

**SMEs WITH BUSINESS INCUBATOR MODELS AND
IMPLICATIONS IN VIETNAM**

By

Dam, Thi Hai Yen

THESIS

Submitted to
KDI School of Public Policy and Management
in partial fulfillment of the requirements
for the degree of

MASTER OF PUBLIC POLICY/ ECONOMICS DEVELOPMENT

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Committee in charge:

Professor Sang Woo NAM, Supervisor

S. W. Nam

Professor Seung Joo LEE

S. J. Lee

Professor Seunguk MOON

S. U. Moon

Approval as of , 2011

ABSTRACT
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Thanks to the Renovation since 1986, Vietnam currently is rated as world's 16th top emerging market¹. Many economists agree that SMEs, which contributes over 40% of GDP, create 50% of new jobs, make up 78% of retail sales, and 33% of the total industrial production value (Van, VN ranks 16th among top emerging world markets, 2010), is an important part of economic growth. Promoting SMEs to develop the economy is a considerable question attracting the government and local authorities in 64 cities and provinces in Vietnam. A fact is that many developed countries such as US, Australia, UK etc focus on and encourage incubating industry because this industry support and develop SMEs much. In developing countries like Vietnam, Business incubator models seem very new to entrepreneurs, SMEs supporters and even government authorities. How to apply successfully Business Incubator Models in Vietnam to promote SMEs then develop the economy? By identifying characteristics of SMEs in Vietnam; analyzing the current situation, value proposition, risks of Business incubators in Vietnam; then comparing between 2 successful cases in Vietnam and Australia, this thesis will finally propose suggestions to develop BIs and SMEs in Vietnam such as continuing to improve incubation in Vietnam; strategic fit, needs and encouragement in incubating program of Big Corporations and Capital Ventures; nurturing entrepreneurial experiences and incorporating operating expertise; and broaden network of incubating industry.

Key words: SMEs, Business Incubator, Vietnam, Australia.

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Dedicated to my Parent

Bui, Thi Loan & Dam, Van Men

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CHAPTER 1: INTRODUCTION

1. Purposes of the thesis

If global investors might be very surprised with the “Miracle on the Han River” promoting Korean economy from a poor country to the 15th largest economy in the world² with focusing on conglomerates, they will also be curious with the –Doi Moi period since 1986 (Economic Reform) opening a new page for Vietnam, an un-developed country to become one of the fastest-growing economies (Database World Development Indicators, 2010) in the world with mainly SMEs economy. Besides, GDP - real growth rate of Vietnam in 2009 is 5.5 %³ and SMEs contribution in GDP is about 40% and create approximately 1.5 million jobs each year⁴. These figures show the importance role of SMEs in economics development in Vietnam. Developing SMEs is also an essential part of Vietnam’s economic strategy which is verified in the decree of the 8th Party Congress –Develop mainly small and medium enterprises with suitable technology that are labor-intensive, requiring less capital and quick return on investment|| . However, how to make SMEs grow effectively is still a challenging task for governmental authorities and economists.

Regarding SMEs expansion, stimulating and nurturing small firms are identified key steps so that they can survive, grow-up and become powerful in any country. “Business incubators” with a set of facilities- physical space, shared services, business and legal advice and financial inputs support much for start-up business and help to reduce the risk of small business failures. NBIA from US reported that in general population, 66% of new firms survive at least two years, and 44% survive at least four years. Globally, many developed nations as well as developing countries have adopted business incubation as a critical tool for boosting local economies and creating new jobs. After a period of establishing and development, nowadays in the world, there are about 5,000 business

incubators. Of which, there are at least 1,000 incubators in Asia (approximately half in China), about 1,000 ones are in North America, 900 ones are in Europe and nearly 400 ones are in Latin America (with a sizeable and robust industry in Brazil). Moreover, over the world, about 60 national or regional business incubator associations have been found to link and support business incubators in different countries (Siddiqui, 2010). In spite of quite success in many developed countries including US, Australia, UK etc with more than 15 years of experience, this model is still in emerging period in some developing countries such as Malaysia, Pakistan, particularly Vietnam.

The scope of this study is focused on the SMEs with non-profit business incubator model in Vietnam and examines the following issues:

- Identify characteristics of SMEs in Vietnam.
- Analyze the current situation, value proposition, risks of Business incubators in Vietnam.
- Propose suggestion to develop BIs and SMEs in Vietnam.

This study also explores typical case of Vietnam and Australia to find the similarity and differences to drive lessons for promoting SMEs in Vietnam. The study scope is focused on start-up business and small firms to provide foreign investors and capital venture funds real prospects for decision-making investment in Vietnam.

2. The methodology and thesis structure

Both quantitative and qualitative methods are used to analyze data in the research.

With quantitative methods, sampling and data collection is applied to present the overall status of Vietnamese entrepreneurship and comparatively analyze the characteristics and performance of different types of SMEs. The data was originally collected by the GSO (General Statistics Office of Vietnam) responsible for making

statistical reports and forecasts of socio-economic situation; assessing the performance of the country's strategic goals and socio-economic development plans.

Qualitative method is used in two experimental cases: Darebin Enterprise in Australia and CRC-TOPIC (TOPICA) Business Incubator in Vietnam. Both of Business Incubators are non-profit cases. This method provides similarities and differences of business incubation models in developed countries including Australia and emerging countries such as Vietnam. Through this evaluation, suggestions for Vietnamese SMEs and Incubating Industry are provided to promote Vietnam potential in incubating start-up business.

The thesis includes 5 chapters and additional appendices and tables. The short descriptions for these parts are mentioned as following:

- **Chapter 1:** The introduction of the purpose, content, research methodologies and thesis structure.
- **Chapter 2:** Literature Review with the definition of SMEs and BIs, the role of SMEs in economic development then BIs importance in promoting SMS. Besides, SMEs and BIs models, risks and key factors to success also are identified.
- **Chapter 3:** + Characteristics of SMEs; technical and managerial capacities of SMEs
+ Characteristics of BIs in Vietnam
+ Case study analysis between Australian and Vietnamese Business Incubators.
- **Chapter 4:** Some suggestions for SMEs and Incubating Industry development in Vietnam.
- **Chapter 5:** Conclusion summarizing analysis and recommendations in the future research.

CHAPTER 2: LITERATURE REVIEW

1. Important roles of SMEs in economic development

a) SMEs concepts in different region in the world

Small and medium enterprises (also SMEs, Small and Medium Business, SMBs) are considered as companies whose headcount or turnover falls below certain limits. According to Supachai Panitchpakdi, Secretary-General of the United Nations Conference on Trade and Development, SMEs are “*a source of employment, competition, economic dynamism, and innovation; they stimulate the entrepreneurial spirit and the diffusion of skills. Because they enjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution*” (Mel Hudson; Andi Smart; Mike Bourne, 2001). In fact, concepts of what constitutes an SME diverge quite widely from country to country and even within single nations, depending on the business sector concerned. Thus, there is no universal determinant or criteria of an SME. Some countries just use the number of employees as the sole criteria for determining whether a business is an SME or not. Other countries use this same criterion, plus an additional criterion based on either the value of the firm’s assets or the size of revenues, typically denominated in the local currency. In Europe, the SME definition was used in 1996 then was changed in 2003 which combines employee numbers, turnover or balance sheet total, and ownership to identify enterprises. Medium-sized enterprises have headcount smaller than 250 and turnover is not above €50 million while small-sized enterprises has fewer than 50 employees and turnover is not above €10 million. Micro enterprises are classified with headcount fewer than 10 and no higher than 2 million of turnover (European Commission

Enterprise and Industry, 2003). Industry Canada classifies a small business as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business). A firm that has more employees than these cut-offs but fewer than 500 employees is classified as a medium-sized business. A micro-business is defined as a business with fewer than five employees (Ward Susan, n.d).

In Asian countries, concept of SMEs is different in the size of employees as well as turnover. According to UNDP statistic data, SMEs of countries in South Asian are identified as following:

Table 1: Definitions of SMEs in South Asian Countries

	Micro Enterprises		Small Enterprises		Medium Enterprises		Remarks
	Employment	Total Assets / Total Annual Sales	Employment	Total Assets and Total Annual Sales	Employment	Total Assets and Total Annual Sales	
World Bank	up to 10 employees	Total Assets up to \$10,000 or Annual Sales up to \$100,000	up to 50 employees	up to \$1 million	up to 400 employees	up to \$10 million	
Bangladesh	Cottage		less than 50 workers	fixed capital investment of less than Tk. 100 million	between 50-99 workers	fixed capital investment between Tk. 100-300 million	The Industrial Policy 1999
Bhutan	Investments up to Nu100 million are categorized as Micro or Cottage, small and medium enterprises based on the invested capital						Ministry of Trade and Industry
India	<ul style="list-style-type: none"> The Small Scale Industries (SSIs) are industrial undertakings in which the investment in fixed assets in plant and machinery, whether held on ownership terms or on lease or by hire purchase does not exceed Rs. Ten million. The Small Scale Service and Business (Industry related) Enterprises (SSSEs) are industry related service and business enterprises with investment in fixed assets, excluding land and building upto Rs. One million 						Nouns for Registration under different Laws recognize employment as one of the criteria (10 persons for industries with power, 20 persons for those with out power)
Nepal		fixed assets up to 200,000 rupees		up to 30 million rupees		between 30-100 million rupees	Industrial Enterprise Act, 1992 was amended in 1997

(Source: (SMEs and vulnerable groups - HDR-UNDP, 2004))

With this table, we can see the differences between definitions from World Bank which is often more employees in categorizing size about SMEs than South Asian countries such as Bangladesh, Bhutan, India and Nepal. The total assets and total annual sales are also dissimilar with much higher in categories of World Bank than these Asian countries. However, despite some range of employees, SMEs definitions commonly are quite the same from South Asia to East Asia with these figures.

Table 2. Some different definitions of SMEs in South-East Asia

Country	Definition
Cambodia	Firms that employ between 11 and 50 employees and have fixed assets of \$50,000 to \$250,000 are categorized as small. Firms with 51-200 employees and fixed assets of \$250,000 to \$500,000 are medium-sized. Source: SME Development Framework of 2005.
Indonesia	Fewer than 100 employees. ^a
Lao People's Democratic Republic	“Small enterprises are those having an annual average number of employees not exceeding 19 persons or total assets not exceeding two hundred and fifty million kip or an annual turnover not exceeding four hundred million kip”. “Medium sized enterprises are those having an annual average number of employees not exceeding 99 persons or total assets not exceeding one billion two hundred million kip or an annual turnover not exceeding one 1 billion kip”.
Malaysia	Depends on the business sector. Different criteria, based on the number of employees and annual sales turnover. For details, see www.smeinfo.com.my/pdf/sme_definitions_ENGLISH.pdf .
Philippines	Fewer than 200 employees, and less than P 40 million in assets. ^a
Thailand	Depends on the business sector. Different criteria, based on number of employees and fixed capital size. For details see http://cms.sme.go.th/cms/web/homeeng .
Viet Nam	SMEs are independent production and business establishments that are duly registered according to the current law provisions, each with registered capital not exceeding VND 10 billion or annual labour not exceeding 300 people.

(Source: (SME Development, 2007) (Lao People's Democratic Republic, 2004))

In general, SMEs in South and South-East Asia has quite the same with no more than 300 employees and the assets requirement is also lower than others.

Commonly, SMEs take a major proportion in economic structure of most countries in the world. A lot of big successful companies nowadays also started as a small enterprise such as Microsoft beginning as a couple of guys in a small garage in North-America, Vodafone originating from once a little spin-off from Racal, Hewlett-Packard starting in a little wood shack; Google developing from only good ideas (

(Arianoff, n.d). In a large number of countries, the percentage of micro and small firms is absolutely high: Of the 19.3 million enterprises in the European Union (EU) today, 99.8% are defined as SMEs. In OECD countries, SMEs stand for over 95% of enterprises in most countries and produce over 50% of private sector employment (Lucka's 2005). These firms are important not only on what concerns to its demonstration for economic analyses but also for the countries' economies and the implications that it brings to the society.

b) SMEs contributions to Economics Development

Small and Medium Enterprises play an important role in the development of economy over the world. They contribute to economic growth in a range of ways by 1.increasing total productivity of the society ; 2.creating employment particularly for rural and urban growing labor force. 3. Reducing inequality of income among regions in society.

Regarding to the first benefit of productivity enhancement, SMEs are recognized as an important contributor to GPD index. The importance of the SME sector and the informal sector varies greatly across countries. The following table presents the different indicators of the size of the SME sector and the informal economy, as well as GDP per capita.

Table 3. SMEs and informal activity across countries

Of which, we can define: GDP/Capita as the real GDP per capita in USD\$; SME250 as the SME sector's share of formal employment when 250 employees are used as the cut-off for the definition of SME. SMEOFF is the SME sector's share of formal employment when the official country definition of SME is used. SME_GDP is the SME sector's contribution to GDP (The official country definition of SME is used). INFORMAL is the share of the shadow economy as a percentage of the formal sector labor force.

INFO_GDP is the share of the shadow economy participants as a percentage of GDP.

Values are 1990–99 averages for all the variables.

Nation	GDP/Capita	SME250	SMEOFF	SME_GDP	INFORMAL	INFO_GDP
Albania	744.07		9.49			
Argentina	7483.77	70.18	70.18	53.65		21.80
Australia	20930.40		50.60	23.00		15.30
Austria	29619.35	66.10	66.10		16.00	10.45
Azerbaijan	558.29	5.34	5.34			47.20
Belarus	2522.94	4.59	4.59	9.00		16.65
Belgium	27572.35	69.25	69.25			18.65
Brazil	4326.55	59.80	59.80		49.21	33.40
Brunei	17983.77		69.40			
Bulgaria	1486.74	50.01	50.01	39.29	63.00	31.25
Burundi	170.59		20.51			
Cameroon	652.67	20.27	20.27		61.40	
Canada	19946.50		58.58	57.20		11.75
Chile	4476.31	86.00	86.50		40.00	27.60
Colombia	2289.73	67.20	67.20	38.66	53.89	30.05
Costa Rica	3405.37		54.30			28.65
Cote d'Ivoire	746.01	18.70	18.70		59.65	
Croatia	4453.72	62.00	62.00		70.00	23.50
Czech Republic	5015.42	64.25	64.25			12.35
Denmark	34576.38	68.70	78.40	56.70	15.40	13.60
Ecuador	1521.39	55.00	55.00	20.03	58.80	31.20
El Salvador	1608.91		52.00	44.05	46.67	
Estonia	3751.59	65.33	65.33			17.85
Finland	26813.53	59.15	59.15			13.30
France	27235.65	67.30	62.67	61.80	9.00	12.10
Georgia	736.79	7.32	7.32		36.67	53.10
Germany	30239.82	59.50	70.36	42.50	22.00	12.80
Ghana	377.18	51.61	51.61		71.76	
Greece	11593.57	86.50	74.00	27.40		24.20
Guatemala	1460.47	32.30	32.30		50.25	55.70
Honduras	706.01		27.60			46.70
Hong Kong, China	21841.82		61.50			13.00
Hungary	4608.26	45.90	45.90	56.80		29.85
Iceland	27496.90		49.60			
Indonesia	963.33		79.20		37.45	
Ireland	19528.13	67.20	72.10			14.25
Italy	19218.46	79.70	73.00	58.50	39.00	22.20
Japan	42520.01	71.70	74.13	56.42		11.10
Kazakhstan	1496.16		12.92		40.00	28.25
Kenya	340.85	33.31	33.31		41.10	
Korea, Rep.	10507.69	76.25	78.88	45.90	19.62	38.00
Kyrgyz Republic	972.25	63.22	63.22		40.00	
Latvia	2418.82		20.63			29.80
Luxembourg	45185.23	70.90	70.90	76.30		
México	3390.17	48.48	48.48			38.05
Nicaragua	432.34		33.90			
Nigeria	256.55	16.72	16.72		48.85	76.00
Netherlands	27395.01	61.22	58.50	50.00		12.65
New Zealand	16083.78		59.28	35.00	9.20	10.15
Norway	33657.02		61.50			11.30
Panama	2998.63	72.00	72.00	60.12		51.05
Peru	2162.12	67.90	67.90	55.50	54.56	50.95
Philippines	1099.31	66.00	66.00	31.50	30.63	50.00
Poland	3391.08	63.00	61.81	48.73		16.45
Portugal	11120.81	79.90	81.55	67.25		16.20

Nation	GDP/Capita	SME250	SMEOFF	SME_GDP	INFORMAL	INFO_GDP
Romania	1501.08	37.17	37.17	33.60	42.73	17.55
Russian Federation	2614.38	13.03	13.03	10.50	42.18	34.30
Singapore	22873.66		44.00			13.00
Slovak Republic	3651.45	56.88	32.07	37.10		10.00
Slovenia	9758.43		20.26	16.65	31.00	
South Africa	3922.60		81.53			
Spain	15361.80	80.00	74.95	64.70	21.90	20.00
Sweden	27736.18	61.30	56.50	39.00	19.80	13.80
Switzerland	44716.54		75.25			8.55
Taiwan, China	12474.00	68.60	68.60		14.50	16.50
Tajikistan	566.44		35.91			
Tanzania	182.85	32.10	32.10		42.24	31.50
Thailand	2589.83	86.70	86.70			71.00
Turkey	2864.80	61.05	61.05	27.30		
Ukraine	1189.84	5.38	5.38	7.13		38.65
United Kingdom	19360.55	56.42	56.42	51.45		10.40
United States	28232.07		52.54	48.00		12.20
Vietnam	278.36	74.20	74.20	24.00		
Yugoslavia, Fed. Rep.	1271.12	44.40	44.40			
Zambia	418.93	36.63	36.63			
Zimbabwe	643.84	15.20	15.20		33.96	

(Source: (Meghana Ayyagari, Thorsten Beck, Asli Demirguc-Kunt 2007))

This table presents the different numbers of the size of the SMEs sector and the informal economy, as well as GDP per capita. While SMEs in Ukraine, Russian Federation and Belarus only contribute about 10% of total GDP of the country, this share is about 60% to 70% in Croatia, Luxembourg, Spain, France, Panama and about 50% in some developed countries such as Argentina, Denmark, Hungary, Italy etc. This variety in different countries might originate from development strategies of the government and authorities in each countries and it should be encouraged more in developing countries where the economy is transferring to industrialization. For instance, in case of Vietnam, a country with a majority of SMEs, the share of SME_GDP is quite low (24.00). This figure partly shows the inefficiency of SMEs operation, which is a difficult question attracting the authority currently.

In terms of creating jobs through promoting SMEs, the United Nations Industrial Development Organization UNIDO reported that to reduce poverty and

inequality, it is necessary for developing countries to integrate into the global economy through economic liberalization, democratization and deregulation. The expansion of a dynamic private sector is central to this process, in which small and medium enterprises play a significant role. Moreover, SMEs contribute considerably to the condition of productive employment chances, the income generation and, eventually, poverty reduction.

According to the statistics of OECD in 2004, SMEs contribute much private sector employment. Pilot studies have stated that SMEs contribute to over 55% of GDP and over 65% of total employment in high income countries. SMEs and informal enterprises, contribute over 60% of GDP and over 70% of total employment in low income countries, while they are about 70% of GDP and 95% of total employment in middle income countries (OECD, 2004).

Regarding to inequality reduction, Palma Gabriel stated that the most important positive features have, naturally, gone with those cases where SMEs have made the biggest positive contribution. The most successful developing country over the last 50 years, Taiwan is built on dynamic SME sector. This has produced both (for its time) record breaking growth and a quite low level of inequality, by comparative standards. The experience of Korea, Taiwan's partner among the Asian Tigers and a more or less equally fast grower, has provided the laboratory to illustrate another point—inequality can fall significantly when the weight of the SME sector rises quickly, as it did for a period after the mid-1970s in Korea (2005).

2. Importance of BIs in SMEs development

In developed countries, governments have expanded and promoted strategies supporting small and medium enterprises (SMEs) as their important roles for economic and social growth. In most developing countries, these figures may differ from

countries to countries, in general, micro-and small-sized enterprises take a large part of firms, a share of employment and a crucial role for economic development.

Business Incubation can have several definitions and approaches. According to the National Business Incubators Association (NBIA), *“Business incubation catalyzes the process of starting and growing companies, providing entrepreneurs with the expertise, networks and tools they need to make their ventures successful. Incubation programs diversify economies, commercialize technologies, create jobs and build wealth”*.

Incubators are normally identified by some related characteristics including:

- A managed work space providing shared facilities, advisory, training and financial services, and a nurturing environment for tenant companies;
- A small management team with core competencies;
- Selection of start-up companies entering the incubator, 20 to 25 in the average, to be graduated generally after 3 years.

The difference of business incubator range from:

- their mandate (for-profit or not- for-profit)
- the type of sponsorship they have (public – private – mixed)
- their focus (mixed-use – niche). The most common kinds of niche incubators

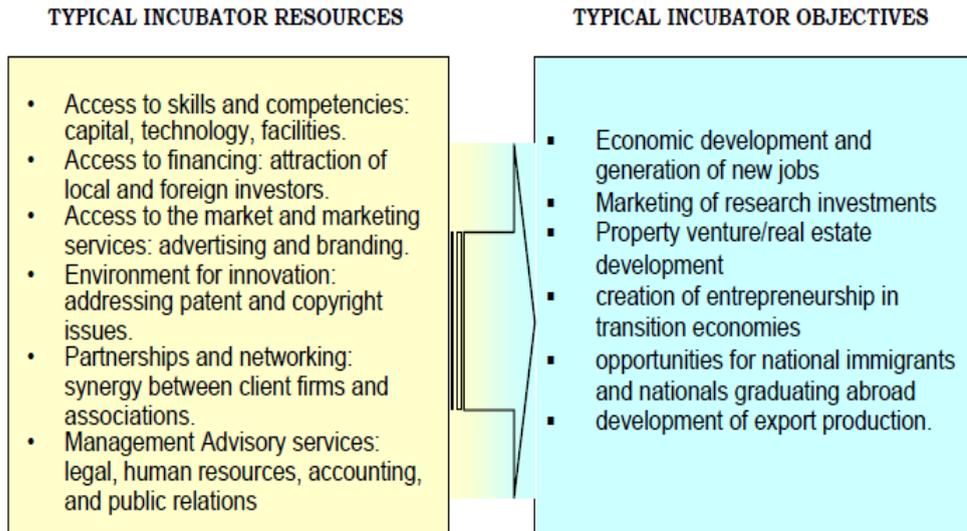
are connected to technology (technology incubators) and bio-technology (bio-incubators).

Incubating projects might have a large number of purposes such as:

- economic development and generation of new jobs
- marketing of research investments
- property venture/real estate development
- creation of entrepreneurship in transition economies

- opportunities for national immigrants and nationals graduating abroad
- development of export production. ((I3- Innovation and Incubation Initiative, 2003)

Table 4: Incubator Resources and Objectives



(Source: (Scaramuzzi, May 2002))

Incubating industry appeared in some developed countries such as U.S in early 1980s. After 20 years, U.S business incubation industry has a lot of development and brings a great benefit to the whole society: creating about 19,000 companies; providing more than 245,000 jobs and improving facilities with 16,000 sq. ft sized incubators. ¾ number of U.S incubators are non-profit and only ¼ of them are for-profit. NBIA also states that about 85% of firms graduating from incubators are still available in business ((Scaramuzzi, May 2002). Over the world, there are about 3000 incubators, basing on the way of defining, one thirds of which are in U.S. About 1000 of them are located in Europe, including 300 in Germany (Lalkaka, November 2001).

In developing countries, incubating industry is a quite new trend. Scaramuzzi stated that about 500 incubators were estimated in 1977. Today their number is considerably higher, taking into account the average 20 percent annual growth rate

estimated in 1997, and, above all, the impressive investments promoted in specific countries. In 2001, there are about 130 incubators in China, which had only 110 in 1999; about 150 incubators in Brazil and more than 300 incubators in Republic of Korea. (2002).

Not-for-profit incubators are generally sponsored by central or local government; NGOs (non government organizations) such as World Bank (InfoDev).While for-profit incubators are often supported by private investors and venture capital firms such as IDGs, McKinsey etc. Most incubators in developing countries are non-profit ones commonly funded by public resources, multilateral and bilateral donor organizations, especially for R&D and feasible planning activities related to new incubator creation.

With the practical benefits of incubating industry to SMEs development such as reducing failure of start-up business, creating more jobs to the society, training and consulting management skills to start-up founders etc; incubators should and need to be broadened more and more especially in developing countries.

CHAPTER III: SMEs AND BIs IN VIETNAM

1. SMEs in Vietnam

a) SMEs situation in Vietnam:

With the history of two wars against French colony and the USA army (1945-1975), Vietnam's private sector had been fluctuated and even disappeared in many economic domains during this period. The development of the private sector restarted in 1986 when the *Doi moi* (Renovation) policy was adopted and the Government was aware of multi-take-holder economy. And it's noticeable that after 20 years of *Doi moi* (Renovation), the Government Decree 90/ 2001/ND-CP, a first pro-SME development legal document was approved.

Like many developing countries, it's possible to affirm that SMEs have played a vital role in the national economy. Le Xuan Ba *et all* mentioned that in 2004 SMEs has accounted for 85% of the total corporate workforce (2006). Moreover, SMEs also contribute much to poverty reduction especially in rural areas as well as bridge the gap among cities, provinces, urban, rural and remote areas. It has also been a main factor to lessen the "shocks" related to the transition from a centrally planned economy to a market-oriented one particularly after the disappear of the socialist bloc in Eastern Europe (Xuan SangLe 1997). Regarding contribution to economic development, it was stated that in 2006, SMEs accounted from 39% of total GDP (Ho Sy Hung, 2007). In recent years, this proportion overall GDP may be higher but it's difficult to provide exact number because of lacking reliable statistical data.

b) Typical Characteristics of SMEs in Vietnam:

Vietnam's SMEs take a major part in the total corporate sector in terms of

regular work force. As we can see in the table 3, SMEs account about 95.1% of 62908 enterprises of corporate form in 2002 and even higher proportion with 96.8 % of 112952 ones in 2005. Regarding to this SMEs labor force, it is easy to recognize that micro-sized enterprise (less than 9 employees) owned the highest percentage in the total numbers of SMEs with 50.5% and 52.9% in 2002 and 2005 respectively. Small-sized ones (10-49 employees) arranged after the first with about 35% on average between 2002 and 2005. Medium and large size SMEs (over 50 and less than 300 employees) accounted a small part with 13% on total average. These figures showed and explained the reason why Vietnamese government has provide many incentives to promote micro and small enterprises for economic development such as reducing taxes for newly established firms, creating supporting and consulting centers etc.

Non-state SMEs are on the same boat with previous reorganization because they occupied from 91 to 95 percent in 2002 and 2005. However, 50-199 sized firms are over-half state-owned firms with more than 55% in 2 mentioned years and 200-299 size ones are about 16.6% o average (Table 3). The reducing number of medium-sized firms and the growing number of micro and small-sized ones mean that the increased number of SMEs is highly added by the latter from non-state sector

Another feature is that among non-state enterprises, limited liability and sole proprietary companies account for 47 percent and 32 percent in 2005 respectively, while foreign invested firms are only 3% in 2002 and reduce to 2.6% in 2005; Joint-stock company having state capital is below 1% and joint-stock company is only below 10%. This means that non-state enterprises are mostly start-up business with small size; these majority of these firms comes from ideas of businessmen or start-up owners without supporting much capital from government or outside investors.

Table 5: SMEs distribution by size of employees and by type of enterprise (2002, 2005).

Corporate form	Year	Total number of enterprises by corporate form (unit)	As percentage of total number of SMEs by size segmentation (%)				Total number of SMEs (unit)	As percentage of total number of SMEs by corporate form (%)
			Less than 9 employees	10-49 employees	50-199 employees	200-299 employees		
TOTAL	2002	62908	50.5	34.6	12.6	2.3	59831	100.0 (95.1)
	2005	112952	52.9	35.6	10.0	1.5	109338	100.0 (96.8)
State-owned enterprise	2002	5364	1.4	26.2	55.8	16.5	3631	6.1
	2005	4086	1.6	25.4	56.3	16.7	2675	2.4
Non-state enterprise, of which	2002	55236	55.1	35.2	8.7	1.0	54400	90.9
	2005	105169	55.3	35.9	8.0	0.8	103794	94.9
Cooperative	2002	4104	36.8	48.7	13.0	1.5	4025	6.7
	2005	6334	52.5	39.2	7.4	0.8	6266	5.7
Sole proprietary	2002	24794	69.4	26.7	3.6	0.3	24716	41.3
	2005	34647	68.1	28.1	3.6	0.2	34537	31.6
Partnership	2002	24	50.0	41.7	8.3	0.0	24	0.01
	2005	37	35.9	53.8	5.1	5.1	39	0.01
Limited liability	2002	23485	46.0	41.3	11.4	1.3	23020	38.5
	2005	52506	50.4	39.6	9.0	1.0	51815	47.4
Joint- stock company having State capital	2002	557	1.9	26.6	59.3	12.2	425	0.7
	2005	1096	3.0	27.1	57.7	12.3	839	0.8
Joint- stock company having no State capital	2002	2272	34.2	43.3	19.9	2.6	2190	3.7
	2005	10549	43.3	41.9	13.5	1.4	10300	9.4
Foreign-invested enterprise, Of which	2002	2308	9.4	35.3	43.3	12.0	1800	3.0
	2005	3697	12.2	36.6	40.9	10.4	2869	2.6
100% foreign capital	2002	1561	9.3	35.3	42.2	13.2	1187	2.0
	2005	2852	12.9	36.5	40.3	10.4	2191	2.0
Joint venture	2002	747	9.6	35.2	45.5	9.6	613	1.0
	2005	845	10.0	37.0	42.6	10.3	678	0.6

Notes: Figures in parentheses represent for the proportion of SMEs in total number of enterprises.

Source: General Statistical Office (GSO) (2007).

Another characteristic is that SMEs are distributed according to region and the table 4 shows clearly how enterprises are located by provinces or regions in 2002 and 2005. According to figures of General Statistical Office reported in 2007, SMEs are established much in big cities including Hanoi (15.5% on average) and Ho Chi Minh City (25% on

average) in 2002 and 2005. Other provinces or cities only have a small percentage of less than 4% such as Hai Phong, Da Nang, Binh Duong, Dong Nai etc. However, the trend of moving forward from big cities like Ho Chi Minh City to other provinces such as Hai Phong and Da Nang can be seen from 2002 to 2005 (Table 4, (GSO, 2007)). This may be a sign of the government good policies in attracting investment flows for even development, for bridging the gap between big cities and other provinces.

Table 6. SME distribution by size of employees and by province (2002, 2005)

Province/ region	Year	Total number of enterprises by province/ region (unit)	As percentage of total number of SMEs by size segmentation (%)				Total number of SMEs (unit)	As percentage of total number of SMEs by province/ region (%)
			Less than 9 employees	10-49 employees	50-199 employees	200-299 employees		
WHOLE	2002	62908	50.5	34.6	12.6	2.3	59831	100.0 (95.1)
COUNTRY	2005	112952	52.9	35.6	10.0	1.5	109338	100.0 (96.8)
Red river	2002	15998	42.9	40.9	13.7	2.4	15156	25.3
Delta	2005	30510	47.5	40.7	10.5	1.4	29530	27.0
Ha Noi	2002	9460	48.7	38.7	10.5	2.1	9023	15.1
	2005	18214	53.5	37.8	7.7	1.0	17696	16.2
Hai Phong	2002	1586	33.3	44.8	17.6	4.3	1458	2.4
	2005	3143	41.1	44.0	12.9	2.0	3000	2.7
North East	2002	3682	32.0	46.0	18.1	3.8	3455	5.8
	2005	7292	42.8	43.7	11.8	1.7	7086	6.5
North West	2002	607	24.4	45.1	27.6	2.9	579	1.0
	2005	1338	33.7	49.4	15.8	1.1	1306	1.2
North Central Coast	2002	3794	40.2	41.9	15.2	2.6	3622	6.1
	2005	7212	49.4	38.7	10.6	1.3	7045	6.4
South Central Coast	2002	4574	52.5	32.3	12.6	2.6	4332	7.2
	2005	7821	50.2	37.5	10.4	1.8	7554	6.9
Da Nang	2002	1397	55.3	31.5	10.8	2.4	1319	2.2
	2005	2622	54.7	35.5	8.5	1.3	2543	2.3
Central Highlands	2002	2142	49.1	35.0	13.6	2.3	2035	3.4
	2005	3564	51.4	36.4	10.6	1.6	3458	3.2
South East	2002	21008	53.4	30.5	13.6	2.4	19842	33.2
	2005	40793	56.8	31.1	10.4	1.7	39289	35.9
Binh Duong	2002	1704	31.5	35.0	27.5	5.9	1525	2.5
	2005	2918	30.1	38.6	26.4	5.0	2622	2.4
Dong Nai	2002	1750	47.4	30.6	18.7	3.3	1592	2.7
	2005	2820	46.9	33.4	16.8	2.8	2610	2.4
Ho Chi Minh City	2002	14506	20.8	36.1	30.6	12.5	13480	22.5
	2005	31292	60.4	29.9	8.4	1.3	30422	27.8
Mekong River Delta	2002	10900	66.6	27.3	5.3	0.8	10705	17.9
	2005	14258	64.0	29.7	5.5	0.8	14029	12.8
Others	2002	203	1.2	12.8	43.0	43.0	86	0.1
	2005	164	0.1	7.3	56.1	36.6	41	0.1

Notes: Figures in parentheses represent for the proportion of SMEs in total number of enterprises.

Source: GSO (2007).

c) Technological and managerial capacities of Vietnamese SMEs

Deputy Minister of Communications and Information Technology, Mr. Nguyen Minh Hong confirms that applying technology such as information technology for enterprises

especially SMEs is a very important task mentioned in the Project of promoting Vietnam to become an information-technology country ((Manh Vy, 2011). Ms. Christine Zhenwei Qiang, the senior expert of World Bank also mentions that IT helps SMEs in both ways such as creating business opportunities and increasing competitiveness capacity (Huyen Anh, ; Tran Duong, , 2011). However, applying technologies such as information technology (IT) in SMEs is still ineffective because of some reasons: Firstly, developing countries only have poor infrastructures of communication technology and out-of-date equipment. Secondly, managers of these SMEs are lack of IT understandings including choosing suitable equipments as well as how to apply them in their SMEs. To solve this problem, the government should encourage SMEs managers to apply IT in their firms by some incentives such as providing IT training programs, supporting capital etc.

One IT field getting attraction from Vietnamese enterprises is applying IT in managing business registration. Mr. Bui Anh Tuan, Deputy Director, Agency of Business Registration, Ministry of Investment and Planning states that currently the Government is implementing the Reform Program in Business registration aiming at shortening time of participating officially in the market and integrating the business registration and tax registration process (Manh Vy, 2011). A remarkable example of this Reform Program is building the National Business Registration System (NBRS) which includes National Business Registration Portal and national Data Base of Business Registration. This system has brought many advantages such as: 1. It helps to reduce expenses and time of business registration 2. Recognizing registration same names prevents problems in business operation 3. It broadens enterprises' ability of accessing official information at national level 4. It allows enterprises to register online. These benefits have improved much the business registration environment in Vietnam.

Regarding to managerial capacity of enterprises, Vietnamese firms compete each other partly basing on intelligence of firms and managers. This fact is not only true for medium and

macro firms but also for micro and small enterprises since Vietnamese enterprises' competitiveness basing on new ideas (originating from enterprise know-how and knowledge), flexibility (under knowledge, core capacity and information), and not much depending on infrastructure and equipment. Moreover, companies in Vietnam are established mostly on the foundation of operation knowledge (know-how of producing a specific product) and they are lack of strategic skills. Major of them haven't make business plan, strategy of product promotion, position the market etc. As the result, their business activities are only for short-term and in-sustainable. Enterprise knowledge comes from individual intelligence such as CEO, managers and staffs. Vuong Duc Hoang Quang and Truong Minh Chuong stated that a large number of company owners has a baccalaureate, only a small number of them are graduates and post-graduates which shows the intelligence ability to catch new information. Managerial experience is a very important factor determining capacity of management of enterprises owner- managers. Hoang Quan and Minh Chuong summarized that about 70% of enterprise owners are not qualified enough for management positions. A majority of Vietnamese firm managers haven't much experience for start-up businesses. Only about 11.6% managers used to work at supervision and management positions at non-state and state firms (Duc Hoang Quan, Vuong; Minh Chuong, Truong). Because enterprise owners are not aware of the important role of knowledge, they don't have knowledge management system as well as don't organize well data preservation system (technique, management skill, business operation skill and human resources) and don't share information with partners.

Another characteristic is that Vietnamese managers don't separate responsibilities between enterprise owners (lead and build the strategy) and managers (manage daily operating activities). Hence, Vietnamese enterprise owners are generally busy with daily operation management and don't care much about building development strategies. Moreover, they also are not provided enough information to improve knowledge management in each firm despite

a lot of efforts from the government. For example, the globalization process and effects of this event (Vietnam participated in WTO) have not get much attention of Vietnamese enterprises to reduce bad impacts and improve advantages.

These characteristics require better methods from the government and local authorities to enhance technological and managerial capacities in Vietnam. And incubating industry is considered as a good solution for this situation.

2) Incubating Industry in Vietnam

a) Establishment of Incubator and technology focusing incubator in Vietnam

The concepts – Business incubator|| started to be used in Vietnam since 1996-1997 as a supporting method for SMEs under the meaning of “ *nong ap doanh nghiep*” (hatching micro and small business), then it has been officially used as –nurturing|| start-up business and recently, it has become familiar with people working in the field of enterprise promotion in Vietnam. However, at that time for people working related to SMEs in Vietnam, understanding exactly Business Incubator is still a far-away dream. What is an incubator? Who incubate whom? After being incubated, where will these ideas go and develop? etc. Moreover, policy makers and local authorities have been considering and dreaming about successful Business incubator models basing on experiences of either developed countries in the world such as US, Australia, UK, New Zealand , Korea etc or neighbors including China, Malaysia, Singapore etc (SAGA, 2010).

In general, fields of industry sector being supported by incubation programs are: Technology, Computer Software, Services/ Professional, Manufacturing Internet Biosciences/ Life sciences; Electronics/ Microelectronics; Telecommunications Computer hardware; Medical devices; Wireless technology; Healthcare technology; Advanced materials; Defense/ Homeland security; Energy Environment/ clean

technologies; Media Nanotechnology Construction Arts Aerospace Kitchen/ food Retail Fashion Wood/forestry Tourism. Among them, Technology development is one of the most concerned fields (State of the Business Incubation Industry, 2006). According to country report, Ministry of Industry of Vietnam, in comparison with international and regional levels, the technology level across the SMEs sector is generally assessed as being about two generations behind comparable regional and world technologies (Quoc Hung, 2004). Besides, other issues have also contributed negatively to this development such as weak linkages between Research & Development (R&D) institutions and productive sectors, the relative lack of financing, inadequate legal framework; especially the concern of how to reduce long term dependency on foreign technology. It is also called for the urgent need to enhance Viet Nam's worldwide competitiveness via firms and institutions gaining better access to accessible modern and high technology inside and outside of the country. In addition, only some companies in Viet Nam can meet demands of developing sophisticated products and process with a high technological content. It's necessary for the government to apply suitable supporting methods to these fields such as information technology; biotechnology; new materials and automation.

Only after a series of meetings on strengthening technology incubation system for creating high technology-based enterprises in Asia and the Pacific in 1996, Vietnamese Ministry of Industry took first actions in initiating and promoting business and technology incubators in Vietnam particularly in industrial sector. There are some activities of technology development in favor of SMEs are underway. Some science and technology centers and research institutes are assisting SMEs, under contracting arrangements, on designing, manufacturing prototypes, technology process design, training new production lines, etc. People have a very little knowledge about the concept of incubation and they just do much incubator-like things without awareness and proper

knowledge. Industrial Zone (IZ), Industrial Park (IP), High-Tech Parks and Computer Software Parks could be seen as good vehicles for incubation since most of them are offering favorable business and technological conditions such as good infrastructure, management assistance, discount of land and facility cost, exemption of tax for some first years from the date of their business start. Over the past few years, Viet Nam has invested substantially in establishing such zones, often with encouragement and support from international organizations. According to available statistics, Viet Nam currently has about 68 industrial zones. Two major techno-parks or high-tech-parks (in Ha Noi and Ho Chi Minh areas, respectively) are developing. These parks are designed especially for development of Viet Nam software industry (BEZANSON, Mar 2000).

For the time being, some enterprises under the Ministry of Industry have been trying their best, implementing business and technology incubating projects; whereas, they have not gotten much achievement. Only the Technology Research Institute (TRI) has been considered as a modest success. The TRI are successful in researching new production of ductile iron which is for producing insulated parts of high-voltage power transmission lines. These new product has gotten good images of quality in international countries.

Possible member of technology incubation system of the ministry of industry for small and medium sized enterprises in Viet Nam
<p>1- Viet Nam Institute of Electronic, Informatics and Automation Address: 156A Quan Thanh Street, Ha Noi, Viet Nam Tel: 84-4-8456380/ Fax: 84-4-8232958</p>
<p>2- National Research Institute of Mining and Metallurgy Address: 30 Doan Thi Diem Street, Ha Noi, Viet Nam Tel: 84-4-8232986 / Fax: 84-4-8456983</p>
<p>3- National Research Institute for Mechanical Engineering Address: Mai Dich Commune, Tu Liem District, Ha Noi, Viet Nam Tel: 84-4-834329 / Fax: 84-4-8347883</p>
<p>4- Research Institute of Geology and Mineral Resources Address: Km 9 + 300 Ha Dong Road, Ha Noi Tel: 84-4-8544386 / Fax: 84-4-8542125</p>
<p>5- Food Industry Research Institute Address: Km 8 Nguyen Trai Road, Ha Noi Tel: 84-4- 8585107 / Fax: 84-4-8584554</p>
<p>6- Oil Plant Institute Address: 171-175 Ham Nghi, District 1, Ho Chi Minh City Tel: 84-8-8297336 / Fax: 84-8-8243528</p>
<p>7- Institute of Ferrous Metallurgy Address: Quan Ganh, Thuong Tin District, Ha Tay Province Tel: 84-34-853094 / Fax: 84-34-853972</p>
<p>8- Institute of Mining Science and Technology Address: Phuong Lien, Dong Da Street, Ha Noi Tel: 84-4-8642024 / Fax: 84-4-8641564</p>
<p>9- Institute for Machinery and Industrial Instrument Address: 34 Lang Ha, Dong Da District, Ha Noi Tel: 84-4-8344372 / Fax: 84-4-8344975</p>
<p>10- Research Institute for Agricultural Machinery Address: Km 9 Nguyen Trai Road, Ha Noi Tel: 84-4-8544429 / Fax: 84-4-8547366</p>
<p>11- Research Institute for Machinery Technology Address: 219 Lang Ha, Dong Da District, Ha Noi Tel: 84-4-8533322 / Fax: 84-4-8547366</p>

Table 7. Possible member of technology incubation system of the ministry of industry for small and medium sized enterprises in Vietnam

Source: (Quoc Hung, 2004)

b) Characteristics and current situations of Vietnamese incubators

In Vietnam, several units operating quite similarly Business Incubator models in the world have been established, however, the number is still very small both in size

and

operating time (normally from 1-3 years). As Dr. Tuan Pham, Committee Member of Asia Pacific Incubator network stated that in 2006, the incubator club has been found in Vietnam with 11 members. Because of lacking supporting policies from government, these incubators has not developed much In 2007, incubating activities seemed to start to promote again but declined right after the global crisis appeared. Actually, during global crisis period, in many countries, thanks to sustainable legal framework and good supporting policies, this is a good opportunity for incubators to support more new start-up business, recover economics and create more jobs for society (SAGA, 2010). Currently, when the global economy crisis has been recovered to a large extent more active participation of venture capitals such as IDGVV, VietCapital etc ,some incubating units has worked effectively such as TOPICA- CRC Business Incubator (Hanoi University of Technology), FPT Technology Incubators, Tinh Van Business Technology Incubator, Phu Tho Incubator (HCM University of Technology), Hanoi Food Incubator, Saigon Software Business Incubator (SBI) (Ho Sy Hung, 2007).

In general, in Vietnam, most incubators provide two major services: Renting office services and business development services.

- **Renting office service:** To provide this service, incubator has to occupy definite infrastructure. In developed countries, leading incubators are mostly designed and invested with modern technologies and good supporting services, which can offer as good as possible business environment for start-up business. In Vietnam, Quang Trung Software City (QTSC) has total construction area of 430,000 m², of which 2,900 m² land is used for offices (About QTSC, 2010).
- **Business development services:**

Providing business development services for incubatees is meaningful because it is the adequate requirement to complete incubating start-up business service. These business promoting services contains: technical, management consulting; training program, business co-operation, advertising, administration and legal support etc. For example, Hi-tech Business Incubator provides:

For training support, HBI (About HBI, 2010) usually organizes trainings on basic and specific topics with experienced trainers and experts. Incubatees are supported fees to participate in these trainings. Topics of these trainings:

- General business administration;
- Human resource management;
- Marketing management; trade promotion and market expansion;
- Financial management and accounting;
- Technical and product quality management;
- Training on information technology, foreign language,...

For consulting, when incubates need advices complicate problems, HBI will connect to professional consultants to positively meet consulting demands of incubatees. In these cases, there will be an agreement on service fee between incubatees and service providers.

Consultancy fields are:

- Law: enterprises establishment formalities, intellectual property, patent and other legal issues.
- Finance, accounting: financial statistic synthesis & analysis, project development,...
- Marketing, market analysis, SWOT analysis...
- Human resources: recruitment and management...
- Investment promotion.... (About HBI, 2010).

3) Comparison between CRC-TOPIC BIs and Darebin BIs

As mentioned above, Vietnam is only in the process of implementing incubation industry and still faces a lot of challenges, while Australia is one of leading countries of this incubating industry which has good contribution to the society. To provide practical experiences of incubating industry, my idea is comparing 2 successful cases of 2 these countries about length operation, operating model (type, stage of intervention), manager background, capital resources, asset, government supporting policies, number of incubated and graduated firms, etc. Through this comparison, useful lessons are expected to withdraw in order to improve Vietnamese incubating industry.

In Vietnam, as already mentioned, business incubation is only in the early stage establishment. Surprisingly, in 2006, InfoDev/ World Bank chose CRC-TOPIC Business Incubator in Vietnam as one of the Top 4 highlighted case studies among 70 incubators around the world. Afterward, some other international awards such as Top 7 of best nominations for the “Development Gateway Award” among 160 ICT programs; 9 finalists chosen by the ICT prize jury of Stockholm Challenge Award 2007 have also confirmed the success of this incubator in incubating and nurturing start-up business. CRC-TOPIC incubator is a technology business incubator implemented by the Center for Research and Consulting on Management (CRC), Hanoi University of Technology (HUT). CRC-TOPIC was a typical example of a successful incubator in the beginning period of incubating industry in Vietnam. But since 2007, this incubator model has not been broadened because of economic crisis (Pham, Jan 2010).

In Australia, a leading country in incubating industry, many successful cases has been selected by NBIA, BIIA, etc. Of which, a particular successful case is Business

Incubator established as part of the Darebin Enterprise Center. This incubator is located on a site chosen for its ability to cater for a range of small business sectors including service-based, light manufacturing and horticultural businesses. A key function of Darebin Enterprise

Centre is to provide mentoring and support to licensee businesses. Businesses considered for

incubation include start-up business, home-based business, new business with a capacity and willingness to expand, New Enterprise Incentive Scheme (NEIS) Graduates and Indigenous Business. The Centre has been acknowledged for their achievements through the receipt of the awards such as Incubator of the Year 2008 - nontechnology category (NBIA - International Award); Incubator of the Year 2007 (BIIA - Australia)⁵ (About DECL, 2009).

To make it clear and exact, the comparison of the following data and statistics is as of the end of 2008 when the economies started to recover from the crisis. At this time, the prospects of incubators as well as incubates become clearer. Besides, through this period, valuable experiences and lessons could be better learned.

Table 8: Comparison between CRC-TOPIC Business Incubator and Darebin Business Incubator

Name	CRC-TOPIC Business Incubator	Darebin Business Incubator
	Centre for Research and Consulting on Management, Hanoi University of Technology	Darebin Enterprise Center
Type	not-for-profit center of a university, Technology-based incubator	not-for-profit company limited by guarantee The City of Darebin is one of the members of that company. Technology-based incubator
Source of Investment Fund	2004,2006: InfoDev Grant 2006-2007: Microsoft, USAID, Qualcomm, EVN, Telecom, Hewlett Packard	-Building Northern Melbourne's E-Business Capacity project Australian Government fund
Open period	2003	1997
Deal evaluation	<ul style="list-style-type: none"> -Initial screening by one or more analyst -A committee review and market research -Entrepreneur presentation -Due diligence and in-depth research - contract formation 	<ul style="list-style-type: none"> -Identify business opportunities -Conduct pre-feasibility studies on proposed ventures -Prepare Feasibility Plans to identify critical success factors, financial viability, strength, weaknesses, opportunities and threats to business proposals -Assist proprietors develop Business Plans (including Marketing Planning, Financial Planning, Personnel & Resource Planning, Operational rollout Planning) -Assist to seek the necessary capital for the roll-out and development of enterprises -Mentor support to Business Managers -Monitor Business Performance -Evaluate Business Performance -Provide assistance and advice for future actions in businesses -Assistance in expanding essential networks for enterprises

Focus	Information and Communication Technologies Mixed Use	<ul style="list-style-type: none"> -Range of small business sectors including service-based, light manufacturing and horticultural businesses -Start-up businesses -Home-based businesses -New businesses with a capacity and willingness to expand -New Enterprise Incentive Scheme (NEIS) Graduates -Indigenous businesses in Victoria, Tasmania, Northern Territory, Western Australia, New South Wales and South Australia
Objectives	<ul style="list-style-type: none"> -Fill the current gap in Vietnam for support for entrepreneurs in pre-seed and seed stages through training, research-application links, developing business plans, providing infrastructure building networks and offering business development services. -Primary target tenants include students and researchers in universities and research institutions; authors of information and communication technology (ICT)- related innovations; individuals or teams with research under way or a completed innovation and young companies with fewer than two years of operation. 	<ul style="list-style-type: none"> -Support start-up and growing businesses. Small to medium-sized enterprises are very important to the economic prosperity of a region.
Stage of intervention	Pre-seed and Seed stage	Start-up ideas and seed stage

Services	<ul style="list-style-type: none"> -Facilities: ICT services -Facilities: Office space -Incubation and Business Development: Business information -Business management and development advisory services -Incubation and Business Development: Training in business management 	<ul style="list-style-type: none"> -Business Capacity Building Services -Business Development and Support Services -Building the Aspirations of Indigenous Australians -Indigenous Economic Development Services -Mentoring and Monitoring Indigenous Enterprises
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Asset	Total asset	200 s.q.m	
	Asset for incubator	50 s.q.m	50,750 square feet = 50,750/10.76 = 4,716.543 s.q.m
Number of client firms	7 clients on site; 64 clients off site		35 clients on site; 63 remote/virtual indigenous incubator clients; 40 clients in small business mentoring programs

Number of graduated firms	8	55
CEO	Tuan, Pham	Bob Waite
CEO background	<p>MBA of Finance and Banking Doctor of Philosophy, Information Management (PhD) Experiences of studying & working in finance consultant Founded several start-up business</p>	<p>An extensive background in education (Graduate Diploma of Education Counseling), and small business management. Experiences with management skills</p>

BOD	Don't have	<p>A volunteer Board of Directors comprised of members representing key stakeholders in business development and growth in Northern Metropolitan Melbourne.</p> <p>They include representatives from local (Northern Metropolitan Melbourne) :</p> <ul style="list-style-type: none"> • Local Businesses, • Local Government, • Local Training Providers, • Local Economic Development Agencies, • Graduate Businesses from the Incubator.
Interests	Develop some other training activities, exchange cooperation relations, business consultant, and help social community to know more about business incubating process.	<p>Continue to develop incubating activities on service-based, light manufacturing and horticultural businesses</p> <p>Expand other incubating activities in creative and digital art</p>
Affiliates	<p>-Vietnamese Business Incubator Club, Vietnam</p> <p>-Asia Pacific Business Incubator Network</p>	<p>-Business Innovation & Incubation Australia (BIIA)</p> <p>-Darebin City Council, Melbourne, Australia</p> <p>-National Business Incubator Association, USA</p> <p>-Business Enterprise Centre, Australia</p> <p>-Department of Education, Employment and Workplace Relations, Australia Government</p>
Location	Room 312, A17 Ta Quang Buu-Ha Noi	Alphington, Victoria, Australia

<p>Awards</p>	<ul style="list-style-type: none"> - 2006: Top 4 highlighted case studies among 70 incubators around the world by InfoDev/World Bank. - 2006: Top 7 of best nominations for the “Development Gateway Award” among 160 ICT programs worldwide. - Nov 2007: one of 9 finalists chosen by the ICT prize jury out of 119 entries in the Stockholm Challenge Award 2007. 	<ul style="list-style-type: none"> -Incubator of the Year 2008 - nontechnology category (NBIA - International Award) -Incubator of the Year 2007 (BIIA - Australia) -Graduate Business of the Year 2007 (BIIA - Australia) Charles Sandford Woodturning Pty Ltd -Tenant Business of the Year 2007 (BIIA - Australia) Gourmet Lovers Pty Ltd -Graduate of the Year 2005(BIIA - Australia) Practical Ecology Pty Ltd -Innovation Award 2005 (BIIA - Australia) -Graduate Business of the Year 2004(BIIA - Australia)Metropolitan Tree Growers Pty Ltd -Minister’s Award for Outstanding Achievement (National Incubator of the Year) 2001. (BIIA - Australia) -Highly Commended Award 2000 (BIIA - Australia)
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Source: (CRC-TOPIC Business Incubator, Vietnam, 2011)
 (Business Incubator, 2009)
 (2008 Award Winners - Darebin Enterprise Centre, 2009)
 (CRC-TOPIC Business Incubator, 2008)

a) Common features:

Both CRC-TOPIC and Darebin BIs are not-for-profit business incubators which are funded by government or NGOs. In common, the main objectives of 2 cases are supporting start-up and growing businesses less than 2 years. To provide most effective aid to business, both BIs decided to intervene in pre-seed and seed stages of start-up business with careful deal evaluation including identification of Business opportunities, collection of pre-feasibility studies. Initial screening by one or more analyst, entrepreneur presentation, due diligence and in-depth research, contract formation, mentor support to business managers, monitor and evaluate business performance and assistance in expanding essential network for enterprises. Regarding to supporting activities, both BIs provides services which are necessary to nurture and grow a business such as providing building service (office space, devices), training and consulting activities etc.

Both BIs have CEO and managers who have good background and good experiences to provide quality services and support to start-up business. Darebin BIs has CEO, Mr. Bob Waite with extensive background of training and small business management which promote their training and management activities for start-up business. Besides, their BOD with knowhow of local departments such as Business, Economic Development, etc also supports much because Darebin Enterprise focuses on training services. CRC-TOPIC BIs doesn't have BOD except CEO, Dr. Tuan Pham with thoughtful knowledge of Information Technology (Ms.) and management skills (MBA), Technology Management (PhD) and experiences of working as financial consultant abroad. His valuable experiences also help graduated incubators in attracting venture capitals.

Both BIs also have good network with other incubator organizations or supporting- incubators organizations such as Asia Pacific Incubator Network,

National Business Incubator Association, Business Enterprise Centre, Australia;
Vietnamese Business Incubator

Club, Vietnam; Department of Education, Employment and Workplace Relations,
Australia

Government etc. Through these affiliates, both BIs can share and get useful lessons of successful or failure to enhance their operating activities as well as upgrade their incubator in global market.

b) Different features

- *Incubator types, Services and Interests*

As mentioned above, both of compared cases are not-for-profit incubator, however, with different management units. CRC-TOPIC Business Incubator is under the Centre for Research and Consulting on Management, Hanoi University of Technology; hence, it is categorized as university incubator focusing on Information Technology. Whereas, with budget from InfoDev/ World Bank, Microsoft, USAID, Qualcomm, EVN, Telecom, Hewlett Packard; instead of implementing R&D activities (as normal university incubator), CRC- TOPIC BIs concentrated on ICT (information communication technology) services, business information and development services (providing business information, advisory services, training in business management) in the whole of country. Besides, due to lack of facilities (only about 50 s.q.m for offices) and some other difficulties (small funded budget, national policies etc), CRC-TOPIC incubators focus on training activities; exchange cooperation relations and business consultant. Finally, as Vietnam is only in the beginning period of incubating industry, this leading incubator also interests in helping relevant agencies and the corporate community to know more about business incubating process.

While, Darebin BIs of Darebin Enterprise Center is not-for-profit and The City

of Darebin is one of the members of that company. Darebin Enterprise Center is under the control of local government, so most activities of Darebin BIs is to support start-up and growing business to meet some political goals of Darebin City Council such as creating jobs, improving economic growth etc particularly in Victoria state. Some service programs for these goals are Indigenous businesses in Victoria, Tasmania, Northern Territory, Western Australia, New South Wales and South Australia; Home-based businesses etc. With government- owned and limited liability company model, Darebin BIs is aware of supporting more start-up business in new sectors such as creative and digital art, fashion incubator etc besides existing sectors including service-based, light manufacturing and horticultural businesses.

- *Incubating scale and performance*

CRC-TOPIC BIs has a small incubating scale with only 50 s.q.m while Darebin BIs has over 94 times larger. With longer time of establishment (since 1997), Darebin BIs have more effective in incubating industry: 35 clients on site; 63 remote/virtual indigenous incubator clients; 40 clients in small business mentoring programs. Of which, 55 clients has graduated in 2008. With shorter time of experience (since 2003), CRC-TOPIC units has 8 graduated incubators from 7 clients on site and 64 clients off site.

With this statistics, it's difficult to have a clear comparison incubating effectiveness between 2 incubators because of different sizes, year of operation, supporting policies. In general, we can see the potential of further success if CRC-TOPIC model could be applied in Vietnam.

During economic crisis (in 2007), while Darebin BIs continue to grow up and have achieved good results with awards such as Incubator of the Year 2007, 2008; Graduate Business of the Year 2007; Tenant Business of the Year 2007; CRC-TOPIC Business Incubator has not been active and expanded. One minor reason is during

this time the project funded by Microsoft, World Bank was completed; during economic crisis, there was no more budget support from NGOs for CRC-TOPIC BIs. However, as Dr. Tuan Pham mentioned at that time, in many countries which have stable legal framework and good supporting policies, their business incubators have taken this economic crisis as a good chance to support small enterprise to recover and create jobs (Pham, Jan 2010). Darebin Enterprise Center is one typical example of this statement. Therefore, we can say that if Vietnam government had good supporting incentives, incubators would have better chances to develop more now.

CHAPTER4: IMPLICATIONS FOR VIETNAMESE SMEs AND INCUBATOR INDUSTRY

1) Continuing to improve incubation in Vietnam

As a pioneer and with support of Economic and Social Commission for Asia and The Pacific (ESCAP), the Ministry of Industry of Viet Nam initiated some activities for spreading the basic conception of technology incubation in Viet Nam. Few Vietnamese Research and Development Institute are running their business as well as research and development work which have similar form to business/technology incubators and reaching certain result. Besides, Government has proposed the principles about hi-tech and business incubator in Article 20.

In order to promote technology incubation and complementary industry for SMEs in Viet Nam the following tasks should be undertaken:

- Improve production management and product quality control;
- Diversify and openly contact big enterprises and foreign owned enterprises;
- Support production of prototypes;
- Assist in accessing to all information sources;
- Develop industrial clusters;
- Broadly apply traditional technology;
- Promote technology transfer from SOEs and foreign enterprises to SMEs;

From the point of view of management, the Ministry of Industry of Viet Nam would appreciate learning experiences from the other countries, ESCAP or other international organization on how to effectively and officially organize the technology incubation system for SMEs.

The Government should also create more incentives to support incubators during new established periods such as reducing prices of rented offices in hi-tech industry areas;

have suitable and immediate care and awards for incubator achievement etc.

2) Strategic fit, needs and encouragement in incubating programs of Big Corporations and Captial Ventures

Despite that Vietnam is assessed to have potential in incubator development, to catch up with the growth of incubating industry in some good countries in area such as Malaysia, India, China, Korea etc, it's necessary to have the active participation of capital ventures and big corporations such as IDGVV32, VinaCapital, Mekong Capital, Dragon Capital etc who are ready to invest money in micro, small and medium enterprises as well as new incubated technologies.

Capital ventures and big conglomerates who are accessible to incubating industry should pick up portfolios basing on their strategic needs, not for exploiting their excess cash and get the most out of investing profit. With strategies which are suitable with portfolio firms, corporate incubators can make use of their expertise and experience not only in incubating but also in choosing potential candidates. Many researches also mentioned about the high success rate of corporate capital with strategic fit and low success rate of corporate venture (Gompers, Paul & Lerner, Josh, 1999). Some incubators in the U.S incorporated this lesson to their business model; for instance, Panasonic, IBM and HP enhanced their product sales and acquire knowledge from their incubating programs. New corporate incubators in Vietnam should also have tactical fitness as critical criteria for selecting portfolios rather than merely divesting excess cash through diversified portfolios.

3) Nurturing Entrepreneurial Experiences and Incorporating Operating Expertise

It's not like the case of CRC-TOPIC Business Incubator, major of Vietnamese incubators are lack of entrepreneurial experiences and it's also very difficult to find managers with both good knowledge and experiences in entrepreneurial and management field. Incubators should nurture entrepreneurial experience through active management participation; besides, they should recruit more experienced persons to infuse corporate expertise into their organizations. At higher level, it's also responsibility of the government to make good incentives to encourage Vietnamese abroad successors to come back and contribute to our country.

4) Broaden network of incubating industry

Vietnamese incubators are only in the beginning of this industry. To catch up with the development of other countries in this field, each incubator should actively participate in regional incubator clubs, networks, associations to: get experiences from successful cases, avoid failure of other incubators; apply new incubating models and get support from these network. For instance, currently 4 Vietnamese incubators including Saigon High tech Park (SBI), Hanoi Business Incubator (HBI), CRC-TOPIC Business Incubator and HCM Agricultural and Forestry University are members of Asia Pacific Incubator Network which often provide training workshops to enhance knowledge and skills of members in incubating industry. Besides, Vietnamese Business Incubator Club (about 11 members) is also a member of Asian Association of Business Incubation (AABI). These events have also marked the participation of incubating industry of Vietnam to the world.

CHAPTER V: CONCLUSION

Business Incubator Models are useful tools to nurture and support start-up business with 66% of successful incubatees after 2 years (NBIA (National Business Incubator Association), 2010). SMEs have been promoted more and more thanks to supporting set of facilities of BIs such as physical space, shared services, business and legal advice and financial inputs support etc. In Vietnam, SMEs which have accounted for a large majority of the total corporate workforce contribute much to poverty reduction especially in rural areas; bridge the gap between urban and rural areas and lessen the “shocks” of transition from a centrally planned economy to a market-oriented economy. Incubating industry in Vietnam is assessed as a potential of development; however, the fact is that the number of people who understand clearly about business incubator models are still small. Lacking of supporting policies from the government, incubating activities seemed not to be upgraded during the economic crisis. Currently, the Ministry of Industry as well as other related departments are aware of the benefits of incubating activities and are encouraging incubation especially technology incubation.

Through the comparison between 2 typical cases: CRC-TOPIC BIs in Vietnam and Darebin BIs in Australia, we can conclude that Vietnamese incubator managers are on the right track of catching up with the incubating level in successful countries in the world; however, Vietnamese incubators are still lacking of good experienced managers, suitable and immediate supports from government as well as active participation from capital ventures and big corporations. Some implications are withdrawn to improve incubating industry in Vietnam such as: the government should continue to improve incubation especially technology incubation in

Vietnam; capital ventures and big corporation should join the market actively and have strategic fits as well as needs of incubating programs; it's necessary to nurture entrepreneur experiences and incorporating operating expertise; and enhance the regional and global network of business incubation.

This study has been carried out in the situation that incubating industry in Vietnam is new and emerging; so hopefully it can be an useful reference materials for any scholars, investors or anyone want to understand more about Vietnamese SMEs and BIs. However, because of lack of statistics number and a short period of incubating, the thesis may not dig deeply the effectiveness of incubating industry in Vietnam. Further studies of effectiveness of business incubation are encouraged to bring a clearer view for readers.

¹ (Van, VN ranks 16th among top emerging world markets, 2010). The emerging economies take up 4 out of top 5 places in terms of optimism, including Chile with 85%, Việt Nam 72%, India 71%, and Brazil 71%.

² (Korean Economy Remains World's 15th Largest). Korea's economy reached 11th in the worldwide rankings in 2003, but had backslid since then to 12th in 2004, 13th in 2005, 14th in 2006 and 2007, and 15th in 2008.

³ (Database World Development Indicators, 2010)

⁴ (Vietnam's SMEs: Getting By With Little Help , 2010). According to Mrs. Pham Thi Thu Hang, Director of SME Support Centre-Vietnam Chamber of Commerce and Industry (VCCI), SMEs are also responsible for two-thirds of non-agricultural employment.

⁵ Other awards are Graduate Business of the Year 2007 (BIIA - Australia) Charles Sandford Woodturning Pty Ltd; Tenant Business of the Year 2007 (BIIA - Australia) Gourmet Lovers Pty Ltd; Graduate of the Year 2005 (BIIA- Australia) Practical Ecology Pty Ltd; Innovation Award 2005 (BIIA - Australia); Graduate Business of the Year 2004 (BIIA - Australia)Metropolitan Tree Growers Pty Ltd; Minister's Award for Outstanding Achievement (National Incubator of the Year) 2001. (BIIA- Australia); Highly Commended Award 2000 (BIIA - Australia).

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Mailing Address	No 310, A17 Building, 17 Ta Quang Buu Str., Hai Ba Trung ward, Hanoi, Vietnam				
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