



# **CURRENT SITUATION AND PROPOSED SOME SOLUTIONS FOR DEVELOPING CREATIVE BUSINESS INFRASTRUCTURE AND CREATIVE START-UPS IN VIETNAM**

**Pham Hong Quach**

Ph.D. student at the University of Economics and Business

Vietnam National University (VNU), Vietnam

**Pham Thi Hong Diep, PhD**

Assoc. Prof., Faculty of Political Economy, University of Economics and Business

Vietnam National University (VNU), Vietnam

**Nuyễn Thanh Tú, PhD** 

University of Transport Technology, Vietnam

tunt@utt.edu.vn

## **Abstract**

*The article analyzes the current situation of several factors affecting the development of innovative start-up business incubation in Vietnam (CBICB), determining the trend of changes in characteristics, achievements and limitations. Both primary and secondary data were collected. Subsequently, data was analyzed using descriptive and inferential statistics. By calculating the results of the survey of enterprises on the scales of each influencing factor, the article proposes recommendations to contribute to the development of the CBICB compared to other countries of Vietnam.*

*Keywords: Business incubation, creative startups, Innovation, Vietnam*

## INTRODUCTION

From 2018 to 2021, the development of innovative startup business incubation in Vietnam changed positively. Still, given Vietnam's conditions, potential and strengths, those results have not yet been achieved. Some factors are still evaluated as ineffective. The study was conducted to analyze the development of innovative startup business incubation in Vietnam and examine enterprises' evaluation on the measurement scales and, to identify the advantages and disadvantages of CBICB development.

Regarding the development of innovative startup business incubators, one of the first studies conducted in Vietnam was by author Nguyen Van Tuong (2018); the study outlined some issues. The topic is "Implementation of policies to support innovative startups in Vietnam today: current situation and solutions", Academy of Social Sciences, Vietnam Academy of Social Sciences. Based on assessing the actual situation of implementing policies to support CBICB in Vietnam and analyzing the impact of existing policies on the development of CBICB, the article proposes several directions and solutions to complete the CBICB's development. Improve policies to help further develop CBICBs in our country in the context of international economic integration and the strong wave of revolution 4.0. Also choosing CBICB research, author Vu Thi Minh Luan (2021) focuses on analyzing creative startup activities in Vietnam: some difficulties and conditions for development" and has generalized some of the activities of CBICB. CBICB enterprises in the startup ecosystem gave some barriers and problems in the operation process and proposed some solutions to promote the development of startup businesses for research units.

Duong Hieu Phong's (2021) conducted a research on "Supporting innovative start-ups (CBs) to enter the market - current state of law and solutions", presenting concepts and signs of innovative start-ups, also mentioned legal practices to support innovative start-ups in the market entry stage to find out some limitations that need to be overcome. The article proposes solutions to improve the law to support innovative start-ups in market entry.

In Vietnam, CBICB helps organizations and individuals that own technology to set up businesses; CBICB is a place with favourable conditions in terms of technical infrastructure and provides necessary services and support to incubate. The difference from conventional CREDIT in some points is the close connection with strategic partners in the operation, especially the strong commitment of sponsors and cooperation of universities and research institutes. Science and technology, established in technical

universities, technology centres, high-tech zones eight or near where technical support resources are available. And, supervised and run by experts with experience in developing technology businesses, often providing professional technical services and specialized equipment, laboratories and technology incubation centres. This helps companies grow their businesses rapidly and launch technology-based products. This CBICB incubates the creation of new technologies or technological know-how that are feasible, competitive enough in the market when manufactured and capable of commercialization.

## RESEARCH METHODOLOGY

Secondary data for the study were collected from the General Statistics Office's annual report, according to the Ministry of Science and Technology of Vietnam. Decision No. 844/QD-TTg, dated May 18, 2016, approving the project to support the national innovation startup ecosystem up to 2025, scientific reports on previous research works on CBICB, documents published in magazines.

For primary data, the author surveyed 246 survey samples from experts, businesses and schools across the country, focusing on three factors affecting CBICB: Labor size, Produced Products and Profit Rate. The author used the 5-point Likert scale for this study with an increased rating from very dissatisfied to very satisfied.

After the survey, all data was cleaned and entered into excel software to perform the analysis using descriptive and inferential statistics.

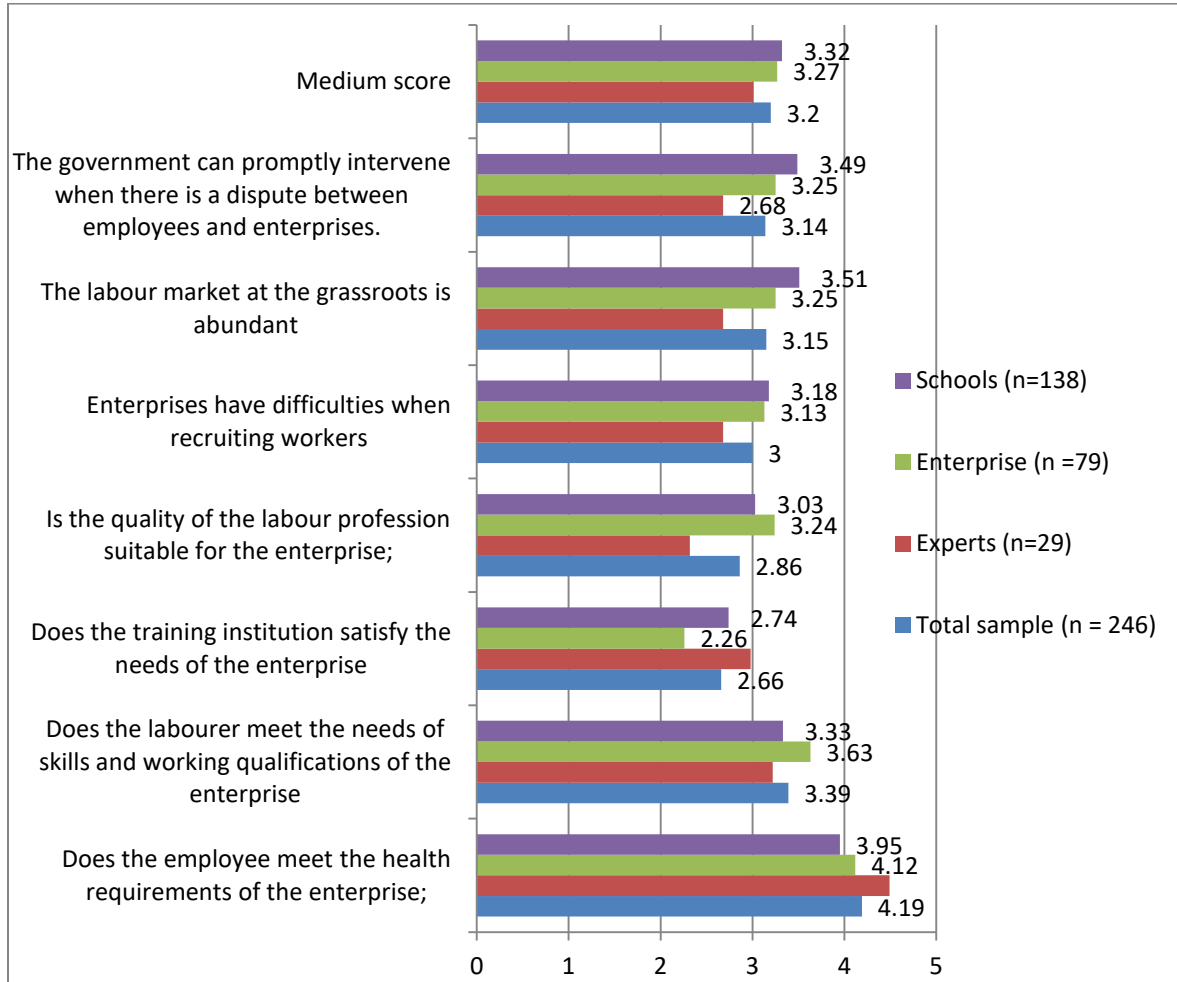
## ANALYSIS AND RESULTS

Research results show that many CBICB indicators in Vietnam are low and need to be overcome shortly.

### **The situation of development and incubation of innovative start-ups**

*For the cause of the Labor Size index*

Figure 1: Evaluation of the causes of the Labor Size index (Unit: point)



Notes: 1.00-1.80: significant cause; 1.81-2.60: important cause; 2.61-3.40: there is a cause; 3.41-4.20: cause is not important; 4.21-5.00: not a cause.

The difference in evaluation between the groups of people surveyed was confirmed when using the analysis of variance (ANOVA) tool at the significance level of 5%, showing that at this indicator, the affected cause lies in the fact that Most experts and schools think that these reasons are "important" such as enterprises have difficulty in recruiting workers; The local labour market is abundant. But entrepreneurs believe it is only "cause" that most current labourers can meet the needs of enterprises operating in Vietnam. However, there are two factors that all three groups consider as the cause: Does the training institution satisfy the enterprise's requirements, and is the quality of the labour profession suitable to the enterprise? This is part of why in the management of establishments, when they have not met successfully and adequately in direction to satisfy the needs of enterprises in the long run, enterprises need high-quality labour resources.

*For the causes affecting the index of manufactured products:*

The results of the survey of experts, businesses and schools in the country working and operating in the country on the causes affecting the products of business incubation and start-up are shown in Table 2, showing the average score. Overall, 3.04 points, the conclusion is "There are causes", which means that the criteria the author gives to ask about the reason for the low rating of this index are that there is an agreement with the questioner and the respondents agree. Believe that these are the causes leading to the influence of the development of business incubators and innovative start-ups in Vietnam in 2018-2021. 4/8 indicators are rated as "non-important causes", namely the following criteria: Products attract orders (2.67 points); Product quality (3.16 points); Product sales channel (3.19 points); There are product links with other products (3.35 points).

It can be said that it is challenging to reach organizations that need to research products and plans of businesses as well as schools that also affect the operation of companies, such as: For businesses tax notices or conclusions of environmental inspections...It is the student's exam, study plan, and other activities for schools.

Table 1: Assessment of causes and effects on manufactured products (*Unit: point*)

<i>Causes</i>	<i>Total sample (n = 246)</i>	<i>Experts (n=29)</i>	<i>Enterprise (n =79)</i>	<i>Schools (n=138)</i>
SP1: Products with high applicability;	<b>3,95</b>	4,32	3.01	4.52
SP2: Products that attract orders;	<b>2,76</b>	2,82	2,59	2,86
SP3: Product quality;	<b>3,16</b>	3,31	2,99	3,19
SP4: Price of the product;	<b>3,63</b>	4.30	3,26	3,35
SP5: Guaranteed product input	<b>3.45</b>	3.48	3.12	3.75
SP6: Product is registered;	<b>3,50</b>	3,41	3,44	3,64
SP7: Product sales channel;	<b>3,19</b>	3,03	3,08	3,46
SP8: There is a product associated with another product.	<b>3,35</b>	3,60	3,25	3,21
<b>Điểm trung bình</b>	<b>3,35</b>	<b>3,58</b>	<b>3,04</b>	<b>3,43</b>

*Notes: 1.00-1.80: significant cause; 1.81-2.60: important cause; 2.61-3.40: there is a cause; 3.41-4.20: cause is not important; 4.21-5.00: not a cause.*

*For the cause affecting the Profit index*

The results of the survey of experts, businesses, and schools show that the average score is 2.85, which means that the criteria the author gives to ask about the reason for the low score on this index are that there is a consensus. Most of the questioner and the questioner said that these are the reasons leading to the current low rating of this index, specifically:

No target with a score of 3.4 becomes the target; only 2/11 indicators are considered "important causes", such as Profit after tax and interest (2.41 points); Return on equity (2.61 points). These targets are thanks to the timely intervention of the Government, such as the Project "Supporting the national innovation startup ecosystem until 2025" (Project 844) assigned to the Ministry of Science and Technology to implement support the national innovative startup ecosystem; The project "Supporting students to start a business by 2025" (Project 1665) assigned the Ministry of Education and Training to implement to support students' startup ideas. The Project "Supporting women to start a business in the period of 2017 - 2025" (Project 939) assigned the Vietnam Women's Union (VNWU) to implement to support women starting a business. In 2019, the remaining 9/11 indicators are "caused" to affect the Corporate Profit Index and the operational efficiency of each school.

However, the important thing is that some indicators seem to have differences in assessment between groups of businesses, schools and groups of experts, such as Revenue from sales of businesses and schools as the main reason. If it is an essential factor, experts say it is just a "cause" or indicator of The productivity of a dollar of business capital; experts say that this is a "not important" cause for businesses. This is also the same in the case of enterprises, schools that are responsible for affecting enterprises' production and business process; schools lead to the assessment that the incubator has not yet developed and incubated innovative start-up businesses. Some other groups of criteria for evaluating causes are shown in Table 2.

Table 2: Evaluation of the causes affecting the number of Profits (*Unit: point*)

<i>Causes</i>	<i>Total sample (n = 246)</i>	<i>Experts (n=29)</i>	<i>Enterprise (n =79)</i>	<i>Schools (n=138)</i>
LN1: Return on business capital	2,87	2,84	2,89	2,87
LN2: Profit of own money;	2,64	2,62	2,61	2,68
LN3: Profit from sales;	2,86	3,38	2,54	2,66
LN4: Potential business performance;	2,74	3,30	2,34	2,58
LN5: Production capacity of business capital;	2,81	3,36	2,65	2,41
LN6: Production capacity of one dollar of business expenses;	2,82	2,88	2,72	2,85
LN7: Profit before tax and interest;	2,81	2,88	2,72	2,83
LN8: Profit after tax and interest;	2,41	2,19	2,53	2,52
LN9: Current ratio;	3,19	3,55	3,01	3,02
LN10: Current balance;	3,17	3,31	3,14	3,05
LN11: Instant payout ratio;	2,84	3,21	2,61	2,70
Medium score	<b>2,85</b>	<b>3,04</b>	<b>2,74</b>	<b>2,76</b>

*Notes: 1.00-1.80: significant cause; 1.81-2.60: important cause; 2.61-3.40: there is a cause; 3.41-4.20: cause is not important; 4.21-5.00: not a cause.*

## RECOMMENDATIONS

### *For Labor Size*

Does the training institution satisfy the requirements of enterprises?: Within the framework of Project 844 and Project 1665, the Ministry of Science and Technology has coordinated with the Ministry of Education and Training to launch the training program on startups. Innovation into core or extracurricular subjects in Universities and Colleges. Currently, more than 40 educational and training institutions have formed a model of clubs and innovation support centres. The proportion of schools with subjects on entrepreneurship and innovation accounts for about 7-8%. In addition, the Ministry of Science and Technology has assigned several schools (High-Tech Vocational College, Hue Industrial College, Central College of Industry and Trade) to complete textbooks and documents and provide some activities to support startups and innovation in the system of vocational education institutions.

The training task is specific and assigned to 26 implementing units. The number of new units participating in the study increases each year, with 14 implementing units being universities concentrated in Ha Noi, Noi, Ho Chi Minh City and some central provinces/cities; 06 state-owned units (Vietnam Youth Union, Center for Training and Support for Technology Market Development, General Service Center – Management Board of Hoa Lac Industrial Zone, Center for Application science and technology information and applications - Phu Tho Department of Science and Technology,...); the remaining units are incubators, business promotion organizations, and other support organizations for innovative start-ups.

Labor quality, Labor market... in 2022, support to organize training courses on innovation startups for more than 23,000 people in the startup ecosystem. Which group of individuals and startups accounted for 36% of the total training courses; the force of local managers, socio-political organizations, educational institutions, and incubators accounted for 30% of the full training courses; The rest is a team of coaches and mentors for innovative startups. These activities have contributed to capacity building, connecting expert networks with organizations supporting innovation startups, and supporting local officials in advising and promulgating supporting mechanisms and policies.

### *For product manufacturing*

Research results show that the product is not high due to the lack of investment capital for research and production, which needs more support and attention from the government, specifically:

Resolution 05 - NQ/TW dated November 1, 2016, on several significant undertakings and policies to continue renewing the growth model, improving growth quality, labour

productivity and competitiveness of the economy. The economy has set a view of restoring the growth model in the direction of focusing and increasingly relying on factors promoting labour productivity and effective use of resources, especially promoting patriotism, national pride, the creativity of Vietnamese people and scientific and technological achievements of humanity, all potentials and advantages of industries, fields, localities and the whole country. They are exploiting and maximizing internal resources combined with attracting and effectively using external forces. At the same time, the growth model innovation is closely linked with implementing three strategic breakthroughs. One of the priorities focuses on improving an attractive and favourable business investment environment for startups and innovation and creating, researching and applying science and technology, improving the quality of human resources, and using talents.

Resolution 27/NQ-CP is promulgating the Government's action plan to implement Resolution No. 05-NQ/TW dated November 1, 2016, assigning the Ministry of Science and Technology to develop an innovative startup ecosystem, promoting the image To become a force of innovative startups with high growth potential, products and services aimed at exporting to international markets.

Activities are generally carried out in high quantity and quality, thereby helping innovative startups and components in the innovative startup ecosystem to be more closely connected, specifically including includes several operational features such as knowledge and skills training for founders of innovative startups, organization of mentoring activities, organization of events to connect the domestic market and international, organize fundraising sessions and connect with investors, join 1-to-1 consultants to perfect products and technologies. In addition to activities in the business promotion program, the above organizations are also the focal points to support the provision of services for quality innovation startups in the regions concerning legal, intellectual property, intelligence, finance, accounting, etc.

Some outstanding results can be mentioned as BSSC successfully organized the Startup Day event and put into operation the Exchange and Startup Investment Exchange, gathering more than 200 startup models with the same investment amount; transactions and support are converted to more than 37 billion VND. The Center for Business Research and Start-up Support (BSA) has supported startups calling for investment capital of about 8 billion VND. In the Song Han Incubator incubation program, Liberty enterprise successfully raised 110,000 USD from Shark Nguyen Manh Dung on the agenda of Billionaire Trade season 3 (Shark Tank). In addition, Vietnam Silicon Valley Accelerator has also invested US\$1 million in CoXplore and successfully incubated an innovative startup business in the food sector, Lozi, to help this business raise capital successfully. With a deal of up to 8 figures, equivalent to a



minimum of 10 million USD. It can be seen that through the support activities of Project 844, incubation programs and business promotion organizations have gradually improved and expanded their operating models, becoming a reliable address for supporting businesses. Supporting innovative startups to have significant progress, successfully raise capital and aim to expand the market to the region and the world.

In addition, Circular 45/2019/BTC was issued, creating a financial mechanism for localities to use their budget to spend on science and technology development investment to build startup support service centres. Innovate, and use the funding for science and technology to carry out the first repair and installation of information technology infrastructure in case the premises and infrastructure for the centres are already available. Center, service area to support innovation and startup. In addition, the Circular also stipulates financial support for consulting the establishment of science and technology business incubators and setting up facilities and focal points for incubating technology and science and technology enterprises. Thereby helping localities that still have difficulties in supporting innovative startups to form and develop intermediary organizations to support innovative startups, which is an essential driving force to promote innovation.

#### *For increasing profit margins and corporate profits*

To develop the innovative startup business incubator, it is necessary to create and complete mechanisms and policies to support the incubation of innovative startups:

Resolution No. 10-NQ/TW, dated June 3, 2017, on developing the private economy to become an essential driving force of the socialist-oriented market economy, which directs the removal of all barriers. , prejudice, create all favourable conditions for healthy and right-directed private economic development, and focus on promoting the startup and innovation movement, improving the operational efficiency of small businesses. and medium, which sets out the task of completing and ensuring transparent and effective implementation of policies to support the development of the startup and innovation movement.

Resolution No. 11-NQ-TW, dated June 3, 2017, on perfecting the institution of a socialist-oriented market economy, directing the completion of relevant regulations to encourage and create the most favourable conditions for business activities.

Directive 16/CT-TTG, dated May 4, 2017, of the Prime Minister on strengthening the capacity to access the 4th industrial revolution, which sets out solutions to focus on promoting the innovative startup ecosystem.

Resolution 23-NQ/TW dated March 22, 2019, on orientations for building national industrial development policies to 2030, with a vision to 2045, directing the development of

breakthrough policies to create a startup environment in the country. The industrial sector synchronously and drastically implements national innovation and startup support programs, especially innovative startups.

## REFERENCES

- Bộ Khoa học và Công nghệ (2016). *Đề án “Hỗ trợ hệ sinh thái khởi nghiệp đổi mới sáng tạo quốc gia đến năm 2025”*
- Đàm Vân (2015). *Mô hình “quốc gia khởi nghiệp” Israel và bài học cho startup Việt Nam*, Trí thức trẻ/DealStreetAsia.
- Dương Hồng Anh, Hoàng Minh Thúy (2017). *Khởi nghiệp đổi mới sáng tạo, kinh nghiệm từ Australia*, JSTPM, số 4/2017
- Nguyễn Trần Minh Trí (2019). *Kinh nghiệm tạo lập quốc gia khởi nghiệp ở một số nước*.
- Nguyễn Văn Hùng (2018). *Một số giải pháp thúc đẩy hỗ trợ DNKN đổi mới, sáng tạo tại Việt Nam*, Đề tài cấp bộ, Học viện Chính sách và phát triển
- Tạp chí Tài chính (2019). *Kinh nghiệm quốc tế về chính sách hỗ trợ vốn cho khởi nghiệp*.
- Thủ tướng Chính phủ (2016). Quyết định số 844/QĐ-TTg, ngày 18/5/2016 về phê duyệt đề án hỗ trợ hệ sinh thái khởi nghiệp đổi mới sáng tạo quốc gia đến năm 2025
- Thủ tướng Chính phủ (2017). Quyết định số 1665/QĐ-TTg, ngày 30/10/2017 về phê duyệt đề án hỗ trợ học sinh, sinh viên khởi nghiệp đến năm 2025
- Thủ tướng Chính phủ (2017). Quyết định số 939/QĐ-TTg, ngày 30/6/2017 về phê duyệt đề án hỗ trợ phụ nữ khởi nghiệp đến 2025