

**ROLE OF THE UNIVERSITY IN PROMOTING SUSTAINABLE REGIONAL  
ECONOMIC AND SOCIAL DEVELOPMENT: WITH A CASE SPECIFIC  
ASSESSMENT FOR THE NHA TRANG REGION**

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**ABSTRACT**

This paper examines the relationship between the university and its regional context with a focus on the case of Nha Trang University and on its potential service role. While the core roles of universities are to impart knowledge and develop human capital, and to promote knowledge creation, the literature also points to its historic and contemporary responsibility to society through direct and indirect service to the community in its immediate service area. The service role includes analysis of the local economy, social/cultural systems, political and governance systems, physical environment and resource extraction. It also involves training and education outreach, applied research, leadership (e.g., faculty, staff and student participation in stakeholder groups, associations, businesses, government groups and advisory organizations). The paper presents a short description of the relationship of the university to its region in historical context. An interpretive presentation of how the University of Nha Trang could expand and define its regional role and responsibility follows the introductory material. Additional considerations include the role of leadership of the university at the interface of regional institutions and regional economic development, and the establishment of a regional research/outreach and incubation center for promotion of entrepreneurship, fisheries and other resource development initiatives and enterprises.

## **Introduction**

Many of the great universities of Europe and the United States were forged in the early days of the industrial revolution. The history of that period shows how, in addition to education and research, those universities also translated learning and knowledge into efforts that addressed the problems of the emerging industrial cities and thus contributed to the enormous economic and social wealth created as urbanization in the newly industrial cities and their adjoining hinterlands gained the resources that made them the world class centers of higher education they are today. This lore, which dates to the 19<sup>th</sup> Century and even earlier, provokes a view that providing service to the university's local regional community is one of the fundamental tenants of best practice in the creation of new and in the reinvention of old universities. Such service provides the resources and network linkages that enable the university to become both a core node of the local and regional culture and to link it to other non-local cultures and economies. As such it is a major contributor to long term sustainability of the community's economy and society through its education and research programs<sup>1</sup>. This is part of the story about how new elements of the higher education infrastructure of emerging economies of the world can become top tier universities. No where is this more important and the potential any greater for success than in Viet Nam and more specifically in Nha Trang where the fisheries focused college of the past is embarking on a new journey as it becomes the pre-eminent university of the region.

The purpose of this paper is to examine the case of the emerging new University of Nha Trang in Viet Nam and the role it seeks as it pursues its growth and development. More specifically we examine its potential role in contributing to regional economic development. The paper attempts to illustrate how a university, in this case Nha Trang University, can create a business development and assistance center including business incubation to facilitate development and growth of emerging and new companies in the region and in turn regional economic development. A short description of the Mason Enterprise Center is now presented to provide context and a benchmark for the Nha Trang University discussion that follows.

## **The Mason Enterprise Center at George Mason University**

The Mason Enterprise Center (MEC) is a university wide business development and assistance center that is administered by the School of Public Policy at George Mason University reporting directly to the provost and president of the university. It has several missions with the largest and most important being the provision of assistance to small and medium sized businesses (SMEs). Most of these company clients have technology as a core part of their business model because the Northern Virginia part of the U.S. national capital region where MEC is located is one of the largest technology intensive economies in the U.S. (Stough, et. al., 1997). Services provided to SMEs include assistance with

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<sup>1</sup> A more detailed discussion of the university and its historic and contemporary community outreach role appears in a longer version of this paper available at the School of Public Policy, George Mason University. To obtain a copy contact Roger Stough at [rstough@gmu.edu].

business plans; market research, planning and analysis; management development and recruitment; capital formation; technology vetting; training; etc. The MEC also operates several business incubators including a 50-company technology facility, an international incubator and a virtual incubator. These activities are augmented with the operation of four telework centers that serve as pre-incubation programs and specialized business services for women, minority and immigrant owned enterprises. The MEC also operates a 30-center network of small business development centers across the Commonwealth of Virginia with a specialized unit in Arlington, Virginia dealing with foreign trade. This network's effectiveness is amplified by the operation of a procurement and technical assistance statewide network that assists companies in obtaining federal government contracts and/or facilitating linkage of small companies into the supply chain of large federal contracting firms.

MEC was initiated in the late 1980s with a plan to secure funding from federal and state governments to support the delivery of services to businesses in the Northern Virginia region, a large sub-part of the Washington, D.C. (USA) metropolitan region with a population of nearly 5 million. The Northern Virginia part of the region has a population of more than 1 million and several of its counties have some of the highest levels of per capita income and education in the U.S. It is recognized as one of the major information technology intensive regions in the U.S. and many of its businesses have procurement from the federal government as a cornerstone of their business model. MEC evolved in this environment with the acquisition of funding for programs that included small business development centers, procurement and technical assistance and mentor protégé activities. Over its development span of nearly 15 years it also initiated programs in business incubation, telework and a set of internationally orientation activities<sup>2</sup>.

The purpose here is not to focus unduly on the MEC but rather to illustrate the range and scope of activities a business assistance economic development center at a university may provide once fully developed. The MEC is a mature center and thus illustrates the type of programs Nha Trang University might develop over the coming generation. This is important as it provides a benchmark for what the Nha Trang effort might achieve in a generation or so.

### **Nha Trang University and its Regional Context**

The resort city of NhaTrang, in Khanh Hoa Province, has experienced much economic progress relative to other cities in the Central Coast area of Vietnam where there is much potential for economic development and growth. As a major university in the region, NhaTrang University (NTU) is strategically located and well endowed with natural and human resources for taking the lead in regional and national economic and higher education development. Many more students in the coastal region and from the Northern

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<sup>2</sup> A more detailed description of MEC programs appears in a longer version of this paper available at the School of Public Policy, George Mason University. To obtain a copy contact Roger Stough [rstough@gmu.edu]. Also, see the MEC web site [masonenterprisecenter.org]

and Southern parts of Vietnam will come to NTU for their college education, if NTU aggressively pursues academic excellence in major fields, in addition to fisheries.

As the Vietnamese economy continues to grow at a high rate (above 7.5 % annually over the past decade), a substantial number of additional trained specialists and managers and skilled workers will be needed in many fields. Because various sectors of the economy will experience different rates of growth, an understanding of the expected requirements of trained personnel and skilled labor force for the coastal region in the next 2-5 years will be helpful in the process of curriculum development and special training programs at key universities, including NTU.

Linking academic expansion and improvement efforts to regional labor market projections is a difficult task at best, in light of uncertainties in estimating public and private investment, market conditions, and major production factors, etc. To the extent that any projections from the Ministry of Education and Training (MOET) can be relied upon, a university could attempt to map out its own curriculum development, with a certain built-in degree of flexibility for adjustment, to meet the needs for trained personnel in its local and surrounding areas in the short- and medium-term.

One issue is clear. The positive trend in FDI inflow in recent years will create additional demand for local managers and professionals to meet the needs of transnational corporations in Vietnam and in the Central Coast region. With a strong local economy relative to other adjacent cities, NhaTrang will experience more pressure in general demand for well-qualified college graduates to fill new positions in trade, banking, technology transfer, and services in the local economy.

For Vietnam to maintain its comparative advantages and enhance competitiveness in international trade, labor supply and natural resources management deserve additional attention to pursue necessary improvement. These tasks could be established within the curriculum and training programs at NTU, in collaboration with the private sector and the government. Certain aspects of these efforts, such as establishing of training programs, internship network, and employment opportunities, could form the basis for partnerships in international cooperation between the university and the corporate sector.

At this stage of economic development in Vietnam, concerted efforts in training and expanding human services, as well as technology transfer from developed nations, will go far in promoting effective higher education, improving GDP, and raising the general standard of living for many. Improving the quality of human power through education and investment will enhance academic excellence, leading to rising productivity of the labor force. As a vital component of the traditional factors of production in GDP, human resources play a key role in Vietnam's present and future economic competitiveness. In the past 5 years more local universities have expanded their international networks of contacts and collaborations with foreign universities and institutions, as Vietnamese educators and government authorities have gained additional perspectives on international knowledge transfer. Student and faculty exchange programs have brought back positive experiences and contacts to local universities. Supporting these bilateral

relationships is the increasing presence of foreign universities from western nations in Vietnam. As a country of 85 million people with an expanding economy, the Vietnamese youth has made an impression on the free world with their deep interest in education as Vietnam is determined to move forward in economic development. A large and growing number of local students are participating in foreign language classes and in international programs nationwide.

With a closer examination of the links between college education and the expanding economy, one can see difficulties often experienced by local college students in finding employment after graduation. Those who can find work, often have to earn a meager living by working below their potential in occupations for which they were not trained. For a nation as a whole, this situation represents an inefficient use of precious resources - human power. For young college graduates, their enthusiasm and desire to work and to contribute to the national economic development efforts would be dampened by the low return on their educational investment, and the frustration of not being able to apply their training to their current employment.

An approach to remedy this situation by local universities would likely involve restructuring or establishing new training programs in departments directly relevant to the growth sectors of the economy. For the Central Coast region, it seems opportunities for investment in education and practical training would be in the areas of trade and business development, infrastructure, transportation, banking, marketing, services, tourism, environmental protection, and resource management.

Through participation in new training and internship programs, strong linkages between universities, such as NTU, and the corporate sector, will bring substantial benefits to the parties involved, and to the graduates in finding gainful employment. Adopting best practices from international experiences, new collaborative efforts in establishing training programs will benefit from proper standards of participant selection, practical topics for training, quality of instruction, identification of businesses for internships, employment development services, monitoring, and adjustment, etc.

The accession to WTO has brought Vietnam closer to the standards of international trade requirements in terms of product quality, processes, market conditions, interactions with trade partners, etc. Special training for export-oriented companies will be most cost-effective to protect and advance the position of Vietnam as an exporting nation, especially under the current world economic conditions and the long-term impacts of globalization.

Economic activities in NhaTrang and the surrounding areas will be affected by major international companies located in the near Van-Phong Project to the North and the Cam Ranh Bay development to the South. As investment and management responsibilities for these major projects are often the domain of the local and national agencies in charge of economic and business development, NTU would benefit from a closer collaboration with these offices. Faculty and students from NTU and staff from local economic development agencies could enhance their capabilities and networks through cooperative

arrangements with one another, and with international corporations and the donor organizations (e.g., World Bank, International Finance Corporation, Asian Development Bank) and other universities in new training and employment programs to be hosted by NTU.

The presence of the foreign sector in the local economy, and the positive development trend of local businesses would suggest an increase in opportunities for NTU to establish an incubator and business assistance program for start-up businesses. This concept could be part of the Center for Small Business Development that NTU is currently in the process of establishing. George Mason University is exploring the opportunity to collaborate in this effort.

Fast economic development often comes with a price. The true costs of producing foodstuff, consumer products and raw materials, especially those destined for foreign markets, involve the costs of environmental degradation and depletion of natural resources. A case in point is the vast unproductive areas of abandoned ponds (left behind in the last decade from unplanned fish farming) in Minh-Hai Province in the Mekong Delta. Potential pollution of the marine habitats along the Central Coast should be a concern to be addressed. To avoid serious environmental deterioration as a result of aggressive economic development without proper precautions, such as in China, major national and regional efforts should be pursued in Vietnam to mitigate and prevent negative environmental impacts.

NTU may find opportunities in taking a leadership role in coordinating and promoting environmental protection. This approach can be engaged in cooperation with the public and private sectors, including international agencies and corporations doing business in the coastal areas. Control of untreated effluent discharges from industries, precautions against accidental oil spills, proper waste management, etc. can go very far in protecting tourism and building sustainable economic foundation for the city and the region. A clean coastal environment is vital to the marine habitats and sustainable management of fisheries. Environmental protection should go hand-in-hand with economic development to help ensure it is sustainable.

As the increasing costs of transportation and housing can prevent many students in nearby provinces and cities from attending NTU, “bringing college education to the people” could be a successful approach. Satellite community facilities off-campus can be established to house special classes to students who would otherwise be excluded from attending NTU, due to their limited resources.

NhaTrang University would stand to benefit substantially from a focused policy of economic development, backed up by strong academic structure and new training programs responsive to the regional needs and potential. This approach is conducive to building a leadership role of NTU in the coastal region. The overall natural and human resources in NhaTrang offer many elements vital to an emerging society, ready to compete for higher standards of living in a more robust economy. A strong university would take the initiative to build strategic partnerships in resource mobilization, business

development, and collaborative operations to bring about a higher level of educational excellence and sustainable economic progress to the Central Coast region of Vietnam in the years to come.

### **Nha Trang University and Programs to Support its Regional Economy**

This Part of the paper focuses on the planned Center for Small Business Development (CSBD) at NTU. The CSBD is in the design phase and thus has the opportunity to make some wise choices regarding its programs and implementation sequence. The following, based on the experience of the MEC, is a proposed concept for the new CSBD.

The problem most centers like the CSBD face at start up in an emergent economy context is resource availability. The case of CSBD is no exception. So the initial design criterion is to identify what activities will have the highest impact at the lowest cost. This would seem to be networking events and training on a variety of business development topics. These events could be co-financed, i.e., a small fee could be charged for attendance, local businesses could be asked to make a small donation, government agencies could be asked to make a small donation. Core topics might include the following although some local market research will be needed at the outset to determine the primary demand and what competition for related services exists in the NhaTrang region. Topics for separate events might include: basics of starting a business, basics of growing a business, the business plan, resource acquisition and management, logistics, market definition, market research, acquiring capital, customer management, professionalizing executive staff, product presentation, expanding the business model and/or product, and managing transport cost. Each event should be marketed to the target audiences and should begin with a short presentation on the purposes and goals of CSBD. This should be followed with the topic presentation which could be by an individual or a panel. Ideally, the time of the event should be when it minimally competes with the operation of business activities, e.g., over breakfast which could be provided as part of the event.

There are several advantages of starting with topical but important events as described above. First, they are not expensive to put on. Second, they provide opportunities for competitors to learn from each other and to learn from those that provide services to businesses as well as they will attract business service providers as well as entrepreneurs. Third, CSBD in this way begins to build a network of businesses for its future programs but also a network that enables information and knowledge exchange among competitors and service providers. Fourth, the basics of these events can be put on the Internet and picked up by other businesses either by computer or cell phone interface. Finally, often government agency personnel and political leaders will attend these events thereby creating further linkage to potential resources on the part of CSBD.

Small businesses in areas like Nha Trang have various basic needs in order to enhance performance and grow. These stretch across the topics noted above but almost always relate at least to capital formation. The CSBD can address this need first by topical presentations as above and later by forming a Micro-Finance program. The success model for micro finance is one that provides quite small loans on revolving basis to

indigenous ventures in order for them to become more effective and efficient and thus grow. These are private sector supported programs so a fund would be created with the intention of making at least a small return on the operation of the fund. Often such micro loans are made whereby several providers receive interrelated funding and where all are responsible for each other paying back the loan. This model has experienced considerable success globally in developing and emergent economies (Gingrich, et. al, 2008/09 forthcoming). It would be possible to begin such an operation with a little as one or two thousand U.S. dollars as often the loans may be as little as \$100. The CSBD could approach local businesses (private and state owned), banks local or regional, or donor agencies (e.g., World Bank) to contribute small amounts to initiating a micro finance fund that it would operate as a community resource. Such a fund would likely cost little to start, at least at the initial level noted above, but could grow as the program experiences success eventually becoming a fund that not only provides micro financial loans but also undertakes larger projects, and provides a return to investors.

It is not clear how the government procurement system works in Viet Nam but a study of this and how firms in the Nha Trang region could participate in securing government sponsored contracts would be a useful exercise early on in the operation of the CSBD. First, it may be possible to obtain a grant for this research from a government agency thus enabling the research needed to see how to link Nha Trang companies to the procurement pipeline. Nha Trang could become a national center for facilitating company formation and growth via the government contracting approach. This could lead to a network of training and consultation programs all over Viet Nam as well as providing insight into how to improve the procurement system.

As the CSBD program grows it should plan to explore the formation of a business incubator. One way to initiate an incubator is for it to begin as a virtual incubator. In this fashion companies are provided with incubation services and counseling but do not move the location of their business to the CSBD and thus CSBD would not have to deal with the major issue of managing a real estate operation initially. Rather scheduled meetings to create the business plan, market definition, secure capital funding, etc. would be held but typically either at the business site, at the CSBD or some other venue. As such a program gains success it could easily be transformed into a traditional business incubator as the critical part of any incubator is the services provided to the company. Without these services the company may not improve at all by being in an physical incubator which in this case would be little more than a real estate arrangement. However, that is where resources become a problem because providing these services requires knowledgeable people with reasonably well developed know how and thus are high quality and costly human capital. This is another reason why pursuing government funding for the initial programs whether they are for procurement or for providing services to small businesses is crucial. In this way it may be possible to create an ongoing subsidy for the services provided to the virtual incubation customers at the site of physical incubator. This is the only way incubators can survive in the intermediate run of say the first few years or so. All physical incubators need some source of at least partial funding in addition to the rent collected for the incubator space used by the company.

The above paragraphs outline some of the programs that could be implemented in the early development stages of the CSBD if, of course, the incubation activity comes after initial successful start up of training programs and some intermittent counseling. It is important to co-locate as many of these activities as possible in the same place in order for the CSBD to experience scale and scope economies as it develops. That has been one of the key success factors of the MEC. But beyond the programs there are some other things that the CSBD should consider as discussed below.

Faculty and students at NTU are potentially powerful resources that can be made available to companies. Faculty with specific technical areas of competence can be used as consultants to CSBD and for companies with specific problems. There is of course the issue of how to pay them for their service. One way to do this is for faculty in the business and management school to offer practicum type courses for advanced students whereby several companies are taken on as case studies for a semester. The faculty member supervises the work of student teams (typically one team per company). Such courses can be structured around topics such as market definition and development, international trade, capital formation, etc. Another way to approach this is by requiring students to complete an internship whereby the student receives course credit for working with a company to help solve a specific problem and where the internship faculty member provides some supervision. These are a few of the ways in which faculty and students can be pulled into activities of a center like the CSBD. Other ways include courses that require students to go through the process of starting a business with the final product of the course being a business plan for the student's company. This activity can be complimented by CSBD hosting a business plan competition where the winner(s) receive a modest financial prize to help start their business. Prize funds may often be secured from local banks and larger businesses. Similar support activities could be developed to promote and support faculty based start up efforts as well.

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