

## Improve the Competitiveness of Vietnamese Businesses in the Current Period

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Research Article

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**Abstract:** Currently Vietnam is a member of many international organizations. Participation in international economic integration helps businesses of Vietnam expand industries, export products, expand export markets, etc. but at the same time bring many challenges for Vietnamese businesses, such as quality of the product, products that meet the rules of origin of goods, etc. The Government is providing maximum support for businesses, but seizing the opportunity or not depends entirely on the enterprises themselves. Enterprises need to have specific development strategies, in which improving their competitiveness to adapt to the new business environment is the decisive factor for their “survival”. In the content of this article, the author focuses on analyzing the difficulties of Vietnamese enterprises in the process of competing with foreign enterprises, and proposing some solutions to improve the competitiveness of the Vietnamese businesses in the current period.

**Keywords:** Competitiveness, Vietnamese enterprises, markets, import and export.

## Introduction

Competition is a natural phenomenon, a contradictory relationship between individuals who share a living environment when they are interested in the same object. In economic activity, competition is a competition between economic entities (producers, consumers) in order to gain more advantages in production, consumption or consumption of goods. Competition can occur between manufacturers or may occur between producers and consumers when producers want to sell goods at high prices, consumers want to buy at low prices. Competition brings many benefits, especially to consumers. Manufacturers must find ways to make products with better quality, more beautiful, cheaper production costs, have a higher percentage of scientific and technological knowledge, etc. to meet the needs of markets and customer tastes. Competition makes producers more active, more sensitive, better captures customers' needs, constantly improves technology, and applies the latest advances and research into production; perfecting the way of organizing production and managing production to improve productivity, quality and economic efficiency.

According to economist Michael Poter (2005): Competition (economics) is to gain market share. The essence of competition is to seek profit, which is higher than the average profit that the business has. The result of the competition process is the equilibrium of profits in the industry in the direction of deep improvement leading to reduced price. The competitiveness of enterprises demonstrates the real

power and advantages of the enterprises compared to competitors in the best satisfaction of customer requirements for higher and higher profits.

Competitiveness created from real capacity of enterprises. These are the internal factors of each business. In fact, no business is capable of meeting all customer requirements, so businesses must be aware of their strengths and weaknesses in order to promote their strengths and limit their least weaknesses. The strengths and weaknesses of a business are expressed through the main activities such as technology, production processes, personnel, marketing strategy, etc.

### **Current Situation of Competitiveness of Vietnamese Enterprises Today**

In the context of economic integration today, competition between businesses on a global scale is indispensable and this competitive pressure affects all businesses, not just Vietnam. Considering from a macro perspective: international economic integration or signing of free trade agreements bring many opportunities for businesses, but also many challenges. For example, according to the latest agreement which came into effect in Vietnam from January 14, 2019, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), there are three countries that will be the first to Vietnam having free trade agreements are Canada, Mexico, and Peru. This opens up opportunities for Vietnamese businesses to access new markets, have the opportunity to diversify sources of input materials (such as yarns in the textile industry), ... Besides, businesses also face with challenges, such as: weak competitiveness of some services, advertising, agricultural products such as pork, chicken ...; Vietnam's policy status is incomplete, the quality of labor resources is not high ... Integration is an opportunity or a challenge depends on Vietnam's ability to seize opportunities and overcome challenges.

According to the World Economic Forum (WEF) published in "The Global Competitiveness Report 2018", in 2018, Vietnam ranked 77/140 countries and regions territory in the ranking, falling 3 places compared to the previous year, at 74/135. On October 8, the World Economic Forum (WEF) released the "Global Competitiveness Report 2019". According to the WEF report, Vietnam has had the most positive improvement (up 10 levels) in 141 economies assessed for competitiveness in 2019. This is a positive recognition of WEF for Vietnam. Nam, the adaptation of domestic and international fluctuations of businesses, as well as reflecting the effectiveness of the Government's administration in 2019. Vietnam's competitiveness has the best improvement in the world, up 10 steps and an overall increase of 3.5 points compared to 2018 (reaching 67/141 ranked countries and reaching 61.5 / 100 score). This is the "marginally better" level of the average global competitiveness (61 points) (Luc, C. V., 2019).

Vietnam's competitiveness has increased sharply compared to 2018, due to improvements in the following pillars: institutions, information technology applications, commodity markets, labor markets, market size, the level of complexity in business, and the capacity to innovate. However, Vietnam still has a number of relegated pillars such as infrastructure (although slightly increasing in points), health care, skills, and financial markets (although slightly increasing in points).

For the group of improvement pillars: firstly, the group of institutional criteria increased by 5 levels, of which 2 indicators with important improvement are judicial independence (reaching 40.9 points and ranking). 85, an increase of 0.7 points and an increase of 7 ranks compared to 2018) and Intellectual Property, but the score level is still low (reaching 44.4 points, ranked 105th, up 2.2 points, holding raw rankings compared to the previous year). Although improving slightly, it also showed that the expectation and belief of enterprises with this target group were more positive.

In 2019, WEF recorded a great progress in the group of Information Technology Application (IT) criteria, increasing by 54 steps, reaching 69 points (up from 43.3 points in 2018) with the expansion of the number of subscribers mobile and Internet popularity. This is an important indicator to evaluate the explosion of the information technology industry as well as the prospects of software and application

manufacturing industries to serve other industries and economic sectors, in the context of a thriving digital economy. Group of criteria for macroeconomic stability, although not increasing, inflation criteria reached 100 points and ranked 1. This shows that controlling inflation at a low level is both important and internationally appreciated. . In fact, Vietnam's average CPI inflation in 2019 is forecasted to be low (about 3%). Criteria in the Commodity Market increased by 23 places, with 54 points (ranked 79) compared to 52.1 points (ranked 102) in 2018, mainly due to the improvement of distortion criteria due to taxes and subsidies, the degree of market dominance affecting the competitive environment, competition in the service sector and the degree of non-tariff barriers.

The labor market criteria group increased 7 levels, with 58.2 points (ranked 83). This slight improvement is mainly due to greater flexibility in hiring and firing policies, the employee-employer relationship is assessed to be more cooperative, and the degree of flexibility in money. Rising wages, labor policies have been more supportive in helping unemployed people retrain their skills and find new jobs, the ease of recruiting foreign workers and internal labor migration be improved.

Criteria Group Market size increased by 3 places, ranked 26th (this is also the highest rank among all 12 criteria groups). This slight improvement is mainly due to a slight increase in the ratio of imports of goods and services to GDP (ranked 6th in 2019 compared to 7th in 2018), proving that the demand for an economy has increased. high growth (average 6.5%/year for 5 years and expected to grow 6.8-7% in 2019), has a large domestic market with a total population of over 96 million people and average income per capita is constantly increasing.

The group of criteria The level of business expertise increased by 33 steps, mainly due to the improvement in the time for starting a business to reduce from the 22-day average in 2018 to 17 days in 2019, the growth of the innovation and creativity (ranked 68th in 2019 compared to 90th in 2018) and the proportion of companies with innovative ideas (ranked 39th in 2019 compared to 52nd in 2018). The group of Innovative criteria increased by 6 levels, with 36.8 points, ranked 76 thanks to the progress of the indicators of labor force diversity (up 16 levels), the level of development of industrial clusters (up 33 steps); multilateral cooperation between businesses and between businesses and universities (up 17 levels); The level of expertise of customers in product awareness and evaluation increased (up 46 steps).

### **Weaknesses in the Competitiveness of Vietnamese Businesses**

International economic integration has been bringing many opportunities for Vietnamese businesses and the Vietnamese economy. However, besides the opportunities, Vietnamese enterprises need to be prepared to enter the fierce competition in which many factors seem to be unbalanced. Unequal scale, quality of human resources, technology, ... The current businesses of Vietnam are mostly small and medium-sized businesses will face many difficulties when faced with these Foreign enterprises have large scale, high quality human resources, advanced technology, modern corporate management methods, etc.

One of the factors that reduces the competitiveness of Vietnamese enterprises, the first thing to mention is that the quality of human resources does not meet the job requirements, the key team of corporate governance is still weak in knowledge management, skills, management experience. While regional and international enterprises carry out modern corporate governance and apply international standards, Vietnamese businesses are mostly family-based, based on experience. Corporate governance has not publicly disclosed information and has not followed modern corporate governance standards. This can be seen by the small number of Vietnamese enterprises listed on the stock market, less than 1% of operating enterprises.

Meanwhile, the brain drain phenomenon is on the rise when many teams of leaders, managers and high-quality human resources come to work for foreign companies. This situation causes the

consequence that high-quality labor costs in Vietnam are currently very expensive, reducing the competitiveness of enterprises. According to the World Bank, Vietnam is very short of skilled labor, high-level technical workers. If taking a scale of 10, the quality of human resources in Vietnam is only 3.79 points - ranked 11/12 in Asian countries participating in the ranking; while South Korea is 6.91; India is 5.76; Malaysia is 5.59; Thailand is 4.94 (Klaus Schwab, World Economic Forum, 2018).

In fact, the percentage of students having to retrain after graduation is very large. Meanwhile, the number of Vietnamese enterprises increases every year, particularly in 2016, there were 110,000 newly registered businesses, which required the increasing demand for high quality human resources. Therefore, a plan is needed to build, train and develop the corporate governance team, serving one million businesses to be able to operate effectively by 2020.

The second factor is that technology is still limited, which makes the competitiveness of Vietnamese goods and products low. Vietnam's high technology utilization rate is only 2% compared to other countries in the region. Investment capital for technological innovation is very low, about 0.2% - 0.3% of total revenue. The level of technology equipment in small and medium-sized enterprises in the private sector is only 3% of the technical equipment level in large enterprises. Due to technological limitations, the production cost of the enterprise is always 20 - 30% higher than the world average, while the quality is not commensurate.

Therefore, businesses need to focus on investing in technological innovation, applying advanced technology in production. At the same time, cooperate with scientists, scientific and technological organizations in the country as well as abroad to promote relations of transactions, exchange and sale of scientific and technological products and services, to support with advice on modern equipment and technology, providing technology information.

The third factor, the access to loans of Vietnamese businesses still faces difficulties. The main difficulty here is related to the bank's willingness to lend to businesses and the ability of businesses to meet the different loan requirements and procedures of banks. In particular, the loan conditions are still strict, such as businesses must have collateral, healthy financial ... These requirements are barriers for businesses to access loans because often businesses meet difficulties have a large collateral, or if so, under the current complex asset certification or use right procedures, the business may miss the opportunity to borrow. In the case of an enterprise with collateral, the valuation of the bank's assets is still very low compared to the market value. Regarding financial transparency, many businesses could not meet this requirement due to the organization and operation of the capital contributed by family, friends, relatives, etc. so the financial books are not clear. On the other hand, most small and medium-sized enterprises in the processing, processing and handicraft industries ... purchase raw materials directly from farmers, pay in cash, do not have invoices and vouchers so they cannot prove the Its financial transparency at the request of the bank.

### **Some Solutions to Improve the Competitiveness of Vietnamese Businesses**

*Firstly*, on the side of corporate governance: Every business owner should be conscious of improving his/her education, specialized knowledge, cultural, economic, legal and social knowledge. Economic survey results of the General Statistics Office: small, medium and micro enterprises accounted for the largest proportion of 98.1% (507.86 thousand enterprises); in which medium enterprises have nearly 8.5 thousand enterprises, accounting for 1.6%; small enterprises are 114.1 thousand, accounting for 22.0% and micro enterprises are 385.3 thousand, accounting for the highest with 74.4%. Thus, we can see that in our country today the proportion of micro enterprises accounts for the largest proportion, these enterprises mostly go to individual business households or stem from the business ideas of business owners. These individuals or groups of individuals may have many business ideas, capital, etc. have enough conditions to conduct production - business activities, but they lack business proposals,

lack of real business model, lack of knowledge about financial and accounting management, about legal risks of enterprises ... even one of them has “obstacles” right from the administrative procedures. *Secondly*, on the business side: It also comes from the perception of business executives, but from the perspective of enterprises in general, in order to improve competitiveness, businesses need to improve the management organization. To improve the quality of human resources, to improve product quality and product standards to meet market demands, enterprises also need appropriate production strategies to take advantage of production opportunities. Export and export in the current economic integration period. As follows:

**Improve the organization of enterprise management:** in the current context, the application of information technology software to enterprise management is indispensable and it brings effective for businesses. However, the application of management software with large costs may not be suitable for small and medium enterprises. So, first of all businesses need to find the right staff for specific job requirements. After that, managers need to have an understanding of the competence and qualifications of each of their employees in order to have an employee system stratification, assign work and assign responsibilities to specific departments.

**Improve the quality of the inputs:** the inputs of the production process include capital, input materials, human resources and the level of science and technology. Enterprises need to find good sources of raw materials to ensure the quality of products produced, but besides that, they should also look for new sources of raw materials and replacement materials with guaranteed quality. For example: Currently, the input materials of the Textile and apparel industry are currently constrained, mostly imported from China, Japan, etc. when expanding international relations, Vietnam will be able to import wool from Australia, etc. Abundant capital with reasonable capital usage plans also greatly influence the business results and competitiveness of enterprises. When businesses have sufficient financial resources, businesses have many opportunities to select suppliers of input materials, have appropriate sales policies to expand the customer network, increase sales. Among the inputs, human resources are the key factor to promote growth. All reform and improvement must start from improving the quality of human resources, so businesses need to proactively equip their employees with the necessary knowledge to be ready for future plans. The level of science and technology and equipment are also factors that enhance the competitiveness of businesses with other businesses, because with modern equipment, businesses need less labor, save time, saving of input materials, cost less, products of better quality, etc.

*Thirdly*, improve competitiveness by improving product quality, stable product prices, sales and after-sales policies ... businesses need to develop product standards to meet the needs of In the market, it is necessary to have a long-term strategy in “brand positioning”, to build its own prestige, enterprises also need to have appropriate production strategies to take advantage of production and export opportunities in the current period current economic integration.

Businesses need to explore markets, especially new markets, to take advantage of the opportunities of economic integration such as reviewing rules of origin to enjoy preferential treatment and overcome non-tariff barriers tariffs, trade remedies measures of markets with countries that have signed free trade agreements with Vietnam. If businesses proactively improve product quality and product standards to meet the requirements of these countries, the opportunity to access and expand the market to those countries is very high. In addition, businesses also need to expand cooperation with other businesses and the business community to develop together and integrate into the economy.

## **Conclusion**

Through the above analysis, we realize that in order to improve competitiveness, businesses in general and business executives in particular need more efforts and efforts in raising awareness and level of yourself to management, administration, and corporate governance. At the same time, raising the level



of organizational management of enterprises, improving the quality of human resources, improving product quality, product standards to meet the needs of the market and businesses also need to have suitable production strategy to take advantage of production and export opportunities in the current economic integration period. According to Mr. Vu Tien Loc - Chairman of Vietnam Chamber of Commerce and Industry (VCCI) (2018): “Enterprises need to change their governance and capture good institutional information to improve their competitiveness. Focus on creativity, find true profit. Businesses must ensure transparency and integrity, instead of seeking relationships to seek unjust profit. Only then can businesses keep up with the requirements of the new phase”.

Although, in recent years, the Government has directed credit institutions to implement a number of measures to support businesses, especially small and medium-sized enterprises, to access credit capital such as: simplifying loan procedures. capital, reduce troubles, ensure loan safety; improve appraisal capacity to shorten loan settlement time; building loan programs with reasonable interest rates ... but whether banks will continue to cut borrowing procedures and lower interest rates to support businesses depends on the businesses themselves. Only when the trust of banks and businesses is confirmed then can banks lend to businesses.

In the context of deeper and deeper economic integration, Vietnamese enterprises need to have a realistic view and specific solutions to improve their competitiveness. That will help businesses survive and develop, actively take on the opportunities and challenges that integration brings.

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