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**HOW SMEs IN VIETNAMESE MARKET ADAPT TO THE
GLOBALIZATION**

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ABSTRACT

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<p>Together with the development of the entire global economy, the economy of Vietnam is now being affected significantly by the globalization. Small and medium-sized, as a very sensitive sector, had some first negative signs. The number of bankruptcy of the enterprises in years 2014 set up a new record with more than 67800 enterprises. As the motive force for the economy of Vietnam, SMEs sector has a very important role to decide whether the economy is successful.</p> <p>The thesis aims to provide a general view of small and medium-sized enterprises in Vietnam market. Strength and weakness will be analyzed to provide a general view of the situation of Vietnam market.</p> <p>A questionnaire and interview combined with traditional SWOT analysis were conducted to give recommendations to improve the competitive ability of SMEs sector.</p>		
<p>Key words Competitive advantage, globalization, small to medium sized enterprises, SWOT analysis, Vietnam</p>		

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1 INTRODUCTION

The idea of the thesis came from my aspire to explore the globalization and from two books that I think are the best about the globalization in modern world, *The Lexus and Olive Tree* and *The World is Flat* (Friedman 1999; Friedman 2007). We are living in a very different period of humankind, the period when the world is interacting with each other in a perfect way. Effects from an event happening in one country is not only limited inside its border, but also has massive impacts to the entire global.

The world economic truly escalated since 1989, marked with the collapsed of Berlin Wall and Soviet Union, and since then the global economy raising from roundly 5.2 billion dollars in 1989 to more than 30 billion dollar in 2010. Due to the uneven volume of manufacturing among countries and regions, the new world economic system has been determined and turned around three poles of the world economic which are North America, Europe and East Asia. Specifically, United States of America, European Union and Japan defined the shaped for the world system and contributed to a sustainable development of the world in the last 30 years. (Holger, 2011.)

Beside enormous benefits globalizations brought to the humankind, the globalization also made serious effects to the entire global such as climate change, environmental degradation, poverty and economic crises. A paradigm for the globalization of the world is the financial crisis in the United States of America, the crisis that is not only limited inside its border or the Ebola epidemic in 2014 spread to all over the world faster than ever. Additionally, the collapsed of Chinese stock market in last several months has pushed Australia or New Zealand, countries that do not have any close relations, into the economic crisis. Globalization has totally changed the game of the global business, the game which the European is the leader of the 19th century and the United States of America is the leader of 20th century. Afterwards, as many scholar believed, Asia would be the leader of the global economy in 21th century.

The new world nowadays was marked by an event which is the collapsed of Berlin Wall, a collapsed of not only Soviet Union but also the collapse of the old world system. The world used to be divided because of the cold war and the political war between the United States of America and Soviet Union or the divided of Capitalism and Socialism. During the peak of the cold war from 1979 to 1991, the world economic was deteriorated and developed at a low rate because of the disunited of the world economic and the complex of political situation varying from China to Germany or from the Eastern to the Western. The world market today is more sustainable than ever before, moreover, the world is no longer be divided into the Western and Eastern, the divided hold back the world economy in more than four decades.

Together with the rise of world economy, small and medium sized enterprises (SMEs) now play significant roles in employment creation, income increasing and the core for the development of any economic system. Vietnam, with an endeavor to catch up the world economy, oriented a new economy system since 1986, an endeavor to totally change the face of Vietnam economy called Doi moi (renovation). Throughout the reform plan, the economy especially emphasized on the importance of private sector especially small and medium enterprise (SMEs). Vietnam Government established a dynamic non-state manufacturing sector to obtain to main objectives, (1) restructuring the country's enterprises and (2) expanding the non-farm industry. Afterwards, the accession to the World Trade Organization (WTO) is expected to bring new opportunities for SMEs development such as the easier to assess the new market and more convenient to approach the modern technology or engage to the global economy network.

This thesis aims to analyze characteristic and the adaption ability of SMEs in Vietnam market to the globalization. The challenges, advantages and disadvantages will be analyzed to find the strengths and weaknesses of Vietnam economy in order to explore the way to adapt into the global economy. This thesis is structured as following. Chapter 1 provides a general view of the globalization world, and the four model factors that dominate the globalization will also be pointed out. Chapter 2 mainly focuses on analyzing current situation of SMEs in Vietnam economy. Chapter 3 discusses key factors of the country's SMEs development through the result of the research. Next, Chapter 4 provides a deeper analysis of SMEs in Vietnam market

through SWOT model. Lastly, Chapter 5 would be the recommendation and conclusion for SMEs in Vietnam to adapt to the globalization.

2 GLOBALIZATION

This chapter briefly explains the basis of globalization and how it is affecting to our world. The Four Factor Models which includes four factors that have the most impact to the globalization would be introduced.

Four model factors, including cost, market, competition and environment, has an important impact to the development of the world business will also be introduced.

2.1 What Is Globalization?

Globalization changed the world fundamentally in recent decades. Economic globalization, modern communication technology and growing mobility are contributing to create an interconnected world characterized by growing interdependence and new forms of cooperation that break through the limitation of the border and the distances among countries. (Bertelsmann Foundation 2015.)

Although there a large number of debates on globalization, and no one doubt that globalization totally affect to every aspects such as economic, social, cultural, political and environmental. However, there is no agreement on how to define exactly globalization. There are many definitions of globalization according to the author who write the subjects. According to Josephine, the globalization is defined as follow:

Globalization is the creation of international strategies by organization for overseas expansion and operation on a worldwide level. The process of globalization has been precipitated by a number of factors, including rapid technology developments that make global communications possible, political development such as the fall of communism, and transportation development that make traveling faster and more frequent. These produce greater development opportunities for companies with the opening up additional markets, allow greater customer harmonization as a result of the increase in shared cultural values, and provide a superior competitive position with lower operating cost in other countries and access to new raw materials, resources, and investment opportunities. (Josephine 2013, 3.)

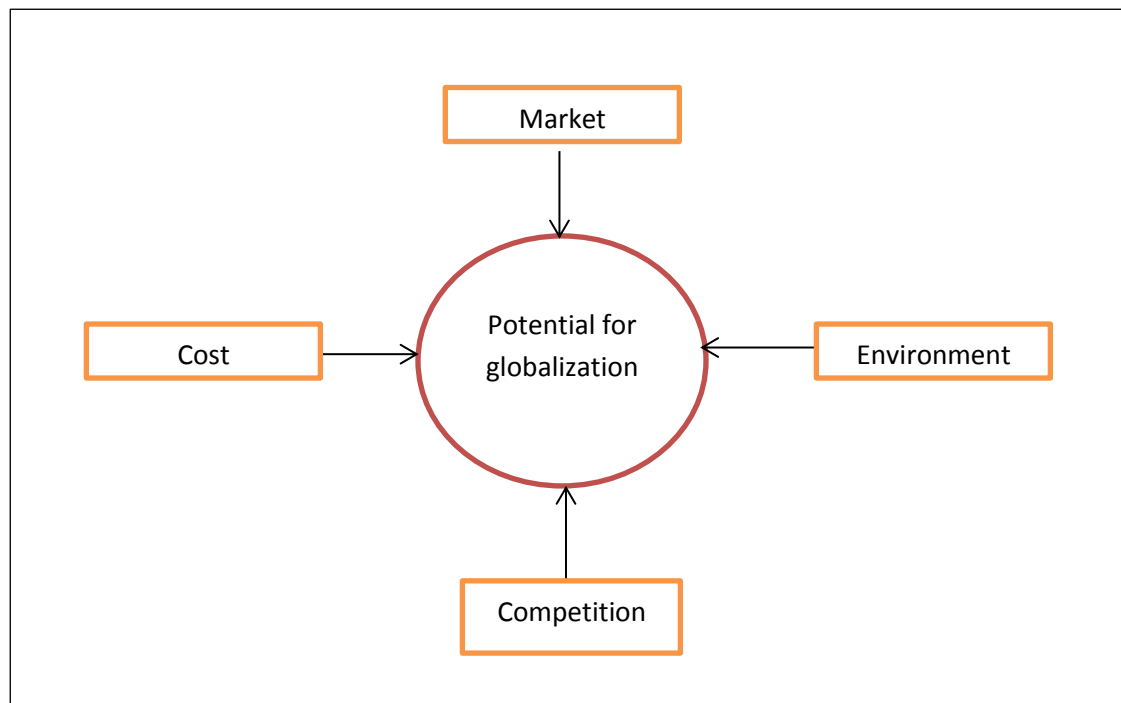
A very useful and concise description for the globalization is Gibson-Graham point of view which is defined as follows:

A set of processes by which the world is rapidly being integrated into one economic space via increased international trade, the internationalization of production and financial markets, the internationalization of a commodity culture promoted by an increasingly networked global telecommunications system.” (Gibson-Graham 2006, 120.)

The term globalization is a word refers to different phenomena, and thus can cause confusion. To make a more concise and easier to understand, the use of could be briefly summarized as the integration of economic activities throughout the world. (Stephen 2011, 52.)

2.2 Four Factor Models

Beginning with the exporting, companies started to put first step to into the overseas markets, and open the premise for the globalization afterwards. The decisions for enterprises to go beyond exporting in overseas markets usually lie on market factors, barriers to trade, cost factors, and the investment climate, with market factors acting the biggest role. The competition became more fiercely than ever before, hence, companies face with the increasing global competition in new market or even in the domestic markets (Czinkota & Ronkainen 2011, 97.) Together with the globalization and factors surrounding, Czinkota pointed out Four Factor Model in which four factors affected most by globalization were displayed.



GRAPH 1. Four-factor model (adapted from Czinkota & Ronkainen 2011, 98-99.)

2.2.1 Cost

Revenue is always the first reason for any enterprises to widen their market. Revenue and cost always go together as they are the first factors to be affected by the globalization. Cost will probably lead to tough decisions about which markets, customer segments, or product positioning to focus on and which ones to bypass as well as appropriate strategies. (Czinkota & Ronkainen 2011, 98.)

With cost drivers, not only developing countries but also developed countries gain benefit from the globalization as enterprises is now able to approach the sourcing efficiently and the technology changing is now faster than ever before. Globalization will help drive costs down as sourcing and logistic. And this has a significant meaning to developing countries in which capital is extremely limited, and saving costs help them to be able to approach the sourcing and technology more easily.

2.2.2 Market

Together with the development of the globalization, the market, with the assist of technology and political, is now not only limited inside one country's border but also spread into the entire global. However, consumers in each market have varied lifestyles, education, aspirations and their own habit, so having a global strategy does not mean that a company can supply the entire global. Challenges and opportunities must be weighed carefully to reduce risks to minimum (Czinkota & Ronkainen 2011, 98.).

In the global world, the distance and the border is no longer an enormous barrier for enterprises. The market is now widening faster than ever before as company is now able to cooperate with the others to approach cheap resources or reduce the cost through outsourcing. The common market now became global market and global customer. Globalization opened more opportunity for enterprises to approach the new market and the new resources, yet each market has different habits and conditions. Consequently companies have to evaluate carefully the advantages and disadvantages before deciding to widen any market area.

2.2.3 Environment

Increasing consumer wealth and mobility, rapid information transfer among countries, publicity of all around the world and technological revolution accelerate have totally changed the business game. The competitive environment is no longer same as it used to be, as developing countries are now able to apply latest technology into their manufacture easily (Czinkota & Ronkainen 2011, 98.)

The globalization totally changed the competitive environment in which the technology or the advantages will not exist for a long time as the past. In the last two decades, Great Britain and United States of America dominated the whole world based on their technology advantages. However, the business game nowadays is totally different as the technology could be adapted easily in a developing country in just several months or even several days. The circle of life of the technology is much shorter than the past, leading the competitive environment to be much

severe nowadays. Companies have to head forward faster than they were unless they will soon be lagged behind the rest of the world.

2.2.4 Competition

Together with the globalization, the world competition became more severe than ever before. To remain competitive, global rivals have to intensify their marketing everywhere by attempting to sustain advantages that, if weakened, could make them susceptible to market share erosion worldwide. Competitive companies introduce, upgrade, and distribute new products faster than ever before. A company that does not remain ahead of the competition risks seeing its carefully researched ideas picked off by other global players. (Czinkota, 2011, 99.)

The globalization not only brings potential to enterprises, but also the threats. The world business is no longer limited only inside one country's border but rather the whole world. A company now could widen its operation even to any remote area on Earth, opportunity that creates a better opportunity to app. But, together with the potential, behind international groups are latent risks. The appearance of international enterprises with a strong capital and finance are able to eliminate domestic enterprises, especially SMEs sector whose biggest weakness is lacking of capital. The global competition is putting under strain because the widening of market.

3 VIETNAM MARKET

In this chapter, general information of Vietnam will first be presented. Afterwards, how economy of Vietnam changed itself to adapt to the development of the world is pointed out. The experienced of a total change in 1986, when the economy of Vietnam stayed on the edge of that time, was also be told about. Lastly, the roles of SMEs in Vietnam economy system would be analyzed to insist the importance of SMEs sector in Vietnam's economic.

3.1 General Information of Vietnam

Vietnam, a one-party Communist state country, is one of the fastest growing economies in the south-east Asia. Vietnam became a unified country and proclaimed for the independence in 1975 when the Communist unified the North and South. Vietnam covers an area of 127,123 square miles with a population of 89.7 million (BBC, 2015). The total labor force in Vietnam in 2014 was 53.7 million people meaning more than 60% of the population of Vietnam is being in working age. But 69.3% of labor force in Vietnam worked in rural areas and most of them working in agriculture sectors. With the average GDP growth of 6% during the period 2010-2015, Vietnam is one of rarest countries that still have sustainable development during the world's financial crisis. Vietnam has a young demographic structure. The result is wholly clear that Vietnam only had 6.74 million employees at 1/7/1995, and after 12 year, the number of employees increased more than three times to 16.71 million. Together with the development of the employees, GDP indicator also increased from 9.866 billion dollar to 186.204 billion dollar. Together with impression figure, Vietnam has an extremely huge potential to develop in the future, and this opportunities not only limited for domestic enterprises, but also, with the trend of globalization, open for all international companies.

3.2 Vietnam Renovation

Following the fall of the Berlin Wall and the collapsed of Soviet Union, Vietnam became more integrated to the global economy. Vietnam market, along with business ethic and Karl Marx's theory of capital, became obsolete and stayed on the edge of the collapsed as the collapsed of Soviet Union. The Government of Vietnam recognized that the country had to change unless Vietnam would be eliminated from the business world, and enormous afterwards efforts to adapt into the globalization of had been made to blow a new wind into Vietnam market. The result of the successful of Vietnam was raised from a remarkable achievement of first 20 years of the economic renovation called "Doi moi". In the very first of the renovation period, the economy of Vietnam achieved significant success as the economy year-on-year growth rate is 7.5% during 1991-2000 period. The economy of Vietnam was first recognized in the global market with the US-Vietnam Trade Bilateral Agreement (US-BTA), a very important mark that Vietnam market since then was able to join the global market without the forbidden of the United States of America. Vietnam became a member of Association of Southeast Asian Nations (ASEAN) in 1995 and a member of the World Trade Organization in 2007, directly leading to the increasing of foreign direct investment (FDI) reached US\$71.7 billion in 2008 and bringing the bright prospect for the economy (Vuong 2014).

After two decades of escalated growth, the economy of Vietnam had some first signs to lose motives from the very beginning and showed some serious problem as the ranging income between the poor and the rich is being escalated. The economic experienced an extremely high inflation, varying from 10% to 20% a year. The price of property has fallen significantly in recent years, with a 45% decreased in 2013, leading the \$5.1 billion value became non-tradable. (Son Dinh 2014). The Earth never stops rotating, and the market never stops also. Since participating in the WTO in 2007, Vietnam gained enormous achievements obtaining in the first period, but if the economy of Vietnam does not want to be lagged behind it must change itself. Although the Vietnam's GDP per capital increased from US\$1,555 to more than \$1,700 in 2013, this decade marked some sluggish signs when compared to the previous miraculous development. As a part of a very big global business, Vietnam is now engaging and approaching to the international affairs more than ever before.

3.3 SMEs' Role In Vietnam Market

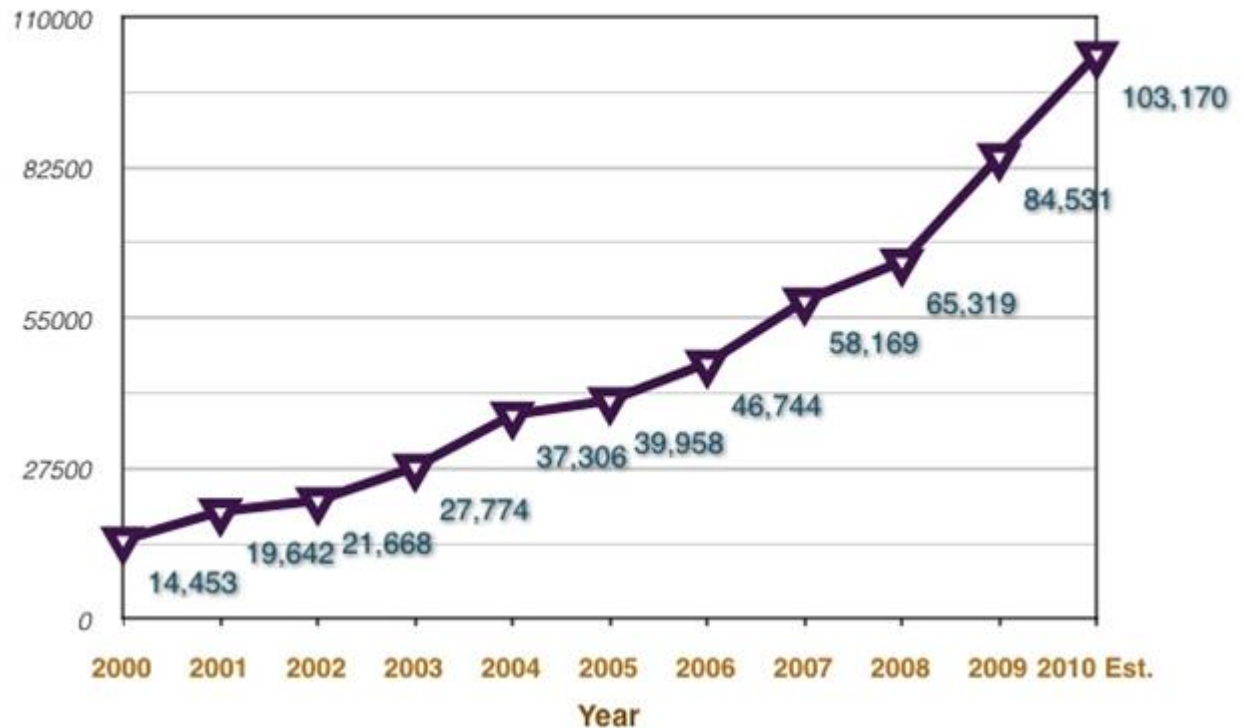
Small and medium sized enterprises always occupy a vital role in any economic system of all countries. This sector works closely with customers and is an essential element to push the economy. Yet, SMEs is also the most sensitive sector because of facing with many difficulties such as shortage of capital, material or management skills. Vietnam's private sector had a long time been depressed and almost eliminated totally during the civil war of the North and South (from 1945 to 1975). Private sector merely put some first step after Doi Moi renovation in 1986 when the Government recognized the private sector in the Vietnam's economy. Another marked step during this renovation was the revision of 1992 Constitution recognizing the private sector in the economy together with the commitment to protect private sector and removing the privilege of state-owned enterprises. This contributed to create a fair play ground for the economy of Vietnam. Nevertheless, Current SMEs categorize in Vietnam economic still suffer some limitations that SME is not "separate" enterprise domains. This limitation could lead to a paradox that services sector does not need as much capital as production sector and, consequently, a large number of SMEs in Vietnam's economy is operating in repair service (Tran & Nguyen 2008).

The Government of Vietnam defines SMEs by Decree 56/2009/ND-CP as "a business establishment with registered capital of no more than Vietnam dong (VND) 10 billion (equivalent to USD 630,000) or with a workforce of no more than 300 regular", and the TABLE 1 introduced the structure of SMEs in Vietnam market more concretely.

	Very small enterprises		Small-sized enterprises		Medium-sized enterprises	
	Number of laborers	Total capital	Number of laborers	Total capital	Number of laborers	Total capital
I. Agriculture, forestry and fishery	10 persons or fewer	VND 20 billion or less	Between over 10 persons and 200 persons	Between over VND 20 billion and VND 100 billion	Between over 200 persons and 300 persons	
II. Industry and construction	10 persons or fewer	VND 20 billion or less	Between over 10 persons and 200 persons	Between over VND 20 billion and VND 100 billion	Between over 200 persons and 300 persons	
III. Trade and service	10 persons or fewer	VND 10 billion or less	Between over 10 persons and 50 persons	Between over VND 10 billion and VND 50 billion	Between over 50 persons and 100 persons	

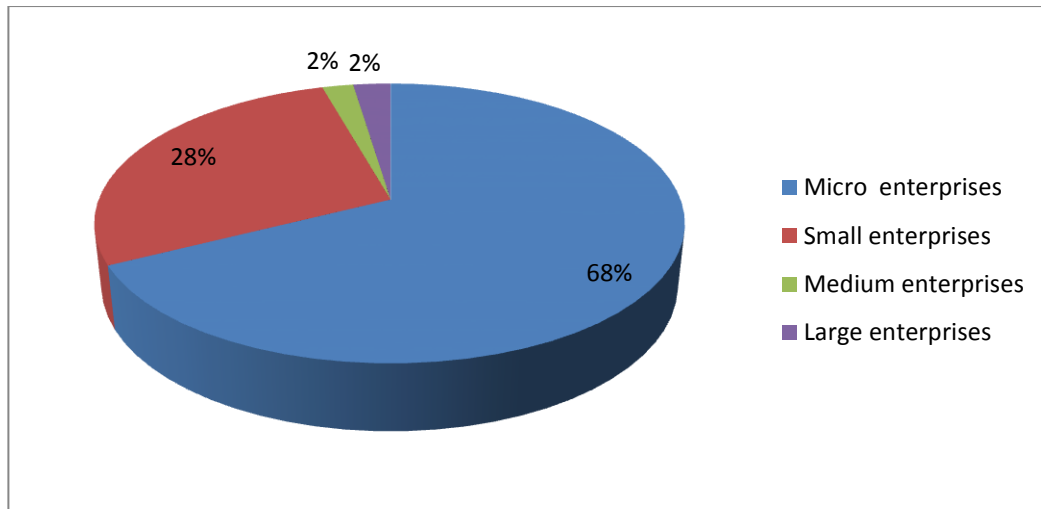
TABLE 1. Vietnamese SMEs structure (adapted from General Statistic 2014)

According to data released by the General Statistics Office, most operating business are SMEs as defined in the Government's Decree. And sorting by the labor size, group micro enterprises accounted for 66.75%, group of small enterprises is 28.75%, group of medium enterprises is 2.1% and group of large enterprises is only 2.4%. GRAPH 2 showed that the number of new SMEs escalated in recent years. This trend once again affirmed for the trend of the economy of Vietnam in which SMEs sector will be the motive force for the whole economic system.



GRAPH 2. Number of SMEs in Vietnam's economic

SMEs are central to the structural of Vietnam's economic system. In global market in general, and in Vietnamese market in particular, Small and medium sized enterprises act significant role in the economy system SMEs always have extraordinary positions, covering 58% Vietnam GDP with more than 315,000 enterprise, and 97,6% employment share, of which micro 67,6%, small 28% and medium 2%. And the number of SMEs from year 2000 to year 2010 was displayed in GRAPH 3. SMEs in Vietnam generated 30% of gross national industrial output, 60% of regional industrial value and 64% of commodity circulation. (General of Statistics Office of Vietnam, 2015.)



GRAPH 3. Vietnamese Enterprises distribution by Labor force. (Adapted from Hung & Cuong 2014)

The pie of labor market is dominated mostly by micro, small and medium sized company, covering more than 98% of the economy of Vietnam. SMEs is employing millions employees and contribute significantly to Vietnam economy, and the developing of SMEs is the trend of world because of the efficient this model. Investment bank and risk investment capital invested significantly to this area. And counted on globalization, more and more investment from foreign enterprises nowadays flows to Vietnam in direct and indirect way. The importance of SMEs in Vietnam economy in particular and in the whole world in general is asserted once again.

4 VIETNAM SMEs RESEARCH AND ANALYZING

In this chapter, the objective and the method of the analysis will be presented first. The reasons for the chosen analysis method are given out and the background information of the research will also be given. The analysis is made on the result of the responses, and the result would only be used for this thesis. The analysis part is also separated into different parts to make the analysis easier to read.

4.1 Research Objective

The objective of the research was to find out the current situation of SMEs in Vietnamese market by the interview and the questionnaires. Having an image of the current situation of Vietnam's economic would help to define the position, strength and weakness as well as to give suggestion and find out the way to adapt to the future changes. One questionnaire was made to get quantitative data and one interview to get qualitative data. From the result collecting through SMEs operating in Vietnam results would be analyzed and assessed. SWOT analysis would be used to find out strengths and weakness of Vietnam market, and recommendation will afterwards be pointed out based on my own opinion accompany with managers' recommendation.

4.2 The Analysis Method

The biggest business failure of a market is the failure to understand the market. Consequently it is reasonable to say that research has enormous impact to every business. To analyze the SMEs situation in Vietnam, market research needs to be conducted. The Business Studies defined the market research as follows:

Market research gathers information about consumers, competitors and distributors within a firm's target market. It is a way of identifying consumers' buying habits and attitudes to current and future products. (Marcousé, Gillespie, Martin, SurrIDGE & Wall 2003, 22.)

The research was aimed to gather both quantitative and qualitative data to get diverse information. Consequently one interview was also made collect qualitative information. The interview (could be seen on APPENDIX 3) was made with an export director of a paradigm SME in Vietnam market. The aim of the interview was to find out the employees situation in Vietnamese market through one actual enterprise and specific idea about challenges and opportunities of a manager. The interview was only recorded to serve only for thesis purpose. Notes were made during the interview, and the answers were summarized based on the notes.

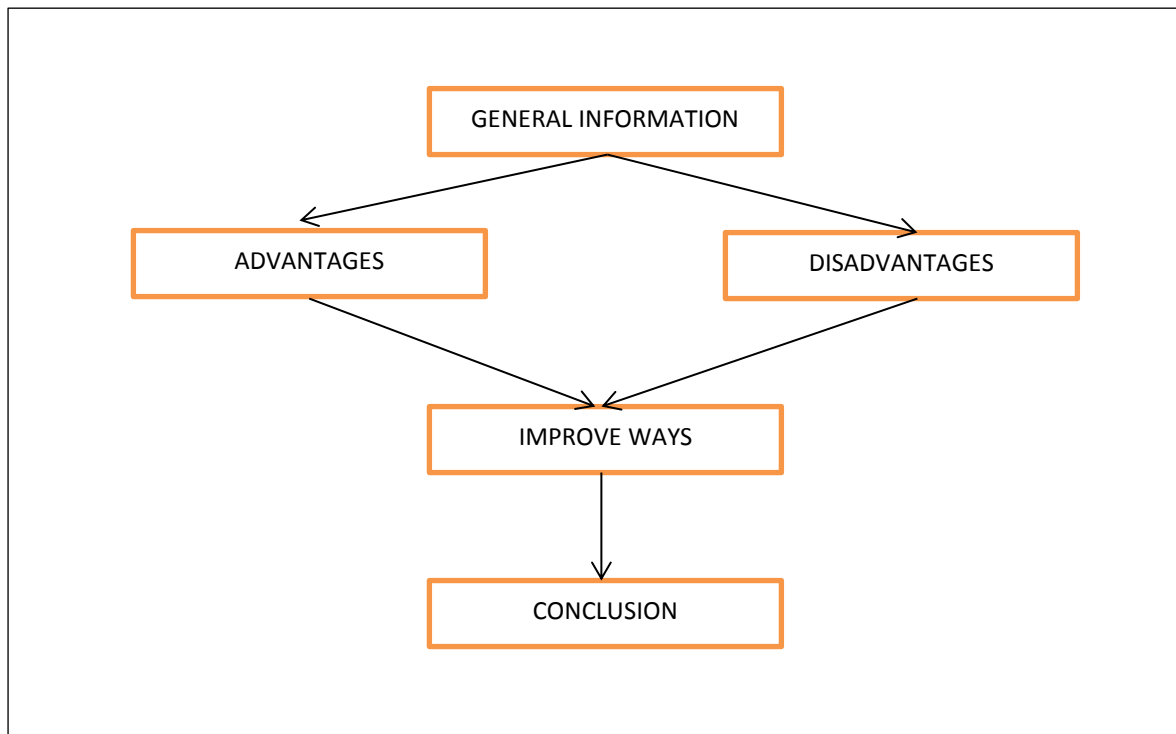
The research method comprises quite large amount of information, including one questionnaire and one interview. Primary research was chosen for this thesis because this is a very convenient and efficient way to gather information. The questions were analyzed one by one, but the more important the questions are, the more careful they would be analyzed. The questions were marked in order and the requirements for each question were also listed clearly. The analyzing process would be easier and the reader would be able to follow the analysis easily.

4.2.1 Questionnaires

The questionnaire was designed to find out general information of SMEs situations in Vietnamese market and business' idea about the struggles and advantages they have met since 2007, the year Vietnam participating WTO.

The questionnaire is the vital element for the success of the thesis. Consequently, the target and goals must be defined clearly for each question. The Four Factors models including cost, environment, competitors and market will be the core in which the questionnaire turns around. Every question must recognize exactly what needs to be found out unless it is likely that the results will not be useful. The order of the questions was designed logically in which the

respondents can follow the flow of the questionnaire easily. The questionnaire was created with target in the following target:



GRAPH 4. Questionnaire flow

The first three questions were about the general information to define whether enterprise is SME, and how many years have the enterprises operated. The field in which the SMEs is operating is one important elements need to be specified clearly. The establishment time and industry in which the enterprise is working in are vital information from that the trend of Vietnamese market will be analyze. Next there will be two questions for managers to evaluate their business results during this period. The afterwards, two questions to determine how was the recent operating results of SMEs in Vietnamese market will be asked. The scale question seems to be quite subjective, as the result only got from the managers but not a board or through an assessment. But this subjective evaluation had their values in which would be extremely useful to assess the recently operating result.

The section of determining of the advantages and disadvantages of SMEs in Vietnamese market since 2007 includes two questions. The enterprises had to assess each advantages or disadvantages in the list from the scale one to three in which one is the highest

Final section was to check the assessment of managers in SMEs about their thinking about how globalization affect to their business. The advantages and disadvantages will be compared to find out how managers welcome the significant changes of globalization to their enterprises.

4.2.2 The Interview

After analyzing the questionnaire, recognized that most manager concerned about the quality of labor, one interview was conducted with Mr. Nguyen Thanh Luong an export director Vifa Sport Ltd, a paradigm SME located very potential areas of Vietnam market. The interview was conducted with the aim is to collect the qualitative information. The content of the interview was shown in the APPENDIX 3.

The interview was designed to collect the general information of employees in Vifasport and thinking of Mr.Luong about the prospect of the operating in the future, and what is his opinion about the advantages and disadvantages of SMEs in Vietnam market

4.3 The Analysis on Responses

The questionnaire was sent out to target group by e-mail (see APPENDIX 1) from 1st October 2015 to 30th October 2015 with the total 63 responses from managers. In beforehand, the managers were informed about the questionnaire from more than one month ago. The result is quite astonishing in which 61.4% managers. The full copy of the result is enclosed in the APPENDIX 2. After receiving and analyzing the results of the questionnaire and recognizing that the quality of employees is the element that have biggest concerned, one appointment with Mr.Nguyen Thanh Luong was conducted to collect more qualitative information about the real situation of the quality of labor force in Vietnam market.

4.3.1 Current Situation of SMEs In Vietnam Market.

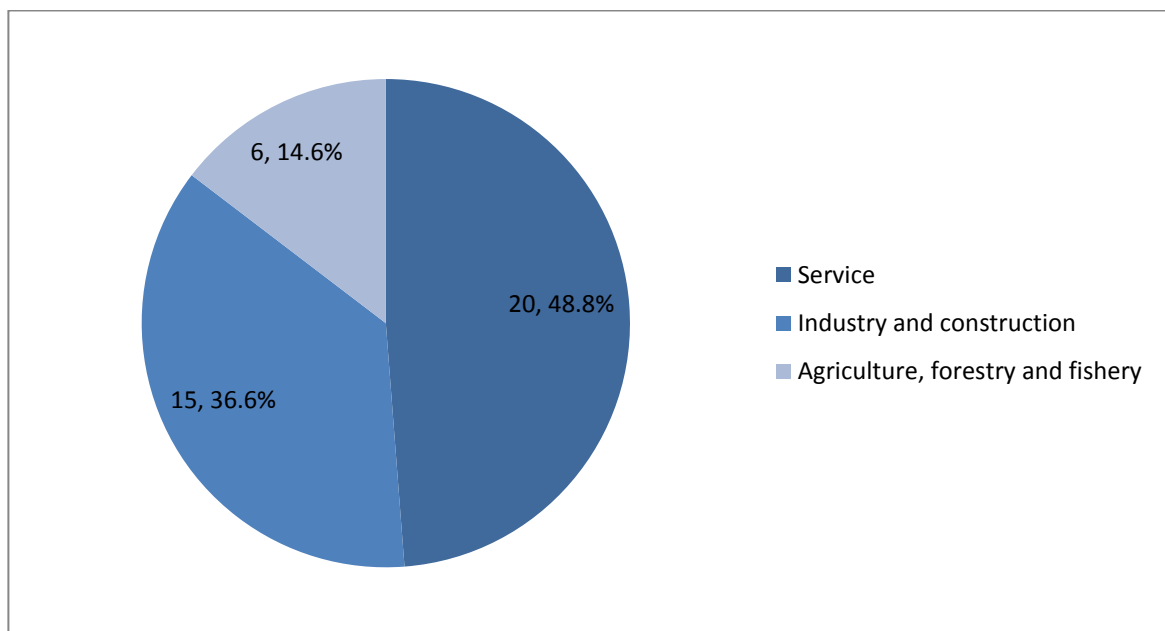
The amount of responses of managers' questionnaires was 63/89 which means the response rate is roundly 71%. This was more than expected rate which is only around 50%, consequently, the result was very astonishing. The responses were aware of the upcoming questionnaire that results will be only use for the thesis purpose, so the responses rate was very high at the beginning. Of those respondents 41 were SMEs and 22 were not, and these 41 enterprises that fulfill the requirement will continue to the next question. Majority of SMEs participating in Vietnam market were established in last 8 recent years, the most popular establishment time of SMEs are 3 to 5 years and 6 to 8 years, each contributing 31.7%. The second most popular establishment time was 1 to 2 years. The full information could be seen in TABLE 2. The results showed an escalated increasing in the number of new SMEs since 2007, the time Vietnam joining WTO and being affected significantly by the international law ruled here.

Most of SMEs in Vietnam market had a short history was due to the globalization only significantly affect to Vietnamese market since some marked event such as the accession of Vietnam to WTO 'in 2007 or U.S-Vietnam Trade Bilateral Agreement in 2001, an event creating a bright future for Vietnam in the world market. The numbers of SMEs escalated since then.

TABLE 2. Year range of establishment of SMEs in Vietnam market

	Frequency	Percentage of total (41)
1-2 years	10	24.4
3-5 years	13	31.7
6-8 years	13	31.7
9+ years	5	12.2

The proportional of the industry that SMEs currently operate is shown in GRAPH 5. In total respondents, Industry and construction and service field cover 85.4% in which 48.8% for service and 36.6% for industry and construction, while the proportional of agriculture, forestry and fishery only covers 14.6%. Analyzing deeper to the results, in 36 SMEs established in 8 recent years, only 2 SMEs operated in agriculture, forestry and fishery fields. This is a feature needs to be concerned, especially this is the time when globalization have a significant effect to Vietnam market when it join WTO in 2007. Service and industry and construction fields are replacing the agriculture field to become the key industry for the development of the economy of Vietnam.

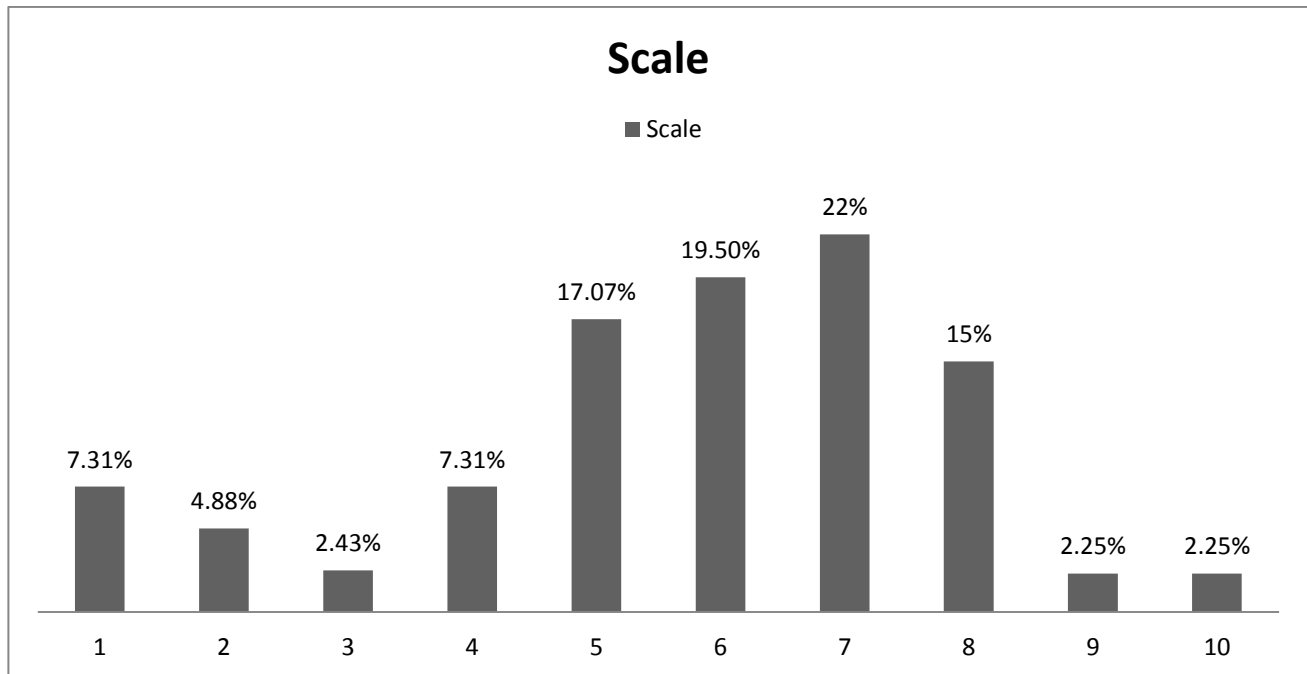


GRAPH 5. Enterprises distribution by industry

In response to how effective is your company question, only 19.5% SMEs had a negative grown in net income and the most popular development range is 0 to 10% covering 34.1% while 10% to 20% come as second most popular with 31.7%. 14.6% enterprises growth significantly by more than 20% in the last several years, the figures once again specifying the effective of SMEs in recent years. This is significant in that it shows the health of SMEs in Vietnamese market in which there only 19.5% SMEs truly get lose.

When the managers were asked to evaluate the operating situations of their SMEs from the scale 1 to 10 in which 1 to 3 is defined as unsuccessful in operating results, 4 to 7 is having

some improvement in reaching the targets or goals and 8 to 10 is reaching most target or goals. As can be seen from the GRAPH 6, 14.62% assess their operating result as unsuccessful in achieving the target, and seeing improvement in reaching targets and goals come as the first place with 65.88%. Especially, 19.5% managers evaluated their operating results are extremely successful. These assessment is only based on the subjective evaluate of only the managers but there reflected the actual face of Vietnamese economic system.



GRAPH 6. Managers' assessment of the operating situation

Throughout the first three question, the economy of Vietnam had some positive changes to adapt to the globalization as agriculture sectors is being shifted to industry and especially services, resulting in the increasing of Vietnam GDP per capital which raised from \$US 263 to \$US 1550 in 2015 (Trading Economics, 2015). Additionally, most of SMEs showed a positive and sustainable development with only 19.5% had negative growth rate during this period. This report once again consolidated for the success of SMEs sector.

4.3.2 Advantages of SMEs in Vietnam Market

When being asked about the advantages of globalizations into their business based scale 1 to 3 in which 1 is the most severe advantage and 3 is the most insignificant advantage. Managers suggest that the quality of labor increased significantly since Vietnam participating WTO since 2007, with the average point is 2.51. Gaining capital more easily come as the 2nd place with 2.26 in average as participating in WTO opened the opportunity for foreign investment to come to Vietnam, a very potential market with young demographic and cheap labor. With 1.93 and 1.74 in average, achieving modern technology can cost reducing stand at the third and fourth. Shortening the procedure time also showed an important advantage with the average 1.41 points. Getting more partner seemed not to be an enormous advantage for SMEs in Vietnamese market as all the manager recognized that it only bring a limited advantages to the market. There are also some notions suggested by managers such as the advantages of the more convenient of logistic or easier to approach the raw material, but the idea just limited in 2 to 3 managers as these ideal only have consultant value. The result of this question was conducted in the TABLE 3.

TABLE 3. Assessment of advantages factor in SMEs sector

	Average Scale
Gaining capital easily	2.42
Cost reducing	1.74
Achieving modern technology	1.93
New opportunities in international market	2.26
Shortening procedure time	1.41
Getting more partner	1
Increasing the quality of labour	2.51

As can be seen, the globalization brought enormous advantages to the economy of Vietnam. Most managers agreed that quality labor is one of the most important elements to the success of their SMEs as people are always the original point and the root of any enterprise. The

quality of Vietnamese labor have increased significantly since Vietnam opened their border to the rest of the world and, together with the globalization trend, the wave of Vietnamese student came study abroad and returned Vietnam afterwards to re-apply their knowledge achieved from the modern countries into realistic business. During that time, the quality of domestic education also increased significantly as the illiteracy had been eliminated and primary school was generalized to all Vietnamese people, even ethnic group in remote area of Vietnam. In 2014, the average rate of people holding bachelor degree or higher increased to 7.3% almost doubled compare to the year 2009. The real situation was also be analyzed through the interview with Mr.Nguyen Thanh Luong as within Vifasport Ltd, a SME operating in sport manufactures field with 152 staffs, 43% (65 people) had bachelor degrees or higer education and 48% (73 people) finished high school. This achievement is truly deserved to be acknowledged as Vifa Sport is merely a manufactures enterprises. The quality of Vietnamese's labour force increased significantly along with the globalizations.

4.3.3 Problems Facing of SMEs

The next question was made to evaluate the difficulties that the SMEs encounter since globalization had a significant effect to Vietnamese market; facing problems evaluated results were reflected through TABLE 4. As can be seen, lacking of capital is the most severe disadvantage of SMEs in Vietnam with the average assessment of the managers is 2.42 point. Although managers recognized that the increasing of quality labor is the biggest advantages of globalization, however the lacking of skilled labor still seems to be a big problem for managers as it comes as 2nd place with the 2.26 average points. In response to how different of international business standard supply chain becoming more complex affect to your enterprises, most managers agree that the difference among countries created moderate difficulties to them with the average point is 1.93.

TALBE 4. Facing problems scale of SMEs in Vietnam

	Average Scale
Lacking of capital	2.42
Supply chain become more complex	1.74
Different of international standard such as Accounting or Financial	1.93
Competing with bigger companies	2.26
Lacking of suitable machinery/equipment	1.41
Difficulty in finding suitable premises	1
Lacking of skilled labour	2.51
Lack of support from local Government	1.42

Most enterprises surveyed faced with lacking of capital and competing with bigger companies that they have never passed. Together with the development of globalization, the wave of international investment to the economy of Vietnam is increasing considerably, and Vietnamese enterprises would face with international group, the opponents that domestic companies have no way to confront with. Limited access to capital is reflected by the lacking of suitable machinery or equipment and finding suitable premise. To help SMEs resolve the above difficulties, it is necessary to analyze a concrete way in which the Government will have to prove their core roles. Government has to prove their position to assist domestic enterprises to confront with international group indirectly through policies and create them chance to assess Government capital to widen their operations. Additionally, enterprises themselves have to configure their business mind to conceive the belief for Vietnamese customer, the belief that has lost for a long time since the standard of Vietnamese product was deplorable. Vietnamese enterprises could not count only on the Government to find capital assist, they must be more flexible to prove their ability with foreign investment from capital invest or even from start-up funds; a large number of SMEs in Vietnam begin from raising fund through community start-ups funds in the United States of America. And 80.5%

managers admitted that getting more capital is the best way to improve their business in the future.

Moreover, among three stages of developing technology including adapting technology, mastering technology and creating technology, Vietnam is truly in the first stage. Technology creation is the leading for the sustainable development, but research and development (R&D) activities are still very limited in Vietnam. Based on research of Dinh Van An (2004), investment value of Vietnamese enterprises in R&D accounts for only 0.25% of their revenue, and private sector barely have investments in R&D. The lacking of a long-term vision contributed significantly to the lacking of machinery and equipment. Research and Development (R&D) never be an vital concernment in developing countries; R&D always be the most important and the prerequisite for sustainable development in developed countries that 10% to 15% GDP was spend for R&D. The effective of the globalization made developing countries relied on others developed countries that they could easily copy or learn from the foreign technology but, in general, this trend created a sluggish situation for one generation.

4.3.4 SWOT Analysis

SWOT, including four letters that stand for: Strengths, Weaknesses, Opportunities and Threads, is a very useful tool to analyze factors that impact to a market. SWOT analysis is a very useful tool because it is able to analyze both internal and external factors that Strengths and Weaknesses are identified as internal factors inside a project or organization. While Opportunities and Threats spring from external environment (Schall 2011).

TABLE 5. SWOT analysis model (adapted from Method finder 2011)

Strengths	Weakness
Opportunities	Threats

SWOT analysis was conducted based on the information available from the questionnaire and the interview. The SWOT analysis gave a general view of Vietnamese developing prospect. Four aspects of Strengths, Weaknesses, Opportunities and Threats would be analyzed in order.

Adapting to the analyzing result and the situation of Vietnam market, SWOT analysis of SMEs in Vietnam market was pointed in TABLE 5. Each elements and reason will also be analyzed carefully afterwards.

TABLE 6. Vietnamese SMEs SWOT Analysis

<p style="text-align: center;">Strengths</p> <p>Cheap workforce Very high and sustainable development rate Young demographic structure</p>	<p style="text-align: center;">Weakness</p> <p>Political instability Inflation rate is high Public debt levels have risen sharply Low quality workforce Limited capital and equipment</p>
<p style="text-align: center;">Opportunities</p> <p>Attract foreign investment Scope of development Bigger market for domestic enterprises</p>	<p style="text-align: center;">Threats</p> <p>Low competitive ability Population explosion International groups Brain drain</p>

Biggest opportunity of the economy of Vietnam lies in their future, the future that does not belong to European or America, but rather the Asia. Many scholars believe that the 21st century is the century of Asia with the rise up of China and India. As one of the countries has a huge population and a sustainable GDP growth for a long time, Vietnam will be an attractive destination for foreign enterprises.

To come up with that recognition, Vietnamese Government created a belief for foreign investor by creating a fair and sustainable market. Along with the accession to World Trade Organization (WTO) in 2007 and especially The Trans-Pacific Partnership (PPT) in 2015, Vietnam economy had some first achievement and prepared for the forward changes. 65% managers believed that globalization would bring them more opportunities than challenges.

With the strongest strength is cheap labor and young demographic, Vietnam economy had a sustainable growth rate for a long time, specifically, more than 10% from period 2000-2007. Although being affected by the financial crisis, Vietnam economy still have a very adorable annual GDP growth with more than 7% from 2008 till now. Accompany by the impressive figure, the flow of foreign investment to Vietnam in direct and indirect ways is increasing significantly, and a large number of start-ups or SMEs in Vietnam received investment from these force. The market now is not limited only inside Vietnam's border or just in The Association of Southeast Asian Nations (ASEAN), but also widened to the whole world. The globalization eliminated distance and border among countries to create a "flat world".

Mr. Nguyen Thanh Luong, an export direct of an SME in Vietnam, admitted that, after the accession to WTO, the proportional between domestic and foreign revenue of his enterprise change significantly, and export now covers more than 65% annual revenue of Vifasport Ltd. The globalization not only creates chance for product movement but also the labor force; together with the flow of foreign investor is the flow of high quality labor, and Vietnamese labor had chances to approach the up-to-date technology and shorten distance of knowledge with developed countries. Since Doi moi renovation in 1986, Vietnam has totally changed their conception about political, as a result, modern technology and knowledge from Western countries has been acquired; the obsolete business model since Soviet period has been replace by a modern conception. State-owned Enterprises (SOEs) no longer have privilege regardless of how bad they are. This change truly opens a new opportunity for SMEs sector that they now can have chances to operate in monopoly business. The Earth never stops rotating and Globalizations develops together with the changes of the Earth. There always latent risks in forward that we will never know exactly all of them. Enterprises must be always in prepared situation.

Accompanied by the opportunities, threats are always be latent behind but they never have an appropriate concernment. The major threat to SMEs in Vietnam is the massive flow of international enterprises to Vietnam economy, together with huge flow of capital. Besides enormous benefits from the wave of international investment to the economy of Vietnam, there are also some latent risks to domestic enterprises, especially SMEs sector. SMEs sector is very sensitive as it can be easily affected by outside factors because of lacking of a strong

financial capital and competitive ability. As 87.7% managers acknowledged that finding more capital will help them most to improve their business. The capital is the most importance factor need to be improved in Vietnam market. In the interview with Mr. Nguyen Thanh Luong, he admitted that lacking of capital pushed his company into serious situation because the delay in payment in Vietnam market is very popular, affecting significantly to the capital turnover. SMEs without a strong financial capital will not have enough money to continue their operations.

Vietnamese SMEs do not have a sustainable development as they the quality of research still not have a right concernment, and they also do not have a long-term vision to create a belief to customers. Most of Vietnamese enterprises only focus on short-term target to get as much as profit after 3 years to 5 years period and they do not exactly know what to do next step, leading to low quality products and losing consumer belief to Vietnamese product. Together with the massive wave of international brains to Vietnam, 2014 was acknowledged to be the year had highest number of company declaring to go bankrupt and most of them came from SMEs sectors. Domestic enterprises obviously have no chance to compete directly with international groups which have long history and experience in their industry. Especially, most of SMEs in Vietnam have limited capital and poor quality labors, as the most of managers admit that lacking of capital and high quality labor are their biggest problems. Although Vietnamese education recently had some significant step, but most of foreign investor assessed Vietnamese labor still do not have enough skills to work for international enterprises, leading to the sluggish in SMEs sectors, especially when they strive to widen their business to outside of the border. More than ever before, Vietnam needs the wave of overseas student to return to Vietnam with their own knowledge, achieved in Western countries, and contribute to the development of country. And 80.5% managers admitted that improving the quality of employees must be one of the first priorities of the economy of Vietnam. However, Vietnamese Government still does not recognized the importance of high quality labor, hence, Vietnamese in particular and Asia in general are the areas where “brain drain” situations occurs most leading to the lacking of a large numbers of talent workforce.

Adapting to the changes is not only the responsibility of enterprises, but also the Government has enormous impact, and the Government must be motive force for the development of a

country. Government of Vietnam, as a one Party country, had some limited aspects; because the Government still is monopoly in most of the main industry in Vietnam market such as electricity, education and public health. The state-owned enterprises is now being the economic burden of Vietnam, and these company still have the right to dominate Vietnam market regardless how are their operating situation. Enterprises of Vietnam, especially SMEs sectors, still have to incur unfair impacts from Government of Vietnam.

Lastly, a very common problem of developing country, the population explosion creating a large number of negative affects to the economy of the global, and Vietnam is not an exception. Population explosion caused a lot of burden to the environment, public health, education and especially to the competitive ability of Vietnamese enterprises. Population explosion is a consequence of Vietnamese culture to be valued men above women, the culture that increased the population of Vietnam significantly. The sluggish situation of the economy of Vietnam is also impacted by the population. Vietnam market only has a large number of labor quantity but not the high quality. The recommendation, conducted from the results of managers and my own opinions, will be pointed out in the next chapter to help SMEs solve the weakness inside and threat coming from outside environment.

5 RECOMMENDATIONS AND CONCLUSION

In this thesis, the current situation of Vietnamese market was perceived. The challenges and opportunities of SMEs were also be analyzed to find out ways to improve their competitive ability and to adapt to the globalization trend. The questionnaires and interviews were conducted to collect managers' opinions and their point of views. The advantages and disadvantages were identified and considered to assess the impact of globalization to SMEs sector.

Globalization affected significantly to daily life activities of the whole world, especially after some marked events such as the establishment of WTO or the collapsed of Soviet Union. The world, hence, became more integrated than ever before. The globalization could leads to both good and bad aspect, but the determination to decide whether they are good or bad lies on human themselves. Vietnam market, along with the assistance from the Government, must adapt to the rest of the world to not be lagged behind.

The SWOT analysis reveals that the best strengths of Vietnam market stands in the cheap and young labor force. Cheap labor force and young demographics used to be competitive advantages for developing countries for a long time. But these advantages will not be existed perpetually, and China is a paradigm for the shifting of investor to a new market when the labor force became more expensive. Additionally, together with the aging trend of the population of Vietnam, these competitive advantages will not last for long time. Moreover, human resources are the root for a strong country, so a strong economy does not lie on the quantity of labor force but on the quality of labor force. Seriously, the labor force of Vietnam is affected significantly by the "brain drain", as the globalization enable labor to move more freely, waves of Vietnamese young and talent generations are heading to Japan and Korea as a dream destination to improve the quality of life and the income. The demand of high quality labour is Vietnam is increasing significantly, consequently, to stop the influx of employees to foreign, Vietnamese enterprises and the Government together have to change the policy to attract the employees to stay and devote for country.

To have a sustainable development, most managers from SMEs recognized that the most important element need to be improved in the future is to find the investment capital to ensure sustainable operations in long time. Research and Development must have an appropriate concernment to not be lagged behind the rest of the world. Moreover, Research and Development will contribute to create a sustainable development that the root of the economic system would be clearly defined. Although Vietnam had a great development in theory, with a dream developing figure, when compared to any others countries, however, unsustainable development created serious corollary to the life of Vietnamese people. When enterprises only focus on their growing profit, besides consequence were left behind as the environment of Vietnamese people had been deteriorated significantly leading to the decreasing of people's health. The increasing of GDP would be nonsense unless the quality of people's life also increased together. SMEs have to clearly recognize that the long-term vision for the economy of Vietnam does not lie on the GDP figure but on the sustainable development.

During the existence of humankind, the strongest strength of human is the ability to improve their own. The individual who knows to adapt to the environment will have chance to exist and individual who not will be eliminated by the nature. To business, this rule is always be true; recognized the impact of globalization, Vietnam once time changed itself in 1986 with the decision to give up the old communist business, focusing in only in industry manufacturers and agricultures, and give opportunity to non-state owned enterprises. Small and medium size enterprises since then had chance to prove their ability to the Vietnam economy, but non victory is immortal. People have to adapt themselves to then environment unless they will be eliminated because natural rule is extremely severe and, together with the globalization, the revolution of business is becoming faster than ever before. A modern, latest technology could be easily replaced after one quarter or less; globalization contributes enormously to the development of humankind but it also changes the traditional business habit. SMEs sector as very sensitive because of their lacking of capital and human resources extremely needs help from the Government. However, as a Communist country, Vietnam market still has to gain enormous impact from political factors that Vietnam is not able to open totally market to the whole, and this contributed the sluggish situation of Vietnam's economic when compared to the rest of the world. Along with the open the market action would be the massive flow of capital to Vietnam market that will help domestic enterprises to solve the lacking capital

question. The political instability leads to a large numbers of negative effects to the economy of Vietnam as the high rate of inflation and high public debt, creating an overcast atmosphere for Vietnam market. To attract and eliminate the agitation of investor, the Government of Vietnam has to change itself first, yet the impact of a single regime country and political effects is hard to be abolished in short future. Hence, the political will absolutely become a big challenge for Vietnam SMEs.

With all research conducted through the thesis, suggestions are made for SME sector in the economy of Vietnam to adapt to the globalization changes. SMEs sector, as the motive of the economy of the world in general and of Vietnam market in general, has a very important responsible to push the economy of Vietnam, the economy that stay on sluggish for a long time. The SWOT analysis pointed out all the general aspects of Vietnam market as well as the strengths and weaknesses of SMEs in Vietnam market. Not only the enterprises, but also the Government of Vietnam plays vital roles to make a new Doi moi renovation in Vietnam market, the renovation that once time helped Vietnam to step outside the sluggish of the structure. A new renovation is extremely new to help Vietnam have a miraculous step to catch up the rest of the worlds.

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SMEs' situation in Vietnam's market

The data for this survey was collected in October 2015 from over 60 Small and Medium Size Enterprises participating in Vietnamese market, and these company concentrate mostly in the south of Vietnam.

My name is Nguyen Doan Hoai An, and I am currently a studying in Centria University of Applied Science in Finland. Now I am writing my thesis with the topic is how SMEs in Vietnam are adopting to changes of the globalization. I would be extremely appreciate if you spend a little of your precious time to help me fill in this questionnaire to help me accomplish my research.

I'm hoping to receive your responses as soon as possible. The responses will be analyzed anonymously for only my thesis purpose.

Questionnaire

1. Is your company a SME according to Vietnamese law? (Please tick only one box)

Yes

No

If you answered that your company is not a SME that you do not need to answer any more questions, thank you for your participation

2. How many years your business has been in operation? (Please tick only one box)

1-2 years

3-5 years

6-8 years

9 years and over

3. Your company operating in which industry? (Please tick only one box)
- Service
- Industry and construction
- Agriculture, forestry and fishery

4. What is your company average increase in net revenue for each year from the period 2007 to 2015? (Please tick only one box)
- Smaller than 0%
- 0%-10%
- 10%-20%
- 20% +

5. How successful does your SME often meet the targets and goals yearly? (Please answer based on the scale and instructions)
- Scale: 1-10 in which 1- not successful, 10- very successful, and 1-3 is unsuccessful in reaching the targets or goals, 4-7 is having some improvement in reaching the targets or goals and 8-10 is reaching most target or goals.

Rating point _____

6. Which benefits that you achieved after the market changes in 2007? (Please answer based on the scale)

Scale: Severe advantages (1); moderate advantages (2); insignificant advantages (3)

- a) Gain capital easily _____
- b) Cost reducing _____
- c) Achieving modern technology _____
- d) New opportunities in international market _____
- e) Shortening procedure time _____
- f) Getting more partner _____
- g) Increasing the quality of labour _____

h) Other _____

7. Which difficulties did your company encounter after 2007? (Please answer based on the scale)

Scale: Severe difficulty (1); moderate difficulty (2); insignificant difficulty (3)

a) Lack of capital _____

b) Supply chain become more complex _____

c) Different of international standard such as Accounting or Financial _____

d) Competing with bigger companies _____

e) Lack of suitable machinery/equipment _____

f) Difficulty in finding suitable premises _____

g) Lack of skilled labour _____

h) Lack of support from local Government _____

i) Other barrier _____

8. Which are the ways you think to improve your company operation in the next few years? (Please tick all that apply)

- Purchase modern equipment
- Increasing product quality
- Widening the market areas
- Employing more staffs
- Investing more in marketing
- Finding investment capital
- Other (please specify) _____

9. Do you think that globalization bring your company more opportunities than challenges?

Yes

No

Thank you so much for spending your precious time to complete this questionnaire. These result help me significantly to complete my thesis and contribute to find out the opportunities and challenges for Vietnam market.

Questionnaire Results

Q1: Is your company a SME according to Vietnamese law?

	Frequency	Percentage of total (63)
Yes	41	65
No	22	35

Q2: How many years has your business been in operation?

	Frequency	Percentage of total (41)
1-2 years	10	24.4
3-5 years	13	31.7
6-8 years	13	31.7
9+ years	5	12.2

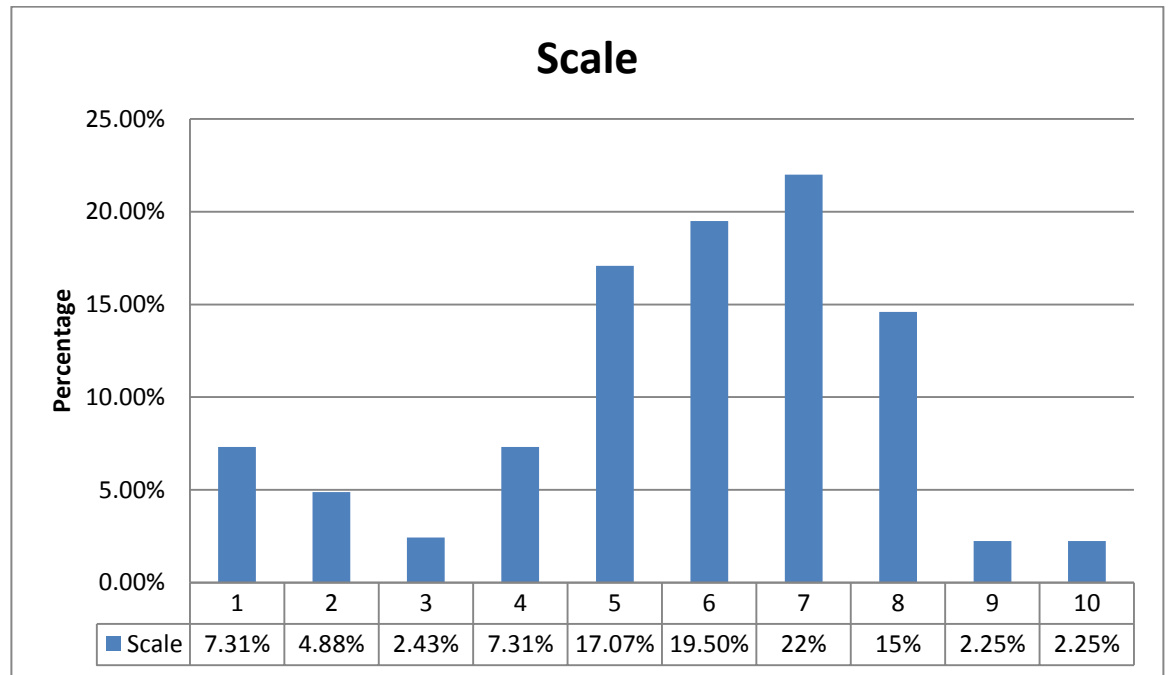
Q3: Which industry is your enterprise operating in?

	Frequency	Percentage of total (41)
Service	15	48.8
Industry and construction	15	36.6
Agriculture, forestry and fishery	6	14.6

Q4: What is your company annual growth rate in net revenue from the 2007 to 2015?

	Frequency	Percentage of total (41)
Smaller than 0%	8	19.5
0-10%	14	34.1
10-20%	13	31.7
20%+	6	14.6

Q5: How successful does your SME often meet the targets and goals yearly?



Q6: Which benefits did your enterprises achieved after the market changes in 2007?

	Average Scale
Gaining capital easily	2.42
Cost reducing	1.74
Achieving modern technology	1.93
New opportunities in international market	2.26
Shortening procedure time	1.41
Getting more partner	1
Increasing the quality of labour	2.51

Q7: Which difficulties did your company encounter after 2007?

	Average Scale
Lack of capital	2.42
Supply chain become more complex	1.74
Different of international standard such as Accounting or Financial	1.93
Competing with bigger companies	2.26
Lack of suitable machinery/equipment	1.41
Difficulty in finding suitable premises	1
Lack of skilled labour	2.51
Lack of support from local Government	1.42

Q8: Which are the ways you think to improve your company operation in the next few years?

	Frequency	Percentage of total (41)
Investing in R&D	32	78.1
Increasing product quality	21	51.2
Widening the market areas	24	58.5
Employing more high quality staffs	33	80.5
Investing more in marketing	16	39
Getting more partner	14	31.1
Finding investment capital	36	87.7
Other		

Q9: Do you think that globalization bring your company more opportunities than challenges

	Frequency	Percentage of total (63)
Yes	41	65%
No	22	35%

Interview

Interview questions of the author to Mr. Nguyen Thanh Luong – Export Director of Vifa Sport Ltd.

Starting questions:

1. How long have you worked in the company?

I am one of the founding members of Vifa Sport Ltd.

2. Could you description your job?

I work mainly in export department with all the works related to export products to foreign market.

1. How long does your company operate as a manufacturer of sporting equipment?

Vifa has operated since 2001, but the predecessor of Vifa Sport Ltd. is Sodex Toseco, a joint-venture company with French, was establish in 1991.

2. How many employees in your company?

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3. What is the level of education of your staffs in your company?

In Vifa Sport Ltd. 43% (65 people) had bachelor degree or higher education, 48% (73 people) finished High school and 9% (14 people) finished Secondary school.

4. How many percentages does export revenue account for?

Exports cover 63% of overall income.

5. Which factors do you think that affect to your operation most?

The lacking of capital and the delay of payment in Vietnam market leads to the slow capital turnover situation. This is extremely serious because most of SMEs in Vietnam market do not have strong financial strengths.

6. Which are the best way you think that will help your enterprises most?

Vifa Sport, in particular, and most of SMEs in general need to increase the financial capital through helps from Government. The delay in payment mostly springs from political aspects that lead to the delay in payment from the bank. The quality of labour is also one factor need to be concerned to improve the productivity of the enterprises.

