

the stagnation household businesses.

Registered private enterprises, including service-providing enterprises, increased at an average yearly rate of about 3,800 (from a total of 6,806 in 1993 to 26,021 in 1998), while manufacturing enterprises increased at a rate of only about 460 per year. This indicates that new entries into manufacturing were very limited in number.

Registered enterprises in Viet Nam are still small in number and are not well-developed, for the following reasons.

- (1) Historically, economic activities in the private sector had largely been limited during the period of socialism. They have been officially permitted only since 1988, and developed fully only after mid-1991, when the 7th Communist Party Conference adopted the slogan "Protection of private property." The nation's short history of private economic activities has limited the spread of the entrepreneurial spirit.
- (2) Social and administrative circumstances are adverse to private enterprises, which are regarded as "exploiters" or "profit hunters" and are not highly esteemed in society. The more they grow, the more risk they are subjected to in social and administrative terms. In the background of this phenomenon are the propaganda and education that prevailed in the age of socialism, the traditional backwater-society value that is placed on "hammering down protruding piles," and the tendency of Communist Party leaders to dislike the advent of private entrepreneurs or capitalists.
- (3) Business circumstances are unstable, not transparent, and extremely risky for business, as represented by discretionary interference by bureaucrats, complicated licensing and approval systems, ever-changing rules, and severe taxes on businesses. These are closely linked to the hardships referred to in (2) and are also attributable to the nation's immature market economy and legal system.
- (4) In addition to the incomplete functioning of financial mediation, there are restrictions, such as that land cannot be mortgaged or used for investment purposes. This limits private enterprises' access to financing.
- (5) State-owned enterprises are dominant in industrial production, and they monopolize a wide range of industries, crowding out private enterprises.
- (6) There are problems in the corporate governance, morale and management of private entrepreneurs, and these induce bureaucratic interventions and accelerate the curtailment of private enterprises; these results also are influenced by the fact that the government does not support private enterprises, but implements systems to supervise and control their activities.

The relation between industrial production and export activity

With regard to industrial production (including the mining, power-, gas-, and water-supply industries) by region, it has been observed that from 1995 to 1998 the growth rates of the two industrial centers, the cities of

Hanoi and Ho Chi Minh, were slightly lower than the nationwide average, indicating a small movement toward decentralization into local areas (see Table 3). High growth rates were recorded by some provinces where industries are relatively immature, such as in the Red River Delta, in northeastern areas, and in coastal areas in central Viet Nam. When the high growth rates of these areas are analyzed, however, it seems that they are mostly due to the inflow of foreign capital or expanded production of local state-owned enterprises, and not attributable to the development of domestic private enterprises. It has been proved that there is little correlation between export and growth rates. Most of the provinces where the export rate relating to industrial production is high are in southern Viet Nam. The northern part of the country is dedicated mainly to production for domestic markets. In most of the provinces in the Mekong River Delta area, the export rate is high, but the growth rate of industrial production as a whole is low.

Table 4 shows the distribution of state-owned, household businesses, and formal registered enterprises (private companies, cooperatives, private limited enterprises, and joint-stock enterprises) and foreign-owned enterprises in different regions. As of June 30, 1998, 60% of state-owned enterprises and 65.7% of household businesses existed in the north, while only 23.9% of formal registered private enterprises and 23.2% of foreign-owned companies existed in the region. The largest number of private enterprises, 43.5% of the total, are in the Mekong River Delta area. A total of 66.6% of the foreign-owned enterprises are in the southeast, including Ho Chi Minh City, Dong Nai Province, and Binh Duong Province.

Table 5 shows changes in the share of production and growth rates of manufacturing industries from 1995 to 1998. Although the food-processing industry share of total production decreased slightly, the manufacturing industries did not really diversify during these 3 years. We had initially adopted the hypothesis that, in light of the small domestic markets, businesses having high percentages of exports had high growth rates. However, in no industry was there a correlation between the export ratio and the growth rate. In addition, assuming that an industry that exports 40% or more of its products is an export-oriented industry, we calculated the average real growth rate of all industries from 1995 to 1998. The rate for such export-oriented industries was 11.6%, which was lower than the growth rate (13.2%) of domestic-market-oriented industries. The export-oriented industries' share of total manufacturing production dropped from 27.1% in 1995 to 26.3% in 1998. The corresponding figure of export-oriented industries in the private sector in 1995 was 36.5%, which was higher than that calculated by including state-owned and foreign-owned enterprises. However, the average real growth rate of export-oriented industries in the private sector from 1995 to 1998 was 8.6%, which was lower than that (9.7%) of domestic-market-oriented industries. As a result, the export-oriented industries' share of private-sector production decreased slightly, from 36.5% in 1995 to 35.9% in 1998. Although a large number of export-oriented private manufacturing enterprises have expanded in size in the past several years, the growth rates of export-oriented industries are not very significant in terms of macro indices, presumably because there are enterprises that have ceased operation due to shutdown or insolvency.

Table 6 shows the changes in the domestic private-sector enterprises', state-owned enterprises', and foreign-

Table 3 Industrial production by region and export ratio

No	Economic sectors	1995	%	1998	%	growth% (1998/1995)	Export share in 1997 %
	The whole country	103,374,776	100.0	150,684,602	100.0	145.8	37.1
I	Red River Delta	17,590,556	17.0	26,368,768	17.5	149.9	20.6
1	Ha Noi	8,479,081	8.2	12,047,876	8.0	142.1	21.4
2	Hai Phong	3,155,425	3.1	5,563,022	3.7	176.3	21.6
3	Ha Tay	1,569,737	1.5	2,154,532	1.4	137.3	11.7
4	Hai Duong	1,601,783	1.5	2,711,101	1.8	169.3	13.5
5	Hung Yen	302,749	0.3	696,980	0.5	230.2	14.4
6	Ha Nam	251,090	0.2	385,055	0.3	153.4	14.1
7	Nam Dinh	962,458	0.9	1,192,105	0.8	123.9	33.7
8	Thai Binh	985,636	1.0	1,210,404	0.8	122.8	41.3
9	Ninh Binh	282,597	0.3	407,693	0.3	144.3	10.7
II	North east	6,882,847	6.7	10,629,987	7.1	154.4	23.5
10	Ha Giang	44,111	0.0	67,059	0.0	152.0	8.1
11	Cao Bang	47,205	0.0	88,788	0.1	188.1	45.4
12	Lao Cai	160,188	0.2	196,699	0.1	122.8	11.8
13	Bac Can	17,596	0.0	22,403	0.0	127.3	71.2
14	Lang Son	109,425	0.1	137,049	0.1	125.2	12.3
15	Tuyen Quang	184,944	0.2	251,819	0.2	136.2	30.4
16	Yen Bai	132,329	0.1	243,043	0.2	183.7	48.6
17	Thai Nguyen	1,310,860	1.3	1,739,429	1.2	132.7	13.0
18	Phu Tho	1,701,247	1.6	2,133,522	1.4	125.4	15.6
19	Vinh Phuc	249,952	0.2	1,562,570	1.0	625.1	2.8
20	Bac Giang	459,682	0.4	454,729	0.3	98.9	4.0
21	Bac Ninh	453,726	0.4	629,452	0.4	138.7	12.9
22	Quang Ninh	2,011,582	1.9	3,103,425	2.1	154.3	37.4
III	North West	320,469	0.3	432,687	0.3	135.0	18.9
23	Lai Chau	114,653	0.1	137,528	0.1	120.0	3.1
24	Son La	52,274	0.1	83,097	0.1	159.0	41.1
25	Hoa Binh	153,542	0.1	212,062	0.1	138.1	1.7
IV	North Central Coast	3,705,295	3.6	4,794,661	3.2	129.4	14.8
26	Thanh Hoa	1,812,423	1.8	2,236,211	1.5	123.4	3.6
27	Nghie An	647,511	0.6	817,395	0.5	126.2	27.3
28	Ha Tinh	248,395	0.2	313,000	0.2	126.0	62.5
29	Quang Binh	278,772	0.3	346,482	0.2	124.3	23.8
30	Quang Tri	143,506	0.1	202,221	0.1	140.9	7.8
31	Thua Thien Hue	574,688	0.6	879,352	0.6	153.0	24.4
V	Central Coast	4,971,960	4.8	7,200,655	4.8	144.8	40.7
32	Da Nang	1,451,890	1.4	2,015,676	1.3	138.8	52.2
33	Quang Nam	468,870	0.5	714,463	0.5	152.4	48.3
34	Quang Ngai	578,780	0.6	843,762	0.6	145.8	5.4
35	Binh Dinh	502,442	0.5	809,147	0.5	161.0	57.8
36	Phu Yen	286,127	0.3	492,007	0.3	172.0	50.3
37	Khanh Hoa	1,683,851	1.6	2,325,600	1.5	138.1	34.0
VI	Central Highlands	649,651	0.6	868,769	0.6	133.7	30.9
38	Kon Tum	99,537	0.1	119,972	0.1	120.5	46.8
39	Gia Lai	242,598	0.2	353,199	0.2	145.6	55.8
40	Dac Lac	307,516	0.3	395,598	0.3	128.6	7.2
VII	South East	51,693,085	50.0	76,606,141	50.8	148.2	49.3
41	HCM City	29,601,934	28.6	40,652,572	27.0	137.3	29.4
42	Lam Dong	574,136	0.6	666,051	0.4	116.0	66.2
43	Ninh Thuan	193,971	0.2	282,496	0.2	145.6	39.6
44	Binh Phuoc	46,210	0.0	138,679	0.1	300.1	71.3
45	Tay Ninh	451,202	0.4	703,148	0.5	155.8	64.3
46	Binh Duong	2,091,824	2.0	3,980,883	2.6	190.3	39.9
47	Dong Nai	6,200,168	6.0	10,517,045	7.0	169.6	55.3
48	Binh Thuan	389,661	0.4	607,726	0.4	156.0	67.3
49	Ba Ria - Vung Tau	12,143,979	11.7	19,057,541	12.6	156.9	91.1
VIII	Mekong River Delta	12,236,913	11.8	15,508,360	10.3	126.7	50.8
50	Long An	1,056,345	1.0	1,321,581	0.9	125.1	38.7
51	Dong Thap	779,629	0.8	827,964	0.5	106.2	28.5
52	An Giang	919,284	0.9	1,158,444	0.8	126.0	52.5
53	Tien Giang	893,769	0.9	920,100	0.6	102.9	55.2
54	Vinh Long	543,744	0.5	646,711	0.4	118.9	40.3
55	Ben Tre	690,864	0.7	767,895	0.5	111.1	52.6
56	Kien Giang	2,073,291	2.0	2,471,927	1.6	119.2	9.3
57	Can Tho	2,016,891	2.0	3,007,529	2.0	149.1	47.1
58	Tra Vinh	510,411	0.5	591,761	0.4	115.9	22.5
59	Soc Trang	818,786	0.8	1,444,643	1.0	176.4	89.2
60	Bac Lieu	414,062	0.4	586,064	0.4	141.5	73.7
61	Ca Mau	1,519,837	1.5	1,763,741	1.2	116.0	89.1
IX	Not by province	5,324,000	5.2	8,274,574	5.5	155.4	

Source: Survey Results on the Whole Industry In 1998, GSO, Dept. of Industry

Note: 1. "Export share" means the exports' percentage of total industrial production.

2. In the shaded provinces, the percentage of exports is higher than 40% of the total industrial production.

Table 4 Number of establishments in industries, by province and sector (as of June 20, 1998)

	SOE Total	%	House- hold	%	Formal private entps.	%	FDI	%
Total	1,821	100.0	553,043	100.0	6,663	100.0	830	100.0
Red River Delta	603	33.1	199,528	36.1	1,076	16.1	152	18.3
Ha Noi	273	15.0	13,558	2.5	450	6.8	87	10.5
Hai Phong	92	5.1	10,325	1.9	241	3.6	36	4.3
Ha Tay	42	2.3	48,180	8.7	62	0.9	12	1.4
Hai Duong	25	1.4	18,533	3.4	71	1.1	7	0.8
Hung Yen	15	0.8	11,975	2.2	49	0.7	3	0.4
Ha Nam	25	1.4	14,444	2.6	27	0.4	0	0.0
Nam Dinh	56	3.1	26,008	4.7	70	1.1	3	0.4
Thai Binh	48	2.6	44,674	8.1	87	1.3	2	0.2
Ninh Binh	27	1.5	11,831	2.1	19	0.3	2	0.2
North East	265	14.6	71,087	12.9	288	4.3	26	3.1
Ha Giang	10	0.5	2,621	0.5	5	0.1	0	0.0
Cao Bang	11	0.6	4,140	0.7	5	0.1	0	0.0
Lao Cai	10	0.5	2,490	0.5	15	0.2	0	0.0
Bac Can	1	0.1	748	0.1	2	0.0	0	0.0
Lang Son	11	0.6	3,651	0.7	10	0.2	0	0.0
Tuyen Quang	21	1.2	2,755	0.5	9	0.1	0	0.0
Yen Bai	21	1.2	4,085	0.7	17	0.3	0	0.0
Thai Nguyen	27	1.5	7,528	1.4	17	0.3	3	0.4
Phu Tho	44	2.4	11,539	2.1	55	0.8	4	0.5
Vinh Phuc	20	1.1	9,497	1.7	19	0.3	8	1.0
Bac Giang	25	1.4	7,983	1.4	34	0.5	2	0.2
Bac Ninh	11	0.6	9,130	1.7	70	1.1	4	0.5
Quang Ninh	53	2.9	4,920	0.9	30	0.5	5	0.6
North West	42	2.3	8,624	1.6	15	0.2	3	0.4
Lai Chau	10	0.5	3,428	0.6	3	0.0	1	0.1
Son La	15	0.8	1,730	0.3	9	0.1	0	0.0
Hoa Binh	17	0.9	3,466	0.6	3	0.0	2	0.2
North Central Coast	183	10.0	83,704	15.1	221	3.3	12	1.4
Thanh Hoa	51	2.8	40,160	7.3	30	0.5	2	0.2
Nghe An	55	3.0	14,413	2.6	69	1.0	3	0.4
Ha Tinh	21	1.2	10,141	1.8	27	0.4	3	0.4
Quang Binh	17	0.9	6,830	1.2	20	0.3	1	0.1
Quang Tri	10	0.5	4,272	0.8	18	0.3	0	0.0
Thua Thien Hue	29	1.6	7,888	1.4	57	0.9	3	0.4
Central Coast	144	7.9	47,472	8.6	300	4.5	33	4.0
Da Nang	35	1.9	3,512	0.6	93	1.4	18	2.2
Quang Nam	22	1.2	8,307	1.5	31	0.5	3	0.4
Quang Ngai	16	0.9	11,710	2.1	37	0.6	1	0.1
Binh Dinh	27	1.5	13,191	2.4	40	0.6	3	0.4
Phu Yen	12	0.7	5,022	0.9	31	0.5	2	0.2
Khanh Hoa	32	1.8	5,730	1.0	68	1.0	6	0.7
Central Highlands	42	2.3	10,321	1.9	57	0.9	4	0.5
Kon Tum	5	0.3	1,576	0.3	10	0.2	0	0.0
Gia Lai	12	0.7	4,577	0.8	29	0.4	2	0.2
Dac Lac	25	1.4	4,168	0.8	18	0.3	2	0.2
South East	411	22.6	54,779	9.9	1,806	27.1	553	66.6
HCM City	260	14.3	22,976	4.2	773	11.6	312	37.6
Lam Dong	21	1.2	5,618	1.0	54	0.8	8	1.0
Ninh Thuan	9	0.5	3,228	0.6	37	0.6	2	0.2
Binh Phuoc	0	0.0	1,534	0.3	36	0.5	1	0.1
Tay Ninh	13	0.7	4,857	0.9	158	2.4	11	1.3
Binh Duong	21	1.2	2,539	0.5	289	4.3	91	11.0
Dong Nai	46	2.5	6,650	1.2	300	4.5	118	14.2
Binh Thuan	17	0.9	4,118	0.7	92	1.4	4	0.5
Ba Ria Vung Tau	24	1.3	3,249	0.6	77	1.2	6	0.7
Mekong River Delta	130	7.1	77,528	14.0	2,900	43.5	47	5.7
Long An	14	0.8	8,523	1.5	189	2.8	21	2.5
Dong Thap	12	0.7	11,373	2.1	437	6.6	0	0.0
An Giang	10	0.5	9,527	1.7	282	4.2	4	0.5
Tien Giang	11	0.6	3,985	0.7	402	6.0	4	0.5
Vinh Long	8	0.4	5,410	1.0	252	3.8	2	0.2
Ben Tre	13	0.7	7,502	1.4	76	1.1	1	0.1
Kien Giang	12	0.7	9,224	1.7	327	4.9	3	0.4
Can Tho	21	1.2	5,304	1.0	299	4.5	10	1.2
Tra Vinh	6	0.3	4,349	0.8	169	2.5	0	0.0
Soc Trang	8	0.4	3,226	0.6	158	2.4	1	0.1
Bac Lieu	5	0.3	6,239	1.1	146	2.2	0	0.0
Ca Mau	10	0.5	2,866	0.5	163	2.4	1	0.1
Not by province	1	0.1						

Source: Survey Results on the Whole Industry In 1998, GSO

Table 5 Changes in the production of manufacturing industries, by type of business (1995-98)

	Outputs(Billion Dong)		Average growth %	Share in total (%)		Exports' share of production (%) in 1997
	1995	1998		1995	1998	
Processing total	83,260	119,476	12.8	100.0	100.0	34.6
Food/beverage	27,008	36,932	11.0	32.4	30.9	37.8
Tobacco	3,976	4,531	4.5	4.8	3.8	0.5
Textile	6,176	7,696	7.6	7.4	6.4	41.3
Clothes, processed hide	2,949	4,584	15.8	3.5	3.8	93.4
Handbag, footwear, leather goods	3,569	8,029	13.2	4.3	6.7	81.8
Timber, wood products	3,323	3,114	-2.2	4.0	2.6	67.4
Paper, paper products	1,946	2,961	15.0	2.3	2.5	11.5
Publication, printing	1,510	1,743	4.9	1.8	1.5	0.1
Coke, mineral oil products	343	86	-37.0	0.4	0.1	11.1
Chemicals	5,085	7,799	15.3	6.1	6.5	6.3
Rubber, plastic products	2,271	4,014	20.9	2.7	3.4	48.4
Non-metal products	9,199	13,933	14.8	11.0	11.7	3.3
Metal	3,428	4,239	7.3	4.1	3.5	5.5
Metal products	2,331	4,006	19.8	2.8	3.4	9.8
Machinery & equipment	1,345	1,716	8.5	1.6	1.4	14.0
Office equipment, computers	27	37	11.0	0.0	0.0	99.9
Electric machine & equipment	1,087	1,894	20.3	1.3	1.6	15.1
Radio, TV, communication equipment	2,067	3,405	18.1	2.5	2.8	40.1
Medical equipment, clocks, opticals	202	236	5.3	0.2	0.2	45.7
Engined vehicles, trailers	1,459	1,629	3.7	1.8	1.4	1.9
Other transportation vehicles	1,892	401	-40.4	2.3	0.3	28.0
Beds, wardrobe, tables, chairs	1,969	272	-48.5	2.4	0.2	67.8
Re-processed products	88	136	15.6	0.1	0.1	0.0
Export-oriented industries*	22,553	31,387	11.6	27.1	26.3	
Domestic-market-oriented industries	60,707	88,089	13.2	72.9	73.7	

Source: Survey Results on the Whole Industry In 1998, GSO

*Export-oriented industries are defined as those which export ratio exceeds 40%.

owned enterprises' shares of production in various fields of the manufacturing industry. The domestic private-sector enterprises' share of production is generally high in industries for which exports account for a high percentage of production³. However, the Table shows that foreign-owned enterprises are rapidly expanding their share in such industries, pre-empting the shares of state-owned and domestic private-sector enterprises.

Table 6 Changes in the shares of industrial production by sector and type of business

Industry/Economic sectors	Exports' share of production (%) in 1997	Private sector		SOEs		Foreign-owned enterprises	
		1995	1998 (Preliminary)	1995	1998 (Preliminary)	1995	1998 (Preliminary)
Processing Industry	34.6	29.8	27.1	52.1	47.6	18.1	25.3
Foodstuff and beverage	37.8	33.2	31.0	47.7	47.6	19.1	21.4
Tobacco and rustic tobacco	0.5	0.3	0.1	99.5	99.2	0.2	0.7
Textile	41.3	25.9	22.5	56.8	57.3	17.3	20.2
Clothes	93.4	47.1	44.0	34.8	34.7	18.1	21.3
Leather, imitation leather products	81.8	26.1	23.6	38.2	28.3	35.7	48.1
Timber and forestry products	67.4	69.7	67.1	21.3	21.6	9.0	11.3
Paper and paper-made products	11.5	24.1	28.1	60.6	57.0	15.3	14.9
Publication, printing and copying	0.1	5.3	8.2	92.2	89.2	2.5	2.6
Mineral-oil	11.1	13.4	100.0	0.0	0.0	86.6	0.0
Chemicals	6.3	9.6	10.1	75.9	68.4	14.5	21.5
Rubber and plastic products	48.4	41.9	44.1	44.2	35.9	13.9	20.0
Mineral non-metal products	3.3	28.1	21.7	67.0	58.9	4.9	19.4
Metal	5.5	9.7	7.8	60.7	62.1	29.6	30.1
Metal products	9.8	70.7	61.3	17.8	13.7	11.5	25.0
Equipments	14.0	20.4	24.9	68.8	65.6	10.8	9.5
Office equipments, computers	99.9	0.0	0.0	97.2	0.0	2.8	100.0
Electric and electronic appliances	15.1	13.1	13.1	73.0	61.6	13.9	25.3
Radio, TV sets, communication equipments	40.1	5.8	1.8	48.2	17.5	46.0	80.7
Medical and accurate equipments	45.7	57.2	41.0	22.2	25.2	20.6	33.8
Engined vehicles	1.9	15.1	16.3	14.3	10.6	70.6	73.1
Other vehicles	28.0	18.9	13.5	36.1	26.7	45.0	59.8
Beds, wardrobe, tables and chairs	67.8	82.8	70.7	9.7	9.2	7.5	20.1
Recycled products	0.0	100.0	100.0	0.0	0.0	0.0	0.0

Source: Survey Results on the Whole Industry in 1998, GSO

³ The following table shows the exports' percentages of total industrial production by enterprises of different types. The foreign-owned enterprises' percentage of exports is extremely high, while for limited private enterprises in the private sector, exports account for about 60% of total production. For state-owned enterprises under the control of the central government, exports account for only 9% of total production, while for those under the control of local governments exports account for about 40%.

Percentages of exports by type of enterprise (against industrial production)

		Unit: %	
		In 1997	The first 6 months in 1998
1	Total	37.1	35.0
2	-Central SOEs	9.4	9.0
3	-Local SOEs	42.3	38.1
4	-Co-operatives	21.1	21.6
5	-Private enterprise	28.7	31.2
6	-Ltd. company	59.6	59.2
7	-Share-holding company	16.3	19.0
8	-State share-holding company	39.5	45.2
9	-100% foreign-invested company	71.1	68.7
10	-SOEs/Foreign joint-venture	55.5	47.6
11	-Non-SOEs/Foreign joint-venture	11.3	10.3
12	-SOEs and non-SOEs/Foreign joint-venture	78.7	18.6
13	-Business cooperation contract	7.7	4.3

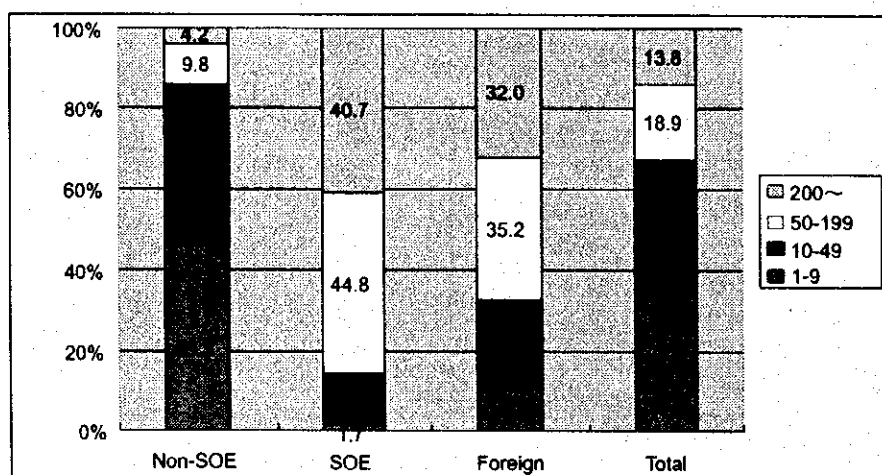
Source: Survey Results on the Whole Industry in 1998, GSO

Based on the above observations, we have concluded that export-oriented manufacturing enterprises in Viet Nam are developing less smoothly than those oriented to domestic markets.

Features of private-sector enterprises

As seen in Fig. 1, 95.8% of Vietnamese private enterprises are small and medium-size businesses with employees fewer than 200 persons. There are only 271 large-scale enterprises, or only 4.2% of all enterprises. The percentages of enterprises classified by the number of their employees are: 9 or less, 46.3%; 10 to 49, 39.7%; and 50 to 99, 9.8%.

Figure 1 Distribution of enterprises by scale of employee by economic sectors (1997, %)



Source: Survey Results on the Whole Industry, GSO, 1999

The scale of operation of small and medium-size enterprises (enterprises having fewer than 200 employees) is shown by the following statistics, which represent averages for all such enterprises: number of employees, 24; total capital, 1.4 billion dong (about 100,000 dollars); income, 1.4 billion dong (about 100,000 dollars); profit, 36 million dong (about 2,600 dollars); and taxes paid, 120 million dong (about 8,600 dollars). The corresponding average numbers for large-scale enterprises (enterprises having 200 or more employees) are: number of employees, 668; total capital, 24.6 billion dong; income, 22.9 billion dong (about 1.6 million dollars); profit: 270 million dong (about 19,000 dollars); and taxes paid, 1.14 billion dong (about 81,000 dollars). (See Table 7).

In terms of the indices per employee, enterprises having fewer than 200 employees are rivaling state-owned enterprises in profits and taxes paid, though their total capital averages about 60% of that of the state-owned enterprises. In particular, those having 50 to 99 employees are achieving comparatively excellent business records. However, the records of large-scale enterprises (those having 200 or more employees) in the private

Table 7 Business management characteristics by number of employees (1995 and 1998)

	Indicators per facility (Average)						Indicators per Labor			
	Number of enterprises	Number of laborers	Capital	Industrial revenue	Profits	Contribution to state budget	Capital	Industrial revenue	Profits	Contribution to state budget
	enterprise	person	Million VND	Million VND	Million VND	Million VND	Million VND	Million VND	Million VND	Million VND
The whole industry	9,314	142	28,967	34,623	554	2,288	204	244	3.9	16.1
Under 200 employees										
Total	8,028	38	5,776	7,061	22	226	152	186	0.6	5.9
- SOEs	1,080	104	10,153	6,535	271	657	98	63	2.6	6.3
- Non-SOEs	6,384	24	1,388	1,382	36	119	58	58	1.5	5.0
- Foreign-invested enterprises	564	72	44,798	21,412	na	1,180	622	297		16.4
From 10 to under 50 employees										
Total	3,063	25	3,101	3,980	10	93	124	159	0.4	3.7
- SOEs	233	39	4,013	2,033	56	348	103	52	1.4	8.9
- Non-SOEs	2,647	24	1,306	1,269	31	104	55	53	1.3	4.3
- Foreign-invested enterprises	183	32	26,468	11,915	na	292	827	372		9.1
From 50 to under 200 employees										
Total	1,760	116	18,916	23,673	55	816	163	204	0.5	7.0
- SOEs	816	125	11,774	7,958	335	752	94	64	2.7	6.0
- Non-SOEs	652	106	6,659	6,905	103	573	63	65	1.0	5.4
- Foreign-invested enterprises	292	118	63,132	32,720	na	2,027	535	277		17.2
From 200 employees upwards										
Total	1,286	795	173,867	206,840	3,875	15,170	219	260	4.9	19.1
- SOEs	742	853	157,863	100,578	6,146	12,192	185	118	7.2	14.3
- Non-SOEs	278	668	24,654	22,926	272	1,140	37	34	0.4	1.7
- Foreign-invested enterprises	266	758	357,973	187,903	na	36,890	472	248		487.0

Source: Survey Results on the Whole Industry in 1998, GSO

sector are not good, as was pointed out in the Phase-I report⁴. In this regard, doubts still remain as to whether the management techniques of such businesses can cope with an expanded scale of operation, whether they are restricted by market conditions, and whether they are subjected to social and administrative risks as the scale of operation expands, which is a problem in the Vietnamese business environment.

However, as seen in Table 7, the capital per employee of large-scale enterprises in the private sector is extremely small, being lower than the average for small and medium-size enterprises. This suggests that large-scale enterprises in the private sector have concentrated in labor-intensive industries and have not succeeded in raising capital to cope with an expanded scale of operation and an increased number of employees; presumably their investment in plant and equipment is insufficient due to the extreme difficulties that they face in obtaining bank loans and formal credits⁵. Table 8 shows the sources of capital for different types of enterprises. Large-scale private limited enterprises and joint-stock enterprises are dependent on short-term capital to a large extent. This means that these enterprises must rely on extremely short-term funds for investment in plants and equipment.

Table 8 Sources of funds by type of enterprise (as of June 30, 1998)

Unit: %

Type of enterprise	Total capital	Of which			
		Payables			Equity
		Total	Of which		
			Short-term	Long-term	
- Central SOEs	100	36.3	18.3	15.9	63.7
- Local SOES	100	62.1	36.1	23.3	37.9
- Co-operatives	100	34.0	23.8	7.6	66.0
- Private enterprise	100	30.0	21.0	5.8	70.0
- Ltd. company	100	64.3	49.6	11.1	35.7
- Share-holding company	100	77.1	58.1	18.7	22.9
- State share-holding company	100	31.7	26.7	3.0	68.3
- 100% foreign-invested company	100	55.1	23.6	25.3	44.9
- SOEs/Foreign joint-venture	100	37.1	14.9	19.7	62.9
- Non-SOEs/Foreign joint-venture	100	51.8	23.7	26.8	48.2
- SOEs and non-SOEs/Foreign joint-venture	100	49.3	24.5	23.1	50.7
- Business cooperation contract	100	28.6	24.9	3.7	71.4

Source: Survey Results on the Whole Industry In 1998, GSO

⁴ Masahiko Ebashi, "Private Enterprises and Policies for Medium- and Small-Scale Enterprises in Vietnam," *Report of Development Research to Support the Transition to a Market Economy in Vietnam, Vol. 2, Industrial Policies*, Japan International Cooperation Agency, August 1996, pp. 92-93

⁵ Regarding management problems encountered by private enterprises and the difficulties they face in raising funds, see the analysis in Chapter 4 of the results of a questionnaire survey of enterprises.

2. Changes in the policies, systems, and circumstances surrounding private enterprises, and the impact thereof

Addressing the improvement of business circumstances

It is true that the circumstances surrounding private enterprises in Viet Nam have changed since 1998. Fig. 2 shows general changes in private enterprises' business circumstances in Viet Nam from around 1996 to 2000. Various factors have improved for small-to-medium-size enterprises in the private sector. According to Decision 55/1998-QD/TTg of the Prime Minister in March 1998, private enterprises can now directly export their products. Also, Ordinance No. 57/1998/ND-CP, issued in July 1998, largely improved the export circumstances for the private sector. In addition, approval by a provincial People's Committee is no longer required for export or import, and the minimum-capital requirement for an enterprise has been abolished. As a result, in principle enterprises that have a business registration certificate can now export and/or import products.

On January 1, 1999, the law on domestic investment incentives (Ordinance 51/1999/ND-CP) went into

Figure 2 Matrix of changing matrix

	SOE	As of 1996		As of 2000	
		Private		Private	
		Big firms	SME	Big firms	SME
Business registration	⊙	○	△	○	○
Access to the land	⊙	△	x	△	△
Access to the bank loan	⊙	△	x	△	△
To use land use right as collateral for loan	⊙	△	x	△	△
To use land use right as investment capital	⊙	x	x	x	x
Joint venture with FDI	⊙	x	x	○	○
Direct export	⊙	△	x	○	○
Access to the overseas market information	○	△	x	△	x
Access to the information on technology	△	△	x	△	x
Access to the information on laws & regulations	○	○	○	○	○
Tax system and regulation (actual)	△	△	△	△	△
Access to the management information	△	△	x	△	x
Hiring skilled staffs & workers	△	△	x	△	x
Training opportunity for staffs & workers	○	○	x	○	x
Customs procedure	○	x	x	△	△
Access to raw materials	○	△	△	△	△

⊙ very easy, ○ rather easy, △ rather difficult, x very difficult

Source: Made from author's interview to the Vietnamese private firms and researchers.

effect⁶ to provide investors with various incentives. Among others, the enactment of the new enterprise law in January 2000⁷ and the abolition of 150 previously required business licenses (Decision No. 19/2000/QD-TTg

⁶ Prescribes the infrastructure support for domestic investors, preferential interest rates, tax exemptions on profits and personal income, and approval of the employment of foreign experts.

of the Prime Minister, February 3, 2000) resulted in an epoch-making improvement. Now business licenses are not required in a number of industries. All that is required is registration of the enterprise. In addition, the procedure for registration has been drastically simplified so as to cut the time required for registration from several months in the past to 15 days (or 7 days for changing the content of a registration). Also, registration fees were cut from about 700 dollars to 40 dollars, on average.

Consequently, during the period from January to October in 2000, newly registered enterprises totaled 11,200, or about 3.5 times the amount in the past several years. The registered amount of capital of these enterprises totaled 10.6 trillion dong⁸. It is expected that the enterprises registered during the period from January to September in 2000 will create employment for 200,000 workers⁹. This suggests that private investment, which has been low for the past several years, has the potential to increase, if only the business circumstances are improved. In the past, some entrepreneurs who were apprehensive regarding the conventional stance of the government against private enterprises intentionally remained sole proprietors. It seems that the newly registered enterprises include a large number of such entrepreneurs, who changed their course or advanced into new business fields under the new business circumstances.

In response to the central government's stance of promoting private enterprises, that of People's Committees of local governments regarding private enterprises also has changed. The People's Committee of Hanoi, which had not been enthusiastic about promoting private enterprises, changed its stance completely. To fully prepare for the going into effect of the new enterprise law on January 1, 2000, the Committee improved the registration-acceptance system in the latter half of 1999. The Committee also established a "hot line" and a mechanism for holding regular dialogues with private enterprises. It also permitted UAIC, a private-enterprise association, to construct and to operate an industrial park, and it extended its cooperation regarding the improvement of roads and other infrastructural access to the park. Hanoi has constructed industrial parks for private enterprises at two places, Gia Lam and Binh Thuy, and

⁷ Implementation Rules concerning the enforcement of the Enterprise Law (Ordinances 02/2000/ND-CP and 03/2000/ND-CP) went into effect on February 3, 2000. In the meantime, the Ministry of Planning and Investment (MPI) issued Official Letter 77/BKH, dated December 31, 1999, which gave instructions concerning the enforcement of the Enterprise Law to local governments' divisions in charge of investment.

⁸ VN News, December 13

⁹ According to the People's Committee of Hanoi City, the number of enterprises newly registered from January 1 through August 15, 2000, was 1,540 (limited company: 1,126; private enterprises: 169; joint-stock enterprises: 117; branch and representative offices: 128; and independent-capital limited companies: 8), accounting for about 32% of the 4,820 enterprises registered from 1992 through 1998, and about 38% (about 1.1 trillion dong) of the total capital registered. According to the Planning and Investment Division of Ho Chi Minh City, from January through May of 2000 there were 2,021 newly registered enterprises, of which 1,228 were limited companies, 713 were private enterprises, and 80 were joint-stock enterprises. The capital of the newly registered enterprises totaled 2.09 trillion dong, a 46% increase from the total in the same period of the previous year. In Da Nang, 200 enterprises registered by the end of June, twice the number of the previous year, of which 35 were manufacturing enterprises, 144 were commercial enterprises, and 5 were construction enterprises.

it will begin construction of 3 more such parks in 2001. The city also has a plan to establish an SME Support Center in cooperation with UNIDO. It is said that the center will provide support funds for small and medium-size enterprises, will offer consultations for export promotion, and will train entrepreneurs and workers ¹⁰.

In 1998, the city of Da Nang started construction of the Hoa Khanh and Lien Chiu Industrial Parks for domestic enterprises. These operate in addition to the already-then-existing Da Nang Export Processing Zone. Already 10 foreign-owned enterprises and 54 domestic enterprises (including 27 private enterprises) are operating in these 3 industrial parks. The city is learning from Dong Nai and Binh Duong Provinces, which are actively promoting both domestic and foreign-owned private enterprises ¹¹.

The city of Ho Chi Minh, which has actively been promoting private enterprises, has already constructed several industrial parks for private enterprises. The Foreign Trade Development Center (FTDC), the city's trade promotion organization, has held international trade fairs, and has dispatched trade missions. In February 2000, the city launched a comprehensive demand-simulation program to improve the competitive power of domestic enterprises and to expedite exports. This program includes providing financial assistance for technological innovations, assisting in improving quality controls, and strengthening export markets. In the same way as Hanoi, this city has a plan to establish an SME Support Center in cooperation with UNIDO. These movements are not limited to major cities. Plans to establish private-enterprise support funds are also being promoted in Ha Tay Province in the north and in Binh Duong and Dong Nai Provinces in the south. It seems as if the People's Committees of major cities and provinces are now competing with each other in promoting private enterprises.

This movement seems to be largely attributable to the fact that, in the wake of the economic stagnation that followed the Asian-financial crisis and the slump of state-owned enterprises, local governments have recognized the need for foreign capital and private enterprises. Table 9 summarizes the income of state-owned, private-sector, and foreign-owned manufacturing enterprises in different industries in different provinces and cities. There is a definite difference between the provinces and cities where private enterprises, and foreign-owned enterprises generate the majority of industrial income and state-owned enterprises do not play the leading role. The percentage of industrial income of private and foreign-owned enterprises is generally high in the south and low in the north. This means that promotion of the private sector is slow in the north. A typical example is Hanoi, where dependence on state-owned enterprises is high and the industrial income of the private sector accounts for only about 8 % of the total. Recently, however, the stance of Hanoi has changed dramatically, as mentioned above.

Japan, acting pursuant to the new Miyazawa initiative, requested Viet Nam to implement a Private-sector

¹⁰ Interview with the vice-chairman of the People's Committee of Hanoi City, August 2000.

¹¹ Interview at the Planning and Investment Division of Da Nang City, August 2000.

Table 9 Industrial income by province and sector (1997)

(Unit: %)

	Total	State	Private	FDI	FDI+Private
Total	100	46.4	18.3	35.3	53.6
Red River Delta	100	52.4	18.0	29.6	47.6
Ha Noi	100	59.1	8.5	32.4	40.9
Hai Phong	100	43.4	9.9	46.7	56.6
Ha Tay	100	16.7	56.7	26.6	83.3
Hai Duong	100	82.3	14.7	3.0	17.7
Hung Yen	100	14.1	22.2	63.7	85.9
Ha Nam	100	25.7	74.3	0.0	74.3
Nam Dinh	100	59.5	40.3	0.2	40.5
Thai Binh	100	26.3	73.3	0.4	73.7
Ninh Binh	100	60.7	38.7	0.6	39.3
North East	100	76.4	11.7	11.9	23.6
Ha Giang	100	52.3	47.7	0.0	47.7
Cao Bang	100	63.0	37.0	0.0	37.0
Lao Cai	100	85.4	14.6	0.0	14.6
Bac Can	100	17.3	82.7	0.0	82.7
Lang Son	100	54.2	45.8	0.0	45.8
Tuyen Quang	100	73.2	26.8	0.0	26.8
Yen Bai	100	78.9	21.1	0.0	21.1
Thai Nguyen	100	75.9	8.3	15.8	24.1
Phu Tho	100	72.3	6.8	20.9	27.7
Vinh Phuc	100	13.0	17.1	69.9	87.0
Bac Giang	100	71.3	28.2	0.5	28.7
Bac Ninh	100	50.7	48.7	0.6	49.3
Quang Ninh	100	96.3	3.4	0.3	3.7
North West	100	32.3	67.4	0.3	67.7
Lai Chau	100	7.1	92.9	0.0	92.9
Son La	100	66.2	33.8	0.0	33.8
Hoa Binh	100	51.6	47.5	0.9	48.4
North Central Coast	100	64.4	28.3	7.3	35.6
Thanh Hoa	100	79.6	18.1	2.3	20.4
Nghe An	100	50.2	49.1	0.7	49.8
Ha Tinh	100	50.7	43.2	6.1	49.3
Quang Binh	100	46.4	53.6	0.0	53.6
Quang Tri	100	55.1	44.9	0.0	44.9
Thua Thien Hue	100	50.9	20.8	28.3	49.1
Central Coast	100	55.6	30.7	13.7	44.4
Da Nang	100	43.7	24.1	32.2	56.3
Quang Nam	100	25.4	61.2	13.4	74.6
Quang Ngai	100	63.4	36.3	0.3	36.6
Binh Dinh	100	52.6	42.3	5.1	47.4
Phu Yen	100	54.9	44.8	0.3	45.1
Khanh Hoa	100	71.4	21.2	7.4	28.6
Central Highlands	100	23.2	61.9	14.9	76.8
Kon Tum	100	13.4	86.6	0.0	86.6
Gia Lai	100	30.8	61.4	7.8	69.2
Dac Lac	100	20.1	58.7	21.2	79.9
South East	100	30.3	15.6	54.1	69.7
HCM City	100	48.5	18.9	32.6	51.5
Lam Dong	100	32.5	50.8	16.7	67.5
Ninh Thuan	100	56.9	39.0	4.1	43.1
Binh Phuoc	100	0.0	91.0	9.0	100.0
Tay Ninh	100	19.1	44.7	36.2	80.9
Binh Duong	100	14.7	43.8	41.5	85.3
Dong Nai	100	17.3	5.3	77.4	82.7
Binh Thuan	100	39.5	60.3	0.2	60.5
Ba Ria - Vung Tau	100	4.3	3.4	92.3	95.7
Mekong River Delta	100	42.6	47.8	9.6	57.4
Long An	100	27.8	33.0	39.2	72.2
Dong Thap	100	23.5	76.5	0.0	76.5
An Giang	100	36.4	55.8	7.8	63.6
Tien Giang	100	21.3	54.4	24.3	78.7
Vinh Long	100	23.4	73.3	3.3	76.6
Ben Tre	100	53.6	46.3	0.1	46.4
Kien Giang	100	63.3	35.3	1.4	36.7
Can Tho	100	48.3	39.1	12.6	51.7
Tra Vinh	100	14.2	85.8	0.0	85.8
Soc Trang	100	46.1	53.7	0.2	53.9
Bac Lieu	100	61.9	38.1	0.0	38.1
Ca Mau	100	52.7	46.4	0.9	47.3

Source: Survey Results on the Whole Industry in 1998, GSO

Promotion Action Plan that seems to have been fruitful. The Action Plan prescribes 42 measures for improving financial and business circumstances, as well as organizations and systems required to advance the private sector. Loans were provided by Japan on the condition that these measures be implemented. According to the JBIC, at the time of a monitoring meeting held in November 2000, the numbers of measures that were fully, mostly, or partly implemented or prepared for implementation were 19, 22, and 1, respectively. This Action Plan was effective in implementing the enterprise law, in abolishing restrictions on the entry of private enterprises, and in simplifying the enterprise-registration approval procedure. In order to enact the enterprise law, the Ministry of Planning and Investment (MPI) actively approached and influenced the People's Committees of local governments. This also effectively changed the consciousness of leaders in local areas. Not only government offices but also banks started to provide loans to private enterprises. Nevertheless, loans to indigenous private enterprises, except foreign-owned enterprises, are still limited, presumably because of incomplete application documents, a lack of collateral, and inadequate corporate governance of borrower enterprises, in addition to regulations on lending by banks and insufficient project evaluation capability of banks.

Despite such improvements, there are a number of problems relating to the circumstances affecting private enterprises. Social and administrative attitudes toward such enterprises are still severe. In addition to inadequate business-related laws, a lack of transparency in the application of laws, differences in the treatment of private and state-owned enterprises, and problems concerning access to financing, there are still barriers to the development of private enterprises, such as the land-utilization and tax systems, unsatisfactory procedures regarding exports and imports, a lack of information concerning technologies and domestic and foreign markets, and restrictions on forming enterprise organizations and unions. The analysis of questionnaire survey results in Chapter 4 mentions other barriers and problems encountered by private enterprises.

3. Strategies to strengthen the international competitiveness of domestic private enterprises

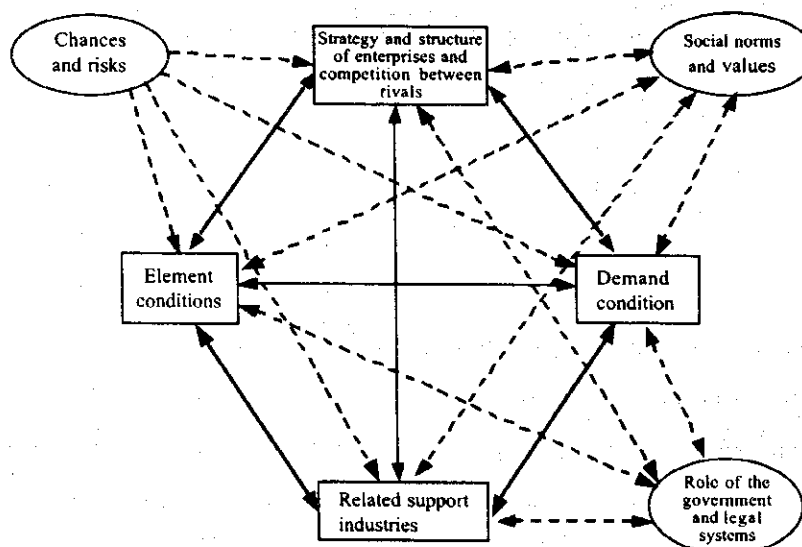
In improving the business circumstances in Viet Nam so as to strengthen the international competitiveness of enterprises, one particular concept presented in the publication *The Competitive Advantage of Nations*, by Michael E. Porter, will be useful. Porter analyzed a number of industries, various types of enterprises, and various enterprises in developed countries that are predominant in competition, and he offered an explanation of the conditions that enabled them to attain such a status. Because Porter selected for his analysis developed countries that have high-level human resources and in which infrastructures are complete, it might not be appropriate to apply the results of his analysis to Viet Nam, which is still developing and is at an economic transition stage. Nevertheless, his analysis includes both a number of suggestions that can be used in discussing the direction for a nation to take in order to acquire predominance in competition and measures that will be

required in the future.

Fig. 3 shows the relationships between determining and influential factors that Porter has identified as resulting in a competitive advantage. A competitive advantage is achieved through a complicated correlation among these factors. As influential factors, we adopt here 1) chance and risk, 2) social norms and sense of values, and 3) the role of government. Chance-and-risk factors that conceivably could affect Viet Nam are: (1) technological leaps in the world (biotechnology, the IT revolution, etc.), (2) large fluctuations in the exchange rate, (3) great fluctuations in global demand, and (4) participation in the AFTA and the WTO. Important factors relating to social norms and sense of values are: (1) a social climate that fosters entrepreneurs, (2) a social climate that promotes inventiveness, (3) an environment that fosters leaders, and (4) an environment that facilitates the easy incorporation of enterprises. Also, because the role of government influences four factors (fundamental conditions, demand-related conditions, competition between rivals, and related support industries), it is necessary to implement policies and to create systems and circumstances that expedite improvement of these factors, such as deregulation and policies concerning capital markets, education, taxation, and trade.

The first influential factor concerns conditions of production elements, which include human resources

Figure 3 Correlation between determinant and influential factors that ensure a competitive advantage for a country



Source: (Slightly modified) *The Competitive Advantage of Nations*, Michael E. Porter, Diamond Co. Ltd.
 Note: Demand conditions and other items in squares are determinant factors, while the role of government and other items in circles are influential factors.

(quality, skills, and costs of workers), material resources (geographical position of the country, existence of natural resources, the ease or difficulty of utilizing those resources, and the cost of doing so), intellectual resources (scientific technologies and knowledge of markets), capital resources (total amount of capital for financing industries, and the costs thereof), infrastructures (types, quality, and costs of infrastructures, such as those relating to transport, telecommunications, and financial systems). What is important is the ability to arrange resources to raise productivity. And those elements should be upgraded continuously. For this upgrade, large-scale and long-term investment in human and physical capital is essential. The second factor concerns demand conditions, which include the nature of domestic demand (existence of refined buyers having high-level requirements), the size of domestic demand, and the degree and pattern of growth. These conditions press enterprises to innovate. This essentially requires the existence of a plurality of independent buyers and approaches to appropriate buyers. The third factor concerns the strategic structure of enterprises and competition between rivals. It is important that the management and organization of enterprises suit the motivation of management personnel and employees, and that there exist active competition between rivals. The fourth determining factor concerns the existence of related support industries. In addition to the existence of international supplier industries and related support industries, it is desirable that supplier industries exist near enterprises so as to keep close relations to facilitate mutual understanding. For this purpose, what is more desirable is the existence of clusters of suppliers and related support enterprises.

In view of the above facts, what is the present status of Viet Nam? In regard to the influential and determining factors, listed below are analysis of the present status and future challenges for Viet Nam to bring about predominance in competition.

1) Influential factors promoting a competitive advantage

A. Social norms and values (social and political cultures)

[Present status]

- * The public has a negative image of private entrepreneurs (as exploiters, having in-moral and unstable management, etc.), and bureaucrats have a severe attitude toward entrepreneurs and constantly keep them under observation. Business failures are not allowed, and even civil wrongdoings lead to criminal punishment.
- * The Vietnamese society is oriented toward stability and is extremely resistant to change or risks, for fear of failure. Also, young people, especially those in the north, are oriented to working for public agencies or state-owned enterprises, and they have a "penchant for shelter in the shade of a big tree."
- * As a result, the social circumstances in Viet Nam are far from those that foster entrepreneurs.

[Action required]

Implementation of policies to promote the spirit of entrepreneurs

- * Correct positioning of, and public relations regarding, the role of private enterprises

- * Providing incentives for those who venture into business
- * Review of the current legal treatment for failures and risks
- * Improving the business environment for starting enterprises
- * Education to raise the spirit of entrepreneurs
- * Abolition of preferential treatment of state-owned enterprises

B. Laws and systems concerning business activities

[Present status]

- * Throughout Viet Nam, the way of thinking of the age of socialism remains, serving to encourage the government to strongly restrict and monitor the activities of private enterprises. A number of regulations apply at each of the various stages of business activity, such as the requirement to obtain approval to incorporate or to register an enterprise, and regulations concerning the use of land, international trade, and financing.
- * Laws lack enforcement provisions; they are ambiguous in expression, allowing discretionary implementation and interpretation; they are frequently or abruptly changed or abolished; and procedures for revision, abolition, and implementation are opaque.
- * High-level and low-level laws and rules often are contradictory or duplicated. There are no organizations responsible concerning application of the laws that have been adopted by the Diet or the decrees, decisions, circulars, and instructions issued by the central government and provincial People's Committees or to reconcile contradictory rules or to limit enforcement that is contrary to the intention of a law.

[Action required]

Review of legal systems relating to business activities (focusing on the following)

- (1) Barriers to new entries, such as barriers concerning the approval of the incorporation and registration of enterprises
- (2) Limitations on the utilization of land
- (3) Access to financing
- (4) Establishment of associations of enterprises
- (5) Exporting and importing
- (6) Taxation system
- (7) Accounting and auditing
- (8) Insolvency and cessation of operations
- (9) Criminal punishment for civil wrongdoings
- (10) Social status of private entrepreneurs
- (11) Treatment of advertising, consultation, and other support services

C. Government Policies

[Present status]

The government:

- * By giving preferential treatment to state-owned enterprises and thereby generating a gap between them and other types of enterprises, tends to place state-owned enterprises at the center of economic activities and to downgrade the role of private and foreign-owned enterprises;
- * Retains the bias of the age of socialistic industrialization in favor of national self-sufficiency and heavy industries, and tends to adopt policies for import-substitute industrialization centering on large-scale projects;
- * Has little interest in promoting small- and medium-scale enterprises, industries in agricultural areas, or labor-intensive export industries, though the situation is improving slightly;
- * Is not enthusiastic about creating pro-competition circumstances;
- * Opposes the establishment of associations of enterprises that will expedite collaboration and information exchanges between private enterprises.
- * Has little money to invest in educating entrepreneurs and workers or in promoting technological advances.
- * Lacks both a concept of strategic industries that are to be supported in the medium- and long-terms, and concrete strategies for strengthening the nation's international competitiveness.

[Action required]

Review the role of the government so as to strengthen the nation's competitive power.

- * Eliminate the discriminatory treatment of private enterprises versus state-owned enterprises.
- * Review strategies and incentives for developing strategic industries.
- * Create and encourage competitive environment.
- * Create circumstances that encourage entrepreneurs and foster inventiveness.
- * Invest in education concerning technologies, and in education for entrepreneurs and workers.

2) Determinant factors promoting a competitive advantage

A. Production element conditions

[Present status]

- * Capital resources (capital for financing industry) are inadequate.
- * Intellectual resources (relating to technologies and information concerning technologies and markets) are inadequate.
- * Problems exist concerning human resources and the quality and skills of workers.
- * Infrastructures for energy, transport, telecommunications, and finance are incomplete.
- * Problems exist concerning the nation's capability for optimally utilizing material resources, such as natural resources and geographical conditions.

[Action required]

Adopt policies to upgrade the element conditions.

- * Promote investment to develop human resources.
- * Promote investment in strategic infrastructures.
- * Adopt strategies to shift from labor-intensive industries to high-value-added industries.
- * Improve the circumstances for creating new elements through innovations.

B. Demand-related conditions

[Present status]

- * The level of requirements of domestic demand is low. People are mainly interested in prices, and in quality to a lesser degree.
- * Domestic demand is too small to permit a mass-production economy.
- * Therefore, buyers in the country have too little purchasing power to press enterprises in Viet Nam to innovate.
- * Information, open exchanges between the heads of enterprises and the buyers, and assessment of market needs are insufficient.

[Action required]

Adopt policies to upgrade demand-related conditions

- * Educate consumers.
- * Advance into export markets.
- * Promote policies to exclude monopolies and oligopolies and to expedite the advent of a plurality of independent buyers.
- * Promote access to market information.

C. The structure of strategic enterprises, and competition between rivals

[Present status]

- * Monopolies and oligopolies by state-owned enterprises still exist. There are few fields in which active competition exists between rival enterprises.
- * The management and organization of enterprises do not necessarily motivate entrepreneurs or employees.
- * There is a large gap between the goals of enterprises and those of individuals. Industrial relations are not suit to foster innovations.
- * The government's goals and priorities don't necessarily agree with those of private enterprises.

[Action required]

Adopt policies to expedite competition between enterprises and to enhance management.

- * Enact laws to expedite the separation between the ownership and management of enterprises.
- * Enact laws to expedite sound industrial relations.
- * Adopt policies to facilitate the entry and exit of enterprises.

- * Correctly position the role of private enterprises.
- * Expedite advancement into export markets.
- * Adopt policies to deregulate and liberalize the introduction of foreign capital.

D. Related supporting industries

[Present status]

- * Related upstream and downstream industries haven't developed. Among others, basic supporting industries (supply-support industries) are underdeveloped.
- * Cooperative and subcontracting relationships haven't developed between state-owned or large-scale enterprises and the small & medium-scale enterprises.
- * Clusters of related industries haven't developed.
- * Information exchanges and mutual understanding among enterprises are insufficient.
- * Business-support industries, such as advertising, law, accounting, management consulting, and insurance industries, haven't developed.

[Action required]

Promote related industries.

- * Adopt policies to expedite collaboration and subcontracting between enterprises.
- * Introduce foreign capital so as to advance supporting industries.
- * Develop industrial parks for private enterprises.
- * Encourage the establishment of associations of enterprises.
- * Promote and encourage business-support industries.

4. Status of the export of industrial products and the need to modernize export industries

Exports from Viet Nam increased at an average rate of 28.9% every year from 1992 through 1997. After dropping to 2% in 1998, affected by the Asian-currencies crisis, the rate of increase recovered to 23% in 1999, and it was more than 26% higher in the first half of 2000 than in the same term of the previous year. This recovery of exports since 1999 was supported by the two major factors which are the rising crude oil export prices and the deregulation of exports by private enterprises in July 1998. Exports of industrial products from Viet Nam increased at an average rate of 41% every year from 1992 to 1998, which was far higher than the rate of increase of the export of primary products (16%) during the same period. As a result, industrial products' percentage of Vietnamese exports increased from 21% in 1992 to 41.7% in 1998 (see Table 10). Although the figure for 1999 is not available, it is anticipated that the relative share of industrial products might have dropped from that in 1998 due to the sharp rise in oil export prices, despite the increased export of industrial products.

With regard to the export of non-oil products in different sectors, the state-owned, foreign-owned, and

Table 10. Changes in the export structure and export of industrial products of Viet Nam (SITC—one-digit classification)

Unit: 1000USD

SITC	Description	1991		1992		1993		1994		1995		1996		1997		1998	
			%		%		%		%		%		%		%		%
0	Food & live animals	752,407	36.1	976,161	37.8	1,053,598	35.3	1,419,625	35.0	2,012,423	36.9	2,462,951	33.9	2,674,404	29.1	2,812,171	30.0
1	Beverage & tobacco	4,237	0.2	3,462	0.1	3,383	0.1	3,038	0.1	6,251	0.1	7,257	0.1	20,824	0.2	4,600	0.0
2	Crude materials excl. fuels	194,551	9.3	181,583	7.0	203,423	6.8	304,259	7.5	374,537	6.9	463,230	6.4	367,675	4.0	264,487	2.8
3	Mineral fuels, etc.	631,280	30.2	867,733	33.6	976,881	32.7	1,002,331	24.7	1,214,008	22.3	1,571,327	21.7	1,649,707	18.0	1,442,168	15.4
4	Animal, vegetable oil & fats	2,445	0.1	4,743	0.2	6,332	0.2	10,546	0.3	13,775	0.3	31,322	0.4	24,999	0.3	15,647	0.2
5	Chemicals	13,387	0.6	9,458	0.4	10,456	0.4	15,300	0.4	37,328	0.7	49,189	0.7	97,571	1.1	87,483	0.9
6	Basic manufactures	93,368	4.5	100,174	3.9	154,540	5.2	218,107	5.4	376,343	6.9	352,644	4.9	503,565	5.5	424,511	4.5
7	Machines, transport equipment	6,561	0.3	5,720	0.2	24,723	0.8	148,241	3.7	76,628	1.4	302,828	4.2	645,975	7.0	755,642	8.1
8	Misc. manufactured goods	388,831	18.6	431,646	16.7	551,823	18.5	932,819	23.0	1,337,658	24.5	1,696,299	23.4	2,809,119	30.6	2,632,551	28.1
9	Unclassified goods	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	318,825	4.4	391,157	4.3	921,001	9.8
	Total	2,087,067	100.0	2,580,680	100.0	2,985,159	100.0	4,054,266	100.0	5,448,951	100.0	7,255,872	100.0	9,184,995	100.0	9,360,261	100.0
5+6+7+8	Manufactured goods total	502,147	24.1	546,998	21.2	741,542	24.8	1,314,467	32.4	1,827,957	33.5	2,400,960	33.1	4,056,230	44.2	3,900,187	41.7

Source: Trade Statistics, CSO

private enterprises accounted for 55.8%, 27.5%, and 16.7% of the total, respectively, in 1999¹². Regarding the rate of increase of exports from 1997 to 1999, private enterprises had the highest rate (72.5%), followed by foreign-owned enterprises (44.7%), and state-owned enterprises (4.6%). As a result, private enterprises' share of the export of non-oil products increased about 5 points in only 2 years from 11.8% in 1997, and it is estimated to account for 22% of the total in the first half of 2000 (state-owned enterprises accounted for 46%, and foreign-owned businesses accounted for 32%)¹³. If this trend continues, the share of private enterprises will exceed that of state-owned enterprises within several years.

However, there are a number of structural problems relating to the export of industrial products of Viet Nam, which is concentrated on labor-intensive and low-value-added products such as clothing, footwear, textiles, leather products, handbags, and woodwork and ceramic products (see Table 11). Because Viet Nam had to compete in global markets while having only low prices and cheap labor as weapons, it is now suffering low profits. And because the country does not have a global market network, lacks information concerning overseas markets, and frequently relies on indirect export through brokers, the bargaining position of Vietnamese export enterprises is generally weak. Machines and facilities are superannuated, small in scale, and at technologically low levels. Also, because production capacity is low, often the country cannot accept orders for large quantities. In addition, according to a questionnaire survey, although most private export enterprises desire investment for technological innovation, they cannot obtain bank loans and are forced to rely on their own funds or on loans from relatives and friends of their owners (see 4-4). This makes technological innovation very difficult. Such enterprises also experience difficulties in obtaining direct access to overseas buyers and in obtaining information concerning other countries. In addition, Vietnamese export industries are in adverse circumstances due to a high effective protection rate, high transaction costs, and an unfavorably over-valued exchange rate in relation to the U.S. dollar.

Furthermore, external circumstances relating to the export of industrial products from Viet Nam do not promote optimism. Viet Nam must reinforce and modernize its export industries within only several years, must solidify the foundation of export industries concerning which Viet Nam is at a comparatively advantageous position, and must establish a system by which to compete effectively with China and other ASEAN countries, particularly in light of such new circumstances as: 1) the possibility that China will bolster the competitive power of its export industries after that nation joins the WTO, 2) the strengthened competitive power of export industries of other ASEAN countries, following the end of the Asian-currencies crisis and implementation of the AFTA free-trade system, and 3) opening of U.S. markets to Vietnamese products after the ratification of a U.S.-Viet Nam trade agreement. Accordingly, we propose the following comprehensive export-industries modernization plan which Viet Nam will be enabled to carry out by making use of two-step loan from Japan.

¹² "Vietnam: Export Performance in 1999 and Beyond," an informal report of the World Bank, prepared for the mid-year consultative group meeting held in Dalat City, June 22-23, 2000, p. 15.

¹³ "Vietnam 2010, Entering the 21st Century," *op. cit.*, p. 24.

Table 11 Changes in the export structure of Viet Nam (1991-98) (major products)

SITC	Description	1991	%	1992	1993	1994	1995	%	1996	1997	1998	%
0	Food & live animals	752,407	36.1	976,161	1,053,598	1,419,625	2,012,423	36.9	2,462,951	2,674,404	2,812,171	30.0
03	Fish	282,237	13.5	296,503	406,023	448,034	609,176	11.2	691,258	771,545	788,276	8.4
036	Crustacean, molluscs and aquatic invertebrates fresh, frozen	201,158	9.6	208,824	268,167	367,410	411,604	7.6	473,083	551,238	655,827	7.0
037	Fishes prepared, preserved N.E.S.	64,519	3.1	64,218	104,539	36,993	145,152	2.7	275	110,039	50,238	0.5
04	Crops	241,058	11.6	427,091	372,487	442,822	540,969	9.9	968,719	888,979	1,030,635	11.0
042	Rice	234,482	11.2	417,742	361,876	424,393	530,028	9.7	901,131	870,892	1,019,738	10.9
05	Vegetables and nuts	67,828	3.2	86,581	67,629	100,836	162,198	3.0	245,731	242,922	180,214	1.9
057	Fruits, nuts, fresh, frozen	27,109	1.3	42,468	44,016	72,384	110,079	2.0	43,651	123,055	137,574	1.5
07	Coffee and spices	108,715	5.2	132,899	158,710	396,693	675,703	12.4	506,106	627,382	710,425	7.6
071	Coffee and substitutes	76,251	3.7	91,492	110,764	330,283	598,147	11.0	420,206	497,619	593,815	6.3
074	Tea and mate	9,221	0.4	16,122	26,010	29,614	25,293	0.5	28,744	48,328	50,505	0.5
075	Spices	23,243	1.1	25,285	21,936	36,796	52,263	1.0	57,156	81,255	65,926	0.7
1	Beverage & tobacco	4,237	0.2	3,462	3,383	3,038	6,251	0.1	7,257	20,824	4,600	0.0
2	Crude materials excl. fuels	194,551	9.3	181,583	203,423	304,259	374,537	6.9	463,230	367,675	264,487	2.8
231	Natural rubber	49,582	2.4	66,914	74,721	135,410	187,871	3.4	254,485	190,031	127,463	1.4
3	Mineral fuels, etc.	631,280	30.2	867,733	976,881	1,002,331	1,214,008	22.3	1,571,327	1,649,707	1,442,168	15.4
32	Coal	48,279	2.3	61,834	51,903	68,448	92,451	1.7	113,256	110,784	101,503	1.1
33	Petroleum and its products	583,001	27.9	805,899	924,978	933,833	1,121,547	20.6	1,458,004	1,537,934	1,339,855	14.3
333	Crude petroleum	581,433	27.9	805,700	843,949	866,844	1,033,092	19.0	1,360,321	1,423,391	1,232,226	13.2
334	Petroleum products, refined	1,568	0.1	199	80,938	67,039	88,455	1.6	97,683	114,204	107,629	1.1
4	Animal, vegetable oil & fats	2,445	0.1	4,743	6,332	10,546	13,775	0.3	31,322	24,999	15,647	0.2
5	Chemicals	13,387	0.6	9,458	10,456	15,300	37,328	0.7	49,189	97,571	87,483	0.9
6	Basic manufactures	93,368	4.5	100,174	154,540	218,107	376,343	6.9	352,644	503,565	424,511	4.5
63	Wood products	2,516	0.1	2,207	54,529	64,204	91,655	1.7	101,919	94,256	72,320	0.8
635	Wood manufactures N.E.S.	685	0.0	1,622	49,234	57,930	86,365	1.6	92,644	86,910	69,169	0.7
65	Textiles	48,689	2.3	38,683	39,784	47,412	138,052	2.5	130,230	143,901	156,079	1.7
658	Made-up textile articles...	17,033	0.8	10,892	22,093	8,947	48,710	0.9	53,965	44,778	55,128	0.6
66	Non-metal mineral products	1,257	0.1	2,399	6,849	18,686	30,211	0.6	23,860	110,813	72,034	0.8
663	Mineral manufactures		0.0					0.0	768	54,254	54,857	0.6
7	Machines, transport equipment	6,561	0.3	5,720	24,723	148,241	76,628	1.4	302,828	645,975	755,642	8.1
75	Office machines	0	0.0	0	0	633	0	0.0	0	193	387,204	4.1
759	Parts and accessories of office machines		0.0			633		0.0		193	387,204	4.1
76	TV and telecommunication equipments	0	0.0	43	3,332	5,153	2,606	0.0	21,171	109,600	85,747	0.9
764	Telecommunication equipments and parts thereof		0.0				268	0.0	7,951	74,639	62,315	0.7
77	Electric machinery	295	0.0	14	36	1,878	32,146	0.6	173,188	417,897	162,815	1.7
776	Transistors, valves, tubes...		0.0			13	6,197	0.1	164,948	70,662	60,257	0.6
8	Misc. manufactured goods	388,831	18.6	431,646	551,823	932,819	1,337,658	24.5	1,696,299	2,809,119	2,632,551	28.1
821	Furniture and parts thereof		0.0				3,883	0.1	20,278	84,098	66,800	0.7
831	Travel goods, handbags and similar containers	3,200	0.2	1,077	1,888	4,422	26,230	0.5	68,420	164,166	131,337	1.4
84	Apparel and clothing	133,931	6.4	201,974	249,878	475,633	741,575	13.6	995,523	1,383,867	1,301,919	13.9
841	Men's or boys coats, jackets, blazers, trousers, shorts, shirts		0.0					0.0	824,978	703,724	537,101	5.7
842	Woman's and girls coat, capes, jackets, suits, blazers, trousers, shirts		0.0					0.0	482	193,621	351,403	3.8
845	Ready-made cloths all kinds	133,931	6.4	201,974	238,847	475,607	741,575	13.6	5,487	349,917	242,353	2.6
846	Clothing accessories		0.0		11,031	26			32,191	82,120	57,396	0.6
85	Footwears	10,542	0.5	16,542	68,041	115,354	296,419	5.4	501,800	965,419	969,978	10.4
89	Miscellaneous manufactured articles	240,647	11.5	212,053	230,823	336,851	268,506	4.9	107,101	189,937	144,065	1.5
899	Miscellaneous manufactured articles, N.E.S.	238,230	11.4	209,338	227,692	331,635	261,715	4.8	62,519	75,591	56,365	0.6
9	Unclassified goods	0	0.0	0	0	0	0	0.0	318,825	391,157	921,001	9.8
	Total value of exports	2,087,067	100.0	2,580,680	2,985,159	4,054,266	5,448,951	100.0	7,255,872	9,184,995	9,360,261	100.0

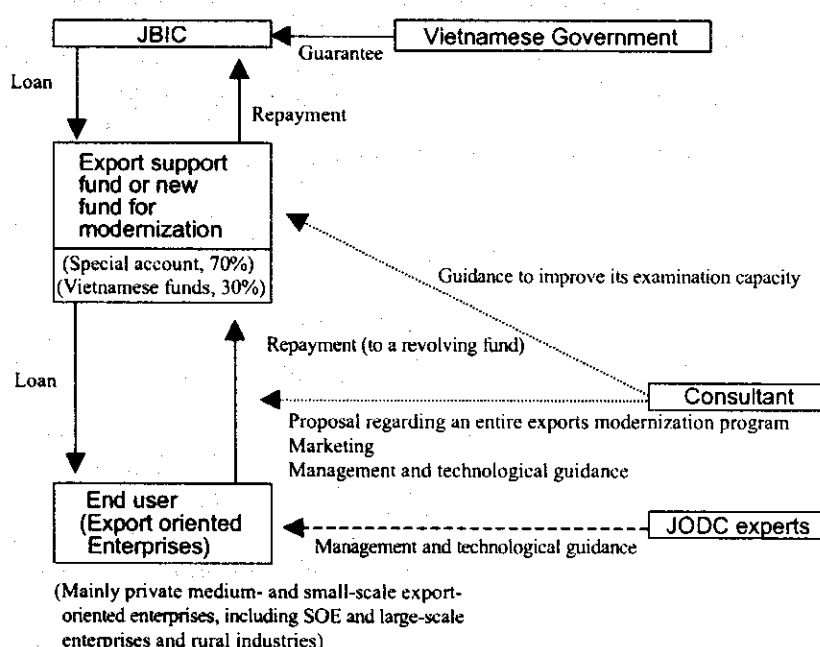
Source: Trade Statistics, CSO

• Outline of an export-industries modernization plan

1) Creation of a fund for financing the export-industries modernization plan

We propose to create a fund for financing the export-industries modernization plan, such as the OECF medium- and small-scale export industries modernization programs (two-step loans) for the Philippines (1982) and Thailand (1985)¹⁴ (See Fig. 4.). The JBIC is supposed to provide about four billion yen, or 70% of the funds, with the loan to be guaranteed by the Vietnamese government, and the Vietnamese Central Bank is to provide 30% of the funds. The funds will provide the loan to the export manufacturers who have its modernization program on a medium- and long-term preferential-treatment basis. The proposed recipients of the loans would mainly be private medium- and small-scale enterprises in export manufacturing industries (but including some state-owned enterprises), however, large-scale enterprises and rural industry should not be excluded. Although collateral would be required in order to obtain a loan, we propose both to evaluate appropriate collateral items, letters of credit and other records of export and evaluation on project feasibility studies. Also, the credit-guarantee system should be applied for the export modernization projects.

Figure 4 Export-industries modernization program for Viet Nam (Two-step loan)



¹⁴ In addition, a two-step loan amounting to about 4.6 billion yen has been provided to Malaysia as long-term, low-interest funds to be used by small- and medium-scale enterprises for investing in plants and equipment and purchasing environmental-preservation equipment.

2) Guidance by Japanese consultants

Japanese consultants will:

- * Diagnose the loan-recipient enterprises, guide their management, help them to improve their credit capability and to implement feasibility studies, provide technological guidance, transfer technologies to prevent environmental pollution, and help the enterprises to cultivate markets and to expedite joint ventures with foreign enterprises.
- * Influence Vietnamese financial organizations to provide loans for the export-industries modernization plan and to improve their financial-examination capabilities.

3) Extension of the JODC Expert-Dispatch Plan for Viet Nam

JODC experts (business managers and engineers) will be dispatched to the recipient enterprises on a preferential basis. For this purpose, a particular program targeting for Viet Nam will be established in the JODC.

4) Expediting the installation of common facilities and research and development facilities in specific rural export production area to improve its technologies and to create the clusters of export industries.

5) Promoting and guiding associations of export-related industries

In parallel with the export-industries modernization plan, the Vietnamese government will be advised to launch drastic export-promotion measures, which at least cover the following area; 1) provision of incentives such as tax exemptions for the import of capital goods and raw materials, tax reductions for the expenditures of exports promotion and workers-education, 2) creation of a trade-promoting organization to provide information concerning technologies and overseas markets, and to engage in trade consultations, 3) assurance of simplified and speedy customs-clearance procedures.

Availability of Entrepreneurship in Viet Nam

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1. Background and purposes of surveys

In Viet Nam, the private enterprise sector was admitted under the Doi Moi policy, and the sector achieved noticeable growth in the first half of the 1990s. Since the latter half of the decade, however, the sector's growth potential has been declining, and private enterprises have not always expanded steadily. Indeed, many private enterprises still remain relatively small in scale.

To deal with this situation, many supporting organizations have conducted surveys and researches, and proposed measures to promote the private sector. Based on these proposals, many support measures are being implemented.

At this juncture, it is important to learn the attitude toward corporate growth and development that Vietnamese corporate managers have in operating their enterprises. For this purpose, this survey aims to clarify the following points and work out measures to promote entrepreneurship in the future.

- (1) With what perception are Viet nam's private sector corporate managers operating their enterprises?
- (2) How is entrepreneurship related to the growth and development of private sector enterprises?
- (3) What factors are promoting or hampering the formation of entrepreneurship?

This report summarizes the findings of a questionnaire survey of about 450 companies in the private sector. As this type of survey is not generally practiced in Viet Nam, the findings may not entirely reflect the respondents' true intentions. Nevertheless, they will provide many suggestions for future efforts to promote private enterprises in Viet Nam. It is our sincere wish that this report would help promote Vietnamese private-sector companies and develop the Vietnamese economy as well.

2. Definition of entrepreneurship

It is never easy to clearly define "entrepreneurship". According to "Fostering Entrepreneurship" issued by OECD in 1998, the term "entrepreneurship" is used in two basic senses.

One is "an enterpriser's attitude to found a small business".

The other is "a manager's attitude to seize business opportunities and grow and develop his business by challenge risks."

When these two meanings are applied to the Vietnamese situation, the first meaning (an enterpriser's attitude to found a small business) can be substituted with the questions:

- (1) How many persons really want to launch new businesses?
- (2) Are newly registering enterprises increasing?

The answer to question (1) is that there are already many self-employed enterprisers, and they have strong intention to launch new businesses. The answer to question (2) is that with the enactment of the "New Corporate Law" in January 2000, the number of registered enterprises is rapidly increasing. In Ho Chi Minh City, for

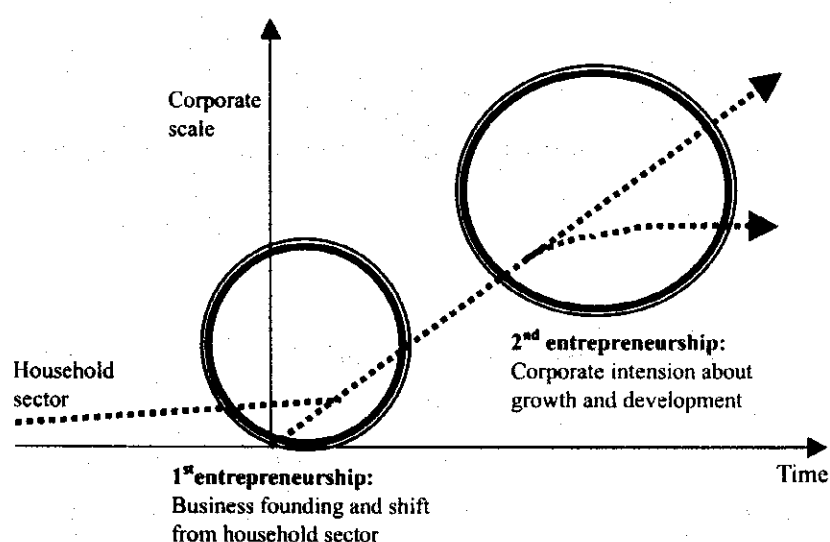
instance, the number of registered enterprises reached 3,916 from January to the end of September 2000, up 97% over the same period of the 1999. In the Dong Nai Province, the number during the same period was 250, an increase of 24% over a year before.

These figures indicate that the enactment of the new law has been effective in enhancing entrepreneurship regarding business founding. However, a big problem is that there are still many self-employed enterprisers who don't shift to private enterprise, through registration.

The second meaning of entrepreneurship, "a manager's attitude to seize business opportunities and grow and develop his business by challenge risks," poses a more serious problem. It is said that most medium and small-scale enterprises in Viet Nam suffer from declining profitability as their operational scale expands, and that many managers are not intent on expanding their operations. In promoting growth and development of the private sector, it is highly helpful, therefore, to clarify whether they really want growth and development, whether they have real managerial competence that can promise growth and development even if they have intensions, and what factors are promoting or hampering such intentions.

In our surveys, our discussions focused on this second meaning of entrepreneurship, making reference to the first meaning from time to time.

Fig.1 Two entrepreneurship issues in Viet Nam



3. Methods of surveys

In implementing this survey, we used multivariate analysis based on the findings of questionnaire surveys of private enterprises. We also conducted hearings with related organizations and private enterprises to supplement these results and collect supporting information necessary for designing questionnaire surveys.

(1) Interviews with related organizations

We conducted hearings with related organizations to learn conditions surrounding entrepreneurship and the measures they were taking to nurture entrepreneurs. These organizations include Departments of Planned Investment (DPI) of the People's Committees in Hanoi, Ho Chi Minh City and Dong Nai province, industrial support organizations, such as VCCI, UAIC, FTDC, VICOOPSME, Young Entrepreneur Association, as well as major universities in Hanoi and Ho Chi Minh City.

(2) Interviews with enterprises

We conducted interviews with enterprises to clarify enterprisers' managerial behavior and the characteristics of the enterprises so that they are reflected in the questionnaire surveys, and to accurately grasp the problems which enterprises are faced with. Our interviews covered 27 companies in Hanoi and Ho Chi Minh City and their surrounding areas.

(3) Implementation of questionnaire surveys

We conducted questionnaire surveys to learn the present situation of entrepreneurship, manager quality behind the entrepreneurship, the surrounding environment and the problems of those enterprises. Specifically, questionnaire surveys were conducted in the following way.

1) Process

- # End of July: Determination of the content of the questionnaire survey form
- # Early August: Translation into Vietnamese by CIEM. Surveys conducted by a project team organized inside.
- # Late August: Collection in late August.
- # October 6: Input data obtained.
- # October 10: Results of totalization obtained (in part).
- # October 18 & 23: Meeting to discuss totalization and analyzation methods.

2) Methods of Distribution

- # Objects of questionnaire surveys were selected by using DBs of ministries, because the latest data there can be utilized.
- # Mailing and collection were made by CIEM staff who requested ministries (including VCCI) to help. Sample selection was thus left to local staff.
- # Respondents to the questionnaires were all corporate managers.

3) Number of collected responses

The number of collected responses was 453 (companies).

(4) Multivariate analysis

Multivariate analysis was conducted using SPSS by the following procedure.

- 1) Examination of the adequacy of questions in Q27 (t-test)
- 2) Factor analysis of adequate questions in Q27
- 3) Verification of differences between successful and unsuccessful enterprises (Q27)

Determination of “successful” and “unsuccessful” depends on any of the following criteria that show the greatest significant difference.

Q60 Evaluation of successes or failures

Q 3 Increase in employees — Average increase rate for the past three years

Q16 Satisfaction with self-realization

Q16 Satisfaction with income

Q16 Satisfaction with one's own time

Q17 Discrepancy between forecast and actual sales ad profits

- 4) Examination of Differences of Factor Scores in Other Conditions (scale of operation, year of founding, region)

- 5) Cluster analysis based on responses to Q27

We attempted to group managers into clusters, totalize main items for all clusters and examine their significance. However, managers could not be grouped into clusters with any measure of significance this time.

4. Entrepreneurship categorization based on corporate case studies, and problems

We conducted interviews with enterprises to investigate managerial behavior and corporate characteristics. On the basis of the findings, we categorized entrepreneurship into the following three.

(1) Network utilizing type

Keeping networks with many quarters including the government and industrial associations, this type of managers have smoothly developed their businesses. Many of them come from state-owned enterprises or the military, and they make good use of the networks they built up before. They also make active contributions to local development by working as members of local councils and officers of industrial associations. By hiring staff with professional skills in their companies, they are relatively intent in utilizing external business support services. Some of their enterprises raise funds through banks by

utilizing these business networks.

Their businesses often belong to the garment and shoe processing companies of big scale. Managers of this type are also found in some electric equipment companies.

(2) Founding and developing type

Many of this type of managers were workers before. They determined to launch new businesses in spite of oppositions from their families and friends, and have endeavored to expand their businesses by overcoming difficulties in raising funds and securing factory sites. With an eye on the profitability of their present businesses, they had made various attempts and learned foreign technologies and management skill in some cases before they started off.

However, many of their businesses are stagnant today because of the difficulties in raising funds (which is the greatest bottleneck) and in securing factory sites. Their companies are mostly in such areas as food processing and motorbike parts.

(3) Family business developing type

Managers of this category are found mostly in such businesses as porcelain, furniture, and bamboo products. They started off as self-employed enterprises, but on the occasion of generation changes, they shifted to private enterprises aiming for further expansion. This shift was also prompted by the increasing demand and the stagnation of traditional products. In places of production of ceramics Bat Trang and furniture Dong Ky, main subcontractors sometimes change into private enterprises with the establishment of the labor division system.

Some of the enterprises of this type are expanding against the background of a boom of miscellaneous goods in Viet Nam, although their expansion is not rapid because their products are already matured. Many of them face difficulties in terms of access to overseas markets in addition to the need to raise substantial funds for expansion and capital investment.

Chart Types of Vietnamese business managers classified on the basis of interview surveys

Type	A: network utilization type	B: business founding and development type	C: family business development type
Managers background	Executives in state-owned enterprises or the military	Workers who have started off by overcoming many problems	Those who have succeeded to family businesses and developed them into private enterprises
Motive for business founding	While engaging in the previous job, they made preparations, including network buildup, expecting to start up their own businesses. Some managers have succeeded to state-owned enterprises after their privatization.	They decided to operate the present business independently, which they had kept attention as a promising one, and managed to start off by having acquired technology and know-how.	They decided to get out of their self-employed businesses to cope with the expanding demand and overcome the deadlocked former businesses.
Number of companies (their percentages in 17 companies)	4 (24%)	7 (41%)	3 (18%)
Business Line:	Sewing and footwear making	Food and machines (motor bike parts, etc.)	Furniture, ceramics and bamboo work
Factors for success	<p>Networks with many sectors that were built up during managers' services at state-owned enterprises or in the military</p> <p>Thorough knowledge of know-how on corporate management and the legal system</p> <p>Support in various forms from the organizations of former service</p> <p>Backing of the People's Committee</p>	<p>Acquisition of technology and management know-how from developed countries</p> <p>Expansion of the domestic market</p>	<p>Expansion of demand in step with the economic growth and development</p> <p>Utilization of rival companies as sub-contractors in the place of operation.</p> <p>Export competitiveness of Vietnamese products</p>
Fund raising	Owner's equity plus bank loans	Largely owner's equity, and loans from family and friends	Largely owner's equity, and partly carried-over funds
Immediate problems:	Complicated export procedure	<p>Fund raising for business expansion and equipment modernization</p> <p>Difficulty in acquiring factories and instability in renting factories</p>	<p>Inadequate marketing for overseas markets</p> <p>Fund raising for business expansion and equipment modernization</p>
Business expansion-mindedness:	Very high Want to expand as much as possible	End up with expansion with in seemingly possible range due to many constraints of business environment	End up with expansion with in seemingly possible range due to many constraints of business environment

5. Characteristics of entrepreneurs seen in the questionnaire surveys

(1) Outline of responded enterprises

The responding companies have the following features.

1) Sector composition

Many of them are in the sectors of food processing, wooden furniture manufacturing and sewing.

Table 1 Sector composition

Responses	No. of enterprises	Rate (Total=100.0)
1) Food processing;	81	15.3%
2) Garment	35	6.6%
3) Construction materials	51	9.6%
4) Plastic products	21	4.0%
5) Furniture & woodworking	50	9.5%
6) Leather goods	12	2.3%
7) Ceramics	20	3.8%
8) Metal household goods	23	4.3%
9) Agricultural machinery	11	2.1%
10) Machinery & tools	23	4.3%
11) Cars, motorcycles & parts	23	4.3%
12) Electrical products & parts	15	2.8%
13) Shipbuilding, etc.	7	1.3%
14) Computer software	8	1.5%
15) Others	149	28.2%
Total	531	100.0%

2) Form of enterprise

Out of these respondents, companies of limited liabilities accounted for 33.8% and private companies 28.1%.

Table 2 Form of enterprise

Responses	No. of enterprises	Rate (Total=100.0)
1) Company of limited liabilities	153	33.8%
2) Joint stock company	42	9.3%
3) Partnership	0	0.0%
4) Private company	127	28.1%
5) Cooperative (non-agriculture)	76	16.8%
6) Individual and business group (very small business)	54	11.9%
Total	452	100.0%

3) Size of employees

Small companies with less than 30 employees account for 42.7% of the total responses and relatively big companies with more than 100 employees 27%. The scale range of these companies is relatively large.

Table 3 Size of employees

Responses	No. of enterprises	Rate (Total=100.0)
1-9 employees	52	12.0%
10-29 employees	133	30.7%
30-49 employees	62	14.2%
50-99 employees	69	15.9%
Over 100 employees	117	27.0%
Total	433	100.0%

4) Regional composition

In terms of areas where these companies are located, the Red River delta in northern Viet Nam accounts for 33.9%, and the East area and the Mekong River delta in southern Viet Nam account for 54.2%.

Table 4 Regional composition

Responses	No. of enterprises	Rate (Total=100.0)
1) Mountainous and midland areas in the North	2	0.4%
2) Red river delta	152	33.9%
3) The central area	28	6.3%
4) Central highland	20	4.5%
5) The east areas and Mekong river delta	243	54.2%
6) Others	3	0.7%
Total	448	100.0%

5) Year of establishment and year of registration

In terms of the year of founding, those established before 1990 account for 17.8%, and those established in the first half of the 1990s 29.8%. A majority of the companies have been established since the mid-1990s, and thus many companies are relatively young.

Table 5 Year of establishment and year of registration

	Year of establishment		Year of registration	
	No. of enterprises	Rate (total=100.0)	No. of enterprises	Rate (total=100.0)
~1970	16	3.6%	4	0.9%
1971~80	18	4.0%	18	4.0%
1981~90	46	10.2%	29	6.5%
1991~95	134	29.8%	145	32.5%
1996	47	10.5%	35	7.8%
1997	26	5.8%	46	10.3%
1998	48	10.7%	56	12.6%
1999	68	15.1%	67	15.0%
2000	46	10.2%	46	10.3%
Total	449	100.0%	446	100.0%

(2) Trends of entrepreneurship based on questionnaire surveys

Enterprisers (business operators) have the following features.

1) Characteristics of corporate manager quality

i. Gender

Male enterprisers (business operators) account for about 80%.

Table 6 Gender of corporate managers

Male	Female	Total
354	95	449
78.8%	21.2%	100.0%

ii. Age

Their average age was 39.9 at the time of business establishment, while it is 46.2 at present.

There is a gap of about 6 years between then and now.

Table 7 Age of corporate managers

Age	At establishment		At present	
	No. of enterprises	Rate (total=100.0)	No. of enterprises	Rate (total=100.0)
~19	4	0.9%	1	0.2%
20~24	13	3.0%	1	0.2%
25~29	41	9.4%	19	4.3%
30~34	65	14.9%	20	4.5%
35~39	86	19.8%	49	11.1%
40~44	99	22.8%	104	23.6%
45~49	57	13.1%	101	22.9%
50~59	59	13.6%	109	24.7%
60~	11	2.5%	37	8.4%
Total	435	100.0%	441	100.0%
Average age	39.9	—	46.2	—

iii. School background

Their educational background is relatively high, with 36.8% of them holding bachelor's degree.

Table 8 School background of corporate managers

School background	No. of enterprises	Rate (Total=100.0)
1) Less than 12 years of schooling	59	11.7%
2) High school diploma	143	28.4%
3) Training or associates degree	77	15.3%
4) Bachelor's degree	185	36.8%
5) Master degree	3	0.6%
6) Doctorate degree	4	0.8%
7) Others	32	6.4%
Total	503	100.0%

iv. Race

Of these respondents, the Kinh tribe accounts for 92%.

Table 9 Race of corporate managers

Race	No. of enterprises	Rate (Total=100.0)
1) Kinh	414	92.0%
2) Ethnic (minority)	3	0.7%
3) Chinese	31	6.9%
4) Vietnamese people living abroad	2	0.4%
5) Others	0	0.0%
Total	450	100.0%

v. Former occupation

In regard to their former jobs, approximately 50% were engaged in jobs related to the government, with 24.9% working for state-owned enterprises and 20% for government organizations. Those who worked for other private companies account for a relatively small percentage of 16.6.

Table 10 Former occupation of corporate managers

	No. of enterprises	Rate (Total=100.0)
1) Military	54	11.2%
2) SOE	120	24.9%
3) Other governmental organization	96	20.0%
4) Other non-state-owned enterprise	80	16.6%
5) Foreign firm in Viet Nam	6	1.2%
6) Engaged in another position in our company	21	4.4%
7) Lived abroad	6	1.2%
8) Others	98	20.4%
Total	481	100.0%

vi. Communist party members in family, Yes or No

Of these respondents, 40.5% have Communist party members within their families or relatives.

Table 11 Communist party members in family, Yes or No

Yes	No	Total
176	259	435
40.5%	59.5%	100.0%

vii. Overseas Vietnamese in family, Yes or No

The percentage of those with overseas Vietnamese within their families or relatives is small at 1.2%.

Table 12 Overseas Vietnamese in family, Yes or No

Yes	No	Total
4	322	326
1.2%	98.8%	100.0%

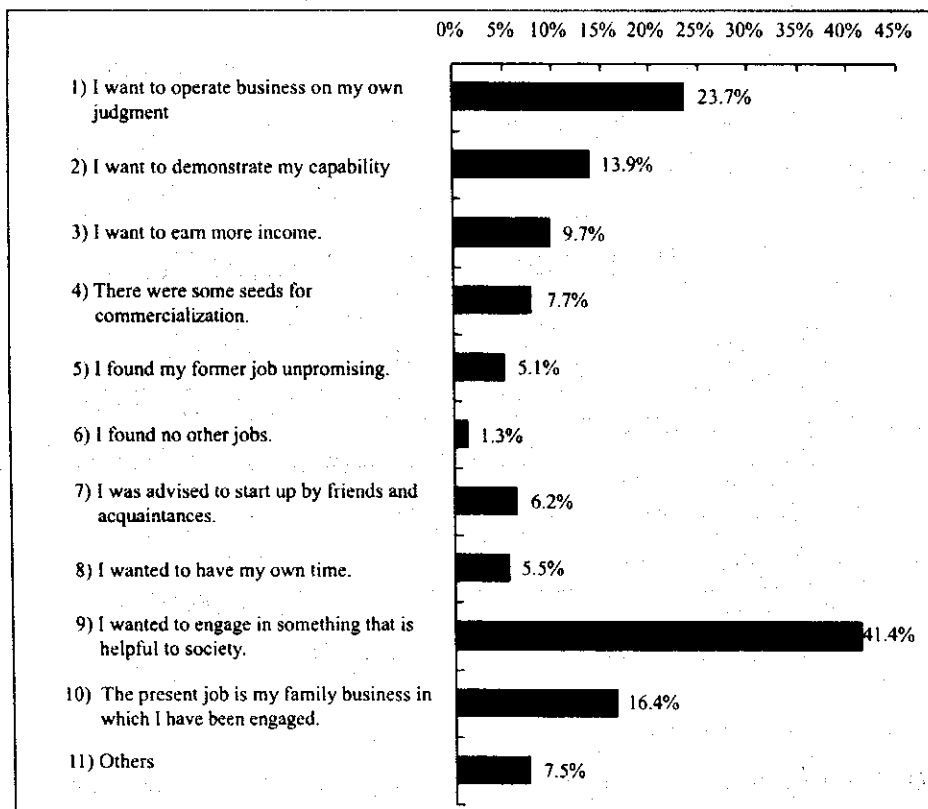
(3) Corporate managers' behavior and awareness

1) Background and objectives of establishment (Q11)

"Want to be helpful to society" was the most popular response, but this response may differ with the methods of survey.

There are many responses such as "Want to do business on my own judgment" and "Want to give full play to my ability", and this fact indicates that there are many independence-minded or self-realization-oriented managers.

Fig.2 Background and objectives of establishment



2) Satisfaction with business achievement (Q16)

Satisfaction with business achievement is very high. High levels of satisfaction in terms of time suggest that many managers can make greater achievements.

Table. 13 Satisfaction with business achievement

	Self-achievement		Income		My own time	
	No. of enterprises	Rate (Total=100.0)	No. of enterprises	Rate (Total=100.0)	No. of enterprises	Rate (Total=100.0)
I am very satisfied.	99	22.9%	43	10.1%	101	24.4%
I am somewhat satisfied	255	59.0%	237	55.6%	208	50.2%
I am somewhat unsatisfied	68	15.7%	127	29.8%	82	19.8%
I am very unsatisfied.	10	2.3%	19	4.5%	23	5.6%
Total	432	100.0%	426	100.0%	414	100.0%

3) Uses of profits (Q20)

Corporate profits are basically reinvested.

Table 14 Uses of profits

	No. of enterprises	Rate (Total=100.0)
1) We will use profits to expand the present business	350	63.2%
2) We will use profits to start up a new business.	21	3.8%
3) We have no plan to use profits immediately	22	4.0%
4) We will divide profits among business owners	54	9.7%
5) We will distribute profits to employees	89	16.1%
6) Others	18	3.2%
Total	554	100.0%

4) Intended for business expansion (Q21)

“To expand as much as possible” accounts for only 14%, while “To expand slowly” accounts for 63%. This fact shows cautiousness about corporate management or a safely-minded attitude.

Table 15 Intended for business expansion

	No. of enterprises	Rate (Total=100.0)
1) We will try to expand as much as possible	65	14.1%
2) We will try to expand step by step	315	68.3%
3) We will maintain the present business scale.	61	13.2%
4) We wish to reduce the present business scale.	8	1.7%
5) We are considering a withdrawal from the present business	12	2.6%
Total	461	100.0%

5) Managers' perception and behavior (Q27)

Unevenness is seen in many responses, but some following responses show a degree of dispersion in attitude.

SQ 3 I will take a risk even if I fail.

SQ10 It depends on good or bad luck whether I will succeed or not.

SQ12 I cannot achieve my objective under such difficult situation

SQ15 I proceed with my plan based primarily on my own idea.

SQ24 I cannot promptly overcome oppositions and criticisms from the people around me.

SQ27 I want to bet on a big hit.

Relatively large differences are seen in managers' attitude toward risks as well as in their posture to listen to others' views.

Table 16 Corporate managers' attitude (Q27)

	I agree very much.	I agree somewhat.	I don't agree somewhat.	I don't agree at all.
SQ 1 I will give it a try, sink or swim	76.9%	18.4%	3.2%	1.6%
SQ 2 I try to organize many kinds of information logically instead of relying on one kind of information	75.1%	18.2%	4.8%	1.9%
SQ 3 I will take a risk even if I fail.	38.0%	31.3%	16.0%	14.8%
SQ 4 I want to accomplish an outstanding level of achievement.	35.9%	39.9%	16.9%	7.4%
SQ 5 I want to do things in my own way.	61.6%	29.0%	6.1%	3.3%
SQ 6 I will do anything patiently even if it takes time.	61.5%	27.4%	8.3%	2.8%
SQ 7 When a trouble occurs, I will try to think out how to solve it in my own way without losing time.	65.6%	27.0%	4.7%	2.8%
SQ 8 I do not hesitate to adopt good views even if they are different from my own.	62.9%	23.1%	8.2%	5.8%
SQ 9 I always follow the procedure that is familiar to me.	32.5%	49.3%	12.8%	5.5%
SQ10 It depends on good or bad luck whether I will succeed or not.	8.7%	23.3%	27.7%	40.3%
SQ11 The key to success is in my own efforts.	79.0%	16.9%	2.5%	1.6%
SQ12 I cannot achieve my objective under such difficult situation.	12.2%	42.9%	29.3%	15.6%
SQ13 I take my failure as an indication of my inability and give up.	28.9%	36.6%	16.2%	18.3%
SQ14 Before I launch something, I try to collect as much information as possible.	88.7%	7.5%	1.8%	2.0%
SQ15 I proceed with my plan based primarily on my own idea.	15.9%	42.5%	20.6%	21.0%
SQ16 I try to estimate the probability of success.	64.9%	29.9%	3.5%	1.6%
SQ17 I do many simulations to find out the best measure for the situation.	72.0%	19.9%	5.7%	2.4%
SQ18 I decline any unreasonable request even if it comes from the best friend.	63.8%	21.7%	6.6%	7.8%
SQ19 I adopt others' advice and consider the business from many perspectives.	78.4%	16.9%	3.0%	1.6%
SQ20 I check competitors and similar ideas and then work out my own plan.	67.4%	26.0%	5.1%	1.4%
SQ21 I consider friends preferentially in making a team.	48.8%	36.1%	12.3%	2.8%
SQ22 I don't want to succeed at the cost of others' trust.	35.5%	33.1%	13.8%	17.6%
SQ23 I don't want to change what has been decided once.	29.7%	43.4%	16.7%	10.2%
SQ24 I cannot promptly overcome oppositions and criticisms from the people around me.	9.4%	30.4%	26.4%	33.7%
SQ25 My failure is the result of the lack of support from the people around me, and therefore I am not responsible for that.	7.1%	15.1%	20.3%	57.4%
SQ26 Once I start a project, I will carry it out.	68.6%	24.1%	5.3%	2.1%
SQ27 I want to bet on a big hit.	11.1%	21.7%	22.7%	44.6%
SQ28 I earnestly try to build up personal connections.	85.3%	12.2%	1.6%	0.9%
SQ29 Even when I fall into a complicated situation, I make my own judgment.	51.9%	38.4%	7.2%	2.5%
SQ30 It is more important to act than just thinking.	48.7%	34.6%	10.9%	5.8%

6. Analysis of entrepreneurship using multivariate analysis

(1) Multivariate analysis of managers' managerial perception and behavior (Q27)

1) Credibility analysis of yardsticks (G-P analysis)

Before implementing multivariate analyses, we conducted G-P analyses to examine the credibility of yardsticks. G-P analysis is a means to gain the total score of all yardsticks for each sample and then use "t-test" to determine whether or not differences in average values of all yardsticks between top 25% and bottom 25% are significant.

The results showed that the yardstick with no significance was SQ27-28 and the yardsticks with 1% significance were SQ27-11 and SQ27-14. Others reached the significance level of 0.1%. Consequently, we have decided to exclude SQ27-28 from the succeeding multivariate analyses.

Table 17 Credibility analysis of yardsticks in Q27 (G-P Analysis)

No.	N	M	SD	Difference in M	G-P
SQ1	439	3.706	0.606	0.500	***
SQ2	418	3.665	0.659	0.560	***
SQ3	429	2.937	1.054	0.970	***
SQ4	420	3.038	0.913	0.870	***
SQ5	423	3.482	0.775	0.680	***
SQ6	433	3.473	0.773	0.840	***
SQ7	430	3.553	0.713	0.680	***
SQ8	425	3.438	0.870	0.700	***
SQ9	421	3.083	0.822	0.920	***
SQ10	425	1.955	0.952	0.770	***
SQ11	434	3.740	0.576	0.230	**
SQ12	415	2.513	0.898	0.590	***
SQ13	428	2.766	1.061	0.850	***
SQ14	435	3.839	0.527	0.250	**
SQ15	428	2.533	0.995	1.230	***
SQ16	425	3.581	0.643	0.610	***
SQ17	420	3.621	0.692	0.560	***
SQ18	423	3.416	0.919	0.650	***
SQ19	431	3.722	0.600	0.340	***
SQ20	428	3.598	0.651	0.590	***
SQ21	428	3.311	0.792	0.640	***
SQ22	420	2.864	1.087	0.960	***
SQ23	425	2.927	0.925	1.050	***
SQ24	420	2.148	0.993	1.030	***
SQ25	421	1.715	0.961	0.870	***
SQ26	432	3.602	0.667	0.580	***
SQ27	413	1.990	1.050	1.310	***
SQ28	435	3.818	0.486	0.130	n.s.
SQ29	430	3.388	0.736	0.750	***
SQ30	431	3.267	0.866	0.790	***

2) Entrepreneurship shown in the findings of factor analysis

Then we conducted factor analyses (Varimax orthogonal rotation) for questions excluding SQ27-28. The findings are shown in the following table. The shadowed boxes show that a factor load (the degree of impact given by each extracted factor on all questions) was over 0.3. From questions excluding SQ27-28, nine factors were extracted. Considering the content of the questions that compose these factors, the following names can be given to them.

- First factor: External environment-dependent
- Second factor: Creativity
- Third factor: Judging and dealing ability
- Fourth factor: Particularities
- Fifth factor: Executing ability
- Sixth factor: Planning
- Seventh factor: Flexibility
- Eighth factor: Self-conclusion
- Ninth factor: Multilaterally planning ability

On the basis of these findings, enterprisers (business operators) in Viet Nam are characterized as follows.

“External environment-dependent,” which was extracted as the first factor, suggests that they have a strong tendency to “ascribe the results of their operations to the external environment or others, rather than to their own efforts.” This external environment naturally includes disbelief and fears about the government, arising from inadequate business conditions for private companies, frequent changes in policies, and insufficient transmission of such information. This first factor, which can be taken as the signs of disbelief and fears about the government, is most likely to weaken entrepreneurship and hamper corporate growth in Viet Nam.

The second factor “Creativity” can be taken as indicating the need to operate business in a way different from others. However, considering the present business situation in Viet Nam, it is open to question whether this factor really represents Vietnamese entrepreneurship.

The third factor “Judging and dealing ability” indicates an attitude to properly deal with the external environment. The fact that this factor ranks higher than the fifth factor “Executing ability” is characteristic of the Vietnamese situation.

These three top ranking factors suggest the present state of Vietnamese entrepreneurship as follows. Vietnamese managers are too heavily conscious about external environment to make proper judgment of how to deal with it and about differentiation from others to take timely steps. In other words, they lack an attitude to plan systematic business expansion.

These findings suggest that attempts to grow and expand private sector enterprises under the present situation are limited, and that it is necessary to change business entrepreneurship into one that aims at

Table 18 Findings of factor analysis

		Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7	Factor8	Factor9	Communality (initial value)
SQ24	I cannot promptly overcome oppositions and criticisms from the people around me.		-0.064	0.056	0.170	-0.082	-0.006	0.189	0.107	0.057	0.465 (0.306)
SQ25	My failure is the result of the lack of support from the people around me, and therefore I am not responsible for it.		0.123	-0.013	0.098	-0.044	-0.094	0.027	0.121	-0.079	0.362 (0.325)
SQ10	It depends on good or bad luck whether I will succeed or not.		0.063	0.015	-0.016	0.174	-0.143	0.018	-0.000	0.065	0.342 (0.264)
SQ27	I want to bet on a big hit.		0.225	0.030	0.072	0.340	-0.185	0.011	-0.014	0.005	0.388 (0.321)
SQ12	I cannot achieve my objective under such difficult situation.		0.029	-0.053	0.003	0.066	0.039	-0.003	0.070	-0.150	0.210 (0.196)
SQ9	I always follow the procedure that is familiar to me.		0.237	0.130	0.239	0.060	0.196	-0.053	-0.105	0.063	0.341 (0.296)
SQ4	I want to accomplish an outstanding level of achievement.	0.184		0.002	-0.002	0.066	-0.037	0.022	0.006	-0.002	0.354 (0.258)
SQ5	I want to do things in my own way.	0.066		0.014	0.226	-0.012	0.141	0.020	-0.005	0.077	0.371 (0.279)
SQ16	I try to estimate the probability of success.	-0.057	0.155		0.064	-0.009	0.028	0.126	0.007	-0.055	0.424 (0.256)
SQ17	I do many simulations to find out the best measure for the situation.	-0.036	0.011		0.138	0.069	0.029	0.186	0.065	0.144	0.365 (0.295)
SQ18	I decline any unreasonable request even if it comes from the best friend.	0.174	-0.092		-0.060	-0.007	0.147	0.091	-0.017	0.229	0.298 (0.230)
SQ23	I don't want to change what has been decided once.	0.148	0.155	0.028		0.173	0.216	-0.056	-0.029	-0.040	0.446 (0.317)
SQ20	I check competitors and similar ideas and then work out my own plan.	-0.195	0.155	0.167		0.081	-0.023	0.253	-0.073	0.263	0.442 (0.330)
SQ26	Once I start a project, I will carry it out.	-0.187	0.184	0.003		0.297	0.237	0.140	-0.037	0.018	0.357 (0.302)
SQ30	It is more important to act than just thinking.	0.096	-0.017	-0.001	0.232		0.006	0.268	-0.141	0.024	0.435 (0.263)
SQ29	Even when I fall into a complicated situation, I make my own judgement.	0.142	0.149	0.071	0.159		0.085	-0.059	0.150	0.065	0.329 (0.256)
SQ14	Before I launch something, I try to collect as much information as possible.	-0.145	-0.036	0.276	0.057	0.082		0.042	0.090	0.063	0.400 (0.258)
SQ11	The key to success is in my own efforts.	-0.072	0.128	-0.062	0.097	-0.033		0.015	0.053	0.113	0.307 (0.219)
SQ8	I do not hesitate to adopt good views even if they are different from my own.	0.039	-0.014	0.190	0.026	0.031	0.003		0.003	0.060	0.380 (0.227)
SQ2	I try to organize many kinds of information logically instead of relying on one kind of information.	0.120	0.253	0.195	-0.040	0.130	0.131		-0.136	-0.021	0.342 (0.231)
SQ13	I take my failure as an indication of my inability and give up.	0.193	0.020	0.050	0.029	-0.013	0.160	-0.036		-0.052	0.492 (0.211)
SQ19	I adopt others' advice and consider the business from many perspectives.	-0.092	0.031	0.112	0.057	0.046	0.132	0.036	-0.051		0.431 (0.188)
SQ6	I will do anything patiently even if it takes time.	-0.009	0.325	0.045	0.055	0.255	0.133	0.243	0.171	0.208	0.326 (0.268)
SQ21	I consider friends preferentially in making a team.	0.133	-0.017	0.149	0.317	0.101	-0.048	-0.047	0.153	0.126	0.194 (0.170)
SQ22	I don't want to succeed at the cost of others' trust.	0.172	0.037	0.015	0.343	0.038	0.039	0.020	0.023	-0.007	0.153 (0.155)
SQ3	I will take a risk even if I fail.	0.047	0.081	0.037	0.002	0.255	-0.130	0.250	0.282	-0.032	0.235 (0.178)
SQ7	When a trouble occurs, I will try to think out how to solve it in my own way without losing time.	0.229	0.297	0.174	0.134	0.129	0.262	0.007	-0.041	-0.055	0.279 (0.246)
SQ1	I will give it a try, sink or swim.	-0.049	0.346	0.186	0.049	0.118	0.116	0.067	0.170	-0.056	0.223 (0.206)
SQ15	I proceed with my plan based primarily on my own idea.	0.329	0.135	0.323	0.207	0.149	-0.100	-0.126	0.124	-0.036	0.341 (0.267)
eigenvalue		4.027	2.547	1.677	1.538	1.378	1.310	1.177	1.093	1.048	

*varimax orthogonal rotation

(Note) Figures of all factor items show factor load values.

Factor load values of more than 0.35 are shaded.

As load values of both first and fifth factors in SQ27 are close to 0.35, they are not shadowed.

Table 18 Findings of factor analysis

Question	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7	Factor8	Factor9	Commonality(initial value)
SQ24 I cannot properly understand perspectives and opinions from the perspective of the	0.609	0.124	0.074	0.171	0.076	0.000	0.160	0.170	0.170	0.417
SQ25 My failure is the result of failure to understand both the people behind the and therefore I am not responsible for it	0.552	0.123	0.075	0.048	0.000	0.000	0.000	0.121	0.000	0.367
SQ10 I am dependent upon other people and I will accept it as fact	0.530	0.000	0.000	0.000	0.134	0.000	0.000	0.000	0.000	0.344
SQ27 I want to be on a leading list	0.426	0.115	0.000	0.071	0.047	0.000	0.000	0.000	0.000	0.301
SQ12 I cannot understand why people make poor decisions	0.415	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.290
SQ9 I always follow the people who are the highest in the	0.367	0.000	0.120	0.000	0.000	0.000	0.000	0.000	0.000	0.267
SQ4 I want to be in a position of leadership in the company	0.154	0.553	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.401
SQ5 I want to be in a position of leadership in the company	0.000	0.534	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.387
SQ16 I am a person who is not a person	0.000	0.000	0.610	0.000	0.000	0.000	0.000	0.000	0.000	0.374
SQ17 I am a person who is not a person	0.000	0.000	0.523	0.000	0.000	0.000	0.000	0.000	0.000	0.360
SQ18 I am a person who is not a person	0.100	0.000	0.424	0.000	0.000	0.000	0.000	0.000	0.000	0.300
SQ23 I want to be in a position of leadership in the company	0.146	0.155	0.000	0.557	0.000	0.000	0.000	0.000	0.000	0.440
SQ20 I want to be in a position of leadership in the company	0.000	0.115	0.000	0.454	0.000	0.000	0.000	0.000	0.000	0.300
SQ25 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.252	0.000	0.000	0.000	0.000	0.000	0.200
SQ30 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.523	0.000	0.000	0.000	0.000	0.000	0.400
SQ29 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.470	0.000	0.000	0.000	0.000	0.000	0.300
SQ14 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.527	0.000	0.000	0.000	0.000	0.000	0.400
SQ11 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.506	0.000	0.000	0.000	0.000	0.000	0.300
SQ8 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.581	0.000	0.000	0.300
SQ2 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.413	0.000	0.000	0.300
SQ13 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.845	0.000	0.300
SQ19 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.613	0.300
SQ6 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.300
SQ21 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.300
SQ22 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.300
SQ3 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.300
SQ7 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.300
SQ1 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.300
SQ15 I want to be in a position of leadership in the company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.300
eigenvalue	3.17	1.44	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

X=varimax orthogonal rotation

(Note) Figures of all factor items show factor load values.

Factor load values of more than 0.35 are shaded.

As load values of both first and fifth factors in SQ27 are close to 0.35, they are not shadowed.

more active, strategic and systematic management by improving corporate managers' management skills.

(2) Examination of factor scores in successful and unsuccessful groups

In order to clarify the differences in entrepreneurship between successful and unsuccessful groups, we examined the scores of extracted factors to see differences between them. Successful and unsuccessful groups were grouped by considering the following responses.

Q 3: Average increase rate of employees for the past three years.

Q16: Degree of satisfaction with self-realization and income.

Q17: Degree of discrepancies between forecast and actual sales and profits.

Q60: Self-evaluation of successes and failures.

The most significant differences appeared when satisfaction with income was examined for successful and unsuccessful cases. In this analysis, significant differences were seen in:

Second factor: Creativity

Sixth factor: Planning

The findings show that successful enterprises are operated by managers, who aim at business development in ways different from others, as well as systematic business expansion. In the future promotion of private sector companies, it is important to pay attention to such characteristics of

Table 19 Examination of differences between successful and unsuccessful enterprises based on satisfaction with income

Q16 Self-realization

4		Successful group	31
1		Unsuccessful group	16

		Levene examination for common variance		Examination of differences between two population means						
		F value	Level of significance	t value	Degree of freedom	Level of significance	Differences in mean values	Standard deviation in	95% confidence interval	
									Minimum	Maximum
External environment-dependent	Assuming common variance	0.54	0.47	-0.93	45	0.36	-0.28	0.30	-0.88	0.32
	Not assuming common variance			-0.99	36	0.33	-0.28	0.28	-0.85	0.29
Creativity	Assuming common variance	5.08	0.03	-2.46	45	0.02	-0.63	0.26	-1.15	-0.11
	Not assuming common variance			-2.16	22	0.04	-0.63	0.29	-1.23	-0.03
Judging and dealing ability	Assuming common variance	1.33	0.25	-0.33	45	0.74	-0.07	0.20	-0.47	0.34
	Not assuming common variance			-0.37	40	0.72	-0.07	0.18	-0.43	0.30
Particularities	Assuming common variance	0.88	0.35	1.00	45	0.32	0.21	0.21	-0.22	0.64
	Not assuming common variance			1.07	36	0.29	0.21	0.20	-0.19	0.62
Executing ability	Assuming common variance	0.47	0.50	-0.03	45	0.97	-0.01	0.23	-0.46	0.45
	Not assuming common variance			-0.04	41	0.97	-0.01	0.20	-0.41	0.40
Planning	Assuming common variance	9.70	0.00	-2.95	45	0.00	-0.47	0.16	-0.79	-0.15
	Not assuming common variance			-2.39	19	0.03	-0.47	0.20	-0.88	-0.06
Flexibility	Assuming common variance	0.36	0.55	-1.91	45	0.06	-0.35	0.18	-0.72	0.02
	Not assuming common variance			-1.80	26	0.08	-0.35	0.20	-0.75	0.05
Self-conclusion	Assuming common variance	0.14	0.71	0.01	45	0.99	0.00	0.23	-0.45	0.46
	Not assuming common variance			0.01	32	0.99	0.00	0.22	-0.45	0.46
Multilaterally planning ability	Assuming common variance	2.40	0.13	-1.93	45	0.06	-0.26	0.14	-0.54	0.01
	Not assuming common variance			-1.74	24	0.09	-0.26	0.15	-0.57	0.05

entrepreneurship and reinforce enterprisers' business planning ability.

(3) Examination of differences in factor scores by corporate scale

Then we examined the differences in factor scores by corporate scale. We grouped enterprises into those with more than 30 employees and those with less than 29 to see if there are differences among all extracted factors.

As a result, significant differences were found as follows.

Third factor: Judging and handling abilities

Seventh factor: Flexibility

In both third and seventh factors, enterprises with more than 30 employees were found stronger than other groups of enterprises. Enterprises with a greater number of employees excel in terms of judging and handling abilities and flexibility, whereas those with a smaller number of employees are weaker in these abilities. This fact seems to hamper corporate growth and development.

Table 20 Examination of differences in factor scores by corporate scale (1)

Q3: A number of employee personnel									
1~29		154							
30~		195							
		Levene examination for common variance		Examination of differences between two population means					
		F value	Level of significance	t value	Degree of freedom	Level of significance	Differences in mean values	Standard deviation in	95% confidence interval
									Minimum Maximum
External environment-dependent	Assuming common variance	0.08	0.78	1.07	347	0.29	0.10	0.09	-0.35 0.27
	Not assuming common variance			1.06	327	0.29	0.10	0.09	-0.35 0.27
Creativity	Assuming common variance	10.70	0.00	-0.01	347	0.99	-0.30	0.08	-0.18 0.16
	Not assuming common variance			-0.01	270	0.99	-0.30	0.09	-0.17 0.17
Judging and dealing ability	Assuming common variance	2.78	0.10	-2.02	347	0.04	-0.17	0.08	-0.33 -0.01
	Not assuming common variance			-2.02	292	0.04	-0.17	0.08	-0.33 -0.01
Particularities	Assuming common variance	1.61	0.20	0.68	347	0.49	0.05	0.08	-0.10 0.21
	Not assuming common variance			0.67	309	0.50	0.05	0.08	-0.11 0.22
Executing ability	Assuming common variance	0.08	0.78	0.36	347	0.72	0.03	0.08	-0.13 0.18
	Not assuming common variance			0.36	326	0.72	0.03	0.08	-0.13 0.18
Planning	Assuming common variance	3.28	0.07	-1.31	347	0.05	-0.11	0.08	-0.21 0.00
	Not assuming common variance			-1.31	286	0.06	-0.11	0.08	-0.21 0.01
Flexibility	Assuming common variance	5.78	0.02	-2.38	347	0.02	-0.19	0.08	-0.34 -0.04
	Not assuming common variance			-2.34	305	0.02	-0.19	0.08	-0.35 -0.04
Self-conclusion	Assuming common variance	0.22	0.64	0.68	347	0.50	0.05	0.08	-0.10 0.21
	Not assuming common variance			0.68	325	0.50	0.05	0.08	-0.10 0.21
Multilaterally planning ability	Assuming common variance	0.81	0.48	-0.24	347	0.81	-0.01	0.08	-0.17 0.13
	Not assuming common variance			-0.24	319	0.81	-0.01	0.08	-0.17 0.13

Then enterprises were examined in the same way after categorizing them into the following three groups in terms of the size of employees.

Enterprises with more than 10 employees and those with less than 9.

Enterprises with more than 50 employees and those less than 49.

Enterprises with more than 100 employees and those less than 99.

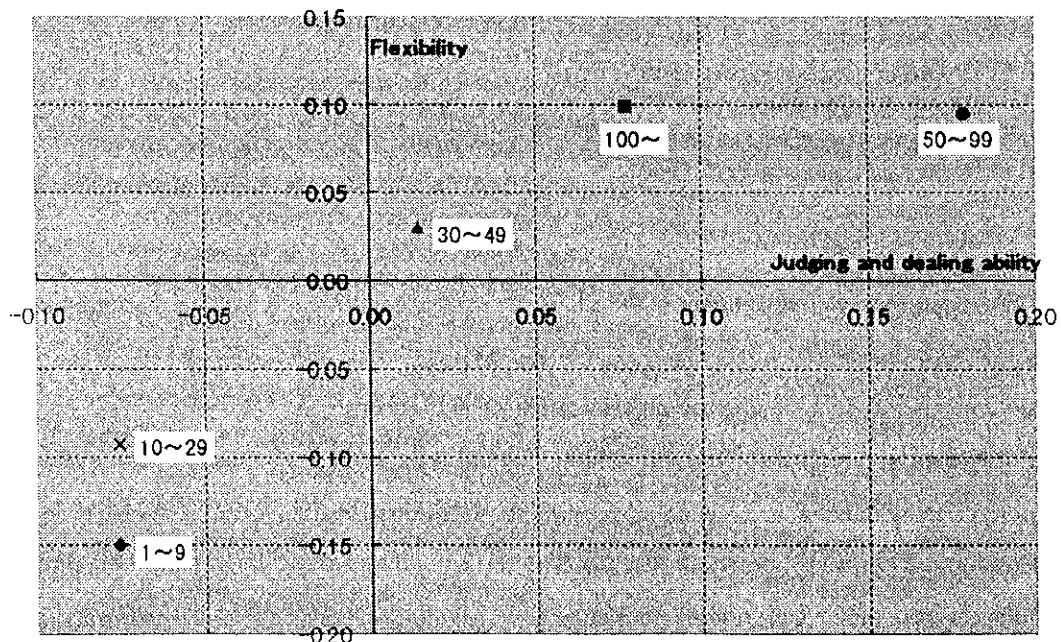
The findings showed significant differences in the second group (over and under 50 employees). Differences were found in the third factor (judging and handling abilities), as was the case with "over and under 30 employees", and in the seventh factor (flexibility).

Table 21 Examination of differences in factor scores by corporate scale (2)

Q3: A number of employee personnel		206								
1~49										
50~		144								
		Levene examination for common variance		Examination of differences between two population means						
		F value	Level of significance	t value	Degree of freedom	Level of significance	Differences in mean values	Standard deviation in	95% confidence interval	
									Minimum	Maximum
External environment-dependent	Assuming common variance	0.56	0.45	1.13	347	0.24	0.11	0.09	-0.07	0.29
	Not assuming common variance			1.13	315	0.24	0.11	0.09	-0.07	0.29
Creativity	Assuming common variance	5.96	0.01	0.11	347	0.91	0.01	0.08	-0.16	0.17
	Not assuming common variance			0.11	345	0.91	0.01	0.08	-0.16	0.16
Judging and dealing ability	Assuming common variance	3.29	0.07	-2.11	347	0.04	-0.12	0.08	-0.28	-0.01
	Not assuming common variance			-2.13	337	0.04	-0.12	0.08	-0.28	-0.02
Particularities	Assuming common variance	5.52	0.02	0.20	347	0.84	0.02	0.08	-0.14	0.18
	Not assuming common variance			0.21	342	0.83	0.02	0.08	-0.14	0.17
Executing ability	Assuming common variance	0.05	0.83	-0.12	347	0.90	-0.01	0.08	-0.16	0.14
	Not assuming common variance			-0.12	314	0.90	-0.01	0.08	-0.16	0.14
Planning	Assuming common variance	0.02	0.43	-1.32	347	0.19	-0.11	0.08	-0.26	0.05
	Not assuming common variance			-1.35	324	0.18	-0.11	0.08	-0.26	0.05
Flexibility	Assuming common variance	4.29	0.04	-2.14	347	0.03	-0.17	0.08	-0.33	-0.01
	Not assuming common variance			-2.14	330	0.03	-0.17	0.08	-0.32	-0.01
Self-conclusion	Assuming common variance	0.44	0.51	-0.29	347	0.63	-0.09	0.08	-0.19	0.12
	Not assuming common variance			-0.30	315	0.69	-0.09	0.08	-0.19	0.12
Multilaterally planning ability	Assuming common variance	1.64	0.20	-1.50	347	0.23	-0.12	0.08	-0.25	0.05
	Not assuming common variance			-1.50	327	0.19	-0.12	0.07	-0.25	0.05

When third factor scores and seventh factor scores are plotted by the size of employees, both corporate groups of 1-9 employees and 10-29 employees showed low scores for both third factor (judging and handling abilities) and seventh factor (flexibility). The larger the size of employees become, the higher both factor scores rise. However, enterprises with over 100 employees show lower levels of judging and handling abilities than those of 50-99. The growth rate for enterprises with more than 100 employees is said to decline, and this trend seems to reflect such entrepreneurial features of managers.

Fig.3 Average values of third and seventh factor scores by size of employees



(4) Examination of differences of factor scores by industry

We examined differences in factor scores among major sectors — garment, wood and furniture industries as typical export industries; food processing and machinery industries as representative domestic market industries; and garment and machinery industries in general. For the machinery industry, we used the total of “agricultural machinery”, “machinery & tools”, and “cars, motorcycles and their parts” among the sectors in the questionnaire surveys.

Analyses showed significant differences for all these sectors. Differences were found significant in the following factors.

First factor: Ascription to external factors

Seventh factor: Planning ability.

The garment industry showed higher “planning” factor and lower “ascription to external environment” factor than the wood and furniture industry. This fact poses a problem that the garment industry aims at systematic management, while the wood and furniture industry fails to do so and is more affected by the external environment.

Comparison of the food processing industry and the machinery industry showed that the latter is more affected by the external environment and lacks systematic management.

When compared with the garment industry, and the machinery industry showed the similar trend.

When the scores of the first and sixth factors are plotted on these major industries, the differences among the following industries have been extracted: food processing and furniture (heavily dependent on the external environment); garment and food processing (high planning ability); and machinery (low planning ability).

Both the garment industry, which produces internationally competitive export products, and the food processing industry, which faces keener competition in both domestic and overseas markets, show high levels of planning ability. This fact leads us to believe that the differences among these industries are closely related to the external and internal environments, such as the conditions in which these industries are placed and their industrial maturity.

Table 22 Examination of differences in factor scores among major industries
(garment and wood/furniture)

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Table 23 Examination of differences in factor scores among major industries
(food processing and machinery industries)

Food processing		62	
Machinery		25	
		Levene examination for common variance	
		Examination of differences between two population means	
		F value	Level of significance
		t value	Degree of freedom
		Level of significance	Differences in mean values
		Standard deviation in	95% confidence interval
		Minimum	Maximum
External environment-dependent	Assuming common variance	4.37	0.04
	Not assuming common variance	-2.61	35
Creativity	Assuming common variance	4.10	0.05
	Not assuming common variance	-2.61	36
Judging and dealing ability	Assuming common variance	0.00	0.98
	Not assuming common variance	-2.61	35
Particularities	Assuming common variance	6.17	0.01
	Not assuming common variance	-2.61	31
Executing ability	Assuming common variance	0.06	0.80
	Not assuming common variance	-2.61	42
Planning	Assuming common variance	4.55	0.04
	Not assuming common variance	-2.61	33
Flexibility	Assuming common variance	1.53	0.22
	Not assuming common variance	-2.61	57
Self-conclusion	Assuming common variance	0.26	0.61
	Not assuming common variance	-2.61	49
Multilaterally planning ability	Assuming common variance	1.76	0.19
	Not assuming common variance	-2.61	37