Mekong Project Development Facility

Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ) GmbH

Supplier Analysis of Quality Management Services

FINAL REPORT

MCG MANAGEMENT CONSULTING

Hanoi, June 2003

Contents

Figures

Boxes

Table

List of Acronyms

BDS	Business Development Services
CV	Curriculum Vitae
DGQ	German Society for Quality (Deutsche Gesellschaft fuer Qualitaet)
GTZ	German Technical Cooperation (Deutsche Gesellschaft fuer Technische Zusammenarbeit)
HACCP	Hazard Analysis Critical Control Point
HRM	Human Resource Management
ISO	International Organization for Standardization
IT	Information Technology
MIS	Management Information System
MPDF	Mekong Project Development Facility
QM	Quality Management
QMR	Quality Management Representative
QUACERT	Vietnam Certification Services
SA	Social Accountability
SME	Small and Medium-Sized Enterprise
SMEDEC	Small and Medium Enterprises Development Centre
STAMEQ	Directorate for Standards and Quality
SWOT	Strength, Weakness, Opportunities and Threats
VPC	Vietnam Productivity Centre

Executive Summary

In setting a firm foothold in today's competitive market, businesses in every industry sector are seeing the need to formalise their operations in the interests of efficiency and effectiveness. Furthermore, Vietnam's economic integration into the world market brings both opportunities and challenges for local businesses, who are now facing competition not only amongst themselves but also with international businesses. The implementation of a quality management system (QM) can help enterprises to grow and enhance their business performance as well as to improve their reputation as having a worldwide-accepted QMS in place.

The Mekong Project Development Facility (MPDF) and the German Technical Cooperation Agency (GTZ) are both active in contributing to the promotion of local, private SMEs and have programmes in Vietnam to strengthen the QM services market. These will bring benefits on the one hand to private entrepreneurs as service users, and on the other hand to private suppliers of services (i.e. private consulting companies) as suppliers.

With the aim of obtaining a better understanding of the existing QM market, especially as to private involvement in the supply side of the market, the MPDF and GTZ jointly conducted a supply analysis into this market. The objectives of the analysis were:

- To analyse the overall market and market trends of QM related services;
- To gain an overview of the types of private QM providers and the services provided by them, as well as to assess their technical capacity, management and human resource potential and constraints, and business environment constraints; and
- To evaluate the success, impact and problems encountered in the context of recent support measures by the GTZ and MPDF; and evaluate customer satisfaction with services rendered by private QM providers.

The study focused on private QM suppliers who are mainly based in the two dynamic cities of Hanoi and Ho Chi Minh City. A selection of 9 private QM users who received financial assistance from the MPDF in carrying out QM was also targeted. Other important stakeholders, though not being the main focus of the study, included QM suppliers in the public sector as well as the foreign-invested sector. Certification bodies and market regulators were also included in the analysis.

Unlike other previous studies, this analysis was done in the form of in-depth interviews with selected stakeholders. Some 31 interviews were conducted with representatives of targeted enterprises and selected organisations in the private, state and foreign sectors.

The key findings of the analysis can be summarised as follows:

Overview of Supply

- There are no Government restrictions on the development of the QM consulting market, in which private suppliers, government agencies and foreign-invested firms are involved;

- The quality of QM products provided by these firms varies;

- At the top of the popular product list offered by QM suppliers are consulting services to set up QMS and obtain ISO 9000 certification, followed by ISO 14000, HACCP and SA 8000. Other QM products such as QM tools, TQM, and 6 Sigma were found to be unpopular among both QM suppliers and users. This was probably due to the low awareness of users as to the benefits of applying such tools within their enterprises; and

- Assessment of local private QM suppliers' performance by their direct users has not been very convincing. None of the users interviewed reported that they would seek assistance from the same QM suppliers if they had to look for the same service again.

Overview of Demand

The assessment of the demand side of the QM market is limited to requirements set out in the Terms of Reference (TOR). However, some generalised comments can be made as follows:

- Certifiable QM products are the most popular products in the QM market. The demand for non-certifiable QM products is quite difficult to assess due to low awareness of these products in the market;

- The demand for purchasing QM consulting services, specifically certifiable QM products, originated from the actual needs of enterprises. Entrepreneurs tend to see the need to have certification simply because it is required by their business partners, rather than the need to apply a QM to improve their business operations;

- Demand for other services such as human resource management and financial management exists. However, users have not seen many choices available in the market;

- Many users are not convinced of the importance of QM consulting services to their daily business operation. This is especially true of users who went for certification as a reaction to customer requirements and/or whose main motivation is to use the certificate as a marketing tool.

Key Strengths of Private QM service Suppliers

- Private QM service suppliers are found to be flexible in fulfilling different sets of requirements specified by different types of users. For example, some private QM suppliers could arrange to have their best staff working with the users at the weekends, outside normal business hours. This flexibility has created satisfaction and won respect from their clients;

- The quality of an assignment is dependent not only on the skills and experience of the consultants but also their enthusiasm. Most of the QM users interviewed confirmed that the QM consultants they have worked with have been very helpful and cooperative throughout the consulting assignment. Some even regarded enthusiasm to be more important than technical skills; and

- Although it is quite difficult to assess the management capacity of the consulting firm's management without reviewing its day-to-day operations, the management teams we interviewed have indeed shown to possess the necessary skills and qualities to perform good management roles.

Weaknesses of Private QM Suppliers

- The variety of products offered remains limited. The small size of private QM firms has yet to enable them to develop a wide range of QM and related products. Most of the suppliers are developing and providing such popular products as ISO 9000, ISO 14000, SA8000 and HACCP consulting services;

- Private QM suppliers, which are not regarded as the most attractive destination for good elements in the labour force, are in a disadvantageous position in terms of labour recruitment and retention;

- The staff movement in this industry is relatively fast and in the QM consulting sector, staff turnover is also quite high. Most QM service suppliers are losing the best staff, who either go to other QM suppliers or set up their own private consulting firm; and

- Corporate strategy including marketing and product development is not taken sufficiently seriously by most of the private QM service suppliers.

Donor Support

- MPDF: Some 17 local private companies have benefited from the MPDF funding assistance programme, intended as a pilot operation to test requirements from the market. The MPDF scheme took over 50% of the cost of their ISO/SA consulting project, throughout the support programme the role of the MPDF remained, however, limited. They assisted the local private firms with financial help, information about consultants and very limited monitoring and evaluation during the assignment. Generally, this kind of assistance was considered good by a limited number of local enterprises who received the financial assistance from MPDF. However, it failed to have a larger impact on the business community as a whole, whose awareness of the application of international standards in their operations need to be raised.

- GTZ: The GTZ is currently delivering a partly-funded modular advanced training programme for QM professionals. The programme aims to train QM trainers/multipliers who will ultimately be able to deliver DGQ training courses in Vietnam. Some participants attending this course also have access to MPDF funding for further assistance. In this case, the duplication in funding has resulted to the lesser appreciation of donor support provided to QM professionals. Overall, the training is assessed as being very useful to the QM professionals. However, it is also time-consuming and required consultants to make a substantial investment in terms of time in order to participate fully in all training courses.

Recommendations

Improving and increasing the supply of business development services is a market development priority in Vietnam[1]. The involvement of private QM suppliers remains modest. Therefore, it is vital to have appropriate intervention in the market to help raise the availability and quality of QM services supplied by QM suppliers, particularly private suppliers. Some of these activities include:

- Setting-up a knowledge-sharing centre where information and data about QM are made available to the public;
- Promoting the establishment of a professional association where QM professionals are assessed according to standards set by the association;
- Assisting suppliers to improve non-QM skills such as consulting and technical skills;
- Discouraging non-market-based competition amongst market players, such as minimizing subsidies from various organisations and promoting independence amongst service providers and service users;
- Diversifying and improving demand for other non-standard based QM services in the market;
- Increasing, diversifying and promoting QM-related information to the users so that they can make better, informed choices in term of the tools to be applied, the service providers available and the services providers should offer.

[1] VCCI, GTZ and Swisscontact "*Business Development Services in Vietnam*" (prepared by Alexandra Overy Miehlbradt, June 2002)

1 Introduction

1.1 Background

In view of the increasing demands of world market integration (the Bilateral Trade Agreement with the United States, the ASEAN Free Trade Area and the World Trade Organization), compliance with international standards and norms is increasingly gaining in importance for Vietnam.

The market analyses (consumer side)[2] conducted in the context of German Technical Cooperation (GTZ) show a low level of understanding and awareness of QM among private entrepreneurs. A recent market study conducted by the GTZ and Swisscontact on 14 BDS areas in 6 major locations (June 2002) using both quantitative and qualitative analysis came to the following conclusion: "The market for quality and environmental services is currently extremely weak among private sector SMEs. Awareness, understanding and retention are all lower than in other markets. This market is still in its infancy."

The results of the qualitative analysis conducted by UNESCAP in 2001 suggested that there is a huge conceptual gap between SMEs' understanding of QM and what it is. On the other hand, positive feedback from ISO-certified enterprises further highlighted the need for SMEs to implement some kind of QM system. The conclusions also suggested that QM be sold in a package, with the tangible benefits clearly highlighted.

The analysis also indicates various problems on the supply side, i.e. in relation to suppliers of QM. Currently, QM consultancy services are provided on the one hand by centres under the Directorate for Standards and Quality (STAMEQ), such as the Vietnam Productivity Centre (VPC) and the Small and Medium Enterprises Development Centre (SMEDEC), and on the other hand by a number of private consultancy companies, some of which are relatively well-established in the market. However, the market research suggests the very low satisfaction of users with the QM offered, as well as a lack of choice and competition.

The weaknesses - both in terms of supply and demand - are even more pronounced when it comes to related services, in particular in the fields of environmental management, and social and labour standards. Awareness of the importance of these services and the requirements of international markets is still extremely low. At the same time, the offer of services in these fields is still very limited, as only very few consultants have received training in consultancy and the application of the different internationally applied systems for social standards.

In view of the considerable obstacles identified regarding QM, which are also a clear expression of problems at the supply side, the Agencies involved in this field (MPDF and GTZ) considered a supplier analysis to be a logical and urgent next step in the endeavour to ad-

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[2] VCCI, GTZ and Swisscontact "*Business Development Services in Vietnam*" (prepared by Alexandra Overy Miehlbradt, June 2002), GTZ-UNESCAP (Project Advisory Assistance to Industry for Export Promotion) *"Vietnamese SME and their Challenges"* (prepared by AC Nielsen, March 2001) and GTZ-SME Promotion *"Quality Management Project in Vietnam"* (prepared by Gerhard Weinand, March 2002).

dress these problems. A supplier analysis is an important tool to assess market weaknesses from the perspective of the suppliers. It helps explore further the supply side weaknesses during the consumer research and pinpoint more precisely suppliers' weak points. It is useful to analyse "gaps", or areas where consumers and suppliers have different points of view.

1.2 Sponsors

The Mekong Project Development Facility (MPDF) and the GTZ are both active in contributing to the development of the market for business development services (BDS) for private Vietnamese companies. Target groups are on the one hand private entrepreneurs as users, and on the other hand private suppliers of services (i.e. private consulting companies) as suppliers.

Both the GTZ and the MPDF have initiated activities to strengthen the range of quality management services on offer. The GTZ has conducted different market research activities (on the BDS market in general, and the QM market in particular), and has initiated a modular advanced training programme for quality management professionals, delivered by the German Society for Quality (Deutsche Gesellschaft fuer Qualitaet, DGQ). The aim of the modular training programme is to qualify QM management multipliers, and ultimately licence DGQ training courses to Vietnam. The MPDF, among others, has supported the offer of QM to a number of private companies, and sent a number of trainees to the modular training course organized by the GTZ. It has also initiated further quality-related activities in the seafood and food industries.

Having recognised the need to assist private suppliers of QM, the GTZ and the MPDF initiated this supply analysis of quality management services.

1.3 Rationale

There have been various studies undertaken and reports written about Business Development Services in Vietnam. Hence, this study does not intend to duplicate the work that has been done. Rather, the study aims to assess the status of one of the BDS, namely quality management (QM) and its related services, in order to identify the capacity, strengths and weaknesses of QM service suppliers, especially those operating in the private sector.

In particular, the study will analyse the following aspects:

- Overall market and market trends of Quality Management related services (including accreditation, certification, consultancy, training, role of policy-making bodies);

- The overall range on offer (overview of types of QM service suppliers and services provided by them);

- Analysis of the competitive market position of private QM companies in particular (compared to public/semi-public suppliers and freelancers); specific analysis of capacity and services offered by selected private companies;

- Potential, constraints, obstacles faced by private companies. This analysis focused on the following aspects:

  - technical capacity (QM and related services);

  - management and human resource potential and constraints;

  - business environment constraints (legal obstacles, competition from public sector, etc.)

- Evaluation of the success and impact as well as problems encountered in the context of recent support measures (QM Training by the GTZ, MPDF pilot consultancy); evaluation of customer satisfaction with services provided.

1.4 Research Organisation

In conducting the market analysis, the MPDF and the GTZ commissioned MCG Management Consulting, which is a newly-established local management consulting firm. By selecting a non-QM consulting firm, the sponsors expected to have an independent view of the current status of the QM market and the technical capacity of QM suppliers. MCG was requested to provide a qualitative study which was mainly based on in-depth interviews with a number of selected QM suppliers and users.

1.5 Structure of the Report

This report comprises of five main parts:

- Section 2 outlines the methods used for this study;

- Section 3 describes the current status and development of the QM market;

- Section 4 assesses the QM supply, particularly private QM suppliers;

- Section 5 presents the evaluation of past support activities by the MPDF and the GTZ;

- Section 6 provides recommendations for activities to strengthen the supply side of the QM market;

- Appendices document the interview guidelines and give a full list of interviews with some background information about interviewees and other related information.

2 Methodology

2.1 Approach

The group working on this study comprised of a GTZ SME Promotion coordination team, and a consultant team from MCG Management Consulting, including a representative from the accreditation agency of STAMEQ as a team member. As preparation for this study, the team reviewed relevant research on QM, BDS and the present state of SME development in Vietnam.

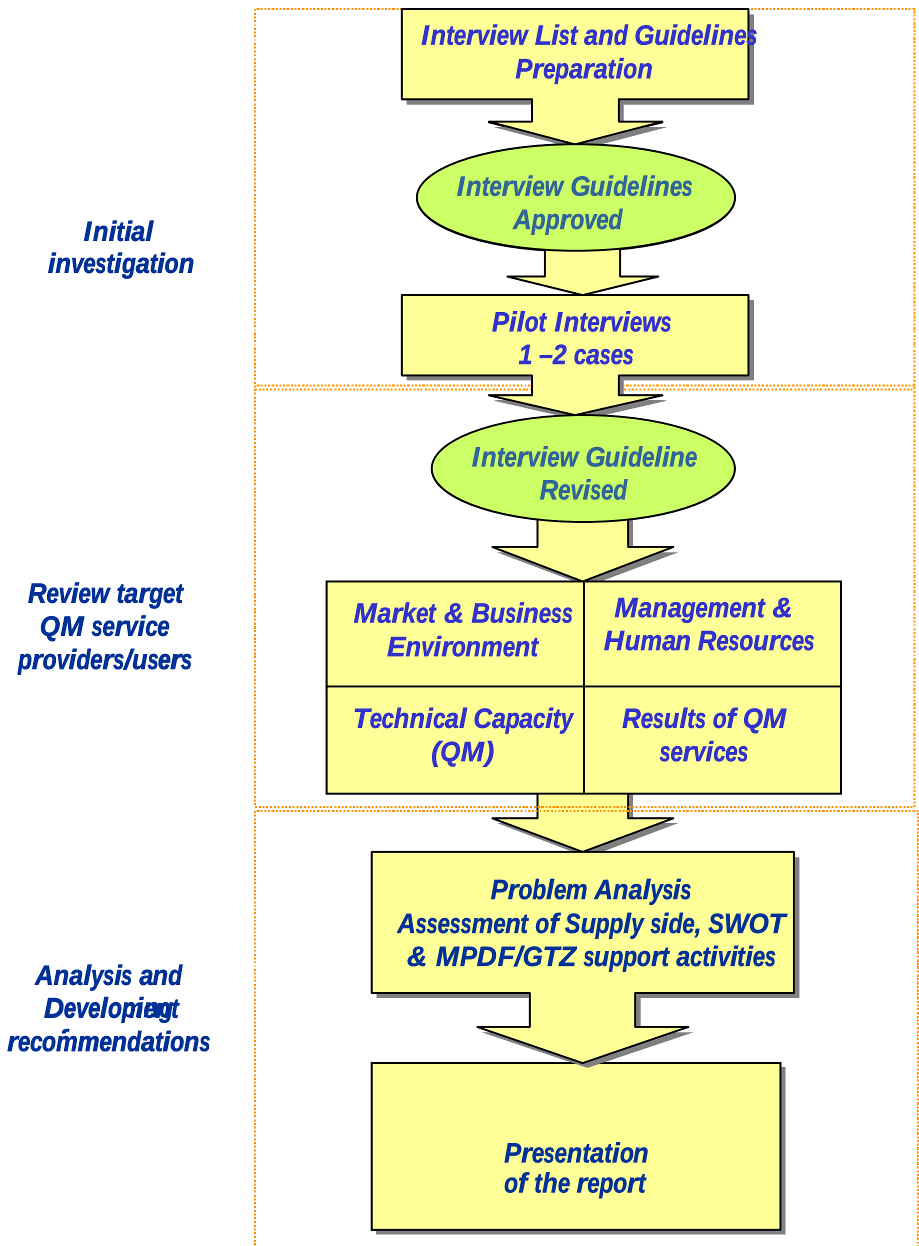
While the exact number of QM suppliers, including organisations and independent consultants, is unknown, there are probably about 60 suppliers currently offering QM and related services in Vietnam. This, therefore, implies that the number of private QM suppliers targeted throughout the country for the purposes of analysis is not large. In order to obtain the most useful information, a preliminary review of these private QM suppliers' profiles was necessary to ensure that only active QM suppliers were interviewed. The information obtained from these interviews has helped the team to assess the technical capacity as well as the management and human capacity of QM suppliers. Further information about the overall market and competitive position of private QM suppliers in relation to their counterparts in the public sector has been collected from interviews with some state QM agencies, international QM firms, certification bodies and freelancers.

The results of the MPDF partly-funded QM programme and the quality of QM consultancy offered by private QM firms were also assessed by conducting interviews with a number of participating QM users who benefited from the funding programme. In order to adequately analyse the results of the programme, emphasis has been given to select users who have received consulting services from different QM consulting firms.

Once the preparatory work had been completed, the implementation proceeded in the four stages outlined below.

2.2 Implementation

Figure 2.1 below provides a summary of our methodology.


Interview List and Guidelines Preparation
Interview Guidelines Approved
Initial investigation
Pilot Interviews 1 –2 cases
Interview Guideline Revised
Review target QM service providers/users
Market & Business Environment
Management & Human Resources
Technical Capacity (QM)
Results of QM services
Problem Analysis Assessment of Supply side, SWOT & MPDF/GTZ support activities
Analysis and Developing recommendations
Presentation of the report

2.2.1 Preparatory Phase

On the basis of the Terms of Reference, the consultant team designed the research concept and interview guidelines. Information about QM suppliers was provided by the GTZ coordination team and selected from reliable sources such as STAMEQ, Vietnam Business/Industrial (VIETBIG), Vietnam Business Directory, Pacific Rim and business-related websites. The list of QM users was selected from the list of companies who have received assistance from MPDF.

Subsequently, the study team developed guidelines for each of the target groups depending on the level of detailed information required. In-depth interviews (qualitative survey) were used for key stakeholders and informants to ensure that the information collected was the most appropriate and suitable for future processing and analysis.

Three separate types of interview guidelines[3] were formulated for (a) private QM service suppliers, (b) QM service users and (c) public QM service suppliers. These guidelines covered the four main focal areas:

- External analysis: Market and Business Environment;
- Internal analysis: Management and Human Resources;
- Technical (Quality Management) Capacity; and
- Results of QM Services.

The study team was flexible in deploying an eight-step framework which was elaborated from the four focal areas above in order to analyse the suppliers. Those steps were Assessment of the Suppliers, Product/Market Mix, Technical Capacity, Market Expansion Strategies, Private Sector Orientation, Views of the Markets, Qualification and Input Requirements, and Assessment of Cooperation Inputs received (for suppliers who participated in the GTZ-DGQ training programme, or who participated in the MPDF QM assistance programme).

After the interview guidelines were discussed and agreed upon by the GTZ, the consultant team conducted one pilot interview with the close involvement of a QM expert from the GTZ. This pilot interview proved to be very helpful to consultants in determining the most appropriate interview style, contents, structures, action plans and resources for future interviews. On the basis of lessons learnt from the pilot interview, the consultant team made necessary changes to the interview guidelines that were approved by the GTZ before being used for other interviews.

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[3] See Appendix 1 for Interview Guidelines

2.2.2 Implementation of Interviews

The main implementation phase for this study was conducted intensively between 9th September and 27th October 2002 in two main cities - Hanoi and Ho Chi Minh City - where the QM industry is most developed, with a large number of QM suppliers in both the private and public QM sectors. A total of 31 interviews were conducted. The interviews were broken down as follows[4]:

- 19 interviews with QM suppliers, including 10 private enterprises, 5 state-owned enterprises, 3 foreign-invested enterprises, and 1 freelancer;
- 2 interviews with international QM certification bodies; and
- 9 interviews with QM service users.

Based on the list of QM suppliers and users, the study team worked out a schedule of meetings to be arranged. As the number of QM private suppliers is not too large, we did not perform any random selection; rather, we asked QM experts for their opinions in selecting the most appropriate QM private suppliers.

Although the interview guidelines were used throughout the interview, the study team maintained a flexible interview style to enable the addition of more relevant questions if needed. It was noted that the introduction and purpose clarification were very important. It was found that most of the private QM suppliers were more open and informative after finding out that the consultant team worked in the management consulting business and had no conflict of interest with their current operations. The presence of a QM expert who worked in the QM accreditation area also showed no conflict of interest with their QM consulting businesses.

Throughout the implementation phase, an informal communication channel was maintained among consultants and between the Team Leader and the GTZ to keep all parties concerned informed of issues/problems arising during the interviews that could be resolved in the interests of better future interviews.

2.2.3 Analysis of Information, Formulation of Conclusions

The preceding activities were effectively fact-finding activities. The final weeks of the project involved intensive analysis of our findings; formulation of conclusions and recommendations; and preparation of supporting documentation for the report.

During the analysis, the study team focused on the following factors: supply side of the market; QM service market shared by private QM enterprises (describing its capacity, strengths and weaknesses); and past support activities by the GTZ and the MPDF for QM suppliers.

[4] See appendix 2 for a list of interviews

The main tool used in the analysis was SWOT (Strength, Weakness, Opportunities, Threats) analysis which was to highlight the real strengths and weaknesses of the business and the nature and extent of the key issues and problems facing the enterprise. The SWOT analysis proved to be a useful way of combining the results of the external (Market and Business Environment) and internal (Technical capacity, Management and Human Resources) analysis. The results of these analyses were integrated in a SWOT matrix.

2.2.4 Feedback and Integration

Once conclusions and recommendations had been developed, the outputs of all of the study activities were consolidated into a first draft report. After the first draft of the report was circulated, the donors' feedback was comprehensively received and integrated into the final report.

2.2.5 Presentation

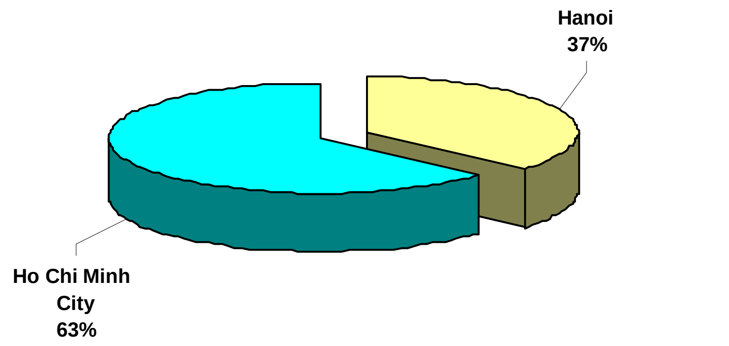
The study team is prepared to present findings, conclusions and recommendations at a round table/presentation in the presence of the GTZ and the MPDF. The presentation would take place over the course of half a day. It is believed that this would provide a useful forum for stakeholders to discuss and contribute to the analysis's conclusions and recommendations.

2.3 Target Group of the Study

The aim of this study was to assess the private QM suppliers whose service provision capacity was considered to be relatively weaker than that of other BDS services[5]. Due to the limited number of private consulting firms operating in the QM field, we did not perform a selection to have a representative sample of different sized firms and locations. Rather, we contacted almost all private QM suppliers active in the market to request a meeting and arranged to work with all the respondents who accepted our requests. Of 31 interviews conducted, we were able to meet with 11 QM service suppliers from the private sector.

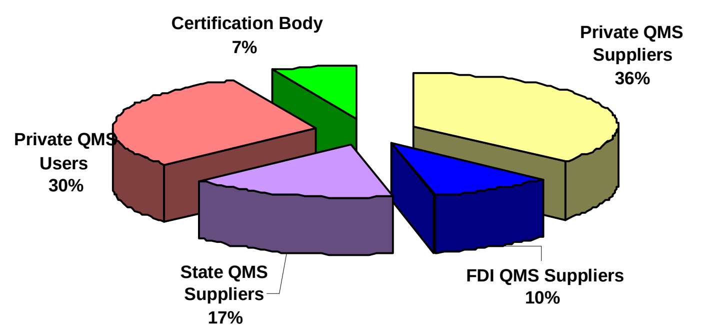
[5] See MPDF, Private Sector Discussion #5 "*Business Services in Vietnam*" (prepared by Dorothy Riddle and Tran Vu Hoai, Hanoi, 1998)

Figure 2.2 - Distribution of Interview Sample (by location)



The majority of QM suppliers are based in the two dynamic cities of Hanoi and Ho Chi Minh City, where most of the enterprises are located. The interviews were thus exclusively conducted in these two locations. The size of the private QM suppliers is generally small, with between 5 and 30 staff, and most of them were set up in the last 5 years. Although these suppliers are based in Hanoi and Ho Chi Minh City, their client base has expanded to surrounding provinces, i.e. Hanoi-based suppliers are serving clients in other northern provinces and Ho Chi Minh City-based suppliers are serving clients in southern and central provinces. Their clients operate in all economic sectors including manufacturing, construction, services and trading.

Figure 2.3 - Distribution of Interview Sample (by sector)



In order to have a comprehensive view of the QM market, a number of QM suppliers who are state-owned enterprises (5) and foreign-invested firms (3) were also included. The most distinctive features differentiating them from private firms were their size and long and deep-rooted presence in the market.

An independent view from certification bodies who have a critical eye on the tasks performed by QM suppliers was also vital. Two international certification bodies who performed many assessments of the QM systems of users receiving assistance from consulting firms were therefore selected.

As required by the TOR, 9 QM users who have received or are receiving financial assistance from the MPDF were included in the study. As the final beneficiaries, they were expected to provide comments on the impact of the MPDF's assistance and the performance of local private QM consultants.

3 Quality Management Services Market

3.1 An Overview

While the study focuses on QM consulting services, it is worthwhile to have an overview of the whole QM market, which includes activities of accreditation, certification and QM consulting services. These activities have their own internal hierarchy and linkage[6] and the players in each activity should operate in accordance with the requirements specified in relevant international standards. For example, the accreditation bodies should comply with the standard ISO/IEC Guide 61; the certification bodies with ISO/IEC Guide 62.

3.1.1 Accreditation

Accreditation is an activity in which accreditation bodies assess the certification bodies to ensure their competence in conducting specific tasks.[7]

In normal practice the certification bodies play the role of ensuring that products or services provided by their certified manufacturers conform to specified requirements by auditing their clients and issuing certificates. However, the consistency in quality of the certification bodies can sometimes vary. The parties concerned, such as the regulators and customers, are not able to assess the competence of certification bodies. Therefore, the accreditation body is set up to ensure the competence of certification bodies.

In Vietnam there is one accreditation body, namely the Bureau of Accreditation, which was established in 1995 by the Ministry of Science and Technology and Environment (now Ministry of Science and Technology) and belongs to the Directorate for Standards and Quality (STAMEQ.)

Although the Bureau of Accreditation's function is to provide all types of accreditation including accreditation for certification bodies, its function so far has been limited to the accreditation of laboratories. No accreditation of certification bodies has been approved by this local body so far.

The slow development of a local accreditation program for certification bodies is negatively affecting Vietnam's accreditation and certification hierarchy as well as the QM market as a whole. This is also considered to be one of reasons for scepticism as to the competence of many certification bodies operating in Vietnam.

The profile of the Bureau of Accreditation can be seen in Appendix 5.

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[6] ISO/IEC 17011 (DIS). General requirements for bodies providing assessment and accreditation of conformity assessment bodies

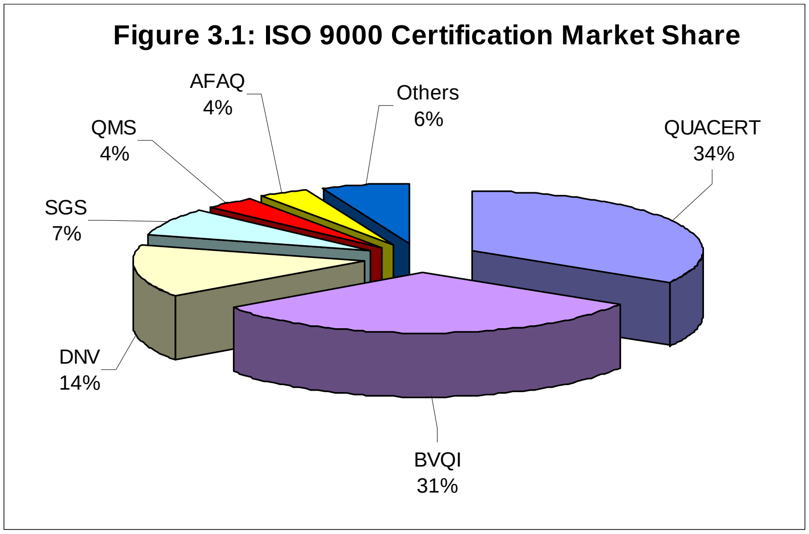
[7] For the purposes of this study, accreditation activities are defined in a simple way limited to the accreditation of certification bodies instead of in broader terms, namely the accreditation of conformity assessment bodies including certification bodies, inspection bodies and laboratories.

3.1.2 Certification

Certification is a "procedure by which a third party gives written assurance that a product, process or service conforms to specified requirements". The purpose of certification is to assure the parties concerned that the certified products, processes and systems have met specific requirements/standards. It should be noted that there are two categories of certification existing in Vietnam - namely product certification and management system certification, with the latter being well known through its ISO 9000 and ISO 14000 certificates. There could also be certification of personnel, which exists but is not established in Vietnam

Certification activities, mainly product certification, were first conducted in Vietnam by government agencies in the 1970s and 1980s. System certification has become well known since 1994, when the second revision of ISO 9000 standards was published by the International Standards Organisation (ISO) and the first Vietnamese company obtained an ISO 9000 certificate. Since then, system certification has become increasingly popular and the number of ISO 9000 certified companies increased exponentially. Up to now, more than 1,000 companies have already been certified either to ISO standards (including ISO 9000, ISO 14000) or to other standards such as HACCP and SA 8000. Organisations which were awarded certificates are from both private and state sectors operating in various industries. Some public service organizations are also applying for ISO 9000, such as Ho Chi Minh and Hanoi People's Committees. To date, ISO 9000 is still the most popular standard (over 90 percent of the certificates), followed by ISO 14000, HACCP and SA 8000. Given the intention to apply ISO9000 in public agencies, the number of certificates is still expected to rise rapidly in the future.

There are 19 certification bodies active in Vietnam, of which QUACERT is the only local body. Of the 18 international certification bodies, some were found to operate without having registered as a business entity in Vietnam, as many just set up their representative offices or operate from their overseas offices. The issues concerning certification bodies have been highlighted on the mass media. The figure below illustrates the market share of some of the largest certification bodies in Vietnam.



Source: www.vpc.org.vn, December 2002

Further information about the certification bodies is provided in Appendix 7.

3.1.3 Consulting Services

Quality management system consulting services consist of all quality management-related services assisting organisations in the realization of a QM system. External assistance is often sought by businesses in the implementation of such system at their operations.

The recent boom in certification activities has resulted in an increase in the quantity of consulting services providers. Given the level of knowledge and development of Vietnamese businesses, which have just recently been exposed to ISO 9000 and the quality management concept, most organisations who want to be certified often seek consulting services providers for assistance in developing a QM system in conformity with relevant international standards.

At the time this study was begun, there were probably around 60 consulting organisations operating in Vietnam and it is likely that many new consulting organisations are going to be set up. Most consulting organisations are private and small. However, the market is driven by a few big consulting organisations who are mainly government-related and foreign-owned organisations.

3.1.4 Regulation and Government Agencies

In Vietnam, the government does not place tight regulations on the QM Services market. There are various agencies involved in quality management, including STAMEQ, under the

Ministry of Science and Technology, as well as other agencies under various ministries, which are responsible for their own area of activities.

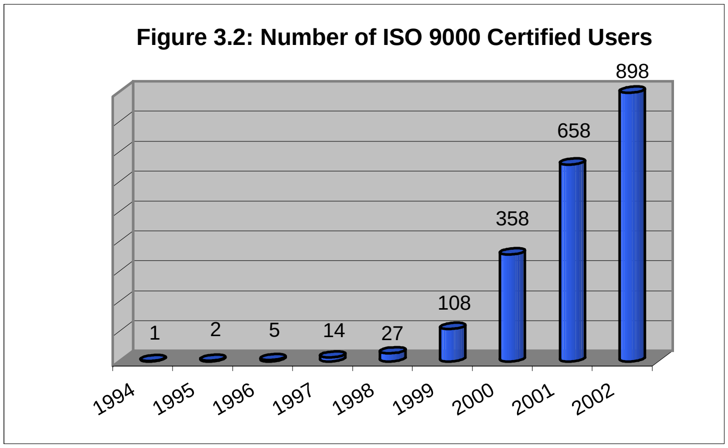
Amongst all government agencies, the Directorate for Standards and Quality (STAMEQ) is a major player. It is responsible for drafting national (TCVN) standards, it represents the government at international standard and quality bodies such ISO, IEC, APO and ACCSQ. There are a number of independent service centres under STAMEQ offering services related to Quality Management, including information provision, selling standards, training, consultancy, certification and accreditation. In the last few years, STAMEQ has contributed actively to the promotion of QM as well as acted as a bridge to bring international expertise to Vietnam. However, the STAMEQ extended services have caused much concern to other players in the market who wondered how STAMEQ would be able to act as a good regulator while at the same time offering many services they were supposed to administer.

Besides STAMEQ, many ministries also have their own function managing and promoting quality-related activities in Vietnam. One of them, for example, is the Fisheries Ministry, which has its own structure to control quality and promote quality activities in its own sector. As a result, Food Safety Management based on HACCP principles has been implemented in many seafood establishments targeting the export market. Other examples which could be listed here include the Department of Technology and Product Quality Management under the Ministry of Industry or the respective department under Ministry of Construction.

With regards to domestic service providers, they have to follow the recent government decree No 87/2002/N§-CP regulating consulting businesses. The aim of this decree is to stimulate and create favourable conditions for consulting activities in Vietnam.

3.1.5 QM Users

QM services, of which standard-based QM services are the most popular on the market, are purchased by users from the state, private and foreign-invested sectors who are generally active in every business sector, from service to manufacturing. ISO 9000 certification is preferred by most QM users. As illustrated in the chart below, the number of ISO 9000 users has been increasing, which indicates that the QM users are more and more aware of the benefits of having a QM system in place.



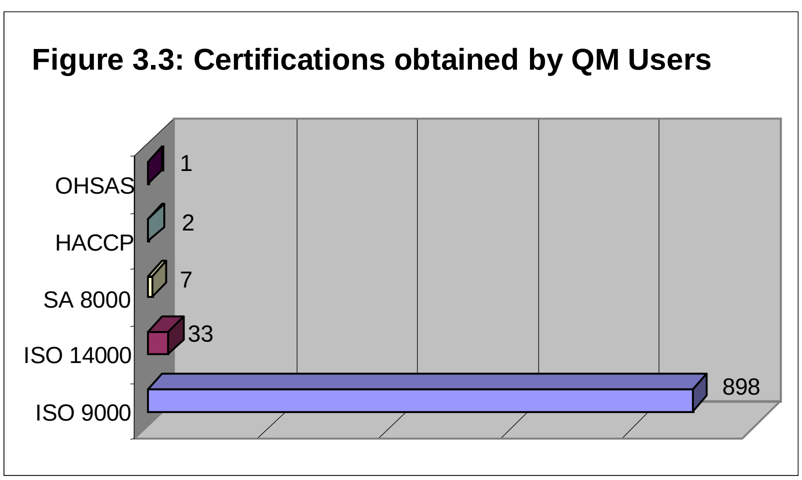
Source: www.vpc.org.vn, December 2002

3.2 Type of Services

The services that QM suppliers are providing in the market can be divided into three groups as follows:

3.2.1.1 Standard-based QM Services

This is a popular group of services that QM suppliers are currently offering. When purchasing these standard-based QM consulting services, an enterprise expects to receive a certification which is issued by a certification body recognising that the enterprise's systems, process or products comply with international quality management standards. Below are some figures about the purchase of some of the most popular certification consulting services in Vietnam and a description of these services.



Source: www.vpc.org.vn, December 2002

ISO 9000/1

The set of ISO 9000 standards was first issued in 1987 and was revised in 1994 and most recently in the year 2000. It proposes a quality management system model to all kinds of organisations regardless of type, size and products provided.

Over the last few years, ISO 9001 has become the most popular of all ISO Standards. Throughout the world about half a million ISO 9000 certificates have been issued[8]. Organisations from all industry sectors understand that an ISO-9001-based management system effectively supports their operation. The international standard series ISO 9001 sets internationally-recognized standards for all operating procedures - from the development of product ideas and the production process to sales and servicing. An ISO 9001 certificate shows the organisation's minimum adherence to quality management practices and minimizes the potential for quality-related problems.

In Vietnam, ISO 9000 is indeed the most popular certificate acquired by QM users. To date, international and local certification bodies have approved nearly 1000 certifications for QM users who are based in Vietnam. It is expected that more and more local enterprises will adopt this QM system due to the benefits it brings to users' operations and the requirements of their international partners.

ISO 14001

The Standards ISO 14001 was developed by ISO/TC 207 and is concerned with environmental management. It specifies what the organisation does to eliminate harmful effects on the environment caused by its activities.

The issue of environmental protection has been gaining in importance, enterprises are critically aware of whether the manufacturing process, distribution and the use of a product are designed with great care for the environment. According to the figures from VPC, 33 enterprises who have been ISO 14000 certified are mainly operating in the manufacturing sector and having products exported to other countries. Together with increasing awareness about the environment, more trading opportunities with international partners are important factors affecting the rising trend of ISO 14000 certification in Vietnam.

SA 8000 (Social Accountability 8000)

This standard was first developed in 1997 and has been revised recently in 2001 by Social Accountability International, a US-based organisation. It is a standard for social accountability in the workplace. In essence, social accountability means managing business activities in a manner that respects and promotes the basic human rights of all workers based on ILO conventions.

After the signing of a Bilateral Trade Agreement with the United States, there was an increasing interest in SA 8000 certification, which was generated by a misconception about US requirements for their imported garments and textile products. However, the fact that SA 8000 is not compulsory for the US market has helped local businesses clarify whether they need to apply for a SA 8000 certificate. As a result, the demand for this has generally declined.

The HACCP (Hazard Analysis and Critical Control Points) standard

HACCP focuses on control of the production chain and adopts regular technical supervision at major control point at the very beginning of processing. HACCP normally applies to food manufacturers.

Vietnamese manufacturers of food products for export are the purchasers of this service. A number of enterprises under the Fisheries Ministry have implemented HACCP principles, which is a condition to export to the US and European markets. The system is certified by NAFIQUACEN, an inspection agency under the ministry. However, food companies in other sectors have not shown strong interest in complying with the HACCP standard. The figure from the VPC web site as of 12/05/03 has shown that only 6 companies have been certified to HACCP standards (this figure obviously does not include those under NAFIQUACEN certification). This is expected to change when international competition intensifies and public pressure for food safety becomes stronger in Vietnam.

OHSAS 18001

Occupational Health & Safety guidelines prevent injury, maintain employees' health, and help a company comply with relevant legislation and standards. They effectively minimize work-related hazards and help to improve business performance. In structure, these guidelines are similar to ISO 14001. At the moment, according to statistics on the VPC web site, there are only 4 companies certified to this standard in Vietnam.

3.2.1.2 Non Standard-Based QM Services

This group consists of services which are not required to be assessed by any external body. Total Quality Management (TQM), which is the most frequently mentioned approach in this group, refers to the quality management philosophy at every stage of a process to improve the overall efficiency and productivity of any enterprise and organization. Other services in this group derived from the TQM concept include consulting for the implementation of quality management tools, 5 S, 6 Sigma, benchmarking, and business re-engineering.

Although the demand for this group of services in Vietnam is still very low, QM suppliers expect that enterprises will see the need for such services in the near future. Services in this area are usually offered by bigger firms and more experienced consultants

Appendix 8 provides more details of these concepts.

3.3 Types of Suppliers

Private suppliers, government agencies and foreign-invested firms are involved in the QM consulting market. Apart from the legal requirement to register, QM suppliers do not have to register with any QM professional organisations or associations, who usually have the role of setting a professional code of conduct for their members.

3.3.1 State-Owned Suppliers

State-owned organisations operate in every service market[9] and QM services is certainly not an exception. Some of them are key players in the market for QM services. Regardless of whether they have received any support from the state, their state-owned organisation status and state support in their set-up are already advantages over their private competitors.

The state-owned organisation status has brought them trust from public users who believe that state-owned organisations are backed by the government and are therefore more secure to work with. Moreover, they have received support from the government since their start-up as regards the provision of adequate office space and setting up a full-scale organisational structure. While most of the private QM suppliers had only been established for a few years, state-owned organisations in the QM field had been present almost since the emergence of QM in Vietnam. Their longer history had earned them a good reputation, as well as extensive experience and skillful resources.

State-owned organisations often have good training programmes offered to their staff and good access to an adequate pool of information. This has attracted young, high-calibre staff who wish to be properly trained and updated with the latest information in the field.

State-owned organisations today are well aware of the important roles of the private sector in the economy and have accordingly adapted to the new situation, thereby becoming more flexible and open in their market approaches.

3.3.2 Foreign-Invested Suppliers

Since "doi moi", Vietnam has begun opening its doors to foreign investors. The QM market has seen the entrance of some large, international QM firms into this market. The involvement of foreign-invested suppliers is significant, with the presence of many big international players such as BV, SGS, TUV, and others.

Foreign-invested suppliers holding international, reputable brand names have successfully created a good image in the local market. They mainly serve clients in the foreign-invested sector and bigger domestic enterprises with a possibly wider range of products other than QM certification consulting, like industrial technology inspection, civil work inspection and

[9] Alexandra Overy Miehlbradt, "*Business Development Services in Vietnam*", (GTZ and Swisscontact, June 2002)

non-destructive tests. These products can be made available in Vietnam if there is a demand. Such suppliers have indeed more favourable conditions compared to their competitors in the private sector. Besides being a member of a well-established and branded international consortium, they were able to tap into a resourceful pool of start-up investment. They are financially viable, have good infrastructure and recruit the best personnel to train to their international standards, which were introduced by experienced and international experts.

If they were once expensive suppliers, the recent emergence of local QM suppliers has pulled them away from high pricing schemes. They have shown to be flexible and competitive suppliers who are ready to adopt a more localised pricing mechanism and localised staff.

3.3.3 Private Suppliers

Private involvement in the QM service market has been quite active with the number of private suppliers increasing. They can be divided into two categories: private registered companies and freelance individual consultants. The private suppliers have been seen to grow with the development of the QM market. QM emerged in Vietnam no earlier than 1995, when there were only a few suppliers simply providing certification consulting services for a limited number of enterprises. Of most of the private businesses involved in the analysis, there was only one supplier who had been involved in the market since 1995, the remainder were much younger, having been established between 1 and 5 years.

There are some common characteristics shared between private registered companies including young age, small size and active managers, who are not only playing the managerial role but also providing hands-on technical contributions. Most of the private businesses rely heavily on their founding partners, who were known in the QM market for their technical capacity. To some extent, such a reputation is the only marketing tool a firm might have. There are few firms providing not only quality and environment but also management services including accounting/auditing, business management training/advisory and information as well as communication including MIS and other computer-related services. This categorisation is relatively consistent with the results of the previous BDS survey led by the GTZ and Swisscontact.

Recently, there has been an emergence of freelance individual consultants who were once either working for a QM consulting firm or served as QM representatives involved in the preparation of QM certification for their previous employers. Although the number of this type of private suppliers is not high, their involvement in the market might have caused further price reduction due to their low overhead expenses and competition with other players in the market.

Despite the fact that private suppliers constitute a high proportion of the organisations offering consulting services, they take up a much smaller proportion of the market share. They are targeting clients from both state and private sectors and providing mainly ISO certification consulting services, for which demand is relatively high compared to that of other QM services.

3.3.4 Others

Currently, there is growing concern over the involvement of certification bodies in the QM consulting market. This has caused an unhealthy situation in the market whereby the organisation which assesses the completeness and appropriateness of QM applied in an enterprise is also providing QM consulting services. Although these bodies explained that the assessment and consulting exercises were not provided to the same enterprise, many felt that there is still a need to keep these two activities apart in order to create a fair play business environment for all players in the QM market.

4 Assessment of Quality Management Services Supply

Presently, there is no government restriction on the development of the QM services consulting market, in which private suppliers, state-owned agencies and foreign-invested firms are involved. As mentioned above, suppliers in the state sector and foreign-invested sector take up the largest share of the market, while emerging private suppliers are actively consolidating their presence in the QM market.

There are no clearly-defined criteria for users to assess the quality of QM services provided by different suppliers. Some suppliers have applied a standard-based quality management system to their own operations. To a certain extent, this helps create a good image and gain some trust from their users. By and large, however, the quality of the services supplied remains controversial.

The most popular products offered by QM suppliers are consulting services to obtain ISO 9000 certification, followed by ISO 14000, HACCP and SA 8000. Other QM products such as QM tools, TQM, and 6 Sigma were found to be unpopular among both QM suppliers and users.

It is important to note that the findings presented below rely mainly on the supply of available QM services, which are listed in the previous section.

4.1 Level of Supply

Findings in this study did not fully support comments made in the recent BDS study that the market for quality and environmental services is still in its infancy. In fact, this market can be divided into two separate segments providing standard-based QM services and non standard-based QM services. Admittedly, the provision of non standard-based QM remains weak. However, the market for standard-based QM services has recorded a positive development since 1996. Generally, the variety of products offered remains limited.

In terms of standard-based QM services, if during the period from 1996 to 2001 some 658 organisations/enterprises obtained ISO 9000 certifications[10], this figure has now reached 898[11], an increase of 240 certificates over a period of nine months accounting for 36% of the five years' figure. In the next few years, the demand for this service can become stronger if the supply can be beefed up. New private businesses are currently being established at a rate of 1,600 per month and SOEs are being restructured, with the number of SOEs expected to be as low as half of the current 5,380 by the year 2005. Given this pace of enterprise establishment and restructuring and Vietnam's integration into the world economy, the demand for applying standardised QM systems to local business operations might well be increasing further. This trend would be consolidated if the government will go ahead with a programme introducing ISO9000 to the public sector.

[10] Data collected from www.vpc.org.vn, December 2002.

[11] Data collected from www.vpc.org.vn, December 2002.

Most QM suppliers in the state, foreign and private sectors are running at their highest capacity to meet with the current level of demand. While the market for these services is dominated by the big players, private QM suppliers have generally been occupied with the provision of QM certification consulting since their recent establishment. Private QM consulting enterprises were mainly set up and led by a core group of partners who have extensive experience in the field of QM. Prior to that, they either worked for another QM supplier or were involved in the QM field in a different capacity. In most cases, the name of the private QM supplier was known due to the reputation of its founder.

Box 1: We have got the best

As a lead auditor in a local private QM firm which was established few years ago, he is proud of the firm's profile. The firm has served dozens of clients in all sectors across the region, some of which are relatively well known in the market. This has helped the firm build up both their consultants' CVs and corporate experience.

"Clients come to us as we have the best expert," the lead auditor commented. Indeed, the founder of the firm is well known in the QM field. The very reason the client often engages the firm is that the founder of the firm is proposed to work directly with the client in almost every assignment. The founder's reputation has in fact brought much business to the firm.

"I did not see that famous consultant working for us," one of the firm's users cited. They engaged that QM provider in their ISO preparation assignment mainly because of the reputation of the founder, whom they assumed would be much involved in working with them. "If I had to do it again, I would re-consider the QM provider," the user ended.

In terms of non standard-based QM products, the market is indeed in its infancy. Almost none of the private QM suppliers reported on their provision of these services. Since the demand for such services is low, the supply does not show any positive development. The private QM suppliers perceive that they have the potential to provide such services. However, the users are not ready to purchase. QM tools are not fully appreciated by the existing QM users. Still, the most frequently-met non-standard based QM products are the introduction of 5S, 7 tools and Quality Cycles. Besides that, many users are also looking for services such as financial management, human resource management and corporate management.

Clients in the state and foreign-invested sectors are considered to be more likely purchasers of QM services for various reasons: (a) they receive a mandate from their administrative body to request the application of QM in their enterprises; (b) the management of those enterprises are more willing to invest in the QM of the business operations; and (c) the cost of QM application is affordable to them.

Clients in the private sector who are mainly small and medium-sized enterprises are private QM suppliers' targeted customer group. Private SMEs are active in all industries ranging from services to manufacturing. Working with clients in the private sector is considered a challenging experience. On the one hand, the issue of limited resources is shared by many private SMEs. The staff that the management of SMEs appoints to coordinate with QM suppliers in the assignment is often inadequate. Furthermore, the uneven level of educational background amongst staff has caused difficulties for QM suppliers to train and transfer the necessary QM skills and knowledge to them. Presently, private SMEs are considered to be less likely purchasers of QM consulting services than SOEs. Since most private SMEs are recently set up, their management are more concerned about developing business than investing in a QM system to improve their business performance. On the other hand, however, this group could well be the most likely purchasers when they realise the benefit of Quality Management, as private enterprises are motivated to successfully establish themselves and be competitive in the marketplace.

4.2 Level of Competition

As mentioned above, the QM market has the involvement of suppliers from all three sectors, public, foreign-invested, and private. The key players in the QM market are some reputable and well-established organisations under the STAMEQ umbrella and a number of international QM companies. While the key players tend to serve bigger clients, private QM suppliers mainly serve small and medium-sized clients.

Key QM suppliers who take up a larger proportion of the QM market have the role of market leaders. They lead the market in terms of years of experience, number of consultants, client portfolio and presence in both of Vietnam's two dynamic cities. Even when a private QM supplier is an option, public QM suppliers are often selected by enterprises in the public sector who feel more comfortable and secure dealing with another state-owned enterprise.

Some argued that there is a misconception about state suppliers who are under the same roof as a certification agency. By engaging the consulting arm, the QM users believe that they could have preferential treatment when applying for QM certification from its certification arm.

Although the number of private QM service firms of all sizes and freelancers is large, they account for a smaller part of the market. Being small-sized firms, most private QM suppliers are relatively modest in their market expansion. Some target small and medium-sized Vietnamese clients but the number of firms operating in the private sector, which are interested in applying QM, remains limited.

No big marketing campaign has been reported from private suppliers, and clients come to them mostly by word of mouth, personal contacts or direct marketing. Taking a typical example, a QM supplier who has provided QM consulting services to a SOE was asked to provide a similar service to the SOE's partners in the private sector, who operate in the same industry. This was due to the recommendation made by the SOE.

Private QM suppliers, though limited in number, are very active in their market expansion. Two private QM suppliers interviewed were found to be strategically active in approaching potential clients who were enquiring about services from big QM houses. They expect to regularly gain some of the market share from established QM suppliers by offering more competitive prices.

Box 2: "Me-too" Strategy

Although recently set up, a local private QM supplier is relatively known in the marketplace. Experts in the QM market commented that it is a good marketing firm applying a flexible marketing mechanism.

As the firm's director pleasantly explained his marketing concept; "Whatever services the big firms offer clients, we would offer the same package but at a more competitive price.". A marketing strategy called the "me-too" strategy has been established and applied by the firm. They aim to follow the direction that their big competitors are heading in, i.e. they are trying to establish themselves at any corner of the market where their big QM competitors are present. The same clients are contacted, similar service packages are offered, and the more competitive prices are quoted to those clients. The firm director did not comment on the "hit-rate" but hoped that by running this strategy, the firm's name would l gradually become known in the market place

Private QM suppliers also share some percentage of their market segment with an informal source of consultants, namely freelance consultants and moonlighters. They either used to work for a QM supplier or were QM representatives of ISO certificated companies. These consultants can participate in the market by two means. First, they are invited to team up with a QM supplier in implementing an ISO preparation engagement. The QM firm then controls the quality, process and timing of the assignment[12]. And second, they are introduced to or approached by enterprises who ask them to work as seconded staff at their site during the preparation of the ISO application. Some QM suppliers expressed their concerns as to the quality of this type of freelance consultants' work.

As mentioned above, there is concern over the involvement of certification bodies in the QM consulting market. By wearing two hats, these agencies offer both consulting and certification services, which is known as a complete ISO certification package. The overlapping in business functions of these agencies has led to the fact that consulting firms find themselves in a less competitive position compared to those agencies. Enterprises come to them since they are convinced they will have fewer difficulties and hassle in obtaining certification. In addition, there is also concern over the close linkage between QM suppliers and certification bodies who team up to offer consulting and certification services.

4.3 Market Information

Information about QM markets available in the public domain remains inadequate. Given that the nature of making business decisions in Vietnam is characterized by reliance on the information provided by personal contacts and on personal recommendations, detailed information about QM in Vietnam is still critical to potential users.

There is no reliable information source which an entrepreneur can access to collect necessary information and data on QM services and suppliers in Vietnam. Nowadays, the internet is a strong search engine for all types of information, but the current operation of local businesses has not allowed them to make the most of such a tool. Limited amount of information on Vietnam on the web hinders the information-gathering of entrepreneurs or people in the public domain.

From the QM suppliers' side, limited action has been taken to increase public awareness about the availability of QM services provided by local suppliers. The most frequent QM information appearing in public was the advertisement of QM training courses organised by some QM suppliers. However, this was not meant to work as a tool to increase awareness of QM in the public domain.

When users were asked whether they had adequate information on QM suppliers, they consistently confirmed that there is inadequate public information available on QM, as well as the government's facilitating role being weak. Enterprises wanting to hire QM consultants tend to start with the "Yellow Pages", which often does not provide them with detailed information on any specific firms. QM users can only make the right decision on the selection of their consultant if they have information about QM knowledge and QM suppliers in the market.

4.4 Market Subsidisation

Subsidised provision of services may affect both the supply and demand of QM services. Since the application of QM to enterprises - be they state or private - is voluntary, the demand for this kind of service generally originates from their own needs.

Having acknowledged the importance of having QM in place, local authorities have encouraged their locally-based enterprises to have their QM (mainly ISO) assessed and certified by providing partial financial assistance to them. In addition, the MPDF also had a pilot programme providing funds to a limited number of private QM users who purchased QM consulting services from private suppliers. The provision of this type of subsidisation, however, has been re-considered, as this kind of subsidisation did not help create sustainable development for the QM market. Assistance to date has focused on a limited number of enterprises which received the funding, rather than on increasing the awareness of a wider range of the public.

By and large, subsidisation is important for certain markets. However, it is more important to design subsidisation programmes which enable the sustainable development of the market when subsidisation has been completed.

4.5 Quality of Service Supplied

Assessment of the quality of consulting services can be biased, as there is not a single measurement tool used to judge the quality of a specific consulting service.

In terms of standard-based QM products, the certification body is the organisation which has the final say on the quality of a QM system set up by a QM supplier for an enterprise. However, it is still difficult for a third party to appreciate whether the QM consulting service provided by a supplier is of good quality, since businesses which applied for ISO/HACCP/SA certifications seldom had their application rejected.

In terms of non standard-based QM products, the improvement in the operation of the business shows the result of consulting services. However, results can be very difficult to assess and attribute to QM suppliers, as the application of non standard-based QM products relies very much on the users and often takes a very long time.

The satisfaction of users as to the provision of services is the most practical tool to assess the quality of suppliers' services. Taking into account Vietnam's culture of avoiding negative comments, such judgements can be made if the users agree to purchase more services from the same supplier or would purchase the same service from the same supplier if they had to choose again. Unfortunately, the majority of users interviewed were not enthusiastic about engaging the same supplier. Reasons for this will be discussed in the next section. This has proved to be an area which suppliers have to focus on for improvement.

Box 3: Consulting or Internship?

"We have our staff at the client's site throughout the assignment", a lead auditor of a local private QM provider assured in responding to our query of how many man-days the firm usually commits in an assignment. Any client who buys consulting services from the firm receives a full-time consultant working side by side with the client's staff throughout the preparation period. However, can the commitment of the full-time consultants really be justified, adequate and useful for the client?

As a result of a close relationship with an educational institution, the firm's management often arranges for some good undergraduate students to have an "internship" period by having them work full-time for the firm's client during the preparation of QM. "We then offer the good intern full-time employment. By doing this, our staff can have good practical experience", he added.

4.6 Cost of Service Supplied

Generally, the cost of an ISO consulting project, which is the most popular product in the QM market, has fallen significantly over the past 7 years. In 1995-1997 when the very first companies received ISO 9000 certification, the ISO 9000 consulting fee could be anywhere from 10,000 USD to as much as 30,000 USD for a medium-sized company. Today, an ISO consulting project might cost around one third of that amount. There are two views voiced by respondents:

Affordable price. Most of the QM users believed that the price is falling to a more affordable level in Vietnam's market. The cost of being ISO certified has become more realistic for more and more local businesses. To them, the international pricing scheme should not be adapted to Vietnam's market where the level of income is low. By breaking down the actual consultant's working day, they realised that the average daily rate for ISO consultants was substantially higher in the Vietnamese business context. This view is also shared by a number of QM suppliers who acknowledged that as long as the fees are maintained at today's rate, they are in the market.

Too low a price. However, a number of QM suppliers said that the price is getting too low in today's market. Furthermore, cuts in fees charged for consulting assignments will have implications for the quality of services supplied, as less effort will be put into an ISO assignment by consultants. Less investment in staff training will consequently affect the technical capacity of consultants who deliver consulting services. Many companies have adopted "mass production" technology to cope with high demand but a low-priced market. Some suppliers even said that they are considering a market exit if the price falls further to a lower level.[13]

There are a number of possible factors contributing to the price reduction trend:

(a) Firstly, large QM suppliers are those who can shape the market trend. They are large to the extent that they are able to partly control the market. The competition between these large firms led to a substantial reduction in prices as everyone wants to be more competitive than others.

(b) Secondly, the independent involvement of freelancers and moonlighters has caused price distortion. Unlike any QM registered enterprise, they do not have to bear any overhead costs and can therefore be more flexible in price negotiations. They measure the cost of an ISO assignment by setting a reasonable level of monthly income. As such, their price can be as low as it best suits them and the enterprise.

(c) Thirdly, the boom in private consultant companies offering QM services has further contributed to a lower price trend. The fierce competition between them has resulted in the reduction of consulting prices. Some believe that the QM industry offers service suppliers such a good margin that many are trying to enter the market, earn maximum profits and make a quick exit, before the market is saturated.

Whatever the main reason, the price reduction trend could on the one hand improve the accessibility of QM services and on the other hand might have negative effects on the quality of consulting assignments.

In addition, the common practice of service pricing has unfortunately created unhealthy competition in the market environment. It is believed that many QM suppliers have to redistribute part of the chargeable fee to the client's staff, so that they can get the contract and ensure cooperation from the client's staff. Though the issue is not widely admitted, some have implied that this "flexible financing policy" is unavoidable. Perhaps this could be seen as a "fast-track" for QM suppliers to gain a QM consulting project.

4.7 Level of Technical Capacity

The interlinkage between QM suppliers has been loose. The competitive situation in the market place has shifted them away from each other. All suppliers are aware that being updated with new knowledge and skills is important. However, they have not considered the opportunity to establish a common platform where the latest information about QM is shared among them.

One of the disadvantages of "going private" is the lack of opportunities to gain access to the latest knowledge and information in their areas of expertise/ interest. Large QM suppliers can afford to purchase the latest technical papers from the world's centres of excellence or even send their staff to expensive QM training courses, including overseas training. However, private enterprises are more business-oriented, and money-driven. Young, private SMEs are spending more time on business development while less time is spent on looking for technical updates.

Although there is no official sharing of knowledge between QM suppliers, there is an unofficial "cross-reference" exercise in the marketplace. When a QM consultant is invited by certification bodies to assess the application of a QM system in enterprises, he/she has a chance to get an update on the ISO preparation methodology and know-how used by other QM suppliers. After a few assessment jobs, the consultant is able to gain a collection of QM consulting techniques which can somehow be used as a reference for their own consulting process.

Industry expertise: Most of the QM providers expressed the opinion that knowledge of the industry in which the client is operating is an advantage. In addition to the ISO knowledge that can be obtained from lectures and training, industry expertise and experience can only be built up through the years of working with clients in the industry. Of the ISO users we interviewed, the majority commented that one of the criteria for choosing their consultant is the consultant's past experience working with companies in their field.

Knowledge and skills: Moreover, the quality of consulting services is highly dependent on the skills and capability of consultants. The fact that QM providers are losing their good consultants has resulted in a lack of capable staff in almost every firm. According to one senior consultant, it might take a firm three to four years to train a new graduate to be an independent consultant. However, the trained staff often failed to commit for much longer to the firm after they were able to work independently. The lack of capable and well-trained consultants also affects the quality of QM consulting work.

Box 4: Do I need business experience?

A lead auditor of a local private QM provider confirmed that the industry knowledge possessed by consultants has not proved to be very important. He cited that the firm's consultants without relevant industry experience are still able to provide consulting services to its clients, providing they have adequate QM knowledge. What really counts is the specific ISO knowledge and the enthusiasm the QM consultants shows to the clients.

Consequently, young, newly-graduated staff who do not have business experience are seconded to work full-time with the client throughout the ISO preparation period. The consultancy work is supplemented by the involvement of senior consultants who pay scheduled visits to the client sites. Therefore, most of the consultancy work is conducted by the young staff who are working at the client site.

A QM user who received consulting services from this QM provider commented that had the consultants had more business experience, the consulting period could be cut down. Due to the consultant's limited understanding of the business, time had been allocated to introduce the (junior) consultant to the business operations prior to and during the consultancy period.

4.8 Users' Perception of QM Service

Generally, users' understanding of QM services was limited to standard-based QM services, which are the most popular products in the QM market. ISO/HACCP/SA have been familiar products in the market. However, users' understanding of the benefits of having such QM in place remain inadequate. It is difficult also to assess the actual demand for non standard-based QM services, as users are not aware of the availability of these services in the marketplace.

The demand for purchasing QM consulting services, particularly standard-based QM services, comes both from the requirements of business partners as well as internal motivation to improve. However, many users are not convinced that QM consulting services are vital to their daily business operations. Users who took QM certification as a reactionary exercise did not consider that the application of QM has helped to improve their day-to-day operations. This is due to the fact that enterprises expect suppliers to provide services which bring about specific and prompt results beneficial to their businesses, such as cost reduction, productivity improvement and increases in efficiency. Although users are aware that change is a process, they still expect to see the measurable results after consulting services are delivered.

Vietnam's business culture suggests that businesses tend to solve internal issues by themselves. However, most businesses have engaged an external QM consultant to assist them with the realisation of QM. The reason for outsourcing to external QM consulting firms is due to the lack of in-house expertise in the area of QM. Once the enterprises have a good grasp of QM after receiving consulting services, many of them will have adequate knowledge and skills to extend the system into other operations by themselves.

The demand for other services such as human resource management and financial management exists. However, users do not have many choices available in the market.

4.9 SWOT Analysis of Private QM Suppliers

This section analyses the strengths and weaknesses of private QM suppliers and the opportunities and threats they are facing in the current market place. Although each of the private suppliers has its own characteristics and has been facing different constraints, it is possible to provide some generalisations as below:

4.9.1 Strengths and Weaknesses

STRENGTHS	WEAKNESSES
■ Flexibility to match with users' requirements ■ Many have highly-qualified and reputable consultants as a founder of the company ■ Devoted and enthusiastic staff ■ Good management capacity ■ Active in the market ■ Could afford lower price thanks to low overheads compared with bigger companies	■ Limited range of products ■ Inconsistent level of knowledge and skills among technical staff ■ Lack of industry focus ■ Lack of business development strategy ■ Poor marketing strategy ■ Inadequate resources and staff training

Private QM suppliers are found to be flexible in fulfilling different sets of requirements specified by different types of users. In today's market place, the competition has made them fully aware that they have to be flexible in order to cater for their clients' needs. The simple ownership structure of a private supplier has enabled them to make the right decision at the right moment. Being small in size and having devoted technical staff, private QM suppliers have mobilised the resources and time most appropriate and suitable to the requirements of the clients.

QM users who have a fair knowledge of QM often attend to the technical level and experience of the consultants provided. They tend to ask for the full commitment of consultants whose CVs have convinced them. The fact that big QM suppliers cannot spare their most capable staff to work with every client has made the clients unhappy. On the other hand, the fact that some private QM suppliers could arrange to have their best staff on-site working with the clients, even at the weekends, has made them feel pleased and respected.

The quality of an assignment is dependent not only on the skills and experience of the consultants but also on their enthusiasm. Most of the QM users interviewed confirmed that the QM consultants they have worked with have been very helpful and cooperative throughout the consulting assignment. Some clients even regarded enthusiasm as more important than technical skills. Users expect QM consultants to be knowledgeable and to possess extensive experience in the field and in their operating industry as well as to be capable in transferring skills and knowledge to their staff.

Although it is quite difficult to assess the management capacity of the firm's management without reviewing its day-to-day operations, the management team we interviewed have indeed been shown to possess the necessary skills and qualities to perform good management roles. Most of them have a good educational background in management and are experienced in managing projects, teams and companies. They also possess a good knowledge of client relationship management, market trends and competition.

The young age of private firms has enabled them to be flexible in handling business. However it has also brought about a number of areas to be improved.

The variety of products offered remains limited. The small size of private QM firms has yet to enable them to develop a wide range of QM and related products. Most of the suppliers claimed that they are providing popular products such as ISO 9000, ISO 14000, SA8000 and HACCP consulting services. However, the fact that the number of consulting companies is much higher than the total number of enterprises certified to standards such as SA8000 and HACCP puts the claim of service providers in question.

There are not many offers of other non standard-based services on the list of private consultants due to insufficient demand and limited expertise and resources to expand the product range from the side of private service providers.

The recruitment and retention of capable staff are critical issues for all QM suppliers. Private QM suppliers, which are not regarded as the most attractive destination for good elements in the labour force, are in a disadvantageous position in terms of labour recruitment and retention. One could expect to receive extensive in-house and external training when working for big QM suppliers, while training is less in small, private firms. Consultants perceive that pursuing a career with large QM firms gives them much more in terms of knowledge, experience and security. Moreover, young and capable staff are not committed to any firm. They tend to "jump" from a small one to a bigger one and later, set up their own firm. Small, local, private QM firms often find themselves in a weak position to retain their best staff.

It has become more widespread in the consulting industry for consultants to leave the firm once they have gained substantial skills and work experience. The staff movement in this industry is relatively fast and in the QM consulting sector, staff turnover is also quite high. Most QM suppliers are losing their best staff, who either go to other QM suppliers or set up their own private consulting firm. The limited number of experienced QM consultants in the

QM market is the target that a range of QM firms want to "hunt". Many QM suppliers, both private and public, are now suffering from "brain drain".

Corporate strategy, including marketing and product development, is not well regarded by most private QM suppliers. While big QM suppliers are adopting clear business plans including marketing strategy, a number of private QM suppliers remain unclear about their market approach as well as their business strategy. The fact that most private QM suppliers have been kept busy may explain why they have not focused on the development of their strategy.

Box 5: Let's look at the big picture

"We just provide QM consulting services to "top-cream" clients", said an executive from a local private QM firm. The firm has positioned itself as an "expensive" but "value for money" service provider. Being small in size and pursuing this differentiated strategy, the firm's management is not so keen on serving too many clients. They maintain a small number of client portfolios so that they are best able to serve them.

Looking at the whole QM market, the firm's management has figured out that the number of their targeted "top class" potential clients has been falling over the years while the number of medium or small firms is increasing. As such, they are looking at re-positioning the firm with a new look by providing other value-added services, which the "top-class" clients might be interested in, for example other management tools or MIS services.

On the other hand, there is also a firm which uses the QM consulting business as a means to further develop other business functions with its QM clients. They came to provide QM consulting services because they saw other business opportunities existed with their potential clients. Consequently, approaching clients by assisting them with QM preparation is their core strategy. Indeed, some have succeeded in maintaining good business relationships with their former QM clients.

Box 6: Why not consulting?

During a business trip to a developed country, the director of a trading firm was very impressed with the quality management system that his business partner had running. It was his very first introduction to an advanced and efficient system which can assist the management in controlling the quality of its outputs. He was very interested in the system and then realised that it could well be applicable to his own firm and decided to take a step forward by enrolling in a QM class on his return to Vietnam. Together with other course mates, he was one of the first qualified QM experts in Vietnam's market after completing the course.

Having been equipped with sufficient QM knowledge, he started off his QM career by preparing an ISO application for his own firm. The success of his firm after the ISO application and certification gave him an idea: "Why don't my QM staff who are maintaining my own ISO system help other companies with the preparation for ISO application?" He then set up a centre, within his firm, delivering QM consulting services to the local business community.

4.9.2 Opportunities and Threats

OPPORTUNITIES	THREATS
■ Potential to provide certified QM products for state and private clients, which the latter has yet to exploit. ■ Potential to provide non-certified QM products that are not yet familiar to and popular with users. ■ Potential to provide other corporate value-added services to existing clients. ■ International requirements for local businesses to have certified QM.	■ Competitors in state and foreign-invested sectors ■ Involvement of certification bodies in the consulting business ■ New entrants in the sector, particularly experienced consultants from large suppliers, freelancers and moonlighters

International experience and previous studies have shown that Vietnam's integration into the world economy is fuelling demand for BDS[14]. Indeed, this analysis has found potential for the development of QM consulting services. Although the number of enterprises adopting internationally recognised QM has increased at a high rate in the last few years, the establishment of more and more enterprises has shown that there is potential for the further growth of the QM market, especially certifiable QM products. Local businesses will be affected by trade liberalisation and the development of the market. They will be required to be more productive, efficient and more importantly, have their systems, processes and products comply with international standards. This will be the time when the demand for both certified and non-certified products increases.

There are also some constraints which have a negative impact on the development of the QM market, especially as regards private QM suppliers:

- Limited information about QM and the benefits it will bring to businesses;
- Lack of information about QM suppliers and their services;
- User bias towards private suppliers.

Besides, private QM suppliers are also facing threats which are detrimental to their future development.

New entrants are a major threat to existing players in this QM sector. Recent years have seen the establishment of many new private QM suppliers whose partners used to work for larger QM suppliers. Since the QM market is perceived to grow continuously, there will be

[14] VCCI, GTZ and Swisscontact "*Business Development Services in Vietnam*" (prepared by Alexandra Overy Miehlbradt, June 2002)

a number of experienced QM consultants who acknowledge the market potential and prefer to work for themselves than for any other firms. Currently, there are no policy restrictions on the set-up of a QM consulting firm or professional regulations required for new entrants into the professional QM market. Moreover, the government's support towards the development of private markets is the driving force behind the establishment of more private enterprises.

4.9.3 How to select a QM supplier?

To date, no research or study has proposed a definition of a capable QM supplier. ISO 21095 (CD3) has specified five groups of qualities which can serve as guidelines to evaluate the competence and suitability of an internationally recognised QM consultant. However, what are the criteria for QM suppliers?

According to the users' views, they are pleased to re-engage a QM supplier who meets the following requirements:

- appoint committed and enthusiastic staff with adequate QM knowledge and specific experience in users' operating industry;
- follow the pre-arranged work schedule and can be flexible if necessary;
- have ability to train and transfer knowledge and skills to users' staff;
- have a wide range of related services to offer;
- offer further assistance after the completion of the consulting contract.

The experts suggest engaging a QM supplier who meets the following criteria:

- a legally registered entity;
- have applied a certified QM to their operations; and
- have qualified staff with international qualifications.

5 Evaluation of Donor Support

As mentioned above, the MPDF and the GTZ have a special interest in the QM market in Vietnam and are actively promoting the development of this market.

As a first step in devising its strategy, the MPDF has run a funding assistance programme which aims to promote the demand side of the QM market. Within this programme, local private firms are financially supported by the MPDF to engage a local private consultant in providing assistance in the preparation of a QM application. Some 17 local private companies have benefited from this funding assistance programme. In order to assess the efficiency of the funding assistance, a group of participating companies were selected and interviewed. They were asked to comment on (a) funding assistance from the MPDF and (b) the quality of QM consulting services received from their local private QM suppliers. Major findings noted from all interviews with QM users are summarised below.

On the other hand, the GTZ focuses its assistance on the supply side of the QM market. The GTZ are currently delivering a partly-funded modular advanced training programme for QM professionals. The programme aims to train QM trainers who will ultimately be able to deliver DGQ training courses in Vietnam. It should also be noted that the MPDF is offering partial financial assistance to professionals who attend this training programme. With the aim of assessing the efficiency of the training programme provided, local private QM suppliers who sent their staff to this training programme were asked to provide feedback about this programme. Comments made by the participating QM suppliers are noted in the following section.

5.1 Evaluation of Funding Assistance from the MPDF

A group of 9 QM users were selected for interview and asked to comment on the assistance provided by the MPDF for their ISO/SA consulting projects. Generally, they all appreciated the funding assistance from the MPDF, and in most cases the assistance has indeed played a good facilitating role in promoting the usage of QM consulting services. However, there were little differences between their comments. Half of the respondents confirmed that they would have delayed their ISO certification had they not received MPDF financial help. On the other hand, the other half indicated that assistance from the MPDF did not have much impact on their ISO certification decision. Whether or not the funding was available, the firm would have proceeded with their ISO certification plan.

It is noted that the funding assistance provided by the MPDF is not meant to be of a large scale and available to all interested parties in the market place. The programme was intended as a pilot activity to test the market, and particularly focused on providing financial assistance to its existing clients. The majority of participating QM users commented that they have worked with the MPDF before and some reported that they were approached by the MPDF representative to ask whether they would like to receive funding for their QM project after they had decided to engage QM consultants.

In addition to financial assistance, the MPDF also assisted the QM users with non-financial help. For those who decided to apply QM after a commitment for assistance from the MPDF, a list of suggested QM consultants was provided for selection. Given the limited information about the QM market available in the market, such assistance has been very useful for the users.

Furthermore, the MPDF plays a monitoring and evaluation role in these QM assignments. However, it was commented that the MPDF's involvement remained limited. QM suppliers are only required to submit a work plan and progress reports to the MPDF. Of 9 QM suppliers whose clients were interviewed, one reported that the MPDF representative did attend their ISO training workshop that they delivered to their clients. Other suppliers indicated that they only sent progress reports to the MPDF and would appreciate it if they received feedback from the MPDF regarding the quality and progress of the assignment.

Some QM suppliers thought the involvement of the MPDF in their QM consulting assignment had made it more difficult for consultants to control the work's progress and get the user's management involved in the assignment. A QM supplier commented that the three-party contract (signed between the MPDF, the user and the supplier) had stopped the supplier having as much influence over the user as they could have if the contract were signed between the user and the supplier. In a normal business case, the supplier would include a penalty clause in the contract if the client fails to keep up with the agreed work plan. Besides, the fact that the consultant fee is transferred to the supplier via the MPDF after receiving 50% of payment from the client did not make the client feel that they had hired consultants and thus had to "use" their expertise and knowledge as much as they could.

From the QM suppliers' points of view, this kind of assistance is good for a limited number of local enterprises who received financial assistance from the MPDF. However, the programme failed to have a larger impact on the whole business community, which needs to raise awareness of the application of international standards in their operations. While other management tools (TQM, Kaizen, 6 Sigma…) remained unpopular in the business community, no attempt has been made to promote these kinds of QM products.

5.2 Evaluation of Training Programme funded by the GTZ

In order to assess the training programme, the consultant team asked the QM suppliers' representatives for their comments and feedback from their staff who attended the course.

When it comes to training assistance, the majority of the firms acknowledged that this is the correct form of assistance for local private QM suppliers. The financial assistance provided by the GTZ has enabled the local private firms to send more staff to the training course. Some firms even commented that in addition to GTZ assistance, they were able to access further financial help from the MPDF. As a result, the course fees became quite cheap.

Some suppliers, however, found that the training was somewhat too long. As the training programme required participants to attend all modules, their staff found it difficult to allocate their time accordingly or were not allowed to participate in the modules that they were interested in.

Overall, training remains the area in which QM professionals need assistance. They understand that this type of job requires them to continuously update their skills and expertise. Given that QM resources for public use are limited, a training course in which the latest expertise and skills are included is in high demand among the consultant group.

6 Recommendations

Like any markets for other products, the market for QM and its related services in Vietnam has operated according to commercialised market principles whereby the availability of these products is driven by market demand, which has been rising over the last four years.

It has been noted that the market will continue to develop without policy changes from the regulator or program interventions from donors. However, the market would perform better and could overcome any market failures and pitfalls if the government and donors made the most appropriate and effective interventions into the market. As any possible market interventions will have both a negative and positive impact on the market, we need to consider interventions that are more likely to address a market issue with minimal distortions. Before coming to specific recommendations, we would like to highlight the following suggestions here:

- It is time to avoid programmes that support both QM suppliers and users at the delivery stage of a consulting assignment or the transaction subsidiary, as such exercises have caused some market distortions. Direct support to either suppliers or end-users at the transactions/delivery stage would turn the suppliers toward the donors. Support programmes should be designed to promote new issues in the QM area, which could be non standard-based QM services, rather than to provide support for widely-known and accepted standard-based QM services. Furthermore, intervention should occur at the most appropriate period of the assignment, namely the pre-delivery or after-delivery stages.

- It would be difficult for a donor to pursue the market development approach when other donors or government agencies continue to subsidize transactions and offer publicly funded services in the same market. Coordination among donors and between donors and government agencies is important to avoid any duplications and direct efforts towards the same intervention programme.

- It would be useful to conduct quantitative research on nearly 1000 end-users of QM and its related services market. Besides the benefits for donors and government agencies, the results of the research on the industry, its location and size, criteria in selecting QM service providers, reasons for purchasing QM services as well as the benefits of applying the QM system could be useful information for QM service suppliers in improving their marketing activities and enhancing their technical capacity and quality management.

Table 6.1 provides a summary of possible recommendations for the key market issues identified in this study. Detailed recommendations are outlined in the section below.

Table 6.1 - Summary Of Market Issues and Possible Recommendations

	Issues	Recommended interventions	Organisations that might be involved
Business environment issues			
1	**Unclear distinctions between consulting and certification activities at the same organisation**	Strengthen the role of the accreditation agency	STAMEQ accreditation bureau
		Promote public awareness of the issue	Mass media
		Set up national QM association to monitor a code of conduct of players in the market	STAMEQ, donors and private initiatives
2	**Unclear distinctions between the business operations (training, certification and consulting activities) and the state's administrative role**	Separating commercial activities and state administrative activities in the public body. In the long run, service suppliers should be independent business entities and not operate under the umbrella of a state administrative management organisation.	STAMEQ
3	**No knowledge-sharing between QM suppliers**	Set up QM Association Set up member-based club/library/forum in the QM market Encourage joint activities and cooperation between service providers	STAMEQ, consulting organisations and donors
4	**Reduction of ISO consulting fees resulted in deterioration of service quality, which could**	Establish and implement a code of ethics to protect long-term players	In the long run it should be the role of the QM association

	Issues	Recommended interventions	Organisations that might be involved
	lead to misunderstanding of the benefits of Quality Management in the long run	Promote user awareness of the importance of service quality and what kind of service they should receive.	Mass media, especially those specialised in QM and BDS
5	**Users have very limited information on the services they are going to receive**	Provide information to the user through all available channels	Mass media STAMEQ, future QM association
		Supply side issues	
6	**QM suppliers are mainly based in big cities like HCMC and Hanoi**	Provide users with information on the service providers	Mass media especially those specialised in QM and BDS (BDS Directory?)
		Help the service providers in expanding their operations	Local agencies (like DOI, Department of SMQ, People's Committee)
7	**Inconsistency in quality of service provided by QM suppliers and among different technical staff due to inadequate resources and staff training**	Train for suppliers in quality management to improve their competency in service provision Provide training in management and soft skills for QM consultants Assist training providers in developing and delivering appropriate training courses to QM service suppliers	STAMEQ, donors and other public agencies
		Implement the code of ethics to promote high quality service providers	QM association, STAMEQ, accreditation bureau
		Raise public awareness to make users more quality-oriented	Mass media

	Issues	Recommended interventions	Organisations that might be involved
8	**Limited range of products**	Promote public awareness of other non –standard-based QM tools. Publish successful cases	Mass media STAMEQ and other agencies Big companies
		Provide training for existing consultants in QM-related services and other tools. Assist suppliers in developing and commercialising new products Assist pilot implementation programme	STAMEQ, donors, public agencies (including ministries, People' Committees, big companies)
9	**Lack of industry focus, business development and marketing strategies**	Encourage service providers to focus and specialize in some selected industries Provide training courses in specific industries/ sectors such as food Provide appropriate training	STAMEQ, donors, big corporations and companies
10	**Lack of updated information and new development in QM field**	Set up a member-based library or website to provide information, documents and other materials in the QM field	STAMEQ, donors and private initiatives and possibly the future QM association

As can be seen in table 6.1, there is often more than one way to address a specific market issue and one intervention programme might resolve more than one market issue. Taking this into account, these recommended interventions could be classified into 6 groups as represented below.

6.1 Establishing a National QM Association

It is recommended that an industry association for the QM field be established nationwide. The QM association should be autonomous and be independent from government agencies. It should play the following roles:

- To represent and promote the interests of its members in the QM industry in both domestic and international relations. This role includes dialogue and lobbying activities with the government on behalf of its members on law and policies affecting members' business, and developing relationships with other local and international organisations;
- To accredit professionals and require a minimum level of ethical conduct. The association should identify a common body of knowledge in which accredited professionals must demonstrate competence, whether by examination, experience, or a combination of both;
- To require and ensure continuing professional education to maintain such accreditation, as well as evidence of conformity with the industry's code of conduct;
- To benchmark the industry against international best practices and encourage its members, through training options, to keep up with international trends;
- To educate the business community, conduct public-awareness activities on the value of QM services, and provide information to the public about its members;
- To provide a platform for forum, discussion and knowledge-sharing; and
- To be the first body to resolve any disagreements or disputes between its members.

Presently, there is not a single formal association for the QM industry. An ISO club was initiated last year by the Saigon Times Group in cooperation with the VPC. This was an open forum for both ISO users and suppliers, which has resulted in many useful discussions on ISO consulting and certification services, elements of which have been published in the Saigon Economic Times. The forum was open for discussion for almost one year in 2001 but has not been re-activated since then. Furthermore, a club created with the support of one service provider would not represent the interests of other service providers.

Similarly, there is another ISO club in the South of Vietnam headed by the founder of a private QM supplier. Although the club is still active, not many activities have been recorded. Some suppliers commented that the club's forum is open for discussion but not much useful information and knowledge has been shared.

Having said that, none of the above has full legal authority to represent consulting firms in the QM industry. Most private QM suppliers expressed that there is an urgent need for an association representing all QM suppliers.

Setting up a business association in Vietnam can be a long and complicated process which requires time and effort. To start the process, representatives of organisations need to create a preparatory board for a national association, which must be approved by the former Government Committee on Organisation and Personnel, now called the Ministry of Home Affairs. The preparatory board then submits an application to establish the association to the Ministry of Home Affairs and waits for permission.

Experience has shown that associations in Vietnam can be set up based on a broad range of motivations and causal factors, including the desire of the government or local authorities, of companies themselves, or with the help of external donors.[15] A national association in the QM industry should be a self-sustainable organisation in the long-run, but STAMEQ and international donors should coordinate in its establishment and provide initial support in capacity-building.

6.2 Levelling the Playing Field

In the medium and long term, it is recommended to the authorities to level the playing field in the QM industry by:

- Strengthening the role of accreditation agencies to prevent possible unhealthy practices by certification bodies such as undertaking both certification and consulting, and substandard auditing to get more customers;
- Requesting a clear distinction between consulting service and certification activities within an organisation or group of companies doing both certification and consulting and having a close relationship to each other; and
- Separating business activities and state administrative activities within an organisation, especially the organisations under the umbrella of STAMEQ. In the long-run, business service units of state administrative management organisations should be corporative. In addition, any service suppliers and certification bodies should be independent and should not be under one state administrative management organisation umbrella.

6.3 Training

It is recommended that more training courses be provided for QM professionals. As an expert in quality management, the consultant is required to have an in-depth understanding of the relevant standards, assessment processes, quality management principles and QM techniques. In addition, the consultants also need to acquire supporting skills such as project management, leadership, presentation, communication skills and teamwork techniques. These courses should be designed to fit in with the training needs of the private QM suppliers. The training should be in the following areas:

- Quality management and related standards for consultants;

[15] Private Sector Discussion #13, MPDF and Asia Foundation *"Business Association in Vietnam: Status, Roles and Performance"* (Nguyen Quynh Phuong Trang and Jonathan R. Stromseth, Hanoi 2002)

- Other management knowledge such as strategic management, financial management, human resource management and management information systems;
- Management consulting skills such as project management, change management, presentation, interviewing, coaching, teamwork, leadership skills, etc.; and
- Quality management and related standards for students in management and technology universities.

Improving the quality of the QM consulting services available, especially those provided by private QM suppliers, is critical if they want to be competitive in the QM marketplace. Although interviewees reported that in-house training is frequently maintained, there is still a need to have more external training courses on such areas as applied quality management, general management and consulting skills.

Many suppliers said that they are willing to pay reasonable fees for external training courses which are useful for them.

All the training courses designed for consultants should take into account the busy schedule at consultancy companies. It is more appropriate if courses for consultants are designed with a number of modules lasting a couple of days each and the contents of the course should be very practical/hands-on. The lecturers for such a course should be top experts or someone with extensive consulting experience. In addition, the concentration of consultancy companies in the two biggest cities of Hanoi and Ho Chi Minh should also be taken into account when choosing the venues for the course.

6.4 Establishing a QM library

As the process of setting up a QM association could be complicated, we recommend that a library on the QM industry be set up. The library could be in the physical form of a reading room and/or the virtual form of a website. It should provide the following activities:

- Provide access to documents and other reading, viewing and listening materials in the QM industry. The materials may be in the form of books, films, videos and audio tapes that consultants and other people can easily use for researching, updating or sharing knowledge; and
- Provide a foundation or initiate discussion or roundtable meetings among stakeholders in the QM industry to discuss or share information and knowledge.

As mentioned above, knowledge-sharing among QM service suppliers is relatively weak. Information available to both QM consultants and interested parties remains limited. It is recommended to set up a regularly updated resource centre at each of the two cities, available for public use.

- By doing this, the QM service suppliers will be able to access the latest information on the development of the industry in the world at a nominal cost. On the other hand, the public will be able to access a useful and reliable source of information on QM knowledge and QM service suppliers in the country.

Besides public information and making documents available to the public, the library might set up a member-based structure for selected members who are interested in a higher level of information.

As the amount of information and documents on the QM industry is not so large, the library could be embedded in an existing library and/or website. However, it should be easy for private members to access.

6.5 Services diversification

As was observed in the study, the range of QM services is very limited and mostly focuses on standard-based management systems such as ISO9000, HACCP or ISO14000. Therefore it is vital to diversify QM services so that companies can reap fuller benefits from Quality Management. In order to diversify the services, several interventions should be made at the same time:

Firstly, public awareness of the benefits and availability of QM tools needs to be promoted through various channels such as the mass media, specialised web pages and public conferences. This continuous campaign together with showcases from successful companies will create the necessary demand so that consulting firms, in turn, will be able to justify their investment in the development of new products and services. The user target group should be those companies who have successfully experienced other QM services like ISO9000. The next step is to provide the necessary training for services providers, so that they are able to develop new services. The expert resources could be mobilised both through international organisations and donors as well as from some leading consultants in Vietnam.

To facilitate the process, donors or other agencies could also partly subsidise pilot service development and its implementation. The result could be used as a showcase for further awareness-creation as well as experience-sharing for both service suppliers and the users. Further support could also be in the form of marketing assistance and staff development for the service providers. Wherever possible, the option of experience-sharing and technology transfer from other countries should be considered. However, once the service is already established, donors should avoid further subsidisation so as not to distort the market. The selection of local consultants and partners for cooperation should focus exclusively on active and experienced consultants who have a sound background and a good ability to reach customers. To increase the ownership for better implementation, the involvement of potential users should be sought where possible (such as big corporations and quality-oriented companies).

As the diversification of QM services is important, the process should be started as early as possible with the involvement of service suppliers, potential users and market facilitators (donors and public agencies).

6.6 Promotion of information to Users

The study has identified a number of weaknesses on the user side. Enterprises do not know what they expect to get from a consultant, what services are available and how to choose and to use good consultants. To address this shortcoming, public awareness and information provision about the QM field is critical.

There are different kinds of information that need to be promoted to the users. First is general information on QM and QM tools which are supposed to increase the interest of the users in QM services. This kind of information is especially useful for the first time user of services and should be promoted through mass media such as TV, radio and newspapers.

Secondly, when the users already have some interest in the services, they need specific information and guidelines on the service providers available, their capacity and how to evaluate and use the supplier. This kind of information is currently very limited and needs to be created with the support of donors or public agencies, which might include but are not limited to a "BDS Directory", "Guidelines on how to select and use consultants" etc. The information should be provided through media and organisations related to the Quality Management Field or BDS services.

Finally, some experienced QM users might not be satisfied with or not have the resources to use what service providers offer them, therefore they would need more specific information on Quality Management techniques for further implementation at their workplace. This could be promoted through QM books and Newsletters, written in a simple and easy to understand way and supplemented by local practice and case studies. There are already several examples of specialised QM newsletters and QM websites, both provided by public agencies and private initiatives. This practice need to be further supported by donor organisations.

With more information available, it could be expected that the demand for QM services will be strengthened both in terms of quantity and quality on the demand side.