

RE-STRUCTURING THE EXPORT PROCESS OF HCMC-BASED ENTERPRISES

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1. Problem

In the process of international economic integration, enterprises in HCMC are more and more active in their efforts to export to world markets and establish their positions in foreign countries' ones.

Recently, with the impact of the financial and monetary crisis starting from 1997 in Asia to the recent global economic crisis, export enterprises in HCMC are making their great efforts to overcome difficulties in the process of export. In a survey of 174 HCMC-based enterprises participating in exporting goods, carried out by the author in January 2010, the main difficulties in the export process are the trade barriers imposed by import countries, the limited competitiveness of export commodities, the inadequate and obsolete information about export markets, the imperfect distribution channel, and the long duration of time in filling orders, etc. (See Table 1)

Table 1: Major difficulties in the export process of HCMC-based export enterprises

Difficulties	Enterprises facing with difficulties (%)
Trade barriers	92.5
Low competitiveness of exports	90.2
Inadequate and obsolete information about target export markets	82.1
Imperfect and unstable channel of distribution	79.3
Long period of time in filling orders	78.1
Solvency	69.5
Fluctuation in exchange rate	76.8
Change in foreign trade policies	59.8
Loyalty of customers	58.6

Source: Data from the author's survey

Enterprises in HCMC are also taking various measures to overcome those difficulties such as discounting price of exports, investing in building and promoting brand names, diversifying business

activities, and paying more attention to local markets (See Table 2).

Table 2: Solutions to difficulties in the export process of enterprises in HCMC

Solution	Solution-taking enterprises (%)
Discounting prices of exports	75.9
Investing in the building and promotion of brand names	68.4
Diversifying production and business activities	60.3
Paying more attention to local markets	52.9
Looking for new export markets	50.6
Taking part in international trade fairs and exhibitions	42.5
Making the best use of the governmental stimulus package	39.7

Source: Data from the author's survey

When comparing the results of the survey in Tables 1 and 2, it is easy to see that the measures taken by export enterprises in HCMC are not able to solve all the problems but they are only measures taken to face imminent difficulties.

One of the key measures to solve the difficulties in export and upgrade the competitiveness of export is to re-structure the export process so as to make it suitable for the current and future international business climate.

It is possible to approach the business process restructuring (BPR) from many different angles. This could be understood as an approach aiming at upgrading the effectiveness of the business process of the enterprise. BPR could also be understood as a process of re-thinking and re-designing the business process in a basic way in order to improve considerably important aspects of the operation of the enterprise such as cost, quality, service, and time.

In the author's opinion, it is now possible to understand the restructuring of the export business process as a process of re-organizing all export activities in order to maximize the target customer's satisfaction, and to upgrade the competitiveness of exports and of enterprises in the current international economic integration.

From that approach, the business process restructuring is a strategic measure to help HCMC-based enterprises to overcome difficulties in the export process and achieve good results in the effort to speed up export effectively.

2. Literature review

Restructuring the business process is a measure taken into consideration by enterprises when they want to cut down costs, enhance their competitiveness, and improve customer services. This subject has attracted the interest of many different scholars and researchers. In 1990, Michael Hammer, a computer-science professor at the Massachusetts Institute of Technology, published the first paper on this subject in the *Harvard Business Review* under the title "Reengineering Work: Don't Automate, Obliterate". After that, other scholars, such as Thomas Davenport (1993), have taken the renovation of the business process into consideration from the angle of developing informatics technology (Harvard Business School Press, Boston). In general, the researches recently published worldwide have approached the restructuring in terms of approaches, general principles, or possibility of applying the IT in order to carry out the restructuring process of enterprises. In Vietnam, the restructuring has been approached mostly from macro angles like restructuring the economy, for example: "Economic Re-structuring: Directions and Measures" (by Prof. Dr. Đoàn Thị Hồng Vân, 2010, *Economic Development Review* No. 187) or enterprise restructuring, and recapitalization, for example: "Restructuring the State-Owned Financial Companies in the Sugar Industry in the World Economic Integration" (Trịnh Minh Châu, 2005), or "Capital Structure and Recapitalization for Food Processing Companies in the Post-Crisis Period" (Phạm Thị Ngọc Hạnh, 2009). Up to now, in Vietnam there has not been any intensive research on business process restructuring, but this subject has been only frequently mentioned as part of the strategic management or balanced scorecard method.

3. The necessity of the business process restructuring of enterprises in HCMC

There have been great changes in the international business atmosphere: competition becoming keener and keener, designs of trade barriers getting more and more complicated, the effort to optimize the whole chain of supplying export commodities becoming a widespread trend, the world economy being in great chaos, technology having many breakthroughs, and customers tending to ask for the whole package of services.

Currently, with the impact of the globalization and free trade, countries or blocs are always looking for bilateral and multilateral agreements in order to expand their markets, thus creating large free trade areas. Most recently, the agreement to set up the free trade area ASEAN-China, or ACAFTA (with a population of 1.9 billion, a GDP of US\$6,500 billion and a trading value of more than US\$4,500 billion) has opened up the possibility of getting access to larger export markets but it also means there would be harsher and harsher competition. Enterprises now could not afford to stick to old ways and means of doing business.

In the context of compulsory implementation of international commitments of free trade, governments in many countries have used trade barriers especially non-tariff ones such as technical barriers and administrative procedures, among others, in order to protect their productions and enterprises. In order to adapt to such situation, local enterprises should do their best to change production, business, and export in such a way that they could best meet technical, hygienic, safe, and environmental standards; and satisfy the demand for social responsibilities of enterprises imposed by import countries (an example could be found in Vietnam aquatic exports). Recently, the European Union (EU) has set up regulations aimed at enquiring into the origin of aquatic products exported to this union's market and therefore has caused difficulties for enterprises exporting aquatic products. If enterprises are not able to change their production process, store up data and files, they could not meet EU's requirements and thus their activities in exporting aquatic products could be greatly influenced.

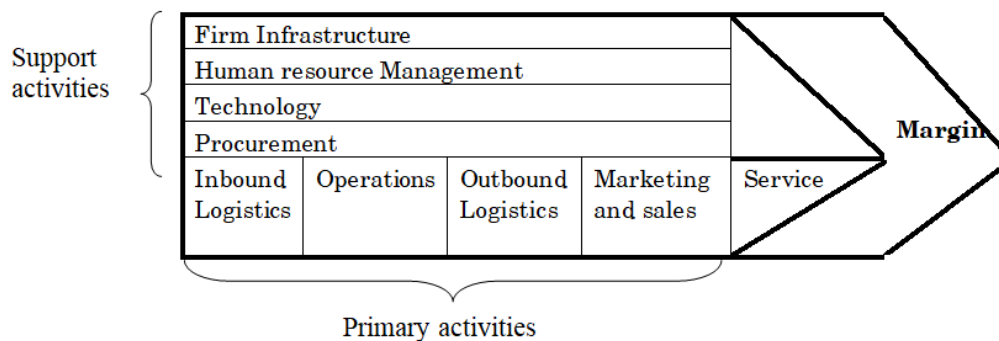
Before, when engaging in export activities, en-

enterprises used to separate their activities into different parts: researching export markets, purchasing or producing exports, making arrangements for exports, and providing after-sale services. Today, the trend of optimizing time and cost in the whole supply and value chains has become a popular mode to maximize the customers' satisfaction and the enterprises' profit in export. Logistical activities and services or outsourcing contracts have become more and more popular because enterprises concentrate on exploiting the value-generating stages where they enjoy the greatest comparative advantages. The old way of doing business is no longer appropriate in the context of

foreign markets. In the past, enterprises could use pricing as a device for effective competition, now this device is no longer effective because enterprises' costs of inputs are not so different. In order to find new competitive advantages, enterprises can only concentrate on differentiation strategy (for products, ways of doing business, and services, etc.). The differentiation requires enterprises to change their export business process.

The objective impacts as shown above have led to the fact that enterprises in HCMC which have always been active and sharp in doing business, need to take the lead in the restructuring of the business process.

Figure 1: General value chain



Source: [5-76]

the current intensive specialization.

The bigger and bigger fluctuations of the world economy along with more and more frequent instabilities have had great impact on the exchange rate and consumption in target export markets and so business projects of enterprises should be more diversified as well as there should be new contingency funds.

Today, information, digital, and production technologies have had more advances which make enterprises pay more attention to new business modes such as e-marketing and e-trading, etc. instead of only speeding up export in the traditional way.

Besides, customers are now more and more looking for sets of solutions or packages of products and services. If enterprises keep on exporting products under the form of raw materials or semi-finished goods they could not generate much added value or establish their brand names in for-

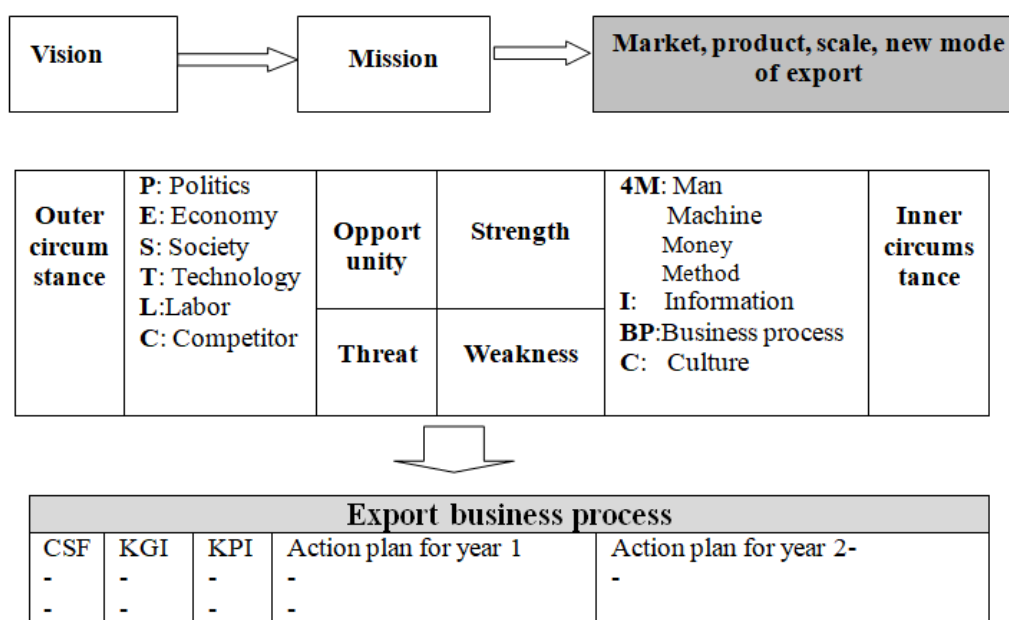
According to a survey carried out in the fourth quarter of 2009 by HSBC concerning the reliability of small- and medium-sized enterprises, the local economic growth, and the investment and recruitment plan in the next six months, 66% of Vietnamese small- and medium-sized enterprises are planning to increase investment in their business operations, 54% are having plans to renew recruitment, and 53% are planning to increase their foreign trade in 2010 [2]. Those figures show the determination of Vietnam enterprises to develop production and take part in international trade. In the meantime, enterprises still have to face difficulties as shown in part 1. In order to overcome internal difficulties, these enterprises have taken certain measures, of which the restructuring of business process is the one that could help them to keep on exporting effectively.

In short, based on the objective and subjective indicators of the operations of such a dynamic eco-

conomic center as HCMC, it is possible to say that the restructuring of the business process is absolutely necessary in the current international trading, and suitable to the trend of international development in the 21st century. The proactive approach is completely necessary to insure the success of enterprises, because as Rowan Gibson put it in *Rethinking the Future*, enterprises should create such a working atmosphere that people would not object to changes in it but really welcome it. It is an atmosphere in which enterprises could get rid of their own products instead of allowing their competitors to do so. It is also an at-

a. Analysis of the export business environment:

The fact that enterprises re-affirm their markets, products, and mode of export should be based on the basis of vision, mission, and of the core capabilities of enterprises. Export enterprises could not consolidate their activities or expand their markets and exports to fields where they do not have competitive advantages or capacity for production, management and export. Vision, mission, and core capabilities are bases for enterprises' decision on export plans before developing their operations.



Source: Author's application based on [4]

Note:

CSF: Critical Success Factor

KGI: Key Goal Indicator

KPI: Key Performance Indicator

mosphere in which enterprises reaffirm that their business process is obsolete rather than let others do so [1, 103]. Michael Hammer and James Champy themselves confessed in *Reengineering the Corporation* that initially, when they composed this book they wanted to put emphasis on basic reengineering the company but they gradually realized that the most basic problem is the enterprises' business process itself [3].

4. Steps in developing the restructuring of export business process

In order to build up the export business process suitable for the new competition situation, enterprises should analyze their own export business environment via many different approaches: 4C analysis (circumstance, customer, competitor and company), PEST analysis (politics- economy- society and technology) or SWOT analysis (strengths, weaknesses, opportunities and threats.). These are very necessary analyses because if enterprises do not understand thoroughly their business circumstance and competitor they could not set up appro-

appropriate export strategies and build up optimum export process.

When analyzing export business circumstance, enterprises need to update and analyze the following data:

market research firms.

b. Analysis of the existing export business process:

As a whole, the general operations of enterprises could be divided into two processes: opera-

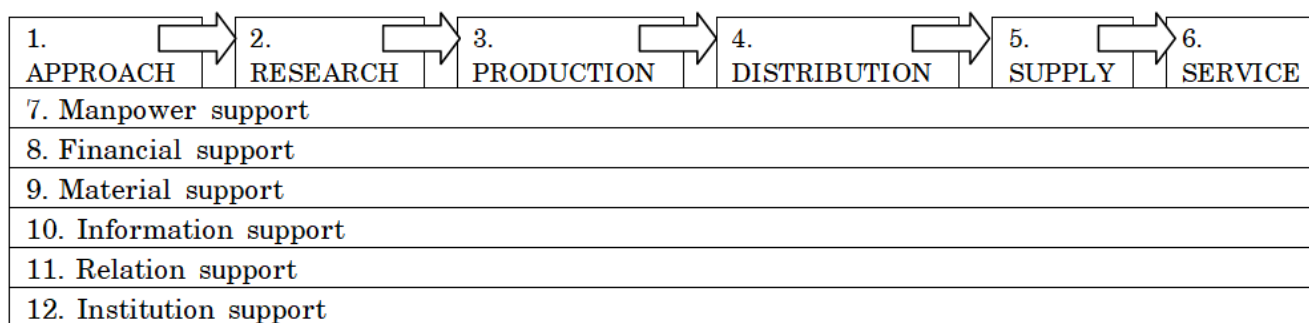
Aspect	Necessary data to be studied
Business circumstance	- Barriers to market entry
	- Distribution channel, big importers, agents, distributors, and retailers
	- Scale of market
	- Trend of market development
	- Cultural factor in business at chosen market
	- Standards and regulations applied to product quality, management, production, environment, poisons, packaging, and social responsibility, etc.
Customer	- Segments of target customers
	- Customer's taste, favorable categories of products (size, color, and material, etc.)
	- Purchasing motive
	- Key factor to customer's satisfaction
Competitor	- Main competitors
	- Potential competitors
	- Competitive products and their outstanding property and features
	- Major customers of competitors
	- 5F Analysis by Michael Porter.
Enterprise	Strengths and weaknesses of enterprises in:
	- Production, technology, product, price, and accompanying services
	- Quality management system
	- Human resource: skill, specialization, foreign languages and stability of work force
	- Customer relations
	- Trade mark
	- Logistics
	- Finance for export
	- Distribution

Data on export business circumstances could be collected from secondary sources such as: trade associations and international research organizations (Euromonitor -www.euromonitor.com, Datamonitor -www.datamonitor.com, Mintel -www.mintel.com, etc.) or trade and investment promotion organizations such as the JETRO (www.jetro.go.jp), Center for Promotion of Imports from developing countries CBI (Holland), International Trade Center ITC, and chambers of commerce and industry, etc. In case the secondary data could not meet the necessary requirements for making decisions, enterprises themselves could collect primary data via surveys or get help from

tion process and support process [6-345]

In the operation process, export enterprises could analyze the following aspects:

- Evaluating and reviewing the export business circumstance
- Market forecast
- Setting up export objectives
- Building up market entry strategies: target market, product positioning, 4P (product, price, place, promotion)
- Finance plan: sales, cost, and financial sources
- Choosing partners



Source: [6-345]

- Negotiating and signing export contracts

- Carrying out export contracts: possibly including (i) reminding customers to observe term of payment as agreed (for example, opening letters of credit); (ii) getting exports ready (quantity, quality, packaging); (iii) hiring means of transport; (iv) buying insurance; (v) carrying out customs formalities; (vi) delivering exports to transporters; (vii) requiring payment from importers

- Handling of complaints and customer care

c. Identifying changes needed for meeting requirements of the business circumstance

Based on the analyses in the second step, enterprises need to determine weaknesses, irrationalities in the current process in order to form a foundation for development of a new process. In the process of analyzing, enterprises should consider customers as the center of all analyses, evaluations and estimations of benefit. It is necessary to examine the impact of the business circumstance on a long-term and strategic basis.

d. Set up objectives of the restructuring of the business process

The restructuring of the business process could not be successful if specific objectives are not established. The objectives could include: time, speed, level of customer satisfaction, work handling time, and cost for each stage, etc.

The new business process should aim at developing autonomy of employees of all levels and the delegation of rights and duties should be in line with their capacity, attitude, and skills.

e. Design and approval of the new business process

The new business process should respond to the proposed requirements with a view to meeting changes in customer base, markets, and business

strategies by making the best use of the IT. The new business process should point out clearly the following: performer, time, amount of time, cost, instruments, technology, technique, inputs and outputs, coordinators, recipients of reports, and storage of data in the system.

Drafts of the new process need to be discussed among relating departments. Based on the feedback of opinions, the new process can be perfected and submitted to the right authority for approval.

f. Propaganda about the benefit of the process restructuring

The restructuring of export business process would not possibly succeed if members of the enterprise are not yet aware of the need for restructuring and its role in the survival and competitiveness of the enterprise. The propaganda operation bears a very meaningful importance and needs to be invested appropriately with suitable forms.

g. Developing the new business process

The task of developing the new process should be carried out with the effective support of specialized software. It allows quick and effective building of the new process and enhances the control effectiveness.

h. Regular review, evaluation and adjustment to the process

In general, markets, customers and export business circumstance are intermittently changing and therefore export business process should be frequently reviewed, evaluated, and adjusted in order to overcome weaknesses as well as to grab the market share.

5. Implementation of the restructuring of the export business process

The task of restructuring the export business process is closely related to changes in jobs, division of work and personnel which used to be the most difficult changes for managers. Besides, this task is also related to professional skills and the IT. Therefore, in order to make the restructuring of the business process successful as desired, enterprises should consider this task as an important project operated by a project management committee headed by one of the leaders of the enterprise.

Software programs would help enterprises turn processes into models, carry out simulations and estimate the impact of the changes and other benefits. So, when developing this project, enterprises should cooperate with organizations specializing in the IT to secure their help when necessary.

6. Conclusion

The restructuring of the business process is an urgent measure in the present time when great changes in the export business circumstance concerning HCMC-based enterprises are taking place. Enterprises could not maintain old business modes and processes simply because it is the surest way that would lead enterprises to failure. The task of restructuring the business process is a complicated one which requires much determination and investment in time, personnel, special skills, finance, and technology. Before implementing the restructuring, enterprises could make use of professional consulting service in order to shorten the time of developing and reduce the probability of failure■

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