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A Conceptual Framework for Youth Entrepreneurship Development in Vietnam

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Abstract:

This paper aims to study a framework for youth entrepreneurship development in Vietnam. Our findings show that youth entrepreneurship in Vietnam has gained more attention by the government in recent years, and youth entrepreneurship is considered as a way of enhancing economic development.

Keywords: Youth entrepreneurship, innovation start-up, corporate entrepreneurship

1. Introduction

Entrepreneurship research has primarily been concerned with the start-up of new firms. It has been traditionally viewed as individual-level activities related to creating new organizations. However, entrepreneurship has recently become accepted as a firm-level phenomenon (Teng, 2007). Entrepreneurship is relevant to managers irrespectively of the size and age of their organization. The notion of Corporate Entrepreneurship (CE) extends the idea of being bold, proactive and aggressive to established firms. It can be defined as “the sum of a company’s innovation, renewal and venturing efforts” (Zahra, 1995, p. 227). CE is defined as entrepreneurship activities within an existing organization.

Firms benefit from entering into cooperative arrangements for innovation with different types of organizations. However, there is a risk in losing one’s distinctive competencies through collaboration as partners can appropriate firm-specific knowledge (Hamel, 1991). Youth entrepreneurship has gained more importance in recent years in many countries with increased interest in entrepreneurship as a way of boosting economic competitiveness and promoting regional development. While youth entrepreneurship is an under-explored field in academic and policy debates, two main factors account for its growing attention in developed countries. The first is the increased number of unemployed young people compared to the rest of the population; the second is the need for greater competitiveness, and the accompanying pressures for skills development and entrepreneurship as a way of addressing the pressures of globalization. In general terms youth unemployment is connected to: firstly, the difficult transition from school to work; secondly, the unwillingness of employers to employ inexperienced workers, and; thirdly, the frequent job changes by young people in an attempt to find a satisfactory job (United Nations, 2003). Although the literature on youth entrepreneurship is limited, there is evidence (Greene, 2005) that young people think that working for themselves as a career option since it offers them an interesting job, freedom and autonomy which other working atmosphere might not provide.

Start-up remains the privileged phase of renouncement, disillusion, or failure (Anton and Yao, 1995). The registered percentages underline the scope and multiplicity of difficulties met by enterprises: one enterprise out of two dies in the first five years of its existence. Nevertheless, literature shows that this percentage decreases in the context of spin-offs. Those enterprises were created by individuals leaving their former job, but getting still help and advice from their former employers (Garvin, 1983; Scheutz, 1986; Loyd and Seaford, 1987; Knight, 1988; Johnsson and Hagg, 1987). But still, most definitions don’t recognize the role played by former employer, and insist on the fact that spin-offs are enterprises created by an employee leaving its former job.

2. Theoretical Background

In literature motives are summarised in two different categories. This is based on Gilad’s and Levine’s (1986) developed explanation attempts which deliver two very similar theories of entrepreneurial motivations (Segal et al., in 2005). On the one hand there are the so-called ‘pull’ factors which show positive incentives for the step into independence (e.g., a higher income). In contrast the ‘push’ factors exist which force individuals, due to negative external effects, to overcome the negative situation when founding a business. These factors are, for example, dissatisfaction with the occupation, unemployment, and insufficient payment during employment or too rigid working hours (Segal, et al., 2005).

For a long time, it has been assumed that people who became entrepreneurs because of economic necessity ('push' enterprises) are less successful in their businesses. However, Olomi et al. (2001) revealed that with an advantageous external environment, positive achievements and special company competences, also these entrepreneurs develop strategies to strive for sustainable growth.

A common thread throughout the literature on firm strategy and performance is the wide-spread use of collaboration at all stages of the innovation process in order to accelerate innovative activities (Hall and Bagchi-Sen, 2007; Terziosvki and Morgan, 2006). Furthermore, the circular or interactive model of innovation process in which multiple relationships must be established between all the departments of the firm, as well as with external agents, means that cooperative R&D is a necessary condition to survive (Häusler et al, 1994).

Hagedoorn, Link and Vonortas (2000) describe the literature that attempts to explain, from a theoretical point of view, why firms enter into cooperative arrangements. They distinguish three broad categories of literature: Transaction Costs; Strategic Management and Industrial Organisation Theory. However, rather than mutually exclusive, these three approaches are complementary. We will use Transaction Costs and Strategic Management as a framework to analyze the main reasons that lead a firm to cooperate with Universities.

Transaction costs economics (Williamson, 1985) consider cooperation agreements as a hybrid form of organization between the market and the hierarchy that facilitates carrying out R&D activities. From this theoretical point of view, firms would engage in cooperation with U&RI to minimize cost of transactions involving intangible assets such as technical knowledge and to reduce and share uncertainty in R&D (Hagedoorn et al, 2000). Moreover, cooperation with University reduces the risk of losing control over the results of R&D projects. R&D cooperation may enhance the potential for discovery as well as the potential for a loss of control over the intellectual property generated. The outcome of joint research is often known to and claimed by both parties. However, universities have limited incentives to act opportunistically; therefore, they may be preferred as research partners when firms face appropriability concerns (Bercovitz and Feldman, 2007).

From Strategic Management perspective, firms would cooperate with U&RI to share R&D costs and risks (Hagedoorn, 1993; Tether, 2002). Innovation activities are considered risky and costly. The risk of innovation lies in the expected result not being obtained or in the necessity of more financial and technological funds (Tsang, 1998).

Firms collaborating with University can also increase efficiency, power and synergy gaining access to networks (Jarillo, 1988; Bayona et al, 2002). Collaboration with universities provides access to national and international knowledge networks. Firms can gain access to the knowledge networks in which their public partners are included (Jones-Evans et al, 1999; Okubo and Sjöberg, 2000).

For the purpose of this paper we will study how several innovation barriers affect the propensity of a firm to cooperate for innovation with University. Among these factors we considered the risks and costs associated with the innovation activities. As we have mentioned above, both Strategic Management and Transaction Cost Economics literature consider the reduction and sharing of risk and costs as a main motivation to cooperate with University. Following the literature, we also considered the lack of resources such as economic (finance), organizational, qualified personnel, and information on technology and markets. Firms will cooperate with University in order to gain access to these resources whose lack makes innovation difficult. Firms cooperate for innovations because they do not have internally all of the necessary resources.

3. Research Methodology

This paper is the result of theoretical reflections combined with a case study analysis. "Qualitative research takes place in the natural world, uses multiple methods that are interactive and humanistic, focuses on context, (...) is fundamentally interpretive" (Marshall and Rossman, 2006). Our analysis concentrates on a single case study (Yin, 1984), built on an individual lived experience (Gall, Borg and Gall, 1996), with in-depth interviews, to understand, first an individual and, then, an organization. The case method "investigates a contemporary phenomenon within its real-life context, (...) is most relevant when the boundaries between phenomenon and context are not clearly evident and when multiple sources of evidence can be used in support of research questions" (Yin, 2003, p.14). A case methodology allows research to illustrate or explain the decisions and motivations that underlie observed process beyond evidence-collection (Sarantakos, 1993) and to identify and understand those detailed interactive processes which are crucial for the understanding of a complex business context (Bryman, 1988; Remenyi, Williams, Money and Swartz, 1998; Gregson and Harrison, 2006).

Subsequently, we engaged in an iterative process in which we went back and forth between data and literature, in order to interpret data (Sciascia, De Vita, Alberti and Poli, 2006). Data analysis followed an interaction process between theory and empirical evidence (Miles and Huberman, 1994). The qualitative data were analysed by theme category to backup the conceptual framework

4. Review and Development

Theoretical and empirical literature review accentuates the importance of property rights as one of the basic factors for building entrepreneurship. In spite of this truth, youth especially from developing countries are largely not propertied. The problem is exacerbated by the lack of access to and control over land or any other productive resources. Youth start-up businesses are not only small, but also the type of businesses undertaken in many countries throughout the world are over represented in service sector, mostly in agricultural production, nutrition, health and retailing (Orser and Hogarth-Scott, 2003, Richardson, Howarth and Finnegan, 2004, Coleman, 2007). Given that most of youth-owned firms are

smaller and over represented in the service sector and retail where the starts up costs for such firms are small, youth ones are less likely to need and apply for external funding (Coleman, 2000:41; Alsos, Isaksen and Ljunggren, 2006:681). Evidence from research suggests that small businesses are more vulnerable to financial failure (Bates and Nucci, 1989:2). Using a sample of 81,116 firms from the Characteristics of the Business Owners (CBO) survey conducted in the US in 1986, Bates and Nucci, (1989:2) found that among small firms with sales less than \$5,000, the failure rate was estimated at 49.3% as compared to 8.2% of firms that had over about \$1 million sales. The result also suggests that failure rate is inversely related to firm size with small firms accounting for the majority of those that discontinued their operations during the studied period (Bates and Nucci, 1989:2).

Scholars are also of the view that gender such as woman have often faced difficulties in credit access because of stereotype lender preconceptions. In a study of bank loan officers' perceptions of male and female entrepreneurs, Buttner and Rosen (1988:249, 253) found that, there is wrong perception among formal financing institutions that women do not possess the qualities necessary for successful entrepreneurship. The study found that female entrepreneurs were evaluated considerably lower in six out of the nine variables studied (Buttner and Rosen, 1988:253). The study established that men outperformed women on variables related to leadership, autonomy, risk-taking propensity, readiness for change, endurance (energy level), and low need for support and were also rated as more emotional (Buttner and Rosen, 1988:253).

In addition, low levels of education among micro and small business operators not only limit the ability of run and expand youth businesses, but also limit their access to formal credit markets. This is especially in the less developed countries. Available evidence suggests that in the less developed countries female's level of literacy lags behind that of their male counter parts.

In this respect, due intricate application procedures and paper work requirements by the formal lending institutions, youth people with lower education levels and skills are more likely to be excluded from applying for the available services. There is also a concern that youth ones do not have knowledge or are unaware of the various sources of financing available to them as well as the processes involved in their application. Thus, the lack of knowledge renders them reluctant to seek formal financing (Andersson, Raihan, Rivera, Sulaiman, Tandon, and Welter, 2007:32).

From the above perspective for youth business start-up, we suggest the research model as following:

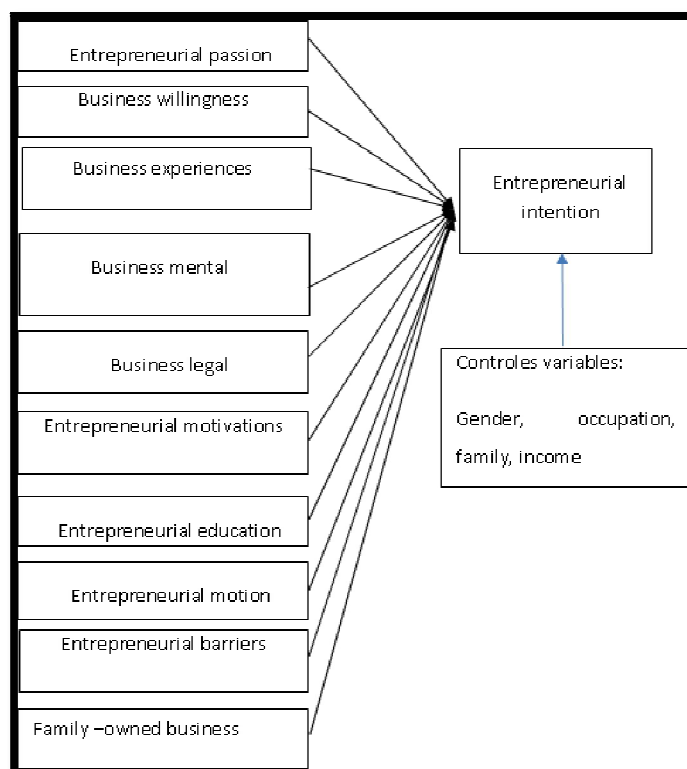


Figure 1: Research Model Suggestion
Source: Adapted By Authors

5. Conclusion

In this paper we have turned our attention to the creation of (novel) order through processes which are contextually contingent and therefore produce unpredictable outcomes at unpredictable times. We have suggested that while this description accords with an understanding of outcomes and processes linked to entrepreneurship, it also accords with the concept framework, as developed in complexity science.

In doing so we have also shown that by isolating entrepreneurship research to the youth behaviour and effects of entrepreneurship are incomplete. This emphasises the need for entrepreneurship research to acknowledge the heterogeneity of environmental conditions, outcomes and behaviours that exist.

Bringing together one current viewpoint of entrepreneurship research, namely that entrepreneurship also is a societal phenomenon, although an emphasis on the embeddedness of entrepreneurship is not a new one; however, it is here that we hope to make a contribution as to how youth entrepreneurship produces emergence.

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