

SUMMARY OF RESEARCH REPORT 4

MOTIVATORS AND BARRIERS FOR WATER ENTERPRISES IN VIETNAM



JULY 2015

This summary presents key findings of research into the motivators, traits and challenges met by small-scale water enterprises in the Mekong area in Vietnam.

Small-scale enterprises play an emerging and important role in supporting increased access to water services in Vietnam and elsewhere. While studies have been undertaken to examine the impact that small-scale enterprises have in the sector, little is known about what motivates them to become involved in service provision for the poor, their entrepreneurial and pro-social traits, or what they see as the key factors that support and hinder their viability and business success.

This study was undertaken by the Institute for Sustainable Futures, University of Technology Sydney, in partnership with the Centre for Natural Resources and Environmental Studies (CRES), Vietnam National University and East Meets West (EMW). It drew on literature in the fields of small-scale enterprises, entrepreneurship and social entrepreneurship and examined water enterprises in the provinces of Tien Giang, Dong Thap, Long An,

An Giang, and Ben Tre, in the Mekong area. It investigated the motivations and drivers of these enterprises, and the barriers to their entry into the sector.

STUDY PURPOSE AND METHODS

The purpose of this study was to explore enterprise motivators and drivers of water enterprises and to provide insights into how these may be best harnessed and supported by development agencies and governments. It provides evidence on the key real and perceived 'barriers to entry' and business risks within Vietnam's culture and regulatory environment. This predominantly qualitative study involved structured interviews with female and males involved in leading or managing 20 existing water enterprises. As a part of the study, the opportunities for, and constraints on, women's participation in enterprise development were also examined.

The research tools were based on the literature and previous research on the



Researchers conducting interview with water enterprise

political economy of enterprise engagement in water services in Vietnam. An analytical framework guided the analysis process to identify entrepreneurial traits and the most important factors influencing enterprise success. Qualitative responses were categorised into relevant themes (allowing quantitative analysis of their recurrence) and illustrative quotes were used to highlight common and atypical perspectives.

ENTERPRISE CHARACTERISTICS

Water enterprise leaders interviewed (n = 20) were predominantly male, of the Kinh ethnic group and aged between 45 and 65. The majority had completed high school and acquired skills to run the water enterprise through short courses. Almost all respondents had previous work experience of up to ten years, the majority of which was in the public sector. Most water enterprise leaders also had another occupation concurrent to their role in the water enterprise although most said they spent more of their work time (60% or more) on the water enterprise than on their side job.

The enterprises were predominantly small businesses with a workforce of one to ten employees located in rural areas, with more than ten years of operation. Most enterprises had three areas or departments: management, administration and operations. Most of these departments had between one to five employees. Most enterprises had staff that

had completed senior high school and more than half had staff with a bachelor's degree, but none had staff with a master's degree.

In terms of their service area, almost all enterprises served five or less communes, and all served both households and institutions. The number of households served by each enterprise ranged from less than 2,000 up to 12,500, although more than half served 2,000 households or less. The number of institutions served by each enterprise ranged from less than 2,000 up to 13,500, although more than half served less than 2,000 institutions. Almost all the enterprises produced less than 2,500 m³ of water per day, and the majority had an average water consumption of up to 10 m³/household/month, and water losses of up to 40%.

Concerning their finances, enterprises relied predominantly on family investment or bank loans as the source of business capital investment. Water tariffs ranged from 4,000 VND/m³ (USD 0.18/m³) to 10,000 VND/m³ (USD 0.46/m³), although the vast majority charged between 4,000 VND/m³ (USD 0.18/m³) and 8,000 VND/m³ (USD 0.37/m³), and only a small proportion charged more than this. The cost of water connection services ranged from below VND 500,000 (USD 23) to VND 2,000,000 (USD 92), although the majority of the enterprises charged less than VND 1,000,000 (USD 46).

PROFILE OF THE WATER ENTERPRISE LEADERS

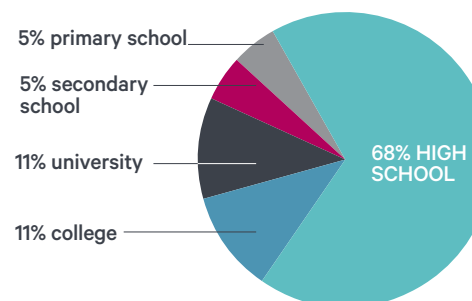
GENDER



AGE



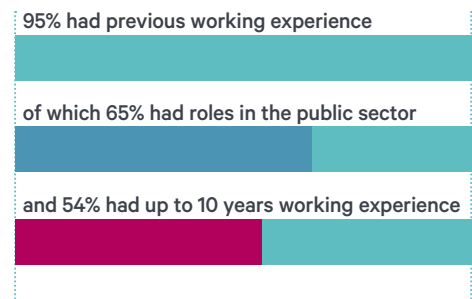
EDUCATION LEVEL



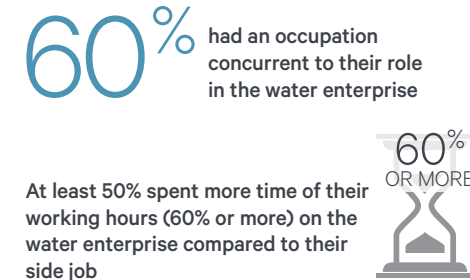
SOURCE OF SKILLS TO RUN A WATER ENTERPRISE



PREVIOUS WORK EXPERIENCE



OTHER CONCURRENT JOB (SIDE-JOB)



PROFILE OF THE WATER ENTERPRISE

LOCATION

90% located in rural areas

YEARS IN OPERATION

60% had been in operation for more than ten years

SOURCE OF CAPITAL

Family investment (60%)

Bank loans (35%)

Personal savings (30%)

Third-party investment (10%)

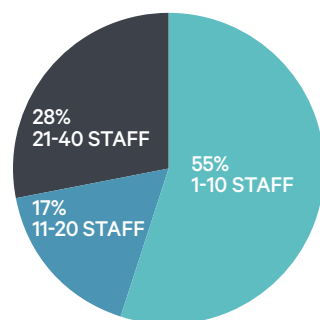
MARKETING METHODS

80% word of mouth and direct selling

8% government staff

4% radio

STAFF NUMBER & COMPOSITION



45% employed only full-time staff

35% employed both full-time and part-time staff

ONE employed only part-time staff

60% structured into three areas or departments: management, administration and operations.

LEVEL OF EDUCATION OF THE STAFF

70% had staff that had completed senior high school

55% had staff with a bachelor degree

35% had staff that had completed lower levels of qualification such as college, technical qualification, junior high school, or elementary school.

SIDE JOB OF THE STAFF

AT LEAST 45% had staff with side jobs.

ASSOCIATION MEMBERSHIP

10% were members of a water or business related association

CUSTOMER BASE

95% served five or less communes, with an outlier that served 17 communes.



12 enterprises served less than 2000 households

7 enterprises served between 2,000 and 6,000 households

1 enterprise served up to 12,500 households



13 enterprises served less than 2000 institutions

5 enterprises served between 2,000 and 6,000 institutions

5 enterprises served up to 13,500 institutions

PRODUCTION CAPACITY

95% produced less than 2,500 m³/day



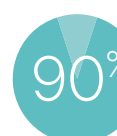
ONE produced 28,000 m³/day.

WATER CONSUMPTION



76% up to 10 m³/household/month

WATER LOSSES



WATER TARIFFS

5% charged between 8,000 VND/m³ (USD 0.37/m³) and 10,000 VND/m³ (USD 0.46/m³).

45% charged between 6,000 VND/m³ (USD 0.28/m³) up and 8,000 VND/m³ (USD 0.37/m³)

50% charged between 4,000 VND/m³ (USD 0.18/m³) and 6,000 VND/m³ (USD 0.28/m³)

WATER CONNECTION FEES

26% charged between VND 1M (USD 46) & 1.5M VND (USD 67)



5% charged between 1.5M VND (USD 67) & 2M VND (USD 92)

69% charged less than VND 1M (USD 46)

KEY FINDINGS

Entrepreneurial traits: Of the five entrepreneurial traits reported in the literature as characterising successful entrepreneurs, four were found amongst respondents, including proactiveness, need for achievement, innovativeness, and risk-taking. Leaders of successful enterprises tended to demonstrate a larger number of traits than leaders of unsuccessful enterprises. In particular respondents who led successful enterprises demonstrated a greater presence of need for achievement and proactiveness than other traits. Amongst leaders of highly successful enterprises and those with some success, need for achievement and proactiveness were more strongly present than other traits. Although these two traits were also present amongst leaders of unsuccessful enterprises, risk-taking was only evident amongst leaders of successful enterprises.

Pro-social traits and other motivations:

Overall, entrepreneurs demonstrated a sense of social responsibility and the fact that all enterprises served poor and informal communities supports this. Further, a positive relationship was found between higher levels of pro-social traits and the percentage of low-income customers served by the enterprise. Interestingly, leaders of unsuccessful enterprises tended to demonstrate weaker pro-social traits than leaders of successful enterprises.

A range of factors underpinned a sense of social responsibility. In some cases entrepreneurs were intrinsically motivated through, for example, feelings of self-satisfaction in helping, religious beliefs, and a sense of empathy and compassion for the poor. In other cases, the

underlying motive appeared to be extrinsic and related to the entrepreneurs' past or concurrent jobs if these were aligned with the objectives of the water enterprise. This was the case for five respondents who in the past had worked for government agencies that had a role in water service provision.

Beyond pro-social goals, a broad range of motivations and benefits for the respondents were also evident. Reported benefits to respondents and other enterprise staff included: increased status and acknowledgement, lifestyle and time flexibility offered by the water enterprise job as well as the opportunity to acquire new skills, knowledge and experience. In addition, other benefits reported in relation to other enterprise staff included profit and the ability to support family income.

Levels of success: The majority (60%) of the water enterprises were considered to be successful, in terms of their growth, profit, asset accumulation and future directions. One-third of these were highly successful. Most of the enterprises (74%) had observed some profit after establishment, 11% had not made any profit after three years of operation and only a minority (5%) declined after this same period.

Measures such as the monthly revenue, monthly profit, and annual average of accumulated assets provided an indication of business financial success. Significant variations were observed for each of these variables, although the majority of the enterprises reported values within the lower ranges of reported intervals.

SUMMARY OF SUCCESS AND ENTREPRENEURIAL AND PRO-SOCIAL TRAITS

Level of success	<p>20% achieved high success, 40% achieved some success, and 40% were unsuccessful.</p> <p>Monthly revenue ranged from less than VND 25 million (USD 1,146) up to VND 125 million (USD 5,730). 40% reported this was lower than VND 25 million (USD 1,146), 15% reported this was between VND 25 million (USD 1,146) and VND 50 million (USD 2,292), and 5% reported this was higher than VND 100 million (USD 4,586).</p> <p>Annual average of accumulated assets ranged from less than VND 150 million (USD 6,879) up to between 800 million (USD 36,672) and VND 2.5 billion (USD 1,146,500). 47% reported this to be VND 150 million (USD 6,879) or below, and only a small proportion (11%) reported this to be above 800 million (USD 36,672).</p>
Entrepreneurial traits	<p>Leaders of successful enterprises tended to demonstrate a larger number of traits than leaders of unsuccessful enterprises.</p> <p>Respondents leading successful enterprises demonstrated a greater presence of need for achievement and proactiveness than other traits. Further, risk-taking was only evident amongst leaders of successful enterprises.</p>
Pro-social traits	<p>45% demonstrated stronger pro-social traits, 40% demonstrated medium pro-social traits, and 15% demonstrated weaker pro-social traits.</p> <p>Leaders of successful enterprises tended to demonstrate stronger pro-social traits than leaders of unsuccessful enterprises.</p>
Services for the poor	<p>All enterprises served poor and informal communities and higher levels of pro-social traits corresponded to higher percentages of low-income customers served by the enterprises.</p>



I have compassion for local people who haven't got enough clean water to use.

– Water enterprise leader

Relationship between success and enterprise characteristics:

Greater previous experience in the private sector was found amongst leaders of successful enterprises than amongst leaders of unsuccessful enterprises, whose previous experience had been predominantly in the public sector. Age of the leader was also a factor, with younger enterprise leaders demonstrating greater success, and older leaders less success. Findings also revealed that enterprises with higher levels of success were larger, with more staff and more customers than unsuccessful ones. Importantly, higher levels of average water consumption from customers were found amongst enterprises with higher levels of success. Likewise, higher water tariffs and water connection fees were found amongst enterprises with higher levels of success.

Factors affecting success: Respondents' perceptions of what characterises a successful water enterprise leader and success factors of the water enterprise emphasised personality traits. Reported important personality traits for success included: enthusiasm, passion and self-

motivation, thoroughness and meticulousness, commitment, being hardworking, and having pro-social motivations.

Of the contextual factors that can affect business success, respondents reported that operational aspects were the most challenging (38%), including high cost of materials and equipment, and high fixed expenses (e.g. high-energy costs, high maintenance and repair costs, and management of water storage). Respondents also highlighted financial challenges (18%) and access to market challenges (14%). Financial challenges included high interest rates for bank loans, official taxes, difficulties in meeting bank loan requirements, limited access to banking services, cost recovery challenges and customers' late payments. Access to market challenges included high levels of competition, unfavourable location and insufficient sales. A smaller proportion of respondents also emphasised human resource challenges (10%) and government and legal challenges (5%). These included difficulties in finding staff with the right skills, limited access to technical and

business knowledge and skills, and unclear government legislation or lack of legislation.

In contrast, in response to an open-ended question concerning business success factors, respondents emphasised access to market factors as the most important. In particular, high levels of competition, unfavourable location and insufficient sales were the most commonly reported market-related challenges. Respondents also highlighted other factors, including government support and regulation, human resources and operational aspects. Amongst these, the most commonly reported included: access to training opportunities, support from local government, and access to water resources of appropriate quantity and quality.

Comparison of enterprise success with enterprise characteristics revealed that enterprises with higher levels of success had higher average water consumption and that unsuccessful enterprises tended to charge lower water tariffs.

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The piping system is relatively old, causes high repair and operating costs, and leads to huge water losses which means low profit. The pipeline system runs under the roads. Whenever they widen or repair the road, it affects the pipeline system, and causes displacement or breakage, water loss and increases repair costs.

– Water enterprise leader

FIGURE 1 TYPES OF REPORTED CONTEXTUAL CHALLENGES

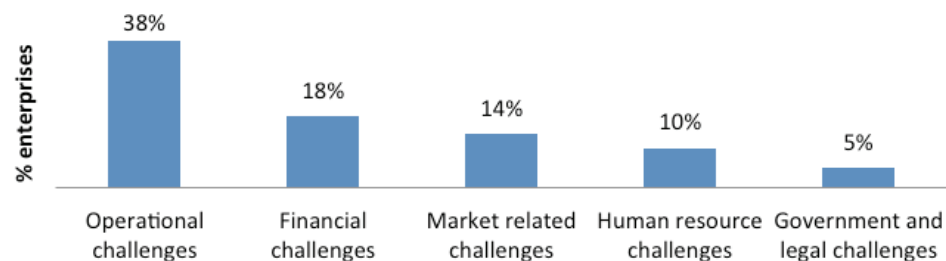
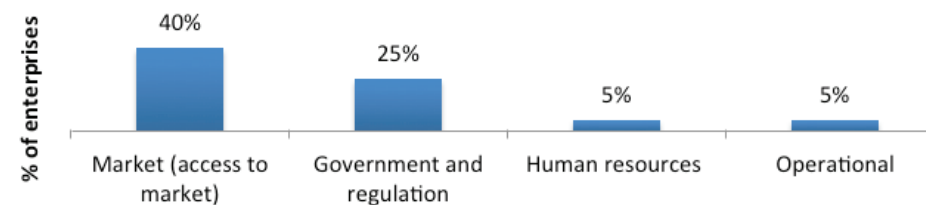


FIGURE 2 TYPES OF REPORTED SUCCESS FACTORS



84%

perceived that it is easy for women to become entrepreneurs in Vietnam and to become involved in water enterprise in a paid capacity

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Women have good emotional intelligence in business, they are friendly and patient.

– Male water enterprise leader

Gender dimensions of success: It was found that female entrepreneurs achieved lower levels of success than male entrepreneurs. Nevertheless, the great majority of the respondents (84%) perceived that it is easy for women to become entrepreneurs in Vietnam and to become involved in water enterprise in a paid capacity. This dominant perception was underpinned by other perceptions or beliefs. These included: the perception that there are many examples of women running businesses, the belief that women's personalities and natural skills are better suited for business management activities than men's, and that women are as capable as men to run a business or a water enterprise.

Cultural influences on enterprises: The literature suggests that the level of support for self-employment and entrepreneurial behaviour within the family, community

and wider country context are important in determining entrepreneurial success.

The majority of the respondents (90% or above) perceived their roles as water enterprise leaders to be respected within their communities and self-employment to be highly valued in Vietnam. More than half of the respondents (56%) also perceived that business innovators had some status in Vietnam. In contrast, the majority of the respondents (more than 60%) didn't perceive business risk-taking to be valued within their families and communities, or within Vietnam.

CONCLUSION

This study examined the motivators, drivers and barriers influencing small-scale enterprise roles in water services in Vietnam. In particular, it provides insight into the entrepreneurial traits and motivations of these enterprises, including pro-social motivations, as well as their challenges. The majority of the water enterprises were considered to be successful, in that most had returned some profit after establishment, and only a minority had their profit decline after three years of operation. There was a predominant perception that it was easy for women to become entrepreneurs in Vietnam and obtain paid roles in a water enterprises, however it should be noted that the majority of enterprise leaders in the sample were male.

Characteristics of the enterprise leader influenced success. The most important of these characteristics were: their entrepreneurial and pro-social traits, their age and the sector of their previous work experience. Respondents who led

successful enterprises tended to have a higher number of entrepreneurial traits and demonstrated higher risk-taking propensity, as well as a higher need for achievement and proactiveness. In addition, leaders of successful enterprises also tended to have a stronger sense of social responsibility. Finally, successful enterprises were predominantly led by younger respondents with previous experience in the private sector.

Characteristics of the enterprise itself also influenced business success, and some key challenges and success factors were found to shape success. Overall, successful enterprises tended to have more staff, higher levels of water consumption from customers, higher water tariffs and higher water connection fees. Across the sample, operational and financial challenges were the most pronounced challenges, and respondents identified the most important success factors to be market access and competition.

Respondents exhibited varied drivers for joining a water enterprise. A common motivation was a sense of social responsibility. Other motivations included financial gains, status and acknowledgement from the community, lifestyle benefits including time flexibility offered by the water enterprise job, and the opportunity to develop new skills, knowledge and experience. Cultural values associated with entrepreneurship were also noted. Whilst many respondents noted that working in a water enterprise was respected, and that self-employment and business innovation were culturally valued, business risk-taking was not.

This study provides useful insights for efforts to support policy development and improvements in practice concerning enterprises roles in water services in Vietnam. In particular, recognising the presence of entrepreneurial traits amongst potential enterprise leaders can assist in the recruitment of appropriate candidates and in the targeting of support and training in the sector. Equally, understanding the pro-social motivations of these entrepreneurs opens up a wider range of possible business models and forms of support for water service enterprises. Finally, knowledge of the key challenges faced by enterprises, and the cultural values associated with entrepreneurship, provides guidance to both government and external agencies on where they should focus their attention to facilitate effective enterprise roles.

— This summary report draws from the following technical report: Murta, J., Gero, A., Willetts, J. (2015) *Motivators and barriers for water enterprises in Vietnam*, Enterprise in WASH – Research Report 4, Institute for Sustainable Futures, University of Technology Sydney

ENTERPRISE IN WASH

'Enterprise in WASH' is a joint research project led by the Institute for Sustainable Futures (ISF) at the University of Technology Sydney, which investigates the role of private and social enterprises in the delivery of water, sanitation and hygiene (WASH) services for the poor. For other Enterprise in WASH publications, see www.enterpriseinwash.info

Institute for Sustainable Futures

University of Technology Sydney PO Box 123, Broadway, NSW, 2007 www.isf.edu.au

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