ENTREPRENEURSHIP IN THE STREET FOOD SECTOR OF VIETNAM – ASSESSMENT OF PSYCHOLOGICAL SUCCESS
AND FAILURE FACTORS

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Entrepreneurship in the Street Food sector of Vietnam – Assessment of Psychological

Success and Failure Factors*

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We tested the hypothesis that process characteristics of action strategies were related to entrepreneurial success in micro-businesses in the urban informal sector of Vietnam. The process characteristics were divided into four strategies: critical point planning, complete planning, opportunistic, and reactive. Success was defined as a combination of economic and subjective measures. A survey was done in Hue and Hanoi (Vietnam) among 102 street food vendors. With 62 vendors of this sample we held in-depth interviews, which were used to test our hypotheses. The results showed that seventy percent of the business owners did not plan much. Opportunistic and planning strategies were most highly related to success, and a reactive strategy was related to failure. The latter replicates other studies in other developing countries.

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Introduction

Micro- and small-scale businesses have a major influence on the economy of a country, be it for the mere reason that they create jobs and provide an income for the population (Parker 1996). In Vietnam, the practice in the small-businesses determines to a large extent how well average families live (what goes on in the village or city market). An important part of the urban informal micro-businesses is the street food sector. Not much is known of the entrepreneurial activities of Vietnamese micro-business owners in the street food sector. Most of the businesses in this sector are not formalized and are, therefore, outside regulations and outside protection by the government. Nearly all participants of this important micro-economic sector are women (O'Harrow 1995). The Vietnamese economy depends heavily on these micro-businesses. To improve the socio-economic position of women that

work in the urban informal sector it is important to know how they do their work and what makes them successful. This is important not only for the whole sector, but also for the individuals who operate in it. We studied individuals in Vietnam who were founders and owner of businesses and who did the daily management.

We hypothesize with Frese and De Kruif (2000) that the actions and action strategies of business owners lead to success (or failure). They suggest the following process characteristics of strategies (conform also Frese, Van Gelderen, and Ombach 2000; Van Gelderen, Frese, and Thurik 2000): Complete planning strategy, Critical point strategy, Opportunistic strategy and a Reactive strategy. The strategies can be differentiated according to the amount of pre-planning that owners do before they act on achieving a goal and the amount of proactivity, that is how much they think and actively deal with potential opportunities. Someone who uses pre-planning plans ahead and actively structures the situation. This strategy implies a comprehensive representation of the work process, a long time frame to plan ahead, a large inventory of signals, clear knowledge and anticipation of error situations and a proactive orientation. This may take the form of a fairly comprehensive plan or the form of a critical point strategy. The latter starts out with the most difficult and most important point and plans for this one, but does not pre-plan all other issues. Only after solving the first critical point, further steps are taken – it can be conceptualized as main-issue-planning. Both types of pre-planning have clear goals and people who use this strategy are able to concentrate on the main tasks. An opportunistic strategy is characterized by a high degree of scanning for environmental opportunities. This strategy has the advantage to actively recognize and make use of opportunities. However, the disadvantage of this strategy is the instability. Planning helps to stabilize one's goal pursuit. For opportunistic planners, it happens all too often, that new opportunities are taken, without continuing on with current plans and endeavors. Thus, continuous learning about one sector, improving one's services

and products for example is in constant jeopardy with this strategy. The Reactive strategy is also a non-planning strategy, like the Opportunistic strategy. In contrast however, it does not take a proactive stance. This strategy is driven by the situation: one does not plan, is not goal oriented, and is driven by immediate situational demands without influencing them.

These strategies vary in their relationships with success. However, there is one quite general finding in the literature. A reactive strategy is negatively correlated to success in all studies done in this area (Frese 2000; Frese, Brantjes, and Hoorn 2002; Frese, Krauss, Keith, Escher, Grabarkiewicz, and Unger 2005). It is not quite so clear, whether an opportunistic strategy is successful or not. It has been shown to be successful in Zambia – which may be similar to Vietnam in terms of an unstructured business environment with strong Manchester capitalism elements (Keyser, De Kruif, and Frese 2000). We assume, therefore, that both a pre-planning strategy as well as an opportunistic strategy may be related to success.

Urban informal sector in Vietnam: street food

The number of private street food stalls in Vietnam has grown extremely rapid since 1986 when the trade was liberalized. Before 1986, all food stalls in Vietnam were state-owned. An increasing number of urban households in South-East Asia became dependent on the informal sector for a livelihood or for additional income after the financial crisis in 1998 (Tran 2000). We define the street food sector as stalls that sell ready-to-eat foods and beverages prepared and/or sold in the open air in streets and other public places. The typical socio-economic organization form of street food is that of a household enterprise. Food preparation and sales are often done by the same person or by members of the same household. One can distinguish different categories of street food vendors:

Vendors who operate from fixed spots at strategic locations. These locations are usually popular spots such as marketplaces, busy street corners. These businesses can be

classified as *stationary*. There are also vendors who prepare and sell their foods at home. This type of street food can be classified as *residential.* Some vendors prepare their foods at home and sell it throughout the city. They move from place to place, usually by bike or on foot, recommending their goods. Their businesses can be classified as *ambulatory.*

Street food is consumed by large segments of the urban population, especially the poor segments, because the food items are often relatively cheap. Street foods are also referred to as common people's food. It is especially important for low-income groups in the urban community that do not have the time and/or resources to prepare their own meals.

The Ministry of Health estimated that by 1991, 99 percent of the 55000 food stalls in Hanoi were privately owned. Privatization of the sector led to more consumer-oriented food supply, but at the same time problems of low-quality and unsafe food have increased (FAO 1992).

Women generally take up occupations that require traditional cooking and sewing skills, such as food vending (ILO 1999) and they, therefore, dominate this sector. In addition, the street food sector allows the women to work close to home, flexible working hours, easy entry and exit and low skill requirements. Not only do women form the overwhelming majority of all active merchants in the country, they also constitute the mass of the consumers (O'Harrow 1995).

Psychological contributions are rather rare in studies on entrepreneurs in developing countries. To our knowledge, this is the first scientific study that looks at psychological predictors of success in the small business sector in Vietnam.

Method

Surveys were done in Hue and Hanoi in 2000. Geographical spreading as well as time (morning, noon, evening) and type of business (ambulatory, stationary and residential) were

taken into account to get a representative sample of the street food population. Some characteristics of our samples in Hue and Hanoi are presented in table 1. Some of the differences between Hue and Hanoi are significant. Therefore, we used the location as one of the controls in our analysis. From the sample of 102 street vendors, we interviewed 62 in addition to giving them a survey. It is these 62 participants who constitute the sample for this study. Because there seemed to be substantial differences between the characteristics of the two samples, we tested whether these were significant.

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Table 1 about here

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Interview procedures

The help of interpreters was used to conduct the interviews, so the interviews were done in Vietnamese and then translated to the interviewer into English. The interviews were done on the street, while the vendors usually continued to do their work.

The interviews were structured and consisted of two parts: a baseline interview on demographic characteristics and an in-depth interview on the process characteristics of actions strategies. The answers were written down as detailed as possible and coded by the interviewers.

Definition of model and outcome measures

The process characteristics of action strategies (planning, opportunistic, and reactive) were coded after the in-depth part of the interview (based on Frese, Krauss, Keith, Escher, Grabarkiewicz, and Unger 2005). The procedure was as follows: The participants were presented with six common business goals, such as show initiative, new marketing strategies,

improve (based on Frese, Krauss, Keith, Escher, Grabarkiewicz, and Unger 2005). The participant ranked the goals in order of importance and they were then asked to describe their most important goals in more detail. This leads to a more concrete and personal description of their goals, often in terms of sub-goals. The six common goals were not important as such. The interpretation and formulation of the sub-goals by the vendor gave the key-information. After the description of the sub-goals the interviewer then asked what the participant did to achieve these sub-goals and what she had already done about it. The interviewers were supposed to be able to judge from the answers how much planning and pro-activeness existed. When there was enough information for the interviewer to code which strategy was used by the participant, it was coded. If the information was not good enough yet, the participant was asked to describe an extra goal and the procedure was repeated. For the analysis we decided to combine the critical point planners and complete planners into one overall planning category because they were difficult to distinguish.

Success was defined as a combination of subjective and economic factors (similar to Frese, Krauss, and Friedrich 2000). Subjective success was measured by the vendor's perceived success of the business, satisfaction with work and satisfaction with income (rated on a 5 or 7-point likert scale). Economic success was measured by Productivity, Continuity, Capital and Growth. Productivity intended to measure the average profit per hour. It was calculated per hour because the working hours differed quite a lot per vendor. It was calculated by three measures: total sales (on an average day), total costs (on an average day) and working hours in street food (per day). Continuity intended to look further than the profit of the day: does a vendor break even over a year or do the high-income periods not weigh up to the low-income periods? It was calculated by the percentage of fixed clients, the profit and duration of high, normal and low-income periods (in months a year). The capital submeasure measured the financial capacity of the business. It was calculated by the value of the business

and monthly costs. Because these monthly costs, such as electricity and gas, were usually intertwined with domestic costs, it was corrected for the importance of the street food income in the family. Growth intended to measure mainly financial types of growth. Vendors were asked whether their customers, turnover, profit and input costs and overall success had increased, decreased or stayed the same compared to last year. Street food vendors did not keep written business records and sometimes they did not even calculate their profit. For this reason and based on a post-hoc analysis continuity and capital were excluded from analysis.

Results

The results in Table 2 show, that the strategies were evenly divided among the types of business. The majority of the street food vendors did not use a planning strategy (69 percent).

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Table 2 about here

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We hypothesized that an active strategy is more successful than a reactive strategy. To determine possible control variables for our regression model, we tested a number of correlations. There are significant correlations between the age of the respondent and the type of business ($r=0.27, p=0.04$) and age of business ($r=0.59, p=0.001$). This can be explained by the fact that older people have been in business longer and have developed a more stable business. Education correlates with the age of the respondent ($r=-0.26, p=0.04$) and the place of business ($r=0.53, p=0.001$). This can imply that the younger generation had more educational opportunities than the older vendors, and that the educational opportunities were better in Hanoi compared to Hue. These measures did not correlate significantly with success and type of strategy. However, we chose to include age of business and the place of business as control variables in our regression model.

In our regression model we tested the strategies with two dummy-variables. In dummy 1 the opportunistic strategy was coded 1 and all others strategies 0 and in dummy 2 the planning strategy was coded 1 and all others 0. This allowed us, within a regression analysis of both dummies, to test the opportunistic and planning strategy against the reactive strategy. The results are depicted in table three.

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Table 3 about here

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Table 3 shows that both strategies (opportunistic and planning) were more successful than the reactive strategy. When we run the regression model with the two types of success separately, the economic success measure shows the same characteristics as the overall success measure.

Discussion

We hypothesized that a reactive strategy is the least successful in the street food sector of Vietnam. This was confirmed: the reactive strategy scored significantly lower on success. The majority of the street food vendors (69 percent) did not plan. This may be explained by a selection bias because the planners may not stay long in the street food sector, but leave it to start a small restaurant. Seventy percent of the vendors had the desire to grow their business, but nearly all said that they were not to accomplish this goal because their environment was not supportive. The vendors have limited space to sell their products and the ambulatory vendors need to carry their business. Most of the businesses are illegal and suffer from police harassment. Even if they pay some kind of fee, it is still uncertain whether they are allowed to operate. The weather also has a major impact on the daily success of a business.

The two most successful strategies were planning and opportunistic strategies. In contrast to some African findings (Frese, Brantjes, and Hoorn 2002; Frese, Krauss, Keith, Escher, Grabarkiewicz, and Unger 2005), it seems that an opportunistic approach does not carry negative effects for street food vendors in Vietnam. This is similar to findings in Zambia (Keyser, DeKruif, and Frese 2000). Possibly, when vendors plan well and actively search for possibilities on a day-to-day basis, they are less likely to get frustrated by the difficulties of their trade.

Limitations and strengths

There are some limitations to this study. An important one is that the interviews had to be held on the street. This implied a time limit (we had to ask and maintain the attention of people who were busy doing business) and it was often quite crowded and noisy. A second limitation was the involvement of interpreters. The interpreters were non-native English speakers and it was difficult to prevent an interpreter-bias. Another limitation is that we had to rely on the participants and their memories for success. None of them kept written business records. Finally, it is possible that the different cultural predispositions between the interviewers and participants have influenced the results.

Strength of the study is the psychological approach. By studying psychological aspects of success and failure in informal micro-businesses in Vietnam, the position of these entrepreneurs, mostly women, can be improved. The information provided by this study can help in formulating possible interventions that for instance aim at empowerment and training.

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Tables

Table 1
Demographic Characteristics of the Street Food Sample in Hue and Hanoi

Sample characteristics	Hue (*n*= 60)		Hanoi (*n*= 42)		*T value (df) or Z value*	*Sig.*
	Mean	*SD*	*Mean*	*SD*		
Age (years) [a]	42.85	12.47	39.22	11.20	1.53 (100)	.130
Education (years) [a]	5.17	3.38	8.90	3.05	-5.72 (100)	.001[**]
Price of product (VND) [a]	1500	1300	2750	1250	-4.81 (100)	.001[**]
Working hours (hours a day) [b]	8.91	3.15	9.06	4.00	-.02	.986
Age of business (years) [b]	12.16	10.86	9.38	9.34	-1.32	.187
Importance in family income (percent) [b]	69.58	26.49	76.37	22.76	-1.55	.120
Total sales (VND a day) [b]	110500	73400	173500	111700	-2.96	.003[*]
Total costs (VND a day) [b]	86200	59700	126800	86800	-2.32	.020[*]
Value added (VND) [b]	24400	21200	51100	46600	-4.09	.001[**]
Value added (percent) [b]	23.05	10.09	30.27	18.67	-1.76	.079

a: Independent Sample T-test, b: Mann-Whitney U Test,
* significant at 0.05 level, ** significant at 0.01 level

Table 2
Distribution of Entrepreneurial Strategies over Type of Business

Type of business	Business strategy		
	Reactive	Opportunistic	Planning
Ambulatory business	6	4	3
Stationary business	10	10	9
Residential business	7	4	6
Total	23 (39 percent)	18 (30.5 percent)	18 (30.5 percent)

Table 3
Regression Analysis on the Relationship between
Entrepreneurial Strategies and Success

Model	$R^2 = .217$	B	Std. Error	Beta	T	Sig.
Constant		36.87	9.66		3.82	.001**
Dummy 1		19.65	5.57	.52	3.53	.001**
Dummy 2		11.07	5.46	.30	2.03	.048*
Place of Interview		4.28	4.80	.12	.89	.377
Years in Business		0.03	.27	.01	.10	.922

Dummy 1 = Reactive versus Opportunistic strategy
Dummy 2 = Reactive versus Planning strategy
Dependent Variable: Success