work.

Asia-Pacific are still in their infancy. While viewing Western practices as alien phenomena (Andrews, Chumpusri, and Baldwin 2003), several Lao firms have made a step-change approach. The step-by-step (or *khoi khoi pai* in Lao language) concept (Boase 1999; Evans 1999; and Lao Government report 2000) serves as the essential to master and consolidate present practices before processing to the next move forward.

But the question remains, “will there be any further convergence towards HRM type in Lao firms?” It remains questionable at this stage due to some issues, in particular, power sharing, hierarchy, and culture, which Rowley (1998) found them still practical in Asia. He concluded in the last chapter of his work saying “... while many managers and assorted academics may see these (i.e. cultural constraints and institutional inhibitors) as somewhat old fashion and even obsolete in their research for nostrums in an era of perceived globalization, their salience remains significant and a case for convergence can be built upon the foundations of a mix of development (p. 197).” Lao firms, regardless of SOE, JV, and FBE, consider the traditionally determining factors such as long-term employment and internal labor market in the design of HRM policies and practices. Both codes of long-term employment and internal labor market are viewed as not just only ‘moderators’ but also ‘challengers’ that have to be further studied and integrated into HRM formulation.

6. Implications, Recommendations, and Limitations

Laos’ economic reforms have changed the landscape of how firms operate and manage people. The unstructured and irrational employment management practices have recently become the central talk among policy-makers and managers of both public and private companies. HRM is currently viewed as important ideally, but is not treated as important in practices. The nature of convergence observed and the evidence drawn from the cases suggest that the reworking of employment relation systems be derived from repercussions that arise from redesign in production and operational methods, organizational restructuring, and quality improvement. New ideas and new evidence of human behavior at work can promote rationalization of organizational changes through the improvement of communication in the case of A, applying ‘5S’ model (C and D) or allowing foreign shareholders to join companies (B and C). Each of these developments has brought about major changes in the design of work and the management of people and has caused managers to rethink the doctrine and philosophy of organizations and HRM method. As the economy integrates, market conditions rather than cultural forces, are pushing further substantial restructuring of HRM practices, a move towards convergence. What can summarily be said at this stage is that the firms in Laos quietly campaign their ‘organizational cultures’ step by step. The step-by-step approach has been found justifying the nature of the change management based on their location specific characteristics. Where there is an assertive and adversarial managerial style, there would not be any expectations to

find much advance in HRM policies and practices and these policies and practices have been found to be largely confined to managerial staff. Nevertheless, further transformation of LHRM towards the rational model adopted from the Western or Japanese management style, is yet to be investigated based on considerations that follow.

The findings have indicated that LHRM is a relatively low involvement type or a low degree of convergence towards HRM practices despite some economic and organizational changes. This does not however, always mean poor organizational performance at least for the time being when considering the current pace of economic reforms. It is still too early to conclude that their current practices will justify organizational performance, which, in the future, Lao firms will require when facing the fiercer competition of Asean Free Trade. The scholars like Lewin (2003: 79), remarked that, “there are many countries in which some certain high-involvement HRM practices do not fit because they run afoul of cultural values, customs, and legal constraints.” It suggests that high involvement type HRM practices may not all be applicable, where social and cultural values are important factors, market socialism dominates the economy, and employment legislation is not up to the level that facilitates the implementation of Western management practices. What is obvious is that LHRM appears to have been gradually integrated with international practices while retaining some of their traditional management identity. This suggests that a hybrid LHRM will occur once the traditional and international practices are juxtaposed and translated into the local contexts. It is not uncommon for firms seeking sophistication and development to expect losses of some irrational traditional organizational values and practices. In return a clearer and more systematic organizational culture will be created, which will be a source of knowledge and standardization. According to Bird and Stevens (2003), adaptation makes culture survive although it is unrealistic to expect the emerging global culture to replace indigenous cultures.

Redesigning HRM policies and practices can be reflecting the relative value in long-term employment, internal labor market, and perhaps trade unions. They are key factors characterizing the extent of complexity, formulation, centralization, and bureaucratization although they have some positive functions—job security or employment conflict avoidance. Overall this type of organization emphasizes the communal harmony and unity and conflict avoidance, which are translated into the workplace as the most important managerial objectives. It, for example, applies the long-term employment and internal labor practice, as a test of ‘patience’ in order to search for ‘loyalty’ and ‘trust’ in employees. Investment in training, for example, will not be provided unless ‘loyalty’ and ‘trust’ are first secured. In terms of seniority and performance, it gives priority to seniority factor although they are viewed ideally important. The control variable of performance-based pay is setting up the base salary system instead of an individually negotiated contract system. As a consequence, actual LHRM practices are focused on loose recruitment, ad hoc and outside-financed training, performance based on long-term employment and merit. LHRM is, in a broad term, dominated by a long-term oriented

perception, which, according to Hofstede (2001: 359), fosters virtues oriented perseverance and thrift towards future rewards in particular. Western HRM practices are viewed more realistic than traditional ones when dealing with economic disturbance. How can Western HRM practices be practical in Lao firms? It is important to understand the ingredients and essence of those key factors and their impact on social, political and individual aspects in Laos. Even though Asian firms have adopted a paternalistic approach in the management (by integrating Asian and Western practices) (Andrew Chumpusri, and Baldwin 2003), their methods have been subject to the widely divergent business environment. As the study identified long-term employment, internal labor, and unions, it was recognized, however, that these identified factors were only a pictorial representation of apparent influences and that to be meaningful deeper exploration is required.

B, C and D saw a great role of unions controlling labor-management relations—taking part in appraisal and supervision of employees. Traditionally, unions have emphasized collectivism (collective interests and collective bargaining) rather than individualism (individual contracting and performance) and (Beer, Spector, Lawrence, Mills, and Walton 1999) have served as a mechanism to provide a collective voice for non-supervisory workers at the workplace. As unions make HRM less progressive (Storey 1992), highly unionized firms find themselves hard to make changes that are concerned about reconfiguration of human resources. Recent trends are that firms seek to decertify the unions and at the same time strengthen their employees' bond to the firms by promoting performance-related incentives (Walton 1985). In Laos, unions are closely allied with the government and have influences over HRM practices. Their extensive role played in B, C, and D has obviously minimized the role of HR department. Unlike other countries, Laos' unions cannot be allowed to organize strikes but act as mediators between employer and employees. Generally, they are and will not be a barrier for firms to implement formal HRM policies unless layoff issues are touched upon and unions are made independent from the state control, which is very unlikely to occur. At present, the Lao government promotes performance-based HRM policies. Unions will be another player to support the policies at the firm level, perhaps. It will be interesting to see how unionized firms (SOEs and JVs) integrate the collective practices of unions with HRM policies emphasizing individual performance. It should be noted that trade unions in Laos were not born from employment relation conflicts but from socialist ideologies that use them as a tool for political campaign, solidarity and monitoring of the labor movement.

Cultural differences are one obstacle to the internationally adapted management practices. Despite global modernization, the national culture seems to have been attached to Buddhist perceptions, attitudes, and behavior, which still profoundly influence much of corporate culture, as well as society in Laos as a whole. Highly attached to such perceptions, attitudes, and behavior, LHRM style tends towards a 'soft' rather than a 'hard' HRM version. The characteristics of collectivism and community-ism can additionally explain this, i.e. importance placed on interaction between bosses and

employees, hiring decisions based on personal connections, seniority and merit based pay, and layoff avoidance, for instance, which can also be observed in some Asian countries. This is a reason why Lao firms have (and will likely) adopt(ed) a paternalistic approach in their management style. The community of practices, for example, is one approach used in Asian countries, for example Japan. This approach helps to reconcile employment conflicts among members (Nakatani 1988), solve misunderstanding (Brown and Duguid 1991) between the management and workers (Richey and Wally 1998) through the ideal of informal networks that intent to develop within the firm. The literature has found the intertwining between the soft and hard version of HRM. Despite practical dilemmas—cultural clashes while implementing HRM policies and practices, pressures from market conditions will likely make the firms discard the traditional business culture and continue to improve the internal environment.

In the knowledge-based economy, a great deal needs to be learned about how HRM systems can facilitate organization transformation. Laos' firms have the number of challenges—a lack of shared insights, a basic knowledge of market-oriented management, social and cultural complexion and so forth. It is the best for them to be focused on self-conversion into more like learning organizations. Learning organization is defined as organizations skilled at creating, transferring, and institutionalizing knowledge that drive organizational adaptation (a potential shift to formal HRM practices (see Snell, Youndt, and Wright 1996: 68). There are two types of learning organizations (Agola 2001 as cited) — adaptive/single loop and generative/double loop learning. The first type is concerned about organizational internal adjustments (i.e. work process and structure and stability within organizations) whereas the later is concerned about organizational qualities (i.e. growth and radical organizational transformation). Let us posit the activity of training (informal and formal) in the two types of organizations. It will be interpreted that the informal training (or OJT) will be one of key tools to organizational functions—particularly strengthening employee relations, work organization, skill formulation and technical and information systems (see, Chan 2001: 37) whereas formal training acts as external variables that exploit not only heterogeneous labor markets to attract and select individuals with high cognitive abilities) but also new skills and techniques to suggest a very distinctive approach to managing people (Snell, Youndt, and Wright 1996: 71). The ongoing training and skill development component is one of the conversing processes that highlight the pivotal role of human capital and solidify strategic HRM policies and practices based on the external environment. Both formal training and OJT are acknowledged to requisite skills and ability for learning that promote and develop self-efficiency, belief or confidence in one's ability (Calingo 2001), self-renewed and positive learning attitude (Jaw and Lui 2004). In applications to Laos' firms, firms characterized as internal labor market like the cases studies may be in a better position to create firm-specific skills. If training is more strategically planned, it will lead to incremental improvements and innovative changes. In addition, it will change the way in which firms do business—being proactive and reactive.

A certain degree of organizational flexibility will occur. Such flexibility promises (1) organizations the ability to become competitive in an increasingly global economy faced by Laos' firms; (2) improved working conditions and more varied and interesting jobs; and (3) customers high quality and differentiated products (Dyer 1998). Organizational learning may be the primary way to avoid knowledge decay and skill obsolescence.

Finally, and importantly, this study has looked at how far Lao HRM practices had been developed towards international models. Because it did not substantially tackle the impact of HRM practices on organizational performance, this study strongly recommends that future research investigate the impact of HRM on organizational performance and success, by looking at such measures as rate of return on capital employed, revenue growth, market value, productivity, products and services quality, for instance. In addition, development of LHRM policies and practices cannot be done without full cooperation from firms in providing and sharing information for research. Lack of business information sharing will limit research ability. Because this study investigated the degree of development of HRM by assessing a limited number of Lao leading enterprises and only looking at the management level, the very small number of firms and exclusion of worker's participation do not allow for generalizations on HRM practices in Laos so the findings should be treated cautiously. But these findings do provide us with some evidence of LHRM practices. Although it is only a start, this study hopes to pave the way for future studies on LHRM.

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Notes

- 1 The Lao Communist Force took power in 1975 and proclaimed the Lao People's Democratic Republic (Lao PDR or Laos) ending the 500 year-old monarchy.
- 2 ASEAN refers to The Association of Southeast Asian Nations consisting of 10 countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.
- 3 GMS refers to the Greater Mekong Sub-region, established in 1992 with ADB's assistance, consists of Cambodia, China, Laos, Myanmar, Thailand, and Vietnam. Its purpose is to enhance economic relations, development and sharing of resource base and promote free trade, people and flow of goods. The activities cover HRD, FDI, trade, tourism, and so forth. One of the activities is to develop the region through the establishment of the East-West Economic Corridor (EWEC) which will upgrade Laos from a landlocked to a landlinked country.
- 4 The basic understanding of the Buddhism concepts in relation to behavior are fostering kindness of heart and honesty in word and deed, love of work and honest effort, deepening love of one's spouse, and avoiding carelessness.

- 5 The “5S” model emerged in Japan where companies regardless of size that were working so hard to promote “total participation quality” activities involving everyone in a team effort found an amount of paucity of results. These activities seemed to be easy but not easy things to do because it lacked systematic sorting (Seiri), arranging (Seiton), cleaning (Seiso), maintaining (Seiketsu), and self-discipline (Shitsuke). This is where the 5S model comes in (see Osada, 1991).

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