

## Book Review

### Learning to Be Capitalists: Entrepreneurs in Vietnam's Transition Economy

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According to Professor Avner Greif's comment (Stanford University), Annette Kim's book "is a thought-provoking work on a cutting-edge issue in institutional analysis, economic development, and sociology. It provides important insights into the process of development and transition." With a view toward determining why countries like Vietnam and China have developed market economies so rapidly, Kim explores the rapid changes that have occurred in Vietnam during the process of transition from a centrally planned economy to one of the fastest-growing market economies in the world. The underlying theme of this book is the emergence of the first generation of entrepreneurs in Vietnam, specifically in Ho Chi Minh City (HCMC). Drawing on years of fieldwork focused on the real estate market in HCMC, Kim suggests that Vietnamese entrepreneurs have emerged as the result of a society-wide reconstruction of cognitive paradigms.

In order to explain how Vietnam, a transitional economy (TE), developed a market economy so quickly, and why there are variations between Vietnam and other economies, Kim suggests that the most useful explanations have, historically, been those theories drawn from the "new institutionalist" literatures in economics, sociology, and political science.

However, she then argues that these literatures "have had problems communicating with one another" (p. 13). Upon conducting a critical review of relevant literature, Kim concludes that "the direction toward new social cognition theory offers a more comprehensive framework to the disjointed combination of new institutionalist theories" (p. 20). Accordingly, Kim employs the social cognition model to explain the emergence of entrepreneurs in HCMC's private housing market, and to make comparisons with Hanoi (Vietnam) as well as with other TEs including Poland and China.

To serve the book's purpose, the author uses a variety of methods. It is evident that, over her years in Vietnam, Kim spent significant time and made an admirable effort to obtain rich data through various research activities, including field visits, observation and interviews. Kim's method of study is presented in detail in the Appendix, providing useful information pertaining to the identification of the study field, selection of the interview cases, and identifying the firms' key economic actions. Kim undertook a rigorous process to select the cases for her study, including 14 in-depth case studies of private land development firms operating in HCMC. These cases included four types of firms, varying in size and productivity: *investor groups*, *professional com-*

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*panies, equitized companies, and foreign joint-ventures.* To gain insight into the key economic actions of these firms - actions which pre-existing behavioral models may not be able to explain or rationalize in any robust sense - Kim employs a multi-perspective approach. In addition to information collected from the case firms themselves, the author also gathered input from key informants associated with land development, such as bankers, land brokers, consulting companies, lawyers, government officials at different levels, and university professors and academics in both Hanoi and HCMC.

In addition to the Introduction and Appendix, the book consists of two main parts: Part I entitled 'The New Entrepreneurs', and Part II entitled 'Institutional Change'. Part I includes two chapters, Chapter 2 and Chapter 3, which examine how the new entrepreneurs emerged in HCMC, and identify those firms that have been successful in the real estate market. In Chapter 2, Annette Miae Kim explores how to become an entrepreneur in real estate, an emerging industry in Vietnam, by both examining the considerable influence the state has had in shaping the land development industry and observing the origin and social position of the first wave of land developers. Interestingly, it seems that the single truest statement about real estate in Vietnam is that "it's all about the land" (p. 34); a huge demand for urban land in Vietnam has been created, while the supply of developable land is constrained by the state's land administration policies and practices. This has produced strong financial incentives to invest in land development ventures.

Annette Miae Kim convincingly demonstrates that immediate networks and political connections are important, but not *determining* factors of being successful entrepreneurs. In order to make development projects happen, the author's empirical findings suggest that "sociability helped individuals to build social networks and political connections needed to

work in a challenging economic environment" (p. 51).

In Chapter 3, the author explores how the new entrepreneurs are able to overcome the challenges facing development projects through an examination of their "key new economic acts" (p. 53) as a project proceeds along the four essential steps involved in developing urban land in HCMC; from finding potential project sites at the first stage to processing the many approvals needed to implement the project at the final one. The findings from this section are quite interesting and useful as they are drawn directly from empirical analyses of the various firm cases. Kim outlines several factors and practices that bear on the success of a project: the important role of different kinds of information obtained from a variety of social networks and institutional arrangements; the power of "the active help of different state and nonstate actors" (p. 69) including intermediaries, government representatives and social institutions to facilitate and complete negotiations in the process of developing projects; the common use of customers' deposits as an important source of financing for the firms' projects - a financing arrangement where "the customers bear most of the development risk" (p.71) while the use of bank loans is limited; and the fact that firms often begin purchasing land prior to the formal approval of a given project, as a common way to reduce the risks associated with waiting to receive formal approval before starting construction.

An interesting section of this chapter pertains to the identification of successful entrepreneurs in the real estate market in HCMC. The empirical findings show that the highly successful and productive firms vary significantly in nature and size. In comparing these successful firms to those who were not successful, key characteristics of successful firms come to light: their transcending "immediate networks" in an effort to branch out; their aggressive investment in research, sales and marketing; and their ability to adapt their prac-

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tices to the realities of the day. The author also suggests that it would be better to integrate concepts of both agency and structure when examining the emergence and particular activities of the entrepreneurs.

It is important to note that, in Part II of the book, the author examines the firms as a group, and not as individual entrepreneurs as in Part I. Part II consists of four chapters, which focus on processes of institutional change. Chapter 4 shows that the emergence of the new entrepreneurs in HCMC has appeared in conjunction with a society-wide cognitive change in the economy.

Drawing from her fieldwork, the author develops the diagram of “Fiscal Socialism” (p. 91), which represents how the real estate market functions and identifies the relationships between the state, firms and consumers. In this system, the state plays a significant role in controlling land development through ownership, urban planning, and permits and approvals. Firms demonstrate high levels of cooperation with each other, and consumers together with the firms are generally willing to bear all of the development risk, financing the firms by buying into the project early in the development process. Kim also illuminates the power struggles among various members of society, who possess with different levels and sources of power, - including local state actors, consumers and farmers. These struggles help to explain the observed changes in firms’ roles and actions.

Chapter 5 introduces the theoretical basis for explaining the emergence and activities of the new entrepreneurs in HCMC: *social cognition theory*. Specifically, the author presents concepts from cognitive development literature such as *vicarious learning*, *attention*, *relationship* and *social structure* to illuminate how the entrepreneurs learned and changed their behaviors. Using convincing arguments, the author suggests that the new social cognition model is better than a static and universal

behavioral model in explaining the entrepreneurial activities of real estate developers in HCMC in particular, and the variation in economic transition outcomes in general.

In Chapter 6, social cognition theory and comparative analyses are employed to explain the puzzle of transition outcomes in HCMC, Hanoi, and other TEs. Interesting conclusions are drawn with respect to the lack of private entrepreneurs in Hanoi, despite the fact that the same policies and legal reforms have been applied across Vietnam. The empirical findings also suggest that the housing markets of HCMC and Warsaw share a number of similarities, despite Vietnam and Poland having very different initial conditions and reform paths. Some important differences between these two markets are also identified, and attributed to the conventional transition economic reforms in Poland. Kim also makes a comparison with China’s private land development industry, finding Chinese “fiscal socialism” system similar to that of HCMC. Major similarities and differences between the two transition cases are discussed. Drawing upon the comparative analyses of four transition cases, Kim suggests that the changes in social cognition in the TEs provide insight into the transition variation in these economies.

The book’s Conclusion indicates that empirical findings from Kim’s study help to answer the important and interesting questions such as why some countries like Vietnam transitioned to the market economy so impressively (notwithstanding persistent debate with respect to the appropriateness of Vietnam’s reforms), and how the private real estate entrepreneurs emerged in HCMC in such a challenging economic environment. The author concludes that everyone in the society, including the entrepreneurs, local bureaucrats, consumers and land holders, altered their way of thinking in a manner that facilitated changes to their world. Social cognition theory’s framework helps explain the process of institutional change, permitting a better understanding of

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Vietnam's transition.

There are several points that would add value to Kim's book. In terms of structure, an additional section outlining future research directions would be ideal. In addition, her treatment of economic transition in China could stand to be developed further. In-depth comparative analysis between HCMC and top-tier cities in China such as Shanghai could be an interesting and important venue for future research.

Since the theoretical framework of social cognition plays an important role in examining the emergence of the first generation of Vietnamese entrepreneurs, much work from sociology literature has been used in this book. It would be interesting and meaningful if the author also employed the entrepreneurship literatures to help explain this important phenomenon. For example, although Kim relates some characteristics of successful and productive entrepreneurs to some key dimensions of *entrepreneurial orientation* (EO) (a central concept in the domain of entrepreneurship), the author does not explicitly examine the concept of EO and its key dimensions, such as risk taking, innovativeness and proactiveness (cf. Rauch et al., 2009). Coulthard (2007) has suggested that EO could be influenced by a range of relationship-based factors, best described as 'relational dynamism'. In his proposed conceptual model, 'relational dynamism' could have a direct and indirect impact on EO (i.e., moderating the relationships between the environment and EO). The concept of 'relational dynamism', or "the speed and ability to use relationships to effect change and how firms scan their environment with a view of identify-

ing opportunities" (Coulthard, 2007; p. 36), is closely tied to 'networking', which has been identified in Kim's book as being key to a firm's operation and ability to develop projects in the real estate industry in Vietnam.

In Vietnam, things have been changing rapidly. The real estate industry is expected to continue to develop at a fast pace for the next 10 to 15 years – perhaps longer. There will be many changes occurring within this industry, and considerable socioeconomic adjustment will accompany this transition process. The changes in TEs such as Vietnam will necessarily present challenges and motivation for further academic investigation. Additional examination of the transformation associated with processes of transition in TEs in general (and in Vietnam in particular) is desirable, in that they may unearth important and interesting implications for both academics and policy makers.

Overall, this book is a result of Annette Miae Kim's hard work, dedication, and perseverance. This volume makes a great contribution to the field of international development, specifically in the context of TEs. The research findings provide insights and important implications for policy makers, which may help them to adjust and enhance their roles in order to contribute more actively to the reform process and the development of TEs. The research approach, the theoretical framework, and the methodologies presented in this book are certainly useful for scholars who are interested in examining the emerging issues in TEs like Vietnam.

## References

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