



VOICES *OF*

Vietnamese women

ENTREPRENEURS



DAY - TO - DAY MANAGEMENT RUNNING A BUSINESS

For female entrepreneurs in Vietnam, running a business successfully involves making several decisions on a daily basis and in an increasingly competitive environment. Some of these - government policies, financial management, and professional networking - have already been discussed. Among the many other aspects of managing an enterprise and maintaining its competitiveness, women business owners consider market expansion and human resources the most important areas for potential policy intervention.

EXPANDING MARKETS

Vietnamese women entrepreneurs are more than aware of the challenges arising from international economic integration and resulting competition from other countries:

"My company is facing harsh competition from foreign companies who operate in the same industry. They have better technology, better working conditions and more capital. They can

sell goods at lower prices because their technology enables them to produce at lower costs. Because my company's technology is out of date, my prices are higher. In addition, because there are so many counterfeit goods on the market, customers prefer to buy products from large companies with brand names rather than from small companies like mine, even if our product and prices are the same."

Given the country's delay in WTO accession, those involved in the manufacturing industry, particularly the garment and footwear sectors, have already had to deal with loss of market share to Chinese producers and continue to harbor concerns about the future:

"When Vietnam joins the WTO I will be more worried. Many more enterprises will be established, and many big companies will come to Vietnam, making the competition even fiercer. For example, a Chinese company sells a shirt that I sell for US\$5 at only US\$1 - how can I compete with that? I think their advantage is that they must be getting some government support."

Most women entrepreneurs are interested growing their businesses through a variety of means, such as: better customer relationships, larger trade and export networks, the use of national trademarks and branding campaigns, technology upgrades, and staff training. However, they face a number of obstacles, including a lack of resources, time, information, and linkages to potential partners and markets.

Nevertheless, several businesswomen believe that global developments will bode well for

Vietnam's economy and have a number of concrete suggestions at both the enterprise and government levels. For example, partnerships with foreign companies or other local enterprises are a viable opportunity for women entrepreneurs who want to expand their businesses, as they can pool resources, undertake joint activities, and access necessary expertise and technology:

"I think I need to join forces with other cake manufacturers in order to develop our own brands. Many brains can always generate more ideas than one."

Tran Thi Le Quy, 63, is the director of Da Nang-based Phu Ngoc Co. Ltd., a company that produces and supplies liquid medicine containers to the pharmacy industry. She currently employs 20 workers and has an annual revenue of VND1.5 billion (US\$95,000). Quy had operated the production as a family business for 20 years before registering the business as a company in 2002. Her main focus now is on staying competitive.



Technology improvement has been vital to Quy's business success and remains a central concern in her business strategy. Quy was the first in her sector to switch from manual to mechanical production, which has enabled her to secure her position in the market:

"Everyone in this business, from central to northern Vietnam, seals the product by hand; I am the only one who has switched to machinery. It's lucky that I switched, because just after I did, the government made it mandatory to use machine sealed containers."

The new equipment, technology transfer, and worker training required an investment of VND1 billion (US\$65,000). Quy borrowed the capital from a bank using her real estate as collateral. However, Quy anticipates that she may need to invest a further US\$360,000 in technology to upgrade her production.

"The government will continue to upgrade industry standards, and the market will also demand higher quality, especially now that Vietnam's presence is increasing in the world market. We have to continually adapt and upgrade our products."

Nguyen Thi Hong Mai, 36, is the director of Hong Phat Joint

Stock Company, a business that produces and supplies e-books and educational toys. In 1997, she started her first business, which supplies swimming pool and sauna equipment and services. Mai started Hong Phat in 2003 and currently employs more than 30 staff. Together, her two businesses currently generate more than VND30 billion (approximately US\$2 million) a year in revenue. Mai is also the vice chairperson of the Hanoi Young Business Association. She attributes her success to having developed a keen understanding of marketing, which she has applied to her businesses.



Mai learned about business management firsthand after her first business failed. In the mid 1990s, seeing how fast the living standards of Vietnamese people were improving in the big cities, Mai started to import and supply equipment and services for swimming pools and saunas. But without the skills necessary to manage a business, especially marketing skills, she failed.

"I accurately predicted the growing demands of the market, but that wasn't enough. I didn't do proper market research, and didn't plan carefully...so I ended up importing a large shipment of products before I had done any marketing. So I ended up with a large debt and didn't have the money to pay it."

Since then, Mai has appreciated the importance of market knowledge and marketing skills to business successes. Two years ago, when she decided to invest in producing e-books and educational toys for children, she spent much time and effort on marketing, advertising, and establishing the distribution system even before her products entered the market.

Mai, who eventually aims to export her products particularly to the Vietnamese communities overseas, finds business associations and other networking channels beneficial to her business in terms of marketing, updating information and finding business partners.

Many women suggest that the government should make greater efforts to promote SMEs by developing better trade promotion initiatives and providing greater support:

"Trade promotion programs have not been very effective to date. There are hardly any women entrepreneurs who can afford to attend international trade fairs on their own to find new customers and markets...so government-sponsored trade promotion programs should consider paying for a booth that a group of women entrepreneurs can share at these types of fairs. In addition, local governments should consider giving discounts to women entrepreneurs who want to rent space at provincial commercial centers."

FINDING AND KEEPING TALENT

Women entrepreneurs believe that having talented people is crucial to the long-term success of their enterprises. However, in Vietnam, attracting and retaining capable employees is one of their biggest challenges. Private businesses are often at a disadvantage compared to state-owned companies in attracting good people because of a widespread perception that state-owned enterprises provide better working conditions and job security. They must also compete with foreign-owned companies for talent.



Quach Kim Hong, 39 and of Chinese origin, is the president of Ho Chi Minh City-based Truong Vinh Garment Export Co. Ltd.



After working for several years at Taiwanese and Hong Kong-based garment companies, Hong started her own company in 1995. Hong's company is now subcontracted to produce brand name clothing for export including Adidas, Reebok, Lee, and Nike. Hong employs more than 600 workers, of which 80 percent are women.

Attracting and retaining workers have been the biggest concern for Hong. Monthly staff turnover at her business has been 10 percent. The rate - although not unusually high among private companies in Ho Chi Minh City - has negatively affected Hong's business and slowed her expansion ambitions.

"As hard as we try, we just can't compete with the wages that foreign-owned companies pay their workers. Even though working for foreign-owned enterprises is much more demanding, workers are easily tempted by higher pay. It's very difficult for me to retain workers, especially since we are surrounded by foreign companies in this industrial area."

Hong, however, believes that as a Vietnamese businesswoman, she has advantages over foreign companies, particularly in understanding workers' feelings and needs.

"In this business you have to stay in close touch with the workers. My workers know that they can come to my office anytime they have a problem. We speak the same language and I can understand the mindset of my employees. Employees of foreign-owned factories go on strike all the time because they have issues with their management...we've never had a strike in my company."

Hong believes that her human resource department is probably too large, but she recognizes the importance of recruitment and training, and of being able to deal with issues that concern her workers, such as housing, insurance, health, and family affairs.

"Family lives need to be stable, or workers won't be able to perform well. So our company always tries to help out the families of our workers when they are having difficulties."

Hong offers housing allowances and rents a nearby dormitory for workers from other provinces. She is also setting up a vocational school where she will train about 100 workers a month. Although Hong had to make a lot of changes and investments to meet the standards required by international companies such as Nike, she has found that these efforts have helped improve the company's management and quality control systems and her staff's working conditions.

Also, as the private sector grows, many businesses also find that some of their best employees are leaving to start their own businesses:

"I think the main reason is that everyone wants to eventually become his or her own boss - no one wants to work for others forever. Many of my employees have gone on to start their own companies once they've learned the business. This is inevitable. When my company grows bigger - who knows? My business partners may be former employees."

Many women adopt different strategies to avoid high staff turnover. Some provide incentives to staff or attempt to improve working conditions, but a general lack of resources means that many cannot increase salaries or provide training programs:

"Due to the nature of our industry, women account for over 80 percent of the total employees in the company. With regard to women who are key professional staff, we support them in getting more education and skills training. When it comes to workers, we are concerned about their health and with helping them care for their families."

Businesswomen find it particularly difficult to recruit skilled and qualified human resources in poorer areas, where education levels are often lower than in urban centers:

"In general I'm frustrated about the slow pace of development in the Mekong Delta region. Any manufacturing company that wants to use technology will have a difficult time, because it's hard to find workers with high skills. Any company, regardless of what industry it's in, needs technology to develop. For a company to grow it must continuously improve its products. But this cannot happen unless the skills and abilities of workers in the region are improved "



RECOMMENDATIONS

As Vietnam integrates with the global economy, the SMEs that are powering its growth will need to become and remain competitive. Towards this end, women business owners would enthusiastically welcome more government-sponsored training programs and assistance targeting both entrepreneurs and staff. Such training, according to them, should not only cover general business issues but also a variety of specific areas, including technology (both as it relates to production, as well as to computers and the internet in general), marketing and strategy, business and financial management, and human resources. It should be made available on a wide scale and on an ongoing basis, especially in rural and/or poorer areas. Interestingly, a number of businesswomen expressed a strong preference for gender-specific business and management training, partly because of the increased networking and experience-sharing opportunities that a women-only training environment can provide.

Another key area for government action is expanding market access for women entrepreneurs. Increasing information on potential markets, conducting trade fairs, encouraging study trips abroad and establishing promotional offices abroad can help businesswomen establish international linkages with intermediaries and customers.

Finally, women business owners believe that the government should put higher priority on the national human resources



development by reforming the existing education system. As Nguyen Thi Binh remarks, the need for reform in this area is pervasive:

"The education system needs a complete overhaul. The schools have not been able to teach our students how to think independently. In terms of developing our human capital, our country has been very slow. This is a huge obstacle for enterprises like ours."

VALUING PEOPLE RECOGNIZE THAT EMPLOYEES CAN BE YOUR STRONGEST ASSET



PHAM THU HA, 43, is the vice director of Hanoi-based Hoan My Co., a provider of company cleaning services, equipment and technology. Ha and her husband, the company's director, started the business in 1997 and since 2000, they have expanded operations to central and southern Vietnam. As for many other businesses, human resources management poses a major challenge to Hoan My. The company, which has annual revenues of VND37 billion (US\$2.4 million), employs about 2,000 staff across the country, providing services to hotels, office buildings, industrial complexes, and hospitals.

The most important skill I have learned over the years is how to manage people, including how to handle the relationship with my husband in our business. Private companies like ours face many problems in terms of human resources management. It's very difficult to recruit and retain good people; typically, those who are inexperienced or incapable stay, while the good ones leave. The issue is a particularly pressing one in our rapidly growing southern market, where workers are less interested in savings and other employers can easily lure them away with higher pay.

We've set up our own training center where we train about 100 workers a month. We can't afford to pay our workers very high salaries, but we try to emphasize professionalism, form a

bond between them and the company, and make them feel secure about their jobs. We no longer take on short-term or part-time contractors; instead, we focus on long-term contract employees so that we can ensure a stable work environment. Now we have managed to maintain a reasonably steady workforce, with a turnover rate of about three percent a month.

Managing people is still the biggest challenge for me, though. I'm certain that some time soon, there will be a dramatic adjustment in the wages in the labor market. If workers are not satisfied with their salaries, they will quit. But it's not easy for us to pass raises onto clients. If low pay becomes a big issue in our company, it will be the death of us because



all of our staff are laborers. Our business has been growing very rapidly, but I want to slow things down so we can make adjustments. We need to have a defense strategy - to find a way to increase the income for workers.

Up to 90 percent of our employees are women who come from the countryside. We haven't received any assistance from the government, although we're creating jobs for the poorest people in the society. On the contrary, the current tax rules make it even harder to manage human resources. While I have to spend up to 70 percent of the company's expenses on workers' salaries, the tax authorities have established a top-end limit of 50 percent. With such a rule, it would be very difficult for us to increase workers' salaries. It's also difficult for us to give bonuses and other extra benefits to our female employees because the tax authorities don't consider these outlays as enterprise expenses.

Managing family relationships in our business has also been a challenge. It's ironic that my husband and I didn't have any problems when we faced difficulties, but issues have emerged since we have become successful. Even in our business, I try to act as the wife. I think I have good intuition and I know the market better than my husband does, but I just offer a different opinion and let him make the final decisions. As a woman, I have to consider the family above all else