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THE IMPACTS OF SMALL AND MEDIUM ENTERPRISES IN VIENTAINE, LAO PDR

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ABSTRACT

The total quality management (TQM) has been a very well-known theory to explain the business performance. This research applies the TQM concept to investigate the impacts of SME enterprises in Vientiane, Lao PDR. The objectives of this research are (1) to identify critical TQM elements to explain Lao's SME performances, to determine the degree to which SME's quality practices and policies as an instrument to improve competitiveness of for SME in Lao PDR, and to modify the concept of competitiveness for SME in Lao PDR.

There are 47 SME firms in Vientiane selected as the sample to provide data through the questionnaire used as an instrument for the data collection. The Ordinary Least Squares (OLS) regression analysis is a method for testing the hypotheses. The findings suggest the process management and the role of quality department are the main key factors to increase business performances. According to the research objectives, it can identify critical TQM elements to explain business performance for SME in Lao PDR. The degree of organization's quality practices and policies as an instrument to improve competitiveness of for SME in Lao PDR by highly focuses on process management and the role of quality department of the firms. Finally, the results suggest that the process management and the role of quality department significantly influences the success of the SME especially for food industry and contributes to competitive advantage because they lead to cost and maintained reduction or success in differentiation and safe.

Keywords: Total Quality Management (TQM), Micro-Small-and Medium-Sized Firms

INTRODUCTION

Information on SME in Lao PDR is quite limited, and exists at a present is not really up-to-date. However, the Lao economy is very interesting nowadays. It is because the Ministry of Industry and Handicraft (MIH) tries to promote the country to attract more foreigners to invest in Lao PDR. As we have seen that the Lao economy has increased in GDP Growth rates from 5.9 percent in 2002 to 7.3 percent in 2014 (Asian Development Outlook, 2014). The Lao government has changed a transition from a centrally controlled to a market-oriented economy in the past decade. And Lao government has established many institutional and legal reforms to encourage free enterprise initiatives, reduce of the investment restrictions, increase the liberalization of domestic and international trade, and increase regional decentralization (Inmyxai and Takahashi, 2009). Thus, Lao PDR becomes a significant destination from foreign direct investment (FDI) in the mining sector and public infrastructure sector.

Lao PDR is a former state-owned firm, which was part of a relatively successful divestment program enacted during the early 1990s that saw the large majority of non-strategic state-owned firms released into the private sector, primarily through leasing

agreements. As a recent note, the SME sector in Lao PDR currently "consists of a small number of very small businesses that are unable to or reluctant to grow". It should be noted that the policy-makers in Lao PDR are reportedly developing a prime ministerial decree specially directed at SME, sector development. In the short term, this is likely to include a clearer definition of what is a SME in the Lao PDR, and the identification of a single ministry to take responsibility for developing the SME sector in the country. SME is an independent enterprise that is legally registered and operating according to the prevailing laws of the Lao PDR and is classified into the following size categories as (Kyophilavong, 2010, p.73-74):

"1) Small enterprises are those having an annual average number of employees not exceeding 19 people or total assets not exceeding two hundred and fifty million kip or an annual turnover not exceeding four hundred million kip,

and 2) Medium enterprises are those having an annual average number of employees not exceeding 99 people or total assets not exceeding one billion two hundred million kip or an annual turnover not exceeding one billion kip (see Table 1)".

Table 1
Definition of SME in Lao PDR

Enterprise Category	Employee (Person)	Annual Turnover (million kip)	Asset Value (million kip)
Micro	1-4	<100	<70
Small	5-19	<400	<250
Medium	20-99	<2,000	<1,200

Source: Kyophilavong (2010)

Resource development continues to support growth in the Lao PDR despite a fiscal squeeze that is constraining government expenditure. Tourism has slowed this year even visitor arrivals rose by 8% to 1.1 million in the first quarter of 2015. Foreign investment in mining and hydropower remains robust and investment has increased in special economic zones in Vientiane and Savannakhet (Inmyxai and Takahashi, 2012). Fiscal problems that forced the government into last year's delays on payments for wages and utilities have eased somewhat in 2014, but substantial delays remain on public infrastructure projects. That is expected to constrain spending on new projects for several years to come. The government cancelled a cost-of-living allowance for the civil service at the start of Fiscal Year 2014 (ended 30 September 2014) and postponed some infrastructure projects. For Fiscal Year 2015, the Lao government has a plan direct to the banks to curb lending for public infrastructure, and to put greater emphasis on repaying debts than on starting new projects (Asian Development Outlook, 2015).

Lao PDR is part of the Association of South East Asian Nations (ASEAN) member countries. It is known as one of the poorest countries or least developed countries (LDC), with a GDP per capita of US$538 in 2005. In 2013, the GDP per capita of Lao PDR was US$1547.7. The economic growth in Lao PDR is still expected to reach 7.5% in 2015, from 7.3% in 2013. The forecast for growth in 2015 is trimmed to 7.5%, reflecting the persistent fiscal difficulties. International reserves remain low. Moderating domestic demand has pressure on prices, with inflation of 6.0% in the first 7 months in 2015 (Asian Development Outlook, 2015).

This research will present an analysis of the impacts of SME enterprises in Vientiane, Lao PDR. The main purpose of this research is to investigate of the relationship between the total quality management (TQM) and the SME's performances of the SME in Lao PDR. The adoption of effective quality strategies and practices must be one of the critical success factors for firms' competitiveness. Previous researches have focused exclusively on the use of economic model for assessing Lao's competitiveness. The use of economic models alone at any level of competitiveness assessment is no longer adequate. There is a need to

integrated TQM model and balanced scorecard (BSC) to gain a better understanding of Lao SME.

The objectives of this research are, to identify critical TQM dimensions to explain Lao's SME performances, to determine the degree to which SME's quality practices and policies as an instrument to improve competitiveness of for SME in Lao PDR, and to modify the concept of competitiveness for SME in Lao PDR.

LITERATURE REVIEW

This research consists of two main theories which are the total quality management (TQM) and the balanced scorecard (BSC) to present an analysis of the impacts of SME enterprises in Vientiane, Lao PDR. This section reviews the relevant literature that focuses on the TQM and BSC of the SME firms. All variables are reviewed and the hypothesis development comes at last.

Total Quality Management (TQM)

Total quality management (TQM) concept has been applied for improving competitiveness of firms (Hung, 2004). TQM relies on comprehensive involvement from the overall firm members. Every element of TQM concept can lead firm to outstanding performance (Abas & Yaacob, 2006). The TQM elements can represent a measurement of quality management in the SME in Lao PDR. The TQM elements consist of seven factors which are leadership, strategic planning, customer and market focus, information and analysis, human resource focus, process management, and business results (Abas & Yaacob, 2006). All seven TQM elements represent leadership triad, results triad, and performance management system. However, Reis and Pati (2014) express eight TQM elements as the role of management leadership and quality policy, role of the quality department, training, product/service design, supplier quality management, process management, quality data and reporting, and employee relations. Previous researches suggest that the competitiveness of firms would depend on whether or not quality is built into every aspect of work processes (Matic & Jukic, 2012; Hung, 2004).

While no prior research coincided exactly with the scope or purpose of this research doing, three major reviews discuss the most important relevant works that might shed light on the research objectives. These are (1) empirical researches related to the competitiveness of SME firms in Lao PDR, (2) empirical researches related to the successful implementation of TQM, and (3) empirical researches related to failed TQM initiatives. In general, the literature review focused on empirical researches addressing TQM implementation issues in both developed and developing countries.

Critical Elements of Total Quality Management (TQM)

This research was applied the TQM concept by Reis & Pati (2014). The set of eight critical elements of TQM are the role of management leadership and quality policy, role of the quality department, training, product/service design, supplier quality management, process management, quality data and reporting, and employee relations. The critical elements of TQM are described as research variables also as (Reis & Pati, 2014: p.94-95):

Element 1: The Role of Management Leadership and Quality Policy (LP)

The acceptance of quality responsibility by the organization and department heads, evaluation of the top management on quality, top management participation in quality improvement efforts, specificity of quality goals, importance attached to quality in relation to cost and schedule, and comprehensive quality planning.

Element 2: Role of the Quality Department (QD)

The visibility and autonomy of the quality department, the quality department's access to top management, use of quality staff for consultation, coordination between quality department and other departments, and effectiveness of the quality department.

Element 3: Training (TN)

The provision of statistical training, trade training, and quality-related training is for all employees.

Element 4: Product/Service Design (PS)

The scrub-down process, involvement of all affected department in design reviews, emphasis on productivity, and clarity of specification. This emphasizes on quality, not roll-out schedule, and avoidance of frequent re-designed.

Element 5: Supplier Quality Management (SQ)

The dependable suppliers, reliance on supplier process control, strong interdependence of supplier and customer, purchasing policy emphasizing quality rather than price, suppliers' quality control, and supplier assistance in product development.

Element 6: Process Management (PM)

The process ownership, boundaries, and steps, less reliance on inspection, use of statistical process control, selective automation, fool-proof process design, preventive maintenance, employee self-inspection, and automated testing.

Element 7: Quality Data and Reporting (DR)

The use of quality cost data, feedback of quality data to employees and managers for problem solving, timely quality measurement, evaluation of managers and employees based on quality performance, and availability of quality data.

Element 8: Employee Relations (ER)

The implementation of employee involvement and quality circles, open employee participation in quality decision, responsibility of employees for quality, employee recognition for superior quality performance, effectiveness for supervision in handling quality issues, and on-going quality awareness of all employees.

There are only seven elements were chosen to apply as variables in this research according to the previous research's results proved that the training has not affected to the SME firms in Lao PDR (Sila & Ebrahimpour, 2002). The literature is covered with empirical investigations offering support for the role that quality plays in enhancing competitiveness. There are many success stories of TQM. Successful TQM implementation is highly dependent on senior management support (Chin, Tummala, & Chan, 2003). Sila & Ebrahimpour (2002) argue that the implementation of TQM must be preceded by a well-designed self-assessment methodology to detect the critical points for improvement and avoid making mistakes during the implementation process. However, Hug (2005) argues that TQM's failure have been attributed to the lack of an effective system to execute TQM principles properly and not because of a flaw in TQM principles. The successful implementation of TQM depends on acceptance of TQM as a management philosophy of the firm. Firms determine critical success factors and understand well what it takes to achieve high performance (Matic & Jukic, 2012). These lessons are important for the successful implementation of quality management practices for firms in the future.

Business Performances

Nelly, Gregory, & Platts (2005, pp. 1229) defies "business performances quantifying the efficiency and effectiveness of action. Performance measures as a metric used to quantifying the efficiency and/or effectiveness of an action and system as a set of metrics used to quantifying both efficiency and effectiveness of actions". Generally, business performance is an indicator of attainment of firm's objectives, the output of the firm's operations, and/or achievement of firm's goals (Mehmood, Qadeer, & Ahmad, 2014). The business is designed to measure the effects of the organizational learning as non-financial and financial performance measurements. The non-financial business performance measures customer satisfaction, quality of products and/or services, market share, growth if sales, reputation of firm, employees' satisfactions with their jobs, and firm innovativeness. The financial business performance measures return on assets (ROA), return on equity (ROE), and operative profit (Matic, 2012). However, Burli, Kottursheltar, & Dalmia (2012) state that business performance is divided into three aspects which are 1) financial performance (profits, return on assets, return on investment, and etc.), 2) product/service market performance (sales, market share, and etc.), and 3) shareholder return (total shareholder return, economic value added, and etc.). The business performance is very broad, therefore, some literatures have separated the organizational in two dimensions as financial performance (such as shareholder return), and non-financial performance including customer satisfaction, social responsibility, corporate citizenship, and community outreach. Curtis, Hannias, & Antoniades (2011) point out that as the environment is changing constantly, strategic management must have ability to take into account. The adoption of uncertainty and instability are changing the context of the way to do business. The business performance must be realigned with knowledge on uncertainty and thus should focus on identification of the knowledge aggregation also.

These ideas of TQM and business performance can lead to posit the following hypotheses as:

H1 *The role of management leadership and quality policy would be positively impact to firm performance,*

H2 *The role of quality department would be positively impact to firm performance,*

H3 *The product/service design would be positively impact to firm performance,*

H4 *The supplier quality management would be positively impact to firm performance,*

H5 *The process management would be positively impact to firm performance,*

H6 *The quality data and reporting would be positively impact to firm performance,*

H7 *The employee relations would be positively impact to firm performance.*

RESEARCH METHODOLOGY

This research uses questionnaire as the instrument for data collection. The questionnaire was divided into 2 sections as section presents general information of the respondents and section 2 presents the agreement on TQM impacts to the firm performance. The independent variables consist of three questions of each variable which are role of management leadership, role of the quality control, product/service design, supplier quality management, process management, quality data and reporting, and employee relations. The questions in this section used the rating scale.

This research assesses the TQM of the SME in LAO PDR through an in-depth inquiry into the extent of quality management practices of selected firms that are operating in Vientiane, the capital city of LAO PDR. The six TQM elements (leadership, quality control, training, product/service design, supplier quality management, process management, quality data and reporting, and employee relations) are set as a framework to measure the level of quality management practices in the SME in LAO PDR. The face-to-face interview is used the TQM elements for performance excellence questionnaires. The interview procedures will strictly following the guidelines lay down in questionnaire.

The researcher collected data by making a field trip with two research assistants to Vientiane and delivered questionnaires to executives/entrepreneurs of the SME firms during July 2nd-6th, 2015. Then collected the questionnaires and checked the completeness of questionnaires and prepared data for analyzing in computerized system. Data analysis was done through computerized system and was divided into two sections as:

1. Data analysis on general information of the respondents of the manufacturing firms was done by descriptive statistics method in order to find statistics values such as frequency and percentage.

2. Data analysis on implementing of TQM and firm performance of SME in Lao PDR was done by descriptive statistics method in order to find statistics values such as mean and standard deviation. The hypotheses testing had done in this section by the multiple regression analysis.

According to the time and budget limitation, we can collect only 47 respondents of the SME firms in Vientiane, Lao PDR. The percentage of the number of selected enterprises covered 75% in the capital city and 25 percent in the other districts (Ministry of Industry, Lao PDR, 2015).

RESEARCH RESULTS

It is worthwhile to note that the demographic information can show the capabilities of firms to access to resources. Also, to some extent individual characteristics and firm characteristics are expected to affect firm performance (Yusuf, 1995). Firm characteristics include initial investment, firm age, industry sectors, and financial subsidiary from government. Firm initial investment can indicate the power to access to various resources. In this case, the dominance of firm initial investment is between 200,000 and 500,000 kip, while

the firm age group from 3 to 7 years old is high at 68%. The firms in the sample are quite young. It is important to note that different industry sectors may put the different weight to have the variant impact on firm performance. The industry sectors consist of food (72%), service (15%), beauty products (9%), and other (4%). I this sample, firm size comprises of micro (87%) and small firms (13%). The firm size can also determine the level of firm resources, suggesting that bigger firms are capable to access to key resources such as business finance, physical resources, and human resources, while the smaller firms may not have such opportunities (Inmyxai & Takahashi, 2012). These resources are critically significant to firm performance. Lastly, there are 55% of firms can gain the financial support from the government. Thus, firms may have sufficient funds to run a business in the selected area as well as may establish a wide range of networks with external parties.

Multiple regression analysis is used as the analytical method which is used for the quantitative analysis. The regression analysis is used to examine the relationship between one variable, known as the explained variable, and use control variables and dependent variables in the model (Greene, 2003). The research model and hypotheses are tested by using multiple regression models for analyzing. From the frequency and correlation analysis, this is to investigate the impacts of SME enterprises in Vientiane, Lao PDR. The relationship between the total quality management (TQM), which is modified from the critical factors of total quality management by Reis & Pati (2014), and the SME's performances of the SME in Lao PDR are tested.

The correlation matrix shows that the firm performance (FP: dependent variable) has positive correlation to all independent variables at the 1% and 5% level of significant. There are seven elements identified for the research including the role of management leadership and quality policy (LP), the role of the quality department (QD), product/service design (PS), supplier quality management (SQ), process management (PM), quality data and reporting (DR), and employee relations (ER). This research is required respondents to rate the elements on the Likert scale of 1 to 5.

Table 2
Descriptive Statistics and Correlations Matrix

	ean	**.D.**	**P**	**P**	**D**	**S**	**Q**	**M**	**R**	**R**	**IF**
P	.02	57									
P	.23	46	423**								.446
D	.06	58	642**	366*							.015
S	.02	50	601**	468**	406**						.216
Q	.86	55	459**	226	196	521**					.512
M	.84	57	743**	506**	584**	637**	487**				.546
R	.05	54	572**	274	481**	522**	361*	539**			.724
R	.92	64	582**	299*	610**	510**	293*	505**	532**		.938

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

Table 2 illustrates the means, standard deviations, and Pearson correlation matrix of the research variables, which indicate the correlations among explanatory variables that is significant. These variables do not appear to generate a multicollinearity problem as variance inflation factors (VIF) are low for all these variables (Gujarati, 2006). The overall model the VIF of ten that Kennedy (1992, p. 183) suggests is indicative of "harmful collinearity." As shown in Table 2, it can be concluded that there is no problematic multicollinearity present in the results of any subsequent statistical tests in any of the models. In Table 4, Durbin-Watson found that 2.281 confirms the values of all variables are in an acceptable range from 1.20 to 2.50 (Gujarati, 2006).

The results from Table 2 found that the role of management leadership and quality policy (LP) was rated as the most important factors on average with the mean score of 4.23. Following the role of the quality department (QD), the quality data and reporting (DR), product/service design (PS), supplier quality management (SQ), and employee relations (ER), and process management (PM) have average the mean scores of the agreement level at 4.06, 4.05, 4.02, 3.92, 3.86, and 3.84, respectively. The correlation matrix shows that the firm performance (FP) has a positive correlation with PM (.743), QD (.642), PS (.601), ER (.582), DR (.572), SQ (.459), and LP (.423) indicating that all TQM elements can improve the better or higher in performance of the SME enterprises in Lao PDR.

Table 3
Elements that impacts SME Enterprises in Lao PDR

Independent Variables	**Coefficients**
Constant	-.186
role of management leadership and quality policy (LP)	.022
role of the quality department (QD)	.244*
product/service design (PS)	.106
supplier quality management (SQ)	.117
process management (PM)	.368**
quality data and reporting (DR)	.114
employee relations (ER)	.093
No. of respondents	47
R^2	66.70%
R^2adjusted	60.70%
F-statistic	11.136
Durbin-Watson	2.281

** represents statistical significance at 5% level
* represents statistical significance at 10% level

Table 3 shows that *F*-statistic is significant, suggesting that the model not only fit the data well, but also indicate the robust relationship between independent and dependent variable. The *F*-statistic failed to accept the null hypothesis that the estimated parameters are equal to zero. The results also show that the model explains a considerable amount of the explained variance in performance (adjusted R^2= 60.70% which the inclusion of performance improves the model's fit) (Inmyxai & Takahashi, 2009). The regression showed the estimated results of the determinants of the TQM and performance of the Lao manufacturing firms high adjusted R^2. The Durbin-Watson test showed no presence of autocorrelation at the score of

2.281. The regression analysis results shows only two elements (PM and QD) were positive and significant at the 5% and 10% levels of significance, respectively. This showed that the elements of TQM impact to the business performance of the SME in Lao PDR. This is to confirm that SME in Lao PDR has worked well and mainly focus in the management process via the quality control department in the firms. Even the SME firms are small as micro size, but the TQM has a significant impact on business performance in the SME enterprises in Lao PDR. This evidence supports Hypotheses 2 and 5. Thus, hypotheses 2 and 5 are supported at the statistical significance at 10% and 5% levels, respectively.

Only two hypotheses are supported which can conclude that the TQM (role of quality department and process of management) contributes to superior performance of the SME in Lao PDR. The findings can be ranked based on the size of the standardized β-coefficients as the first strongest key factor is process management (0.368, $\alpha = 0.05$) and the second is role of the quality department (0.244, $\alpha = 0.10$). The results of regressions in process management and role of the quality department elements affecting the business performance will be discussed below.

Process Management and Business Performance. The results show that process management has a positive relationship with performance. SME firms with cleared scope of business process can increase the strength of the business performance. Strictly and regularly checked of the quality control from the quality department will also increase the performance. Even the micro size enterprises in Lao PDR have no quality control department but the firms concern on the quality control significantly. Including, the process to control the cost of production regularly assists organizations to handle complex business condition and keep being profitable. This is consistent with Casson (1982) found that process management is the main driver for firm success and Yusuf (1995) suggested that the key success of micro and small business; wherein most of the sample firms belong to micro, small, and medium firms depends on the process management that support firm to handle uncertainty condition and keep business to survive. The process management element includes the process ownership, boundaries, and steps, less reliance on inspection, use of statistical process control, selective automation, fool-proof process design, preventive maintenance, employee self-inspection, and automated testing. It can be said that process management for firms can be the most appropriate forms to reduce overhead cost and production cost in order to increase the firms' profit. It can provide specific process management to match the objective of the firms. This finding is supported by previous studies, for instance, the training capacity of firm can enhance productivity (Hall, 1993); employees' know-how is the most important contributor to business success (Hall, 1993); success of the firm comes from capabilities and competence of the TQM that can create competitive advantage over the competitors (Hanafi & Fatma, 2015).

The model is supported hypothesis 5. The process management has the strongest positive relationship with business performance and relevant to SME firms. The finding is consistent with Schutjens & Wever's study (2000). They stated that process management can manage under uncertain situations and increase the firm's performance.

Role of Quality Control and Business Performance. It is about a visibility and autonomy of the quality department, the quality department's access to top management, the use of quality controllers for consultation, coordination between quality department and other departments such as production, purchasing, planning, and marketing departments. It is to an effectiveness of the quality department. The role of quality control found to have impact of firms' performance as illustrated in Table 3. This supports hypothesis 2. The findings imply that firms need to focus or emphasize more on quality rules through production and operation. The quality controllers must understand the scope of their duties and clear. Employees are trained before start working in their own positions. The manufacturing firms

require more in operating and producing than other sectors. Thus, the manufacturing sector may have certain markets and because of a long-term relationship between firms and customers (Inmyxai & Takahashi, 2012). Unlike the trading and service sectors, the manufacturing sector was found to put more emphasis on operation and production process as the consumer pattern is unstable. Therefore, the firm needs to maintain investing in quality control and operation/production process to achieve the target volume of sales. Hence, hypothesis 2 is supported. It is contradiction to Hitt & Ireland (1985) suggested that firms should invest in marketing and advertising to boost sales because it the production process is to build up reputation. Most of the SME in Lao PDR are in food industry. Thus, the quality control for operation and production process is not only boosts sales or improves the profit of the firm, but it also leads to business growth as well (Inmyxai & Takahashi, 2009).

CONCLUSION

First, the process management element is one of the key factors to business performance. The process management element is stronger than the role of quality control factor, whereas role of leadership, training, product and service design, product and service design, quality data and reporting, and employee relations are not significant to the organization performance. According to the research objectives, it can identify critical TQM elements to explain business performance for SME in Lao PDR. The degree of firm's quality practices and policies as an instrument to improve competitiveness of for SME in Lao PDR especially in the food industry focuses on process management. Finally, the findings can modify the concept of competitiveness for SME in Lao PDR. The process management element can provide increase business performance to match with the objectives of the firm. Second, the role of quality department can improve business performance and provide better quality of products and services. Most of the respondents in this research are in the food industry, thus most of firms highly concerned on quality control significantly. The role of quality control significantly influences the success of the SME and contributes to competitive advantage because it leads to cost and maintained reduction or success in differentiation and safe.

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GEOGRAPHIC DIVERSIFICATION AND RISK REDUCTION FOR THE PRIVATELY HELD COMPANY: FROM HERE TO WHERE?

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ABSTRACT

Previous literature on diversification strategies has focused primarily on motivation and value creation from the perspective of publicly traded companies. For publicly traded companies, using diversification whether into different product markets, industries, or countries solely for risk reduction purposes and lowering volatility in returns is generally considered not to be in the best interests of shareholders who can accomplish this more efficiently themselves by holding a diversified portfolio of stocks. Far less research has examined rational motivations for diversification from the perspective of a privately held company. Here there is no separation of ownership and control and owners are unable to diversify away unsystematic risk by holding a portfolio of stocks. This paper focuses on country-level factors important for privately held /family owned holding companies to consider when making geographic diversification decisions for risk reduction purposes. The final data sample consisted of 8 countries, including Germany, and their annual GDP growth rates from 2003 to 2013. Evidence has been found that there are indeed risk reduction benefits connected to international diversification into certain countries, under the premise that the annual GDP growth rate is a representative indicator for a country's economic situation. The results from the conducted quantitative analysis support the theoretical findings based on previous literature on international diversification that under certain circumstances international diversification is a valid mean to reduce the volatility in returns and thereby the risk of bankruptcy in the long run.