



Cooperative Relationship in Vietnam Export Supply Chain: Current Situation and Recommendations for Improving Export Performance

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Abstract

This paper focuses on export supply chain management in Vietnam context. We applied theoretical research methods and practical survey of Vietnam's export situation in recent years. The research results constitute the most general picture of Vietnam's export activities and in-depth assessments of the impact of completing the export supply chain on such export activities. From that the paper proposes some solutions to improve competitiveness of Vietnam's commodities on the market to export to the region and to the world.

Key words: Cooperation; Relationship; Export; Supply chain; Performance; Vietnam

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INTRODUCTION

In the context of globalization and integration, competitive capacity becomes a pressing issue to all enterprises when involved in the playground of globe trade. Competition becomes more and more severe, product service life shorter and shorter, customer expectation higher and higher...spur business owners to invest more and more in their product supply chain. Along with that are the progresses in telecom technology, transportation introduce new techniques into the supply chains.

As to Vietnam, business operations are not an exception. Globalization and integration usher in numerous business opportunities but also pose a good many challenges that shall be overcome. In particular, export currently plays an important role in the country's economic growth rate and confirms its growing position through its positive contributions to the economy's growth. In order to strengthen export capacity under the more and more severe international competition conditions, completing the supply chain is considered a critical solution to improve Vietnam's competitive advantage of export.

In this context, we decided to study the subject on solutions to improve Vietnam's competitive advantage of export as a new way for Vietnamese enterprises in the course of integration, particularly orientation towards completing supply chain management. Based on analysis of the real situation of competitive advantage of export by supply approach, the paper makes recommendations about completion of supply chain so as to improve the competitive capacity of Vietnam's exports.

1. THEORETICAL FRAMEWORK

1.1 Concept of Supply Chain

Supply chain is the linkage of companies to put a product or service on the market (Lambert, Stock, & Ellram, 1998). More specifically, supply chain encompasses every step directly or indirectly related to satisfying customer need. Supply chain involves not only manufacturer and provider but also carrier, warehouse man, retailer and customer. In each organization such as manufacturer, supply chain encompasses developing new product, marketing, managing manufacture, distribution, finance and customer service (Chopra & Meindl, 2006). As defined by Mentzer et al. (2001), supply chain is a combination of three or more partners (organizations or individuals) directly involved in the flow before and after

the products, services, finance, and/or information from the source to customers.

We can differentiate three export supply chains. Direct export supply chain encompasses one company, one provider, and customers at a foreign market involved in the flow of the products, services, finance, and/or information (Figure 1a). Expanded export supply chain encompasses providers of intermediate provider or importer and customers of intermediate customer at foreign markets, all involved in the flow process of products, services, finance,

and/or information (Figure 1b). Final export supply chain (Figure 1c) also encompasses all organizations involved in all flows before and after products, services, finance, and/or information from the end-providers to the end-provider at foreign markets. Apart from those who directly involved in the supply chain above, Governments and policies issued, bilateral and multilateral business agreements play a very important role in regulating, stabilizing prices as well as orienting the parties concerned to operate in strict compliance with the market economic mechanism.

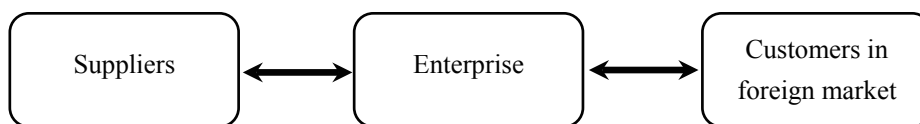


Figure 1a
Direct Export Supply Chain

Note. Adapted from Mentzer et al. (2001).



Figure 1b
Expanded Export Supply Chain

Note. Adapted from Mentzer et al. (2001).

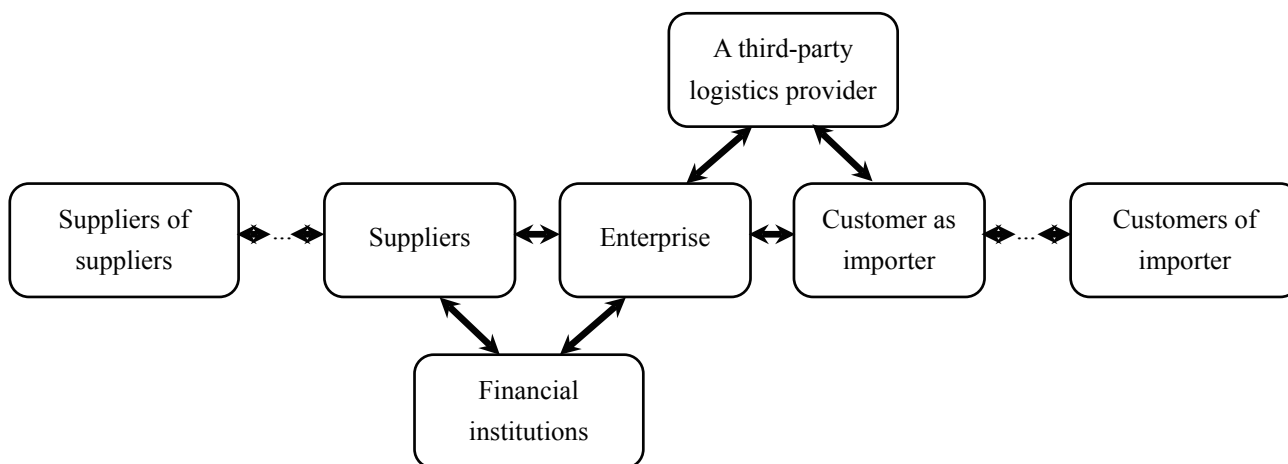


Figure 1c
Final Export Supply Chain

Note. Adapted from Mentzer et al. (2001).

1.2 Flows and Relationships in Export Supply Chain

In export supply chain, there exist different movement flows. *Firstly*, product, service flow constitutes an integral part of each chain, in which the flow of materials from the initial provider through intermediate channels and to the central enterprise to put out finished products before reaching the end-users in the importing countries via distribution channels. To make this flow through, the members of a garment merchandise supply chain must satisfy to a certain extent the requirements for cooperation and professionalism in the chain.

Secondly, the information flow in chain involves the transmission of the order information from customers at foreign markets and feedback from providers. The level of sharing information depends on the partners selected, kind of information and quality of information. In the supply chain, information flow is the one going ahead of time, throughout every process and even after the product flow and money flow are finished.

Thirdly, money flow is brought by consumers at foreign markets in the supply chain in receipt of products and services. Supply chain creates value chain whereby money flows are distributed at different levels among the members.

The lowest shares will go to preprocessing enterprises, since this stage generates very little added value.

In a supply chain, subject to the nature of the commodities provided, the levels of mutual reliance were classified by Coyle, Langley, Gibson, Novack, and Bardi (2013) into three types of relationships between actors.

Firstly, transactional—Arm's length relationship is the simplest and commonest type of relationship between companies, in which companies use dependent contracts with attention mainly paid to price, without sharing information and caring for interest of other companies. This form of relationship, though simple, without needing the intervention of high-ranking leaders, meets with some problems such as untimely, interrupted deliveries. Previously, as exporters usually used this form of relationship, they could not bring into play many of their capacities due to the limited supply chain.

Secondly, collaborative relationship in which independent companies are aware that co-operation may help reduce expenses and increase interest for both parties. The relationship operates well the two parties create products/services that can compete on the market. Collaborative relationship helps reduce gross expenditures, improve quality, shorten time of delivery, make use of partner technology; however, this relationship requires resources for maintenance and development. Exporters at present are developing this model of relationship steadily in the supply chain management in order to strengthen their competitive capacity.

Thirdly, alliance that is similar to collaborative relationship but at a higher level. Parties trust each other and can share such sensitive information as strategic plans, forecast figures, have open-hearted attitudes towards risks and interests of both parties when involved in the alliance. This can be regarded as a form virtual integration. Alliance may help reduce gross expenditures, improve quality, shorten time of delivery to the market, and enhance technology capacity. Nevertheless, to maintain this relationship, the parties shall have to invest much time and effort. The current tendency of enterprises is towards this form of relationship in the supply chain management, particularly for exporters in creating their competitive advantages.

1.3 Impact of Supply Chain Management on Export Performance

In general, a supply chain is the linkage of companies at stages, from supplying important materials to processing and delivering products to consumers. We can see that in the supply chain, enterprises play a direct role in meeting customer need as manufacturers, providers, distributors. There also are many other enterprises indirectly related to most of supply chains, and these enterprises play an important role in distributing the end-products to customers. They are the very service providers, for example, carriers, information system

providers, warehouse business companies, transportation brokers, agents and consultants. Such service providers are especially beneficial to enterprises in the majority of supply chains, as they can permit enterprises to provide customers with good services at lowest price possible. For enterprises in general and for exporters in particular, integrating supply chains will enable the organization to concentrate on carrying out several steps in which their enterprises have strengths.

Supply chain management means to buy good commodities and to shorten time of delivery. Supply chain management is also a capacity of companies which enables exporters to compete successfully on international market (Piercy, Kaleka, & Katsikeas, 1998). For example, Marks & Spencer's and Li & Fung were well-known supply chain managers for producing a global line of products by promoting production value supply chain and optimizing every step of it. As assumed by Barney (1995), supply chain is a special kind of capacity that enables enterprises to better their competitive advantages for export. According to Piercy et al. (1998), supply chain management is closely associated with cost price of products and services which are competitive advantages in export. Supply chain managers may identify attractive sources of supply, divide activities of creating values to each different site so as to achieve optimal results. Enterprises with efficient procedure for supply chain management will have larger competitive advantages than other enterprises, as they all rely on activities of creating values in only one place. According to Hyun (1994), efficient supply chain managers create multidirectional information flows, carry out technical collaboration and establish collaborative networks which will help their enterprises to possess differentiation advantages for export. Thereupon, efficient, supply chain management will help impulse competitive advantage for price as well as differentiation advantage.

2. METHODOLOGY

On the basis of literature review on export supply chain, we studied and employed two principal research methods to bring out the real state of Vietnamese exporters in recent years. The first method, in order to gather primary data, concentrate on summing up and analyzing documents from books, newspapers, reports, domestic and foreign researches appertaining to the issue of supply chain management and its impact on improving corporate competitive advantages for export. The data gathered shall serve as ground for making questionnaire for the second method.

The second method is to interview a number of enterprises who are incumbent members of export supply chains. Interview process at enterprises comprises two stages. First, we had direct interviews with the leadership of exporters, the staff of their components such as business departments, order reception sections, warehouse sections,

accounting-finance departments. Next, from the previous interview results and studies of corporate documents, we conducted deep interviews with the components of the relevant enterprises.

In addition, the author also held interviews with a number of economic experts of Vietnam. The questions were about the actual status of Vietnam's export of goods, competitive advantages of these enterprises in export. The results collected from interviews shall serve as secondary data for achieving the research results in a later section of this paper.

3. RESEARCH RESULTS

3.1 Vietnam Export

Export activities of Vietnam before renovation were conducted according to the centrally-planned mechanism. The State monopolizes foreign trade. The principal markets were the socialist countries (Nguyen, 2015). Since the right to export operations was expanded in 1998, export turnover in 1999 increased by 23.3% against that in 1998. The average growth rate in the period 2000-2011 was 20%/year. In 2000, per capita export turnover reached US\$ 86.6. In 2011, this figure was US\$ 1096.8, increased by 5.9 times of that in 2000. The total export turnover in 2013 was US\$ 132.17 billion, increased by 15.4% against that in 2012.

According to data of the General Statistics Office of Vietnam, in 2014 as a whole, the total turnover from export of goods amounted to US\$ 150.1 billion, increased by 13.6% against that in 2013. In the structure of exports in 2014, there continued to be positive change, with the gradual shift from export of raw materials, mineral products to processed, manufactured products. The group of heavy industry and mineral earned US\$ 66.5 billion, increased by 12.0% against the same period in 2013, accounting for 44.31% of the total export turnover. The group of light industry earned US\$ 57.9 billion, increased by 15.9% and accounted for 38.57%. Agricultural and forest products earned US\$ 17.8 billion, increased by 11.4% and accounted for 11.86%. Aqua products earned US\$ 7.9 billion, recorded a highest growth rate of 17.6%, accounting for 5.26% of the total export turnover. The two commodity groups achieving highest export turnover were telephone and components (US\$ 24.08 billion) and textiles and garments (US\$ 20.77 billion); these were also the only two commodity groups always achieving export turnover stable and over US\$ 1 billion per month.

Vietnam's major export markets are still maintaining their growth rates against the gloomy global economy. The United States continues to be the largest market of Vietnam, with turnover estimated at US\$ 28.5 billion, increased by 19.6% against that in 2013. The next markets are the EU, with US\$ 27.9 billion, increased by 14.7%; ASEAN US\$ 19.0 billion and 3.1%; China US\$ 14.8

billion and 11.8%; Japan US\$ 14.7 billion and 8.0%; South Korea US\$ 7.8 billion and 18.1%.

After nearly 30 years' renovation, in Vietnam's exports, there have been remarkable changes with respect to scale and quality. Exports commodities become richer and richer, suitable for customer need and tastes. Patterns, colours of export commodities become more and more beautiful, diversified, quality ever improved, prices reasonable for the solvency of people from all walks of life. The market structure is changing in the positive direction. If previously Vietnam's export markets were concentrated on ASEAN countries, then now these expand to large ones like the United States, EU and Japan. In export commodities, there have been changes with respect to both quality and category. Nevertheless, the weakness of Vietnam's exports lies in a not high rate of end-products, which is still restricted to intermediate products or raw materials. Most export industrial products are developed from raw materials, processed, manufactured at low rates, with not high technical contents thereby not high competitive capacity, trade balance is usually in a state of deficit (Nguyen, 2015).

3.2 Impact of Supply Chain Management on Vietnam Export Performance

Recently, in the context of economic globalization, more and more Vietnamese enterprises have been being involved in world scale supply chains. This enables Vietnamese enterprises to buy a lot of goods and materials at competitive cost prices so as to provide quality products for export. According to the survey results, the involvement in world scale supply chains will enable Vietnamese enterprises to have multiple choices for foreign suppliers, rather than the dependence on a small number of suppliers on the domestic and regional markets as before. The world e-commerce environment is unceasingly developing and the boom in information technology permits shortening time of delivery, making best conditions for raising productivity, increasing capital rotation, leading to reduction in cost prices of export commodities. This will create substantial competitive advantages for Vietnamese exporters.

In the opinion of some export enterprise owners, good supply chain management will also enable such enterprises to concentrate on their strengths, on the manufacturing steps in which they have the greatest advantage, rather than dispersing their resources into the steps they do not have strengths in. This will help create differentiation advantage to commentaries their hardly substitutable positions in the world market and to reduce the number of competitors. Thereupon, those are not main activities shall be moved to other more specialized channels. At a certain time, a close relationship will be established to guarantee best work performance. Interest rate, these are the links encompassing suppliers, manufacturers, distributors of products to consumers. Such links will then constitute a

supply chain strong enough to compete with other supply chains of foreign export enterprises.

In the context of international economic integration, supply chain efficient management enable Vietnamese export enterprises to have opportunities to do business with their favored partners all over the world, distribute value creation to different partners in order to achieve optimal performance in manufacture and business. This process, however, require that enterprises should have expert human resources, with professional knowledge, solid information infrastructure so as to guarantee highly efficient and scientific supply chain management.

As analyzed above, there are three main types of supply relationships in a supply chain. Firstly, the transactional relationship is the simplest and commonest type of relationship between companies. If Vietnamese export enterprises are still applying this model, they will face difficulties, particularly in delivery. This will directly affect the manufacture and business process of Vietnamese enterprises. The survey results have shown that, in Vietnam, this model has gradually become absolute and no more suitable for the practical development situation of domestic enterprises.

Secondly, the collaborative relationship allows reducing gross expenditures, improving quality, time of delivery, and making use of partner technology. According to interviews with enterprise owners, this is the model of supply relationship which is being vigorously carried out by Vietnamese exporters in order to reduce cost price, improve export commodities, and from that to enhance their capacities in the international arena. To meet this end, enterprises have to invest in numerous resources to maintain and develop this collaborative relationship. However, once this model of collaboration is established, the parties involved in it will create competitive products and services in the international market. Under the current economic development conditions, the model of collaborative relationship is considered suitable for Vietnam export enterprises within the economic and legal environment which is gradually being bettered to adapt to the changes in the economy of the country and of the world. This is considered a model of transitional relationship before export enterprises have sufficient time, potential as well as reputation to develop the model of supply chain to a higher level.

Thirdly, alliance is similar to collaborative relationship but at a higher level. This model assists in the capacity for professionalization of assets and humans of both parties. Nevertheless, in order to maintain this relationship, the parties shall have to invest much time and effort. The tendency of Vietnamese export enterprises is towards developing this model of supply relationship in the context of an ever-growing knowledge-based economy and technology. By doing so, Vietnamese export enterprises' competitive advantages will ever be improved, helping increase contributions to the general GDP of the whole

country. According to enterprise owners, this model of supply relationship is most suitable and is the target to aim at of Vietnamese export enterprises in the context of the ever-growing process of economic globalization and integration.

4. IMPLICATIONS OF THE RESULTS

On the basis of results obtained, we can see that supply chain management exerts great influence on export activities in general and on activities of Vietnamese enterprises in particular. Basically, a number of Vietnamese export enterprises have performed well supply chain management; the relationships of enterprises with other "links" within the supply chain are very close. From these relationships, the competitive capacity of some Vietnam-made commodities in the international market has been confirmed. However, there still are many Vietnamese enterprises do not have a strong binding with other components in the supply chain thus resulting in restrictions of manufacture and export operations. This also leads to a not high rate of end-product export, just restricted to intermediate or raw products. Industrial products for export are mainly in the form of materials, with low technical content thus not highly competitive. Many restrictions of applying information technology and science and technique in supply chain management of Vietnamese enterprises cause high manufacturing cost thereby affecting cost price of products for export. This creates great difficulties for Vietnam's export products in the international market, especially when they have to compete with low price goods from other countries like China, India, etc.

By analyzing the strengths and weaknesses in the competitive advantage of export for Vietnam-made commodities through supply chain in order to improve this competitive advantage, the subject proposes the following recommendations:

Recommendations for Vietnam export organization:

First of all, enterprises should be well aware of the opportunities, challenges as well as competitive pressures on the market which are getting more and more intense, necessitating enterprises managing well their supply chains. Enterprises should enhance their products' competitive capacity by unceasingly improving quality, finding out about the market, and modifying designs, patterns to suit customer tastes. They should rank the factor of collaborative relationship with other enterprises in the supply chain number one so as to have goodwill to collaborate and maintain good relationships in business; create and build product brands, promote investment to establish reliance with partners and consumers when buying corporate products; select quality management system to improve corporate reputation; develop product outlet and distribution networks; capture customer tastes so as to have timely alterations and reactions to other competitors on the market.

Recommendations for Vietnam State: In order to improve the competitive capacity of Vietnam's commodities by bettering supply chains, Vietnam should issue policies to intensify the participation of localities, enterprises in the regional and world supply chains; Issue comprehensive and appropriate policies, implement administrative reform, abolish redundant procedures, create transparent legal environment for enterprise to be equal in business as well as in competition on the market; Unceasingly extend collaborative relationships with other countries over the world to create numerous opportunities for Vietnamese enterprises to choose partners and better their supply chains; Implement policies for developing sources of materials to reduce manufacturing cost, support in developing transportation and trade infrastructures for production; Develop human resources through policies on support for training; Implement incentives for import-export tax to reduce inbound costs for enterprises, help enterprises compete in terms of price with other competitors on the international market; Effectuate support for modes of supplying services, sale contract, et.

If the solutions above are successful, they will usher in a spacious path Vietnam's export commodities to international markets. Nevertheless, to succeed in doing so, there should be strenuous efforts of enterprises as well as the great care of the State and relevant agencies. These shall be important motivations for Vietnam's export commodities to integrate deeper on the way to international friends.

CONCLUSION

Efficient supply chain management has been confirmed as an important competition strategy of Vietnamese export enterprises. Since these enterprises always find ways to provide customers with quicker, at a lower price, and with better quality, managers should therefore be aware that they would not do that if they are alone and they have to work on the basis of collaborating with the best companies in their supply chains so as to be successful. The success of a network depends too much on its relationships with partners as well as partners' knowledge of customers. Of

the three forms of relationships in supply chain, Vietnamese enterprises at present are striving to develop two forms, namely collaborative relationship and alliance so as to improve their competitive capacities. In order to meet this end, the paper makes some certain recommendations to enterprises and the Government of Vietnam.

This paper involves some contributions such as a literature review on export supply chain, forms of export supply chains and the actual status of export supply chains in Vietnam. However, these still have their limitations, for example, the lack of a qualitative research in Vietnam. We hope that in the near future we shall conduct a quantitative research on this subject in order to verify the results obtained on a larger scale.

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