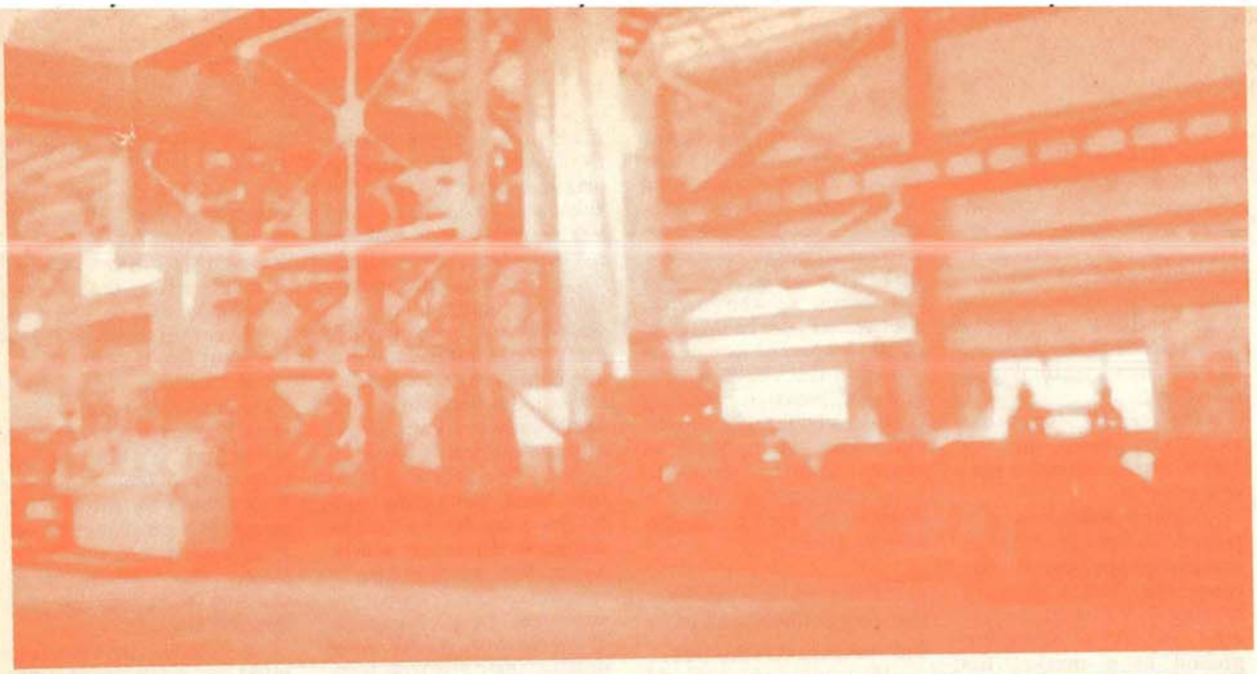

BETTER COMPETITIVENESS FOR HCMC PRIVATE MANUFACTURING COMPANIES

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In the past ten years, the private sector has developed well and accounted for some 60% of the GDP but contribution from private manufacturing companies (PMCs) was still small (some 10% of the GDP). In recent years, the share of PMCs in the HCMC industrial output fell from 23.1% in 1995 to 22.3% in 2000. Of various reasons for this situation, the main one is the failure by HCMC PMCs to make the best use of their capital, human resource and technology.

1. Competitiveness of PMCs

a. Technical capacity: A survey shows that 13.4% of production lines used by PMCs are modern, 66.08% of medium level and 20.52% obsolete. Most of them lack consistency and exactness. In many PMCs, production lines aren't installed and deployed effectively. Some of them, after importing modern machines and equipment, pay too much attention to hardware and fail to improve the human resource and organizational and managerial skills with the result that they couldn't make the best use of new technology.

b. Supply of raw materials: The supply of local raw materials to the industrial sector is very limited and as a result Vietnam has to depend on foreign suppliers, especially those from Taiwan, South Korea and China.

Table 1: Raw Materials for HCMC-based PMCs

Industry	Foreign source (%)	Local source (%)
Clothing, garment	73	27
Leather	64	36
Aquatic products	14	86
Plastics	80	20
Handicraft	20	80

Source: Center of Foreign Trade and Investment Promotion, 2000.

c. Product quality: Most PMCs fail to reach the ISO 9000 standards and work out both short- and long-term strategies to improve the product quality. This is the main reason for poor product quality, high production cost, low labor productivity and loss of royalty.

d. Labor productivity: Regarding educational level of PMC directors, 40.6% of them are graduates, 11.8% finish technical high schools and 5.5% are workers or finish the primary education. Skills of laborers are poor: 76.9% of them have no technical degrees, 7.2% are technical workers, and only 9.2% have university degrees.

In the manufacturing sector, only 3.7% of laborers have university degrees; 4.6% graduate from technical high schools and 85.46% don't have any degree. That is why most PMCs are in labor-intensive industries and suffer high production cost.

e. Business strategies: Most PMCs only pay attention to short-term benefits, not long-term ones. They tend to consider the market as unstable, financial sources limited and economic policies changing and they aren't interested in business strategies. Main tendencies of the PMCs are:

- Most PMCs base their operation and survival on low labor cost and fail to apply modern and effective managerial methods (quality control, labor management, etc.). They haven't been aware of such problems as consumer orientation, productivity, marketing, quality of goods and services, etc.

Designing and logistical skills are poor, investment in R&D activities is very small. Some PMCs can produce reliable products but fail to market them to foreign and domestic markets. Many PMCs didn't know how to find new customers and obtain bigger market shares. Therefore, they couldn't estimate the market demand, consumers' taste, products and services from rivals and potention risks.

2. Measures to improve PMC competitiveness

- Financial measure: PMCs must invest in, or direct their attention to, technology-intensive industries. Because of the shortage of skilled laborers, PMCs shouldn't diversify their investment. They should instead increase investment in fields they are good at, or make intensive investment instead of investment diversification in order to meet increasingly demanding requirements of customers. When making decisions on investment, PMCs must determine what would affect the product quality, productivity, efficiency and sales with a view to directing the investment to necessary fields.

PMCs can go public or merge together in order to modernize their production lines, cooperate with foreign and state-owned companies to get access to new technology and managerial skills. When going public or merging with other companies, the common obstacle facing PMCs is the relationship between directors and their friends or relatives that lead to conflict of interests. To deal with this problem, PMCs must work out regulations about management, appointment, promotion and responsibilities and duties of members of the Board or directorate.

- Technological measure: By technology transfer, PMCs could import new technology needed for enhancing the product quality and lowering the production cost. They could establish relations with polytechnics, HCMC Service of Science, Technology and Environment, local and foreign advisory firms with a view to finding appropriate machines and technology.

Besides importing new machines, PMCs must pay full attention to human resource in order to make the best use of new technology. Various incentive schemes could be launched in order to encourage innovations and inventions by laborers.

- Training measure: Long- and short-term courses could be given to employers. The management could have employees trained in local or foreign universities and vocational centers. Salary must be based on responsibility and performance and combined with bonus, incentives, benefits and allowance in order to encourage better performance and keep employees from quitting.

- Managerial measure: PMC management could give regular examination in employees' skills, performance and productivity with a view to deciding on their promotion and encouraging their efforts.

All departments of a PMC should be equipped with machines and equipment needed for their management role and improvements in their performance.

Managing departments of most PMCs today fail apply scientific methods to their business with the result that they spend a lot of time and labor without obtaining better performance. PMCs must develop work procedures and necessary reports to make upon completion of a task. These procedures and reports should be improved or adjusted over time.

- Marketing measure: PMCs must enhance the quality of their products, adjust policies on pricing, distribution and marketing, and at the same time, train salesclerks in selling skills and carry out regular inspections of marketing programs.

- Product quality control: The product quality is the biggest shortcoming of PMCs. All PMCs today must try their best to meet requirements of such international standards as ISO 9000, ISO 14000, etc. For the time being, achieving these standards should be considered as the strategic target because it is the best way to improve the quality of their products and services.

To enhance the competitiveness, PMCs –especially small and medium ones- also need help from the government. The Government can take various measures to help them tap existing resources: offering preferential land rental, giving tax incentives to capital investment, removing restricts on mortgage; transfer or leasing of real estate by PMCs, removing discrimination in terms of tax; bank credit and other kinds of preferential treatment, establishing financial leasing companies to help PMCs make capital investment, etc.■