



Top 10 reasons for Entrepreneurs go bust in Asia developing countries

First when talking about 'real business', I mean those created by entrepreneurs. I would exclude talking about 2 types 'out of reach':

#1 Monopolistic businesses due to exclusive licenses due to political or family ties.

#2 Multinationals whose funding and horizons are limitless 'here to stay whatever it takes'.

Those do not bear the same risks, stakes and duties as normal business ie. being profitable over the short or medium term.



#10 Personal circumstances and health: when you have a family, Vietnam is not the easiest place for teenagers or expat women, activities are scarce and you miss your friends and family back home. Tension settles leading to homesickness, depressions or divorces. At times, a serious illness may take you back home where it can be treated properly over a long period of time.

[A good health insurance](#) helps you get and pay for any expensive treatment in a country nearby like Thailand or Singapore, and continue to run your business while you recover. Getting the best possible treatment is a guarantee you are cured to the best world-class practice but also you are quickly back to your family, colleagues and business.

#9 Lack of fund financing: there are many reasons for lacking money as hidden cost of corruption not accounted for in your business plan, costly hires for skills not existing in

Vietnam, growth needing working capital or additional investment, new regulations compliance, but the main difference IN VIETNAM YOU HAVE NO ACCESS TO A BUSINESS LOAN, if you do not own the land or the building.

At least [Export Credit insurance](#) can protect your cash flow against clients failing to pay your shipment.

#8 Unforeseen Global events: Vietnam is a small developing country, the only communist left, fairly independent in their decisions; it can be affected by frontier closure, ban of nationals, sudden restrictive laws or new heavy taxes. In developing countries, you may see opportunities in lack of regulations and laws, when it is just a question of time when the restrictive laws or prohibitive taxes are voted on. In Vietnam particularly, the government is not due to comply with international practices as if they are fully integrated and tied to regional countries supra national laws. Not talking about SARS, MERS, H1N1, Pig flu, Covid pandemics that seem more and more common.

NOTE: as a developing country, low standards in professional practice can put your company at risk. [Professional liability insurance](#) has been used by the FV Hospitals for their doctors many times over their 10-years existing, but also fund managers, travel agents, medical doctors, auditing firms.

#7 Your Vietnamese partners at-large: your partners in Asia are not really your partners in the sense that they don't know your family, background, experience and culture. But the most important, you do not really know them, their family, where they come from and how they think deep inside. Consider these worse case situations as follows "the ONLY THING THEY WANT is": your wife want you to bring back income for the family, your landlord only wants more rental income, the taxman more tax or 'pocket money', your employee less work for more money, contractors make more profit... Consider they are not your friends/ partners.



#6 New rules, regulations and costs: the laws in Vietnam are in the making and the government is very practical as they have little experience of global development so be prepared. We can remember the ban on wood imports in the late 1990s, limit foreign staff to 5% of total employees, work permits limited to Masters degree holders, new special consumption taxes of 100%, no second-hand machines import, no vaccine distribution by foreign companies...

#5 Local hidden and new costs: sudden import taxes, registering products to ministry, more control stamps, various checks (road, economic, police, taxmen, firemen, sectorial ministry). But also, fire, damages, foods, typhoons having to build part of the missing infrastructures (water treatment, electricity supplies, environmental sudden requests).

NOTE: [Property insurance is now compulsory](#) in public places fairly widely distributed at very competitive prices.

#4 Wild competition: we all have heard/ seen employees becoming competitors, the landlord taking back the location to open the same concept, the guy next door copying the Starbucks coffee (same logo). Why do they struggle? Watch this video to know the reason: <https://www.youtube.com/watch?v=llwyY4BDbfc>



#3 Rogue employees: your business goes well, you have a full team, all is fine until a full department copies your business and creates their own with your clients and your internal knowledge at -30% of the cost. Apart from taxation and social security contributions, you may discover a bit too late that labor laws do not really exist when it comes to protecting companies since recent laws on private companies are just 15 years. Before all companies were State-Owned, communist party managed, no employee would dare doing anything against their almighty employer, namely the government economic police and judges. Today the judges are largely favorable to 'poor' workers against the 'wealthy' business owners. Take the habit of ranking to consider 3 categories as the movie suggests: the good, the bad and the ugly.



NOTE: One way to mitigate this risk has been for some employers to use life-insurance as a retention and loyalty program, saving on taxation of increased salary. The mechanism is simple, the employer would open a [voluntary corporate life & savings insurance plan](#) -income tax deductible- and pay a monthly/ early contribution to a life & disability plan -part of employer's responsibility in case of an early death by accident as workers compensation- under the name of the employee and its beneficiaries. As the years pass, the fund capital builds up into a pension top-up plan that may be available after 5-years or more under the condition the manager leaves on good terms. It can be decided by the employer that the pay-out can be in 4 installments over a 2-years period of non-compete agreement.

#2 Failed or no market study: how many times, we have heard as business model "McDonalds burgers is not in Vietnam yet" or 'Organic veggie home delivery is new in the USA' or 'I made a killing selling branded items at discount in Australia'; Let's be the 1st doing it here and making just \$1/ Vietnamese we will earn \$100Mio next year. Maybe there are not enough people to pay for what you offer so you can be profitable. Stealing and abusing the system is part of this failure at understanding the market and 'potential clients': Wisepass, Wefit, Leflair, buffet dinners at 4-5* hotels, membership passes at clinics, car insurers burnt their fingers... unfortunately more 'entrepreneurs' and financiers are lining up to lose money.

#1 Timing too early or too late is the deadliest mistake: your business idea is excellent... but not now for Vietnam. Leflair, McDonald's, Hertz, cyber security business, Club Med, Remixdeco, specialty beers, craft breweries... are good examples of what John Maynard Keynes quote: 'In the long run, we are all dead' when economists or entrepreneurs do not focus on short-term profit.



In brief, on timing:

- Too early: be ready with plenty of cash, patience and time to wait till you make money.
- Right on time: be ready with cash to scale as #4 wild competitors give you ahead just for 6-months+ before copycats are there. Press on the accelerator... always.
- Too late: with technology and Vietnamese business people who have both money and land... as you read your business is doomed.

IN CONCLUSION: No cut-and-paste, learn the local rules.

You are in foreign territory, people and a largely unregulated business environment. If the good side is obvious: plenty of services and products to launch, cheap labour and running costs, huge consumer population.

The bad side shows that the failure rate is still as high as in any country. Now you know a few reasons to avoid failure, take time to learn the new rules and practices in Asia - Vietnam. Review and apply those to your business 4Ps of Marketing and 5 forces of your Porter's strategic analysis.

Wish you success.