

**A CONCEPTUAL STUDY ON THE IMPACT OF SOCIO-CULTURAL FACTOR ON THE PERFORMANCE OF NASCENT ENTREPRENEURS: A CASE OF VIETNAM**

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**Abstract.** Vietnam has recently witnessed an upsurge in the number of start-ups as a result of economic emergence and the success of these nascent entrepreneurs is largely influenced by both societal and cultural factors. This paper aims to give a better understanding of the impact of sociocultural component on entrepreneurship in the context of Vietnam based on the review of existing literature. The study points to the fact that cultural factor is negatively associated with the performance of Vietnamese start-ups while societal element is an accelerator for nascent entrepreneurs in Vietnam.

**Keywords:** *Socio-cultural factor, entrepreneurship, Vietnam.*

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As widely acknowledged as one of the most promising economies in Southeast Asia, Vietnam has seen a rocket in the figure for nascent entrepreneurs, especially in the IT and digital sectors, for the last few years. Although there have been a handful of research on the influence of macro-environmental factors on the entrepreneurship in Vietnam, those studies did not narrow down the scope to focus solely on the socio-cultural factor. Therefore, the primary purpose of this study is to examine the effect of sociocultural factor on start-up businesses in Vietnam through analyzing some relevant theoretical knowledge to figure out which attributes of sociocultural factor affects Vietnamese startups in a positive manner and which characteristics of sociocultural factor negatively influences nascent entrepreneurs in Vietnam.

**An overview of entrepreneurial phenomenon in Vietnam.** Thornton (1999) [17] defines entrepreneurship as starting a new business, usually referred to as start-up and entrepreneurship is dependent on the context. Entrepreneurship is known to have played an important role in the economy since it is a major contributor to employment creation as well as economic development. Vietnam is among the fastest growing economies in the world and the entrepreneurial phenomenon has been recognized in the past decade. According to Grant Thornton (2017) [8], an increasing number of new small and medium-sized enterprises (SME) has been

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recorded for the last few years in Vietnam as nearly 15,000 SEM were established in the first quarter of 2017 and their capital increased by more than 30% in comparison to the same period of last year. Besides that, about 600,000 SMEs are currently operating in Vietnam and this figure is estimated to grow by 100,000 yearly. Entrepreneurship is thus deemed as a vital sector contributing about 40% to the economy of Vietnam, it also accounts for a half of the labor market (Grant Thornton, 2017) [8].

In relation to start-up, Boudreau (2016) [4] states that Vietnam is becoming one of the world's most prospective start-up hubs because of the following reasons. Firstly, there is a movement of tech start-ups from Silicon Valley where the operational cost like rental fee is prohibitively high to cheaper locations in Southeast Asia like Ho Chi Minh. Secondly, the Vietnamese government has been paying more attention to the growth of IT and digital start-ups as the primary priority in economic policy (Grant Thornton, 2017) [8]. Thirdly, many overseas Vietnamese with an abundance of capital have returned to Vietnam in recent years to run their own businesses or to invest in other potential start-ups and this wave is known to be a driving force in the economy of Vietnam. Finally, a growing middle class is another impetus for the entrepreneurship in Vietnam (Boudreau, 2016) [4].

**Defining socio-cultural factor from a macro perspective.** Veciana (1999) [18] studies entrepreneurship by classifying this term into four separate blocks: Integrated economic, socio-cultural approach, psychological approach and managerial approach. In this regard, the author claims that socio-cultural factor is the fundamental aspect of the entrepreneurial environment. According to Shapero and Sokol (1982) [15], the socio-cultural factor is attributed to a component of macro-business environment that has an impact on environmental entrepreneurship, it can include some social phenomena like demographics, social relations, religion, cultural norms, and so on.

**Two key characteristics relative to entrepreneurship.** According to Hoppa and Stephan (2012) [12], entrepreneurial motivation and entrepreneurial self-efficacy are the two most important entrepreneurial behaviors that affect the performance of a nascent entrepreneur. Dimov (2010) [6] defines entrepreneurial motivation as the willingness and attempt to create an operational venture, it reflects the commitment of entrepreneur to the goal of shaping a venture. Meanwhile, Bandura 1997) [2] views entrepreneurial self-efficacy as the degree of confidence of entrepreneur regarding the skills and capabilities required to create an operational venture, it also refers to the confidence to persist when facing challenges and obstacles in building a venture.

In relation to cultural impact, Stephan and Uhlaner (2010) [16] makes the point that the performance-based culture is a significant indicator of cultural dimension relating to entrepreneurship. In this context, the performance-based culture is defined as 'the extent to which a community encourages and rewards innovation, high standards and performance improvement' (Rauch and Frese, 2007) [14]. According to Stephan and Roesler (2010), entrepreneurship is set of performance-orientated activities in which individuals put their utmost effort in creating a

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venture in return for expected both financial and non-financial benefits. The financial aspect relates to salary and compensation whilst non-financial facet is attributable to high level of autonomy, esteem and satisfaction. Therefore, an entrepreneur is expected to perform well through personal efforts rather than through group attempts (Stephan and Uhlaner 2010) [16]. Unfortunately, as a country heavily influenced by Eastern culture originated from China, Vietnamese culture is more consistent with collectivism, not individualism dimension in Hofstede's cultural theory (2011) [10]. It can therefore be deduced that the collectivism impedes entrepreneurial motivation and entrepreneurial self-efficacy, which in turn negatively impacts on the performance of nascent entrepreneurs in Vietnam.

Aside from collectivism vs individualism, power distance and uncertainty avoidance dimensions of Hofstede's cultural theory (2011) [10] are also related to entrepreneurship in the Vietnam context. The power distance index basically refers to the inequalities in the society and Western culture has a smaller power distance index than Eastern culture like Vietnam because the Vietnamese society is tied into a hierarchical order and most of people are afraid of striving for equality in distributing of power (Biddle, 2012) [1]. Similarly, while Western culture has a low uncertainty avoidance, which means the majority of members in Western society do not feel uncomfortable with uncertainty and ambiguity, Eastern culture follows an opposite pattern with high uncertainty avoidance. Moreover, Vietnam culture can be an instructive example of high-context culture in which the messages of the communication seem to carry implicit meanings in addition to the spoken part whereas Western culture is known as a low-context culture where the message is exchanged explicitly without any hidden meaning (Biddle, 2012) [1]. In relation to this, there have been many studies reporting on the positive relationship between low power distance, low uncertainty avoidance and low context of Western culture and entrepreneurship (Hayton, George and Zahra, 2002 [13]; Hofstede et al., 2004 [10]; Wennekers et al., 2007 [19]). In this manner, high power distance, high uncertainty avoidance and high context culture is likely to shape an organizational culture that adversely influence the success of entrepreneurs in Vietnam.

In connection with the societal influence, Hitt et al (2011) [11] state that the creation of an operational venture requires an access to both tangible resources like capital and intangible resources such as information. However, the reality of the situation is that most of start-ups are likely to lack necessary resources to fulfill all critical tasks of building and running a new business (Davidsson and Honig 2003) [7]. Thus, entrepreneurship has to be paired with the social capital or socially supportive institutional environment, which is relied on social relations and networks with stakeholders like the government, community groups in the society and investors. These entities can actively support the new business to access to sufficient resources in order to create a venture successfully. In this manner, the legal system in Vietnam has constantly been improved for the last decades to facilitate the business environment for entrepreneurship and more and more investors, who returned to Vietnam from abroad, are interested in investing in entrepreneurial start-ups. Also, young adults in Vietnam perceive entrepreneurship in a positive

way and they become an important source of information for entrepreneurship. Thus, it is undoubted that socially supportive institutional environment facilitates both entrepreneurial motivation and entrepreneurial self-efficacy in the Vietnam context, which results in a better performance for Vietnamese nascent entrepreneurs.

Back to study of Hoppa and Stephan (2012) [12], the authors suggest that the performance-based culture and socially supportive environment influence both entrepreneurial motivation and entrepreneurial self-efficacy in different ways, which in turn impact on the success of nascent entrepreneurs in building a venture emergence. In other words, entrepreneurial motivation and entrepreneurial self-efficacy variables can be seen as the mediators in the relationship between socio-cultural factor and venture emergence of entrepreneurship. Within the context of Vietnam, while socially supportive environment is an acceleration for entrepreneurship, the performance-based culture perspective is hindered by collectivism.

**Role model.** Many academicians have consistently emphasized the significance of role model in entrepreneurship. According to Bosma et al. (2012) [3], the role model is mainly concerned about individuals who are able to motivate and inspire others in the society to pursue challenging career goals. The role model plays an essential role in the entrepreneurship because it not only creates a stimulating effect on the creation of new businesses but also has a positive relationship with entrepreneurial activities (Chlosa et al., 2012) [5]. In addition to capitalizing on new economic opportunity, the actual reason for forming a new business in Vietnam lies in the inspiration by fruitful entrepreneurs because founders of a start-up tend to imitate successful business models.

**The influence of demography.** Vietnam is experiencing a golden population structure and this is regarded as a momentum for the entrepreneurship in the Vietnam in the sense that nascent entrepreneurs can take advantage of cheap and plentiful labor force in the local market to lower their operational cost. Furthermore, the population of Vietnam is estimated to reach nearly 95 million as of 2016, ranking 15<sup>th</sup> in the world (WB, 2017) [20] and this market size is undoubtedly promising for any newly established businesses to enter.

**Conclusion.** The review of available literature provides an in-depth examination on the relationship between socio-cultural factor and the success of entrepreneurial start-ups in the context of Vietnam. The study reveals that cultural factor has a negative association with the creation of venture among Vietnamese start-ups due to collectivism, high power distance, high uncertainty avoidance and high context culture. In contrast, societal component is dedicated to facilitating the performance of nascent entrepreneurs in Vietnam, the role model and the demography are also likely to be positively related to the overall success of entrepreneurship in the Vietnam context. These findings would be useful to building the literature as well as methodology for empirical research in the future.

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