

# The rise of the Cambodian entrepreneur?



The traditional Cambodian patronage system continues to co-exist with economic modernization. The persistent pervasiveness of the Cambodian People's Party (CPP) in all sectors of society makes genuine societal transformation questionable. Current observations even suggest that the reciprocal ties between the state, the private sector and political parties have strengthened. To explore the paradox of CPP-led conservatism as a dynamic entangled with CPP-led modernization, this article discusses the ways in which the Cambodian government facilitates start-up entrepreneurial ventures in the internet sector.

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Above: WeCreate Cambodia celebrates the official handing over to their local partner, who will continue to develop and expand the Centre's programming for women. Photo courtesy of the U.S. Embassy on flickr.

OVER THE LAST FEW DECADES of reconstruction and transformation, Cambodia society has been labelled, amongst other things, as post-conflict, fragile and dependent. Emphasizing the diverging and converging power systems that govern interactions between the Cambodian government, the Cambodian business elite and international civil society, the state system has been described as a hybrid democracy, a nation under neo-authoritarian rule and an NGO republic. Entering a new development phase, recently, in 2016, the economic emergence of Cambodia has reached a new milestone. The World Bank has awarded Cambodia lower middle-income status, determined by a Gross National Income (GNI) per capita of between US\$1,026 and US\$4,035. In 2030, the government aims to reach upper middle-income status (GNI per capita between US\$4,036 and US\$12,475). Cambodia used to be considered an emerging nation but is now surfacing and consolidating while adjusting to the realities of an ASEAN shared market.

### Regional indicators of entrepreneurship

Unfortunately, data on entrepreneurship, especially on Cambodian entrepreneurship, is still scarce. This article is based, therefore, on the international monitors that survey the region, recent research on (social) entrepreneurship and literature on the education system, as well as reports by the World Bank and the International Labour Organization.

According to the renowned Global Entrepreneurship Monitor (GEM),<sup>1</sup> Southeast Asia can be considered one of the upcoming entrepreneurial regions in the world. The 2015 GEM surveys entrepreneurial activity across multiple phases of the business process, among them the characteristics, motivations and ambitions of entrepreneurs, the attitudes societies have toward entrepreneurial activities, and the quality of entrepreneurship ecosystems in different economies. Among the 62 economies that participate globally, Southeast Asia was represented by Indonesia,

Malaysia, Singapore, Vietnam, Thailand and the Philippines. Cambodia was not part of the research, but the 'neighbourhood effect' is assumed.

According to the GEM analysis, the rise of Southeast Asia on all these factors is mainly due to relatively young populations, the growth of local markets, continuing urbanization, and an evolving middle class. Regionally, the rise of new entrepreneurial ventures is supported by national governments, international donors and foreign as well as local investors. Portraying Southeast Asia as the world's fastest growing internet region, led by Singapore, seems justified as it is at the avant-garde in creating and innovating digital products such as innovative video games and intricate work on e-commerce as part of social media strategies. Considering the annual economic growth of around 5% in many of the nations that were just mentioned, the growth of prosperity may be considered an important incubator of start-up innovation in Southeast Asia. It is worth noting that entrepreneurship training, capacity building and funding schemes seem mostly inspired by the Western paradigm of the 'heroic' individual entrepreneur instead of the 'family business' that is more traditional to the region.<sup>2</sup> As the GEM suggests, this has contributed to a change in Southeast Asian societal acceptance of entrepreneurship as a respectable profession.

To illustrate the Cambodian situation, we turn to another monitor. The Global Entrepreneurship Index (GEINDEX)<sup>3</sup> is explicitly based on the idea of ranking 'entrepreneurial ecosystems', thus evaluating culture, history and risk averse behaviour as well as rules and institutions. The main difference between the GEM and the GEINDEX is that the latter is aimed to capture the contextual features of entrepreneurship across countries as an instrument to support the formulation of better policies and supportive institutions. The GEM, on the other hand, was originally designed by a consortium of research institutes aimed at understanding the entrepreneurial process and identifying constraints.

In the 2016 GEINDEX, Cambodia is not a top scorer. It is ranked 114th among the 165 participating nations. Relatively speaking, however, Cambodia has managed a 10% rise in its ranking over the last year. This is remarkable as the Cambodian system of governance on innovation and entrepreneurship has been found lacking for the longest time. While Cambodia is not progressing at the same speed as other Southeast Asian nations, this does not make this entrepreneurial success any less respectable. To what extent, however, is this due to profound changes in the institutional infrastructure for new entrepreneurial ventures? A more detailed description of facilitators and constraints to this process will help evaluate if the transformation of Cambodian society in this respect goes beyond what meets the eye and has a more profound nature.

### The rise of Cambodian entrepreneurship

The last few years have seen several initiatives to support internet-based entrepreneurial ventures. USAID initiated the *Development Innovations* platform in 2014, the Ministry of Commerce launched the *MOC101 Incubators* in 2015 and, also in 2015, the *Global Network Impact Hub* opened a co-working space and included Phnom Penh in its community. At the foundation of many of these initiatives is the start of Phase III of the Cambodian government's *Rectangular Strategy* for Cambodia's economic development. This integrated strategy again highlights the need for equitable economic growth and partnerships with civil society. This may seem nothing new, considering Cambodia's track record in paying lip-service to an open collaboration

towards decentralization and democratization. Yet, more explicitly than before, it is encouraging entrepreneurship as benefiting the economy. Next to these governmental projects and social organizations, commercial coaching has also found its way to Cambodia. On most weekends there will be start-up events as well as boot camps for aspiring entrepreneurs that are open to those that can pay for participation.

This multiplication of promotion and support structures certainly helps. Of greater importance, however, may have been the vast improvement of the ease of setting up a new business in Cambodia. As a constraint, the growth of both the telecom sector and the financial sector brings another paradox. In many countries, funding for start-ups and venture investments are found in telecom or in special (micro)finance funding at local banks, while in Cambodia this is not the case. While ambitions are abundant, the execution and originality of business ideas pose the main problem in initiating entrepreneurial ventures. Local start-ups with a sustainable business model are lacking. In promoting economic growth and creating jobs, thus, many of the constraints for entrepreneurship are to be found at the more profound levels related to input (skills, funding) as well as finding a return on investments with the output (markets, marketing). Both constraints are related to the education system.

Time and again the secondary and tertiary levels of education have demonstrated a disconnect from the labour market. Research agrees that institutions of higher education need to develop an entrepreneurial orientation and culture to find synergy with other countries in the ASEAN zone. Education needs to transform into a source for high level Science, Technology, Engineering and Maths (STEM) to serve as a basis for the future of the Cambodian economy. Values encouraging creativity and innovation should become part of the 'economic ecosystem' for new ventures to thrive in the long term.

Even more difficult to embed in the Cambodian education system is the need to build human resources and knowledge to provide new ideas for existing enterprises and enter new markets. The internal Cambodian market for games, e-commerce and technological innovations is small. Sales here will not allow for large-scale company growth and job creation. Looking beyond borders, however, language barriers frustrate an easy jump into international markets and global value chains. For Cambodian start-ups to survive in the longer term, thus, institutional 'gate constructors' need to be set up to build a financing infrastructure as well as the educational resources needed to compete on the global market.<sup>4</sup>

### The future

The World Development Report (WDR) 2017 argues that the function of institutions in the development process can only be fulfilled if there is adequate commitment, coordination and cooperation in reaching the planned outcomes. Yet these three functions are shaped in a policy arena ruled by power asymmetries that can facilitate or frustrate their efficient and effective creation and implementation: "Unhealthy power asymmetries can lead to persistent policy failure through exclusion, capture and clientelism".<sup>5</sup>

This argument seems to still hold true for Cambodia. Short-term success has been achieved for the growth of entrepreneurial ventures, but a true transformation has not (yet) taken place. These new entrepreneurial ventures could be so much more important to Cambodia if the government would be able to establish much needed education and financing structures. In recent overviews, unfortunately, instead of moving towards social equality, power asymmetries in Cambodian society only seem to grow.

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