

Case1:
HUNG THINH ENTERPRISE

Name of enterprise: Hung Think
Main product: Consumer Aluminum Goods
Director: Hung

The enterprise was established in 1985, involved in both processing and providing products of its own material supply. It was allowed to sell products only to the state-owned trading enterprise.

At the beginning, the main, biggest customer of the enterprise was an Enterprise on Trading Technological Goods. This is the trading company at level 1 in state trading system at that time. Relationship with the customer was set due to the relations that the director had since he had been working for several enterprises before. The customer supplied materials regularly one time in six months and did payments also regularly. Thus the enterprise had to concentrate just only on production. At that time, the enterprise had another customer from the level 2 for whom it provided tools for house-work. Contracts on production were made with details in material consume per production unit, the quality and prices as well as conditions for payment. No dispute emerged at this stage.

One year later, the demand on the enterprise's product increased and was ordered by trading enterprises from level 2 and 3. To respond to this demand, the enterprise had to seek flexibly for materials more >from "market". One of the solutions was found by utilization of the supplies in advance for six months reserve of the main customer for production and fill them back step by step. Thus the effectiveness could be reached. The enterprise own supply occupied a half of the total requirements for its production.

The same type of rigid contract had been adopted so that there were rarely emerged disputes. At that time the inflation is very high so the customers who want to buy products made by the enterprise's material supply were asked paying the money equivalent to the value of raw material. This allowed the enterprise to buy materials immediately.

The enterprise had to face many difficulties when the system of state supply of materials was abolished in 1989. First of all, it was due to reduction in activities of the state-owned enterprise. There emerged many individual traders who conducted trading on products of the enterprise. The labor market was extended due to the employment policy (there are many state enterprise reduce their production so the people who used to work in state enterprise now have to do something to feed their family). The most critical problems were seeking for counterparts, supplying materials, getting money from customers, etc.

Unstable situation lasted about one year when the director himself had to go to Lang son province, sometimes even over the border to China, to sell his products. It gained an advantage by getting money directly >from sale, but at a risk of no customer. Several months later, the enterprise could make contacts with a counterpart at the border which became the sale-agent

then.

For the time being, customers of the enterprise are whole sellers at Dong Xuan market and some from other provinces. The province customers usually buy commodity from the whole seller but now they change to buy more from the producer. The relationships between them and the enterprise are varied.

Regarding the traders from Dong Xuan market, the enterprise has to sell on credits for the first shift, the money will get on the second time and the process continues. The principle is that a new supply could be conducted just only when the payment for the previous was completed. Contracts are in a very simple form: Orders are verbally made and goods supplies are registered in a note-book. Of course, the principle could not be always kept in practice and sometimes the enterprise has to stand on.

Contract implementation relies very much on the personality of customers and their image on the business relation, especially when the legal system is still not very comprehensive and its very weak enforcement in practice. Customers are identified mainly through direct communication and contacts. Opinions of other customers in the trade community could be some times very considerable. Currently, the enterprise has ten customers at Dong Xuan, among which only two are the strategic reliable customers. Regarding the unbelievable customers the enterprise intends to get back any debt and give no more supply.

It is quite often nowadays that the customers do not implement their commitment on payment. They want to enlarge the debt, delay the payment. All of this means they want to use the capital of producer. Here the enterprise face a dilemma: how he can force his customer to settle up the payment but still don't make them unhappy or still keep the relation. It is clear that if you do something strongly to force customer settle up the debt, you can break the relationship with him and it also means that you cannot get back your money. The manager also said that as long as you still keep good relation with your debtor you still have hope to get back the money.

One of very good example for the above idea is a case in 1994 when one of his customer (who is the whole seller in Dong Xuan market) delay the payment of 60 millions VND. It took 5 month for the manager to get back the debt. The manager said that he could rent a criminal organization to force this customer to settle up the payment but if he does so he can break the relationship with other customers. They may think that in the future if they have difficulty they may be threatened. So, in order to keep long term relation with customers the enterprise must be very careful in dealing with dispute.

Regarding to province customers, they are usually the whole sellers who buy many different things from Hanoi to sell in their province. In the early time when they have relation, transaction is very simple. The customers pay down-money then producer can prepare for the order. When the customer get commodity he will settle up remaining money. After 3 month having business relation, these customers now can order by phone and inform him when and where he should bring his product to and how the payment will be settled up. When the enterprise has an order like that he will produce to fill it and carry product to place his customer require and normally it is bus

station. The bus driver is a kind of representative of customers and normally he will transfer customer's money to producer.

The above way of transaction is very popular now and one of the reason is the undeveloped banking system. In fact we have so-call banking system which have the outlet in every province but people aren't familiar with it and the procedure is quite complicate. The people think when they deliver their product then get money from the bus driver, it is more face to face transaction and it is more believable. More, they don't want the bank or any one involve in their business. Doing business used to be though the illegal activities and this idea still influences business manner.

Regarding to supplier, in order to stabilize production the enterprise has many suppliers and there are two of these suppliers are the members of manager's family. There is also a province customer to be supplier and in fact he supplies 30% of material demand. This kind of relation will guarantee good material for production and stabilization. The enterprise also transfer the aluminum material processing technology to its main suppliers so they can have more value-added activities and the quality of material will be better.

There is no professional association for consume aluminum producers but they meet each other quite often and they usually exchange information about the reliability of a particular customer. They also talk about the material, suppliers, technology and many social topics.

Case 2:

Hong Hai is a private enterprise which was established in 1990. It produces the bell for motorbike. Mr. Hong who is the owner of this enterprise used to work for a state manufacturing company as an engineer. The idea to produce bell came from his experience in extra working time. He lives in Pho Hue street which is very popular with trading motorbike components. Due to the low salary from state enterprise he had to repair motorbike bell in his street after working in the day time in state enterprise. With the knowledge of a mechanic engineer and the experience of a skillful mechanic he knows how to produce a good bell with reasonable price.

At that time, in the market there were many kinds of imported motorbike bell. The price was very high and the quality was not very good. From that situation he had the idea. He bought an open land, two simple machines, employed four workers and then started production. His mother became his only customer. She has a shop in Pho Hue street and does motorbike component trading. In fact, she knows all the whole sellers in that street and has a very good relationship with them. She also has a good reputation in the market and it helps her to collect money from her customers easily.

So Mr. Hong in fact has only one customer which was his mother and it helps him concentrate in production. His product had many advantages than the imported one. The quality was the same, the price is much lower and the delivery conditions were much more convenient. With that power step by step, he became the monopoly producer in the North market and later in the South too. There is a know-how in producing his product so it is not easy for other producers to imitate. In the market with the monopoly power, his mother was not difficult to sell his product and normally the customers had to pay the down-money when they order. In that situation, the reliability of other customers is not important, who want to buy must have money. The credit was given just for the well-known people and the important thing is that his mother deals with all that issue. He also had no difficulty with suppliers. They are very happy to supply him because his production is so good and as a consequence, he can pay them the advance money and had very good relationships with them.

The situation remained for nearly two years then in 1992, his chief worker sold the technology for other producers and it made a big competition in the market. In fact, Mr. Hong didn't tell anyone the technology he used to produce bell but his chief worker learned how to do that during the time he worked for him. As a result, the price went down, Mr. Hong and his mother had to accept the disadvantage conditions in doing business with their customers. In one year, the competition grew stronger and at the end, all of bell producers had to close their factories. The reason is that, when the price is too low, the consumer doesn't believe in the quality of product and they change to use the imported one. In fact, Mr. Hong many times tried to stop competition by negotiating with other producers but he did not succeed. They refused to cooperate with him.

In 1993, he closed his workshop and did nothing. With the money he got during the time of monopoly power, he started looking for other business opportunities. In 1994, Mr. Hong changed to produce a component for bicycle which will go through some steps of processing before it became the final product. At that time, his workshop was closed but the machine is still there. There was a person who knew Mr. Hong's workshop and he came to ask him about doing the

processing for him.

It means, Mr. Hong just use his machine and do what the customer ask to do. All material, model and other thing was supplied by the customer. After a few times doing processing for this customer, Mr. Hong has an idea to modify the product and produce it by himself. Before having the final decision he has investigated the market and had a few orders from customers. He bought more tools, more machine, employs more workers and started producing his own product. This time he had to sell his product for real customers not his mother in the period of 1990 to 1992. When he started production, he has only 2 customers. The one who ask him to do processing the first time was very angry when Mr.Hong produce his own product and he refused to pay Mr. Hong for the last order. The amount of money is not big so Mr. Hong does not pay attention to get back the money and their relationship was stopped.

Now Mr. Hong has nine customers and has very good relationship. One of the most interesting thing in this case study is how he can establish, develop and maintain the relation with them. In order to understand this clearly, we need to explain more about the up-stream and down-stream relationship between producers. The product of Mr.Hong's workshop is not the final one. His customer (we will call them "group A") will buy it as their input, do processing then sell it to their customers (we will call them "group B") who will do the final steps in production chain and sell to the market.

Two first Mr. Hong's customers used to be the customers of the man who ask him to do processing. When through business society, they know that the product was produced in Mr. Hong's workshop, they went to him and ask him if he can produce his own product then they will buy from him. The negotiation succeeds and the customers give him some down-money. After a few months doing business, Mr. Hong start give them credit and it make them very happy and they stop buying from other producers and give all of their order to Mr. Hong. In fact, Mr. Hong did many small innovation to make his product always competitive in the market and it make his customers happy too.

In the market, the producers in group B have to compete each other and the one whom product based on Mr. Hong product become stronger due to quality input from Mr. Hong workshop. The other producer in group B don't like it and they investigate their competitor. When they see that the most advantage of this competitor is from good suppliers, they ask their suppliers who is in group A buy input from Mr. Hong. And that is the way he establishes relation with his customers. The market is very dynamic and Mr. Hong's competitors don't stand and loose their market share.

They do innovation, reduce price and many other activities and Mr. Hong has to do better to keep his customers. What he does is on the one hand, increase the quality and on the other hand give his customers credit. This is the way that other competitor very difficulty imitate. He has enough money from bell production to give credit for his customers when other ones cannot do that. And the more important thing is he has a kind of monitoring system which guarantee that his customers will settle up the payment. It is important because their contract as a tradition is just a small note in the notebook and if there is a dispute between them he cannot ask the court or local authorities resolve the problem. He must resolves it by himself. Using a private agency to resolve

dispute with customers is not desirable and not necessary. So what he does?

To guarantee that the customers will settle up the payment, it is important to evaluate their reliability. To do that, Mr. Hong first heard the business society about his customers and then through doing business he can learn about his customers. He visits his customers' workshop quite often to make sure that they have no problem in production. Besides that, he also creates relations with producers in group B and has a kind of agreement with them that when his customers cannot settle up the payment the producer in group B won't pay them so Mr. Hong can get back the money. It can be called the secure system. In fact there isn't any dispute between Mr. Hong and his customers but it works because the secure system is believable.

Regarding to suppliers' side, Mr. Hong used to have many suppliers who sell him steel. Now he has only one supplier who produces customized material for him. With this kind of input, he can buy material with low price and ready for his production. He always pays his supplier on time (the thing that other producers do not do) and it makes him give the first priority for Mr. Hong's order. This input is in fact nothing special. With a little higher price he can buy from anywhere but he prefers to have his private supplier.

The local authorities seem to have a very weak position in supporting the enterprise. What they do is collecting tax, contributions, etc. They cannot help the enterprise to resolve disputes with its customer or supplier if it happens. They are not believable to get information from. So from where can the enterprise get information about its customers? It is a so-called business society. It is not a formal organization, it is just the set of people who involve in the private sector. Normally they know each other, they meet everyday and talk everything and from that kind of communication they have information. It is better than any present databank I think, at least in Vietnam and it works quite effectively. It helps the entrepreneur know each other, to evaluate their customers, to identify market opportunities and the most important thing is it creates an ethic in doing business which helps the market work when the law system is not completed.

Case 3:

Truc Bach enterprise was established in 1984 when its manager retired from a state company. Due to the economic rules at that time, the enterprise could not really do business in the market. What it could do is try to get a processing contract with a state company. All the material was supplied by this state company and it bought all product which was produced from that material.

In 1984, through an introduction of friends, the manager established relation with Hanoi Stationery Company (which is the "first level" state trading company) and this company became his main customer from 1984 to 1989. Like many other non-state enterprises at that time, it just did processing for this customer. It means the enterprise and the customer will negotiate about quantity, quality, the quantity of material used to produce an unit of product and the processing price. After that the customer will supply all of necessary material and get back the product.

In 1989, the government made a decision to give up the centrally planned mechanism and let the market step by step take control. In the new situation, the enterprise now can do business more freely. It can buy the material from anywhere it want and sell its own product to anyone in the market. The barrier of industry is low. This created many difficulties for the enterprise but opportunities too.

In 1990, Hanoi Stationery Company lost its role as a monopoly customer and as a consequence its order suddenly reduced. There are more and more enterprises in the market and the enterprise started looking for new customers. It made sample product, introduced it to many whole sellers in Dong Xuan market and then produce. As a tradition in this market, if the producer does not have monopoly power he has to give credit for these whole sellers. It means when he fill the customers' order he will get payment of the previous one. This rule is accepted by the business society but there are many whole sellers do not apply it. Instead of settle up the payment of previous order when they get new supply, they just settle up a part of that money and by that way increase the debt. This create the possibility of losing money so it is important for any producer to have good customers.

The manager of Truc Bach enterprise said that when he start sell his product to Dong Xuan market he had to ask many friends who has some relation with people in this market about the personality of customers here. It is a kind of draft filter to avoid working with wrong customers. But it is only first step. The people just show their personality through their actions in difficult time so after a few transactions and testing Mr. Tuat can select his strategic customers and concentrate to satisfy them. Here you see very clear idea of choosing customers. The good customer is not one who pay high price for your product but one who is honest and well implement the commitment with you.

In 1992, there are many notebook producers trying to sell their product in Dong Xuan market and the competition became very high. In this situation the whole sellers started asking more credit, reduce the price and set many other favor conditions. This made the producer unhappy and now selling product is difficult but getting back the debt is event more difficult. In this year, disputes with customers emerge and most of that are about the debt. There was a customer who did not settle up the payment as he promised and it took more than 4 month to get back the money. In

this case and it is also very typical for many other similar cases, the manager just persuade his customer to settle up the payment and very kindly ask him to do that. This will keep the relationship with that customer and help the enterprise get back the debt. If the enterprise strongly force him to pay or threaten him it just make the dispute bigger and the possibility to get back the debt is more difficult.

Regarding to dispute with customer, the manager also said that they never ask the authorities or court to resolve the dispute. There are several reasons explaining this idea but the strongest one is that people do not know well about the court and they do not believe that the authorities can help them. They normally just create more problems. The father reason why people don't use court is that in Vietnam no one believe we have a good legal system. However, normally the debt is not big so they thing if they as authorities or court to help them it is worthless.

As what we talk above, the enterprise has to look for new customers and one of alternative is customer in other province. After two years doing business in the free market, the enterprise has learn how its product is distributed to end user. It means he know quite well different distribution channels, the advantage and disadvantage of them. The comment distribution channel is from producer to whole seller in Hanoi (Dong Xuan Market) then to whole seller in other province, then to retail shops and to end user. The whole seller in Hanoi in fact is very useful for the whole sellers from other province when it take the responsibility to collect many different kinds of commodity with different quantity and sometime supply credit for them. It is one of reasons why they do not go directly to producers especially when they stay in Hanoi for just few days. In the producer's side, they do not know well about customers in other provinces so they did not want to sell to these customers.

For notebook sector, and especially for this enterprise, the above system work quite well from 1990 to 1992. Now, due to many reasons, the reliability of whole sellers in Hanoi go down, the competition is high so the province customers prefer to buy directly from producer and v.s. For the first transactions with province customers, when they order they also pay down money or all money. It is good for both because producer can get money soon and customers can have good price. After some transactions they can believe each other and now the customers can order by phone and inform the producer when and where he should bring his product to and how he can get the money. Normally the place to bring commodity to is bus station and money will be paid through bus driver who will carry the products. We can say that, now the bus driver partly play a role of Hanoi whole seller when he help the province customers to collect and also carry diferent commodities of diferent producers or whole sellers.

The above way to do business is effective and it creates the long term relationship between producer and customers. And when the legal system is very weak, the reliability has a very important mean. Now the enterprise sell more than 50% of is product to province customers, about 20% to state trading company and the remaining amount to whole sellers in Hanoi. The state trading company is the oldest customer and now it still has a very important role for enterprise.

Regarding to supplier, for good quality paper, there is only one local monopoly supplier which is

the General Company on Paper, Wood and Match and the enterprise has no choice. What the manager can do here is to establish good relationship with salesman of these company to have good buying conditions. This supplier are state company and it is controlled by the government in term of price. In fact, there is no dispute with this supplier because the product is standardized and it is monopoly. If the enterprise has anything to complain it still has to buy from this supplier.

The enterprise's production is influenced very much by the change in supplier's policy and it is undesirable. In order to keep stable production, it build a small workshop to produce paper for itself in 1994. The quality of the paper is not as good as Bai Bang paper (Bai Bang is the biggest mill of General Company on Paper, Wood and Match) but it is acceptable for some markets. The notebooks which were produced from its own paper are sale mostly to province customers because the price is much lower than the good one.

To produce its own paper, the enterprise use material from different sources like: used paper, waste paper and especially the good paper which is the remaining part when the enterprise cut off good paper to make good notebook. In general, the price of these material is very low or free and more importantly it helps stabilizing its production. For paper production, it also buy some chemical in the market (from the chemical shop of state chemical company). There is nothing special in dealing with these suppliers. When it need some kind of chemical it go to the shop, pay money and get what it want.

Regarding to associations, the manager said that his enterprise is a member of Council of Cooperative Union. This Council is state agency which take the responsibility to help the non-state enterprise to understand the government policy related to them. The manager said that in fact this organization is not very useful.

There are many notebook producers in Hanoi and it is very interesting that they meet quite often. They talk many time that it is necessary to establish a notebook producer association to control the production, to set price and address many other purpose but it is still talking. There is no one can be a leader which is believed by other producers. However, dispite the thing that there is not association, the meeting between producers has some mean. It can help them have a chance to meet each other, to talk freely and get information.

case 4:

Thanh Cong Enterprise was established in 1985 with only 5 workers. At that time it produced bicycle frame for state trading companies (it has no right to sell its product in the market) in which 20% of production is in "processing" form and 80% is in the form of "collecting-buying". In the processing form, the customers will supply the necessary material and in "buying-collecting" form the enterprise take the responsibility to buy material. The most important material for its production is steel and it buy steel from Thai Nguyen Steel Company (this is the biggest state steel producer in Vietnam). In fact, in order to buy material, the producer had to show the state supplier his contract with state customer. So in fact inspire of the thing that you are state enterprise or not you still have to follow the plan economic system. The quality of material is acceptable.

At that time, most of payment was done via state banking system and as many other enterprise it face the difficulty to get cash out of his account in the bank. This time the enterprise produced some product of its own then sell it in "Cho Troi" but these activities could be though the illegal ones and the manager didn't say much about these activities. From 1987 to 1989 the economic regulation was more open and the enterprise can do more activities in free market. At this time, the state enterprises' activities reduced sharply in mechanic sector so the enterprise must find new customers in the market. It is good because it have more opportunities but it is not guaranteed like the period form 1985 to 1986. The manager said that it is the most difficult time for his enterprise.

There is a common character of enterprise like Thanh Cong. All of its machine are universal ones, the product is very simple and there is nearly no-difficulty in term of technology and investment to produce a new product. So the problem now is how he can identify market demand and find good customers to distribute his product in the market. At this point we should talk more about the history of free market in Vietnam.

Before 1986 the government try to restrict the role of market in Vietnam. Most of production activities must according to the plan. But regardless the above things the market still exist and "Cho Troi" is a very good example. At that time Cho Troi is an open area including a few streets in the Southeast of Hanoi where concentrating many sellers. People come here to sell something when they need money or buy anything which they cannot achieved from the government. All of these activities was illegal and the Hanoi police try to destroy this market many time but it is ineffective. When police come they go away and when police leave they continue doing business there. So for a long time before "doi moi" there was so called "back market" in Hanoi (and in Vietnam in general) and it sets many rules which influences the business behavior in the later years. One of these influences is that they afraid the involving of government agencies in their business and so try to resolve dispute by themselves.

With the business behavior like we've talk above when they do business base on the reliability than on legal aspect, it is very important for the enterprise like Thanh Cong to find good and believable customers. To do so, the informal information through meeting and talking between entrepreneurs and the experience of the manager have a critical role. As you know, in Hanoi and especially in

Cho Troi, there are plenty of small shop in the walk sides offering drink for people there. Normally through informal talking at these place, the manager can collect useful information and identify who is the biggest seller of particular product. After that he go to them, introduce himself and his enterprise.

In general, the agreement with strong customers is very clear. The producer has to offer unique product with low price than average and guarantee to fulfill big order. Besides that, before going to long term cooperation they test each other by some way. The manager said that one of his customers intentionally delays the payment and increase the debt to see his response, to see how much credit he can offer her as well as how much trust he put on her. After a few time of testing they decide to have real long term relationship.

The above paragraphs just talk how the enterprise find and establish the relationship with good customers but maintaining this relationship is more important and more difficult. The enterprise must monitor changes in the market and keep an eye on the customers' activities. This will help him to avoid big dispute. Once again, here the information about customers' situation is collected through informal meeting and talking and as you know rumor is transferred very quickly by that way.

Regarding to province customers, the manager said that, he does not want to sell for them because it is very difficult to have accurate information about them. The other reason is that they are normally not big customers. As we talk above, now Thanh Cong produce many different products but most of them are motorbike components which was used mostly in Hanoi or big cities.

At the moment the enterprise does not sell very much for state customers. The manager explain that doing business with state customers now is very difficult. The price is low and the quality is high. Beside that in order to work with state company you have to know how to play with politics and the manager of Thanh Cong enterprise does not like to involve with that things.

The customers sometime have very good idea of new products and if they recommend the enterprise to produce this or that product he will sell all of them to this customer so the customer can have monopoly power. This way will help them to keep the long term relationship.

Now in spite of the thing that the enterprise has good customers and always monitor their activities the dispute has happened. In summer 1994 one of his customers cannot pay for a debt of 20,000,000 VND and it took him nearly one and a haft year to get back the money. Like many cases in the survey, when there is a dispute they do not bring to the court but try to resolve by themselves. The local authorities has no role too because people do not believe on them. Here when the customer does not settle up the debt, the manager just kindly ask him to pay. He said that the first thing he does is forget about the debt and keep social relation with this customer. He didn't sell to him any more but still keep good relation and sometime very cleverly get back the money. He also said that it is a kind of art which is very difficult to explain but he can master it.

Regarding to supply side of this enterprise, as we talk above, before 1986 Thai Nguyen Steel

Company is the monopoly supplier and the enterprise has no choice to buy material. Now, in the market there are many people involve in collecting and selling steel. They collect used steel from any where, do some kind of processing and then resell to producers like Thanh Cong enterprise. For production of Thanh Cong enterprise the used steel is good enough and it is cheaper than material from steel company. Now the enterprise have three main suppliers and the biggest one supplies more than 70%.

When the enterprise start doing business in the market it start looking for private supplier. After a few transactions they agree to give credit for the enterprise and the enterprise use debt as his weapon to tie the supplier with his production. So the enterprise give credit for its customers but get credit from his suppliers and it is like a chain. The enterprise also have many other advantages in relation with his suppliers like return bad material when it cannot be used.

Sometime the suppliers get angry with the enterprise when the debt is too big and the period of the debt is too long. In this case the enterprise and his supplier always try to resolve the dispute kindly and remaining relationship is always the first priority. The court and local authorities have no role in these cases too.

The enterprise is the member of Council of Cooperative Association but as the manager said it is just formality. This organization does nothing to help the enterprise in term of looking for new customers. What it does is sometime inform the legal document related to non-state enterprise. The local government seem to have more valuable position as it supply the land for the enterprise to develop production. This is part of program: "creating job for local resident".

Case 5: Thong Nhat Garment Enterprise

Thong Nhat Garment Enterprise was established in 1962 as a cooperative. At that time it made garment for state organizations as an OEM supplier of them due to production plans of the Hanoi People Committee. It means that all of enterprise's customers were state organizations and to get order of these ones the enterprise must be involve in the so-called "plan" of Hanoi People Committee. In fact, Thong Nhat was a non-state enterprise but behaved like any other state enterprise!

The above situation remained until before 1989. During this period of time, the production was stable. The enterprise got almost all material from his customers, do processing and give the final product to them. It got only the processing payment for what it's done. It had nothing to concern about suppliers or material sources and it had no right to concern about that. It was the area of state enterprises. What the enterprise could do at that time was to create good relationship with the local authorities and its customers in order to have OEM contract and then concentrated on increasing productivity. It used to be the only source of profit.

In 1989, there were many big changes in economic policies. The centralized plan mechanism went to bankruptcy, it is more open for all kind of enterprise to explore the market. It is good but it is also a big shock for many enterprise including Thong Nhat. There are more jobs for the enterprise to do now. It has to think of its real customers, try its best to satisfy them, deal with suppliers and many other things. It take the enterprise nearly one year to learn how to do business in the new mechanism, the market one and it still learning now. In 1989, the enterprise still has business relationship with its traditional customers. The orders are nearly the same but the base of contract is different. It is no longer based on the plan of the local authorities but based on market rules. The enterprise also has new customers and starts exporting in the form of OEM through trading companies in 1992. Now exporting counts for 40% of its total revenue. It is important to explain that Thong Nhat enterprise is a small one and it is very difficult to have exporting contract in any form by itself. So the enterprise has joined with some other small one to negotiate with foreign customers.

The foreign customers were introduced by CONFECTIMEX, a state garment trading company. This company used to be a general company which include many big state garment enterprise in the whole country but from 1993 the organization of general company was broken and CONFECTIMEX become a normal trading company. It has manufacturing facilities but do trading much more. Normally, it introduces the customers for many enterprise like Thong Nhat and get commission for that. More, it helps the small enterprise to write foreign trade contract and export on behalf of these enterprise. Sometimes, CONFECTIMEX take the responsibility to deal with dispute with foreign customers and it is very helpful for small company who does not have the international trading experience in this area. In general, CONFECTIMEX get paid for these kind of services.

There was a case in 1994 when a Korean customer could not settle up the payment on time (in the contract the customers must pay after 3 weeks the product delivered but it took 3 month for doing that) and the enterprise has asked CONFECTIMEX to help solving the dispute. Domestic

customers have a very important role in the enterprise's business. They count for the remain 60% of total revenue and guarantee the stabilization in production. Besides the traditional customers like Hanoi Police Office, the enterprise has some new customers. They are all the big state organizations or companies and they usually order the uniform for their staff. These customers are introduced by friends or relations of the manager. He also said that without these kinds of introduction it is very difficult to do business with the state ones.

One of the newest customer of the enterprise is Cement Manufacturing Complex. The enterprise sell worker's uniform for this customer and it seems a very good business. The construction industry develops so fast and so does the cement industry. Having order of one of the biggest company in the industry promises an increasing revenue in the future. Here, the role of having support from inside customer company is very important. Thong Nhat's manager has some friends who works for Cement Manufacturing Complex and through them he can identify the demand and also the condition to get the order. It means he know how to make the decisive people happy with the contract. However, Thong Nhat enterprise has a very good reputation in supplying uniform for state organizations and it make the new customers like Cement Manufacturing Complex believe that they have choose the right supplier.

The above things reflect a part of Thong Nhat enterprise's strategy, doing business with big state customers. Doing business with the big state organizations always bases on contract and it is more or less that both sides will be forced to implement what they agreed in the contract. The contract is usually not very well prepared but it is clear enough to the business. Attack with the contract is a technical document which help both sides to measure the quality of products. In fact, it is not very difficult to have this technical document because the product is standardized and the enterprise is experienced with that.

Regarding to the contract, we have to say that the idea and the role of its is very different from what the western companies expected. We have the contract but due to the weakness and bureaucracy of the court system, whenever there is a dispute the partner in the contract rarely ask the court help them. They will try to solve the problem by themselves and it works. More than that, in the case of Thong Nhat enterprise, it normally has a close relation with its customers or the decisive people are the manager's friends. In fact, the business base on the reputation of both sides than on the contract and up to now there is nearly no big disputes with domestic customers.

From 1989, there are many changes in supply side of the business. As we talk above, before 1989, due to restriction in trading raw material, almost all material was supplied by its customers. Now the situation is changed but 70% of raw material is still supplied by customers especially the foreign customers. This is the common situation in garment industry when the domestic textile industry is too weak and we lack the information about the outside suppliers and also money to buy cloth.

Despite the non-experience in dealing with supplier, the enterprise has conducted many orders from its material sources. Now it buy cloth from whole sellers in Dong Xuan market. They are the private entrepreneurs and the enterprise has nearly no supplying contract with them. They just negotiate the principles in doing business and agree that whenever the enterprise orders, they will

show the cloth sample and inform the price. If the enterprise accept, they will bring cloth to the factory, the enterprise will check the quality and quantity and if the cloth does not meet the quality or criteria it should be it will be replaced. Sometimes the suppliers also offer credit for the enterprise. Usually, these material is used to make cheap product like worker's uniform. This kind of product does not require good material so Chinese or Vietnamese cloth is acceptable.

As we mentioned above, there is no supplying contract between the enterprise and its suppliers but they have a very close relation and there is nearly no dispute in their business. Both sides try to keep their reputation and it works quite well.

Beside cloth, the enterprise also buy some other material like thread, button, zipper from the local producers. These suppliers are all the state or joint-venture companies. The business is based on supplying contract and the enterprise never has dispute with them yet. They also offer credit for the enterprise but it is not often like cloth private sellers.

Thong Nhat enterprise locates in Dong Da district of Hanoi and its head-office is very close to the house of the People Committee of Dong Da District so somehow it has close relation with the local authorities. The manager said that the local authorities is important in supporting the enterprise. It is an unusually idea because almost all managers said that the local authorities just create problem for them instead of supporting them. The Thong Nhat's manager show us some examples. He said, when the enterprise wanted to expend the factory it must have a constructing permission from local authorities. Normally it take a long time to have this kind of permission but it is not a case here. As soon as The Dong Da People Committee got the application from Thong Nhat enterprise it arranges a team to investigate the real situation and then issue the permission soon. The manager also said that, the committee also help the enterprise in emerging case especially when there are someone tend to cheat the enterprise.

Now we can say that the enterprise has a reasonable business and a good relationship with the local authorities but in order to go father it needs to invest more in training, equipment. It also need to strengthen its management ability.

Case 6: Hoang Son Company.

Hoang Son was established in 1993 as a responsibility limited company and is owned 100 percent by the manager and his family. It produces plastic consumable products and electric cable. The revenue in 1994 is more than 7 billion VND and probably 10 billion in 1995. It has 3 factories in Hanoi and the investment in equipment is more than 10 billion VND up to 1995.

In the beginning, it investigate and learn customers in the market to see who is the most important and promise customers. The manager has to do that through its friends, entrepreneurs who sell the same product, the neighbor of potential customers and direct negotiation. These are critical steps to choose right customers and it will influences the production of company in the future. As a result of the manager's efforts, the company has first four big customers and it help the company to develop very quickly.

As a tradition in doing business in the private sector, there is no formal contract between them but they have the so called "market notebook". This is the notebook which contain the information of each transaction and have the signature of customers on that. In fact it has the value of formal contract. Normally the customers order by phone or talk with salesman of the company.

In 1994, the company has both private and state customers. Regarding to state customers all the business are based on contract. This is because the law require all business activities with other partner of the state customers have to base on formal contracts. When there is a big contract with state organization, the company usually devised it into some small ones and the payment will be settled up due to that. This help the company avoid the risk of "stuck in the big contract with state organization". This phrase express the situation when you have a big order from state organization and you are very happy to conduct that without any down-money from customers (normally if you don't accept this condition there will be someone else accept to do that). Then due to the difficulty in getting money from government budget, you have to wait, and wait.

Regarding to private customers, most of them are the dealers in different market in Hanoi, there are some in other provinces but it is very few. As we mentioned above, the company had many efforts to establish the business relationship with good customers in the beginning but it is necessary to continuously monitor the activities of them. The company offer credit for almost all of its customers so monitoring is event more important. Whenever a customer has a debt bigger than 70% of its asset, the company will reduce the supply and try to get back the debt.

The company also has to investigate why its customers can not pay the debt on time. This will help the company to find the best way to avoid the unexpected dispute. Here we have a very good example illustrating the above argument. In 1995, there is a customer who delay the payment for nearly 3 month. The debt was big so the company had to find some way to solve the problem. The company has investigated the customers and also customers of his. Then the company identified that its customer had many debtors and it is the main reason why its customers cannot pay on time. After that, the company negotiate with the customers to transfer his debtors to the company and the company will collect money from them. This solution is good because on the one hand the company still keep relation with its customer and have good reputation and on the other hand it

can get back the money and also expanding its market and relation.

The manager also said that the above solution does not always work. Sometimes he has to threaten the debtor to bring him to the court but it is no more than threaten. In fact keeping good reputation is the most important thing in dealing with this kind of problem and in Vietnam if you treat fairly with the customers when they have difficulties you will have that reputation. People will do business with you because they think you do not kill them when they have difficulties.

At the moment the company has a system to monitor its customers in order to give right decisions on time. The manager said that it is not easy to establish this system and it costs an amount of money but it is very useful and the money invest in that can think as security expenditure.

As we talk before, Hoang Son company make plastics consumer product and electric cable. The main material used for the production is cube, aluminum and plastics. It has to buy them from some domestic producers and import from Taiwan or Singapore. In fact, some kinds of material is not available in Vietnam or the quality of domestic product is not good enough.

The company usually imports the necessary material through Vietnamese trading companies but the information about the source of material is normally from the manager's relation or friends who lives overseas. As the manager said, all of importation activities are based on international trading norm and it follow the present legislation on import-export activities. Up to now there is no dispute related to import contract.

Besides the foreign suppliers, the company also has 5 big domestic suppliers. The manager said that when the company start producing there are many suppliers go to the company and ask for cooperation. Through negotiation and trial working the company can choose a few suppliers who are most relevant to the size and characteristics of production of the company. These suppliers have to have ability to supply durably with reasonable price. The company also go to these suppliers' factory to see the production line, the equipment and management. There is another important criteria to choose supplier. It is the financial ability of supplier. It means how much credit the supplier can offer Hoang Son company and for how long.

In general there is no big dispute with the suppliers because the company always has advantage in doing business with them. The company is their big customer so they all want to keep the relation and try to avoid the unnecessary dispute.

In 1995, the company has a plan to expend its business to up-stream industry. It tend to produce plastics for itself and also sell to other producers. The equipment and technology to make plastics was imported from Taiwan. The company also imports the key materiel for this production and it is from Taiwan too. The manager said that, it is a promise business and now he has finish the pilot production and has the sample product.

Regarding to the local authorities, the manager said that they have no role in solving the dispute between the company and its customers or suppliers but they are important in term of threaten and issue permission to the company to expand the factory, building new ones and that kind of thing. The role of court is weak too and in fact all entrepreneurs don't use it.

Case 07: Ha Hai Enterprise

Ha Hai enterprise was established in 1991 by Mr. Hai and his partner. In 1992, due to conflict between them, Mr. Hai's partner withdraw from the business and Hai become the only owner of the enterprise. From the beginning to now, the enterprise produces only one product which is floor tile. The technology used to make it is very simple and it requires only the worker's skill. At the moment there are 8 people working for Mr. Hai but he used to have 20 workers in the busiest time.

The idea of establishing an enterprise and producing floor tile is from the fact that in 1990 emerging a construction wave in both public and non-public sectors. It creates a big demand for construction material and at that time floor tile made from cement with color drawing in the surface is used widely to cover floor. With a little experience in construction industry and a promise market, Mr. Hai decided to do business in this field. He learnt from his friends how to master the technology, found a location for his factory, bought equipment, looked for good source of material, employed the workers and started filling the first order of his neighbour.

Mr. Hai lives in a house near Hanoi University of Technology (HUT) which is in the south of Hanoi. This area of Hanoi has plenty of land and there are many housing projects here. The university is expanding and the land is also given to the university's staff to develop houses. Mr. Hai know many people in this area including the local authorities and the administrative department of the university. With that circumstance he decide to locate his factory in the area of the university. It is near his house, inside the promise market and cheap rent for using land.

The most important material used in the production is cement. There are many kinds of cement with competitive price in the market and there are many cement shops nearby his factory so it isn't difficult for him to have some good and convenient suppliers. In general, he pays when he get the material and in necessary cases the suppliers can offer him credit but it is not very often. The enterprise in fact is a small customer of these shops so he cannot control the price of cement and this is the most sensitive issue in supplying aspect. Sometimes (and it happens quite often) the cement price goes up so fast and he cannot adjust the agreement with his customers. As a result, the enterprise get lost or have to give up the contract with its customers.

The quality of cement is not a problem. Cement is a standardized product and different cement label has clear different quality and characters. Depending on the requirement of customer, the enterprise will use suitable cement label and will chart a price according to that. In general there is no dispute between the enterprise and its suppliers in term of quality or payment conditions.

As we mention above, Mr. Hai's factory locates in the developing area and the market for his product is very promise. However there are many floor tile producers in the market so the competition is tough. His first customer was his neighbor and it was a kind of supporting from friend. This customer gave him advance money for the whole value of the order so the enterprise can avoid the difficulty of lacking working capital. After this transaction, the enterprise really come to production and look for new and long term customers.

Based on Mr. Hai's relation with the administrative department of the university, he got the order from HUT to supply floor tile for developing two buildings in the university. This is a very good contract because the enterprise can save the transport cost and also the transaction cost too. The communication with customer is good and the enterprise can adjust its production to be suitable with customer's construction works. In fact this customer accounts for nearly 70% of the enterprise's production.

Besides the advantage of doing business with a state customer in construction project there are many disadvantages. One of the biggest disadvantages is the payment condition. Normally the state project is funded by the government budget and due to the bureaucracy procedure to withdraw the money, the project cannot run smoothly without credit offered by suppliers and subcontractors. So as a norm, if you want to have a contract from a state project you must offer credit. Sometimes, it takes a long time to settle up the payment but you can have a very good payment for what you do.

Another interesting thing in working with the state customers is the issue of contract especially when you are a private enterprise. In general the contract is just a formal procedure which identifies the benefits and missions of both sides. This contract does not have the real value as it should be. Between the two sides there is also an oral agreement that shows the benefit of both sides. This agreement cannot be shown to the local authorities and has to be based on mutual belief. As a consequence of that situation, if there is any dispute between them such as late payment, they have to solve by themselves and sometimes the enterprise is stuck there until the state organization has money from the budget.

For most of state construction projects, the price of material is fixed when the budget is approved. The procedure of approving a project and withdrawing money usually takes a long time and during that period the market price is changed. So in order to keep the same price of floor tile, for example, when material price went up the enterprise has only one way to do is reduce the quality of its product. This flexible change can be done just when the enterprise and its customer have a close relationship and when they can believe each other. This kind of doing business is very typical for many state construction projects and it works quite well.

Besides selling product to the above customer, the enterprise also has some small construction companies and sometimes it sells to individuals who build or redecorate their house. These customers negotiate in arm's length rule and usually have to pay down-money when they order. They normally require a better quality than the state one but the contract is clear.

Come back to 1991 when the enterprise was established. At that time, the floor tile made from cement with color in the surface is fashion and the enterprise had to overwork for nearly a year and a half. After that period, in 1993, there are many substitute floor tiles made from other materials with better quality and cheaper price in the market. As a result, the production is reduced, the profit is reduced too. The enterprise has to concentrate in state sector where the behavior is more stable. It also has to offer more credit for customers and it is riskier.

With the above situation and the uncertainty of legal issues the enterprise has many difficulties

now and Mr. Hai tends to withdraw from this business and invest in the other one. Regarding to the local authorities he said that, if you know them well, it is very good for you. Otherwise they create many problems. So the question is that how you cooperate with the authorities and get support from them.

Case 8: Anh Hong Enterprise

Anh Hong Enterprise was established in 1963 in the form of a cooperative. The initial capital of the cooperative was contributed by the first 16 members. In the period from late 1993 to early in 1994, due to the affect of the economic changes (from the plan driven economy to market driven economy) , Anh Hong enterprise almost not operated. During this time, the enterprise concentrated on reorganizing and in 1994, the enterprise officially was changed to Stock Cooperative (in fact this is a kind of the shareholder company), since then, the manufacture returned to stability. At the moment the enterprise has 15 people who are the shareholder of the enterprise.

Anh Hong enterprise specializes in manufacturing mechanic consumer products and doing repair services. A few years ago, besides producing ampoule and mechanic products as main products, the enterprise also produced plastic consumer products, perfume, candle, soap, emery-paper... Recently, due to tough competition in the market the enterprise stopped manufacturing these products and concentrate more on producing mechanic consumer product and ampoule. This production activities depend very much on the seasons and customer' s demand.

The largest and oldest customers of the enterprise are Central Pharmaceutical Enterprises No1 & No2. The relation has been maintained for 30 years. The main product sell to these customers are different kinds of ampoule. This product is requested for high hygienic standard, therefore, the customers ask the enterprise producing only from material they provide. The enterprise cannot buy materials from any other sources. Besides, the enterprise also does OEM contract for some local pharmaceutical enterprises but the order is usually small.

The payment conditions of the two pharmaceutical enterprises was changed over time. In the system of budget subside, these customers had stable market which is the ministry of health, hospitals so they could pay fulfill and timely. Now, in the market economy, they have to find customers by themselves. It means the production is not as stable as before and as the consequence the payment is not as good as before. Delaying is normal phenomenon and you have to accept it if you still want to do business with your partner. In fact depending on the value of contract, the way of payment is different. A big contract will be paid slower than a small one. In order to reduce the risk regarding to payment, the enterprise has to send its members to visit the customers and remind them to pay and by the way investigate new opportunities.

However, the enterprise trusts on these customers because they have a long history of relation. More than that, the product is specialized and not available in the market so both the enterprise and its customers have to depend on each other. The manager also said that in the history of 30 years cooperation, there isn't any big dispute between them. There were small ones but they can solve them by themselves. But it is not the case now.

At the moment there is a big dispute between the enterprise and these two customers about the price of OEM contract. Before, the price of basic input of production like electricity, water supply, transportation cost ... is very stable. Now, the price is unstable and due to many changes in registration of both the government and local authorities the production of the enterprise has to

be changed in the direction of increasing manufacturing cost. To keep going, the enterprise want to increase the price of OEM contract and want to have some flexibility in setting price. This is the thing the customers don't want to do. At the moment they still negotiate but they doesn't yet get any result.

The above conflict with the two main customers forces the enterprise looking for new customers and new opportunities. The manager said that he will try to maintain his traditional production which is manufacturing ampoule in order to stabilize the production. However, the enterprise is extending its activities scope at the same time. Beginning of 1995, the enterprise has experimentally produced chairs foam rubber mattress and it turn out that this is the promise market. This is a new product of the enterprise and it is necessary to create the relationship with customers and supplier from the begging. The enterprise sells this product though some private shops. The enterprise supplies for the shop and periodically collect money from them when its product was sold.

Regarding the enterprise new customers, they are very different from old ones in term of negotiating, ordering, and payment. There is no formal contract with them, the enterprise has no legal guarantee in cooperation and the risk is very high. The negotiation, ordering procedure and setting price is very flexible. In fact, there were many private shops unfairly in doing business. These shops got the products from producers then sell it but didn't settle up the payment. When the producers came and asked the payment they show them the other producer's product and said that the product is not sold. By this way they increase the value of debt. Sometimes, there were big disputes between these shops and producers and the results are breaking business relationship.

Under the above situation, the enterprise has to be very careful in choosing its customers (which means the retail shops). Before establishing relation with any customers, it has to investigate them through their neighbor, business society and other producers. Then during the time of cooperating the enterprise need to re-evaluate the reliability of its customers. By these way the enterprise can reduce the risk of loosing money or capital to be used by other enterprise without any interest.

Regarding the local authorities and other state organization like bank and professional association, the manager said that they don't help the enterprise anything. If the enterprise want to borrow money from the bank it has to go though many steps of bureaucratic procedure and sometimes it is impossible to do that. After a few times the enterprise gave up the idea of getting support from state organization.

Case 9: Thien Chien Enterprise

Thien Chien Enterprise owned by Mr. Chien was established at the end of 1991. Mr. Chien used to be at the university for 3 years then quit due to some private reasons. He went to Poland to work for 5 years then comes back and works for Tran Hung Dao mechanic plant which is one of the biggest mechanic plant in Vietnam. In 1989, due to the changes in economic policies, the state enterprises especially the mechanic ones faced many difficulties and it is not exception for Tran Hung Dao. The plant had to reduce production activities, many workers lost their job or got

lower salary. Facing that problem and with experience of many years working in mechanic industry, Mr. Chien decided to retire and established his own enterprise.

In primary period, the enterprise had only 5 workers (including the owner). The operation was mainly processing, repairing and replacing equipment, components for automobile, diesel motor, three-wheeled taxi... At that time the enterprise's equipment, personal qualification was very poor, customers were small and the order was not complex, value of the contract was low, therefore, relationship between the enterprise and customers was quite good. The enterprise operated in the direction of searching and studying. Besides producing to fill customers' orders, Mr. Chien also did trading mechanic goods, and through these activities he understands more market demand, customer truth, material supply and many other things related to doing business in a so called market economy. This is one of causes to move the enterprise into new operating scope to manufacture complete goods.

Since 1992, with his own capital and loan from his friends, Mr. Chien invested in buying equipment, machines from different sources, expanding the workshops, employing more labors. Until now, the enterprise specializes in manufacturing component of agricultural machines and transportation mean (30 different kinds of product).

The present customers of the enterprise are mainly middlemen, such as shops, whole-sale, retain-sale agencies, individual brokers... Among these customers there are five big ones who are the strategic customers and located from the North to the South. The enterprise starts establishing relationship with the customers through many different ways but mainly through friends, suppliers or other customers. Sometimes, the customers come to the enterprise and directly establish the relationship.

In general the relationship with customers in recent years is quite good, disputes almost do not happen. Payment is settled up by most of customers. This is the result of many effort of the enterprise continuously improving product quality, commitment to deliver on time and more than that all of the enterprise's products have three years of guarantee. Up to now, the enterprise has a very good reputation among business society.

Despite of the effort to avoiding dispute with customers, there are still some cases of failing to pay. One of those happened in 1992 but the contract value was low and this customer face difficulties which made him cannot pay his bill. Therefore the enterprise wrote off the debt completely.

The manager said that the enterprise usually has dispute with small individual customers. They normally have some kinds of relations with the enterprise before so the enterprise quite happy to offer them credit. Now, after some disputes the enterprise requests for the payment when it delivers products to these customers. In respect of big contracts or new customers, the enterprise requests for advance payment (about 50% of the contract value). The enterprise also requests the payment for previous products delivery when receiving new products delivery. In respect of usual customers Mr. Chien suggested that there is no dispute happened and the failing to pay is unusual because the products of the enterprise was produced according to high standard, and the

enterprise spends a lot of time to investigate customers' financial capacity and personality.

The main input for the production is uncompleted product and was bought from different sources. The suppliers are usually the private manufacturers. In the market there is a huge number of suppliers but the enterprises just based on a few of them. The enterprise just buys material from other sources when its main suppliers cannot fill the order. In fact, before establishing the relationship with suppliers the enterprise has investigated them carefully through friends, relations, other suppliers and customers). In addition, the enterprise searches material price at the market and control strictly material quality. The enterprise only pay when it receive full material.

Regarding to suppliers, in the beginning time of cooperation, the enterprise and the suppliers met many times to negotiate about the quality, characters, price, delivery conditions of different inputs. After these meetings, the suppliers start produce according to the enterprise's order. For the first two orders, the suppliers require an advance payment of 30% of total contract value. The remaining money will be paid when the enterprise receive material with accurate criteria and quality. When both the enterprise and the supplier have time to understand each other, the supplier now offer the enterprise comical credit if it' s required. In general, the enterprise has no dispute with the main suppliers.

Regarding to the local government and professional association Mr. Chien said that their role is very weak in solving the disputes. He also said that in the case there is a disagreement with customers or suppliers, the enterprise will tries to conciliate, negotiate with them. The enterprise also try to fulfill taxes obligations to local authority. We think that one of the reason why the enterprise does not want the local authorities help to solve the dispute with customers or suppliers because the afraid that these organizations will create problems for them.

Case 10: Tat Thang Enterprise

Tat Thang Enterprise was established in 1964 as an industrial cooperative. The enterprise specializes in producing mechanical products and repairing services. The foundation of the enterprise was the same as the others at that time. Primarily, the enterprise was only a small manufacturer organized by some workmen (black smiths). At that time, the enterprise produced simple products, such as tweezers, bottle opener... In the following years, the enterprise extended the production scope, purchased equipment, employed more specialized workers... and produced more complex products. When the State mobilized the cooperative movement, the enterprise was officially changed into cooperative form and was named Tat Thang Industrial Cooperative. However, the cooperative produce mechanical products in OEM form (such as , bolt...) for state manufacturing and trading companies and carried out repairing services and small production for other customers.

Since 1982, when Mr. Mao became the head of the cooperative, the scope of cooperative were increasingly extended. Mr. Mao used to be an expert in operating cutting machine. He own professional technical qualification and experience in organization and management. Mr. Mao used to work in many enterprises so he has a lot of relations with people who became his customers or introduce customers for him. In the market mechanism, the scope of activities of the cooperative is extended, model equipment was purchased, capital is increased. On January 1995, the enterprise changed into stock industrial cooperative. In fact it is one kind of shareholding company.

At the moment, the products of the enterprise are manufactured ones which used the technology of cutting metal. These are folding steel doors, hinges, chair feet, machine spare-parts... and some component for state manufacturing enterprise. Now, the enterprise produces trial products - powder husk machine - in order to supply for the farmers in the North. The idea of producing this product is from the unsuitability of imported products in the market. Throung listening the customers the enterprise can get a lot of ideas, Mr. Mao said. He also mentioned that now his enterprise has new machines with skilfull workforce so the enterprise can design and manufacture good product and santisfy customers' requirement of duration and accuracy of the products.

Before 1986, most of customers of the enterprise were state enterprise. They are the trading companies or manufacturing ones. At that time the enterprise's biggest customer was "manufactured products trading company". This is the state company specialized in trading manufactured products and in fact, it is the biggest company in this market with monopoly power.

Due to the characters of the economy at that time, there was nearly no dispute between the enterprise and its customers. The customers usually negotiated the price of processing then supplied materials. Sometimes, the enterprise purchased small quantity of materials from other sources but it is not very often. If the enterprise purchased materials, it requested the customers to pay advance money to reduce the risk of customers' withdraw. When the order was filled, the customers will check for the quacity and quality of the product then settle up the remaining payment. However, the payment by customers occasionally was delayed because of paper works but at the end all the payment will be settled up.

After 1986 and especially in the early of 1990s, the economy was driven more and more by the market forces. Due to these changes in economic policy the enterprise faced many difficulties. Customers who are state trading enterprises reduced their activities. The enterprise meet unfavorable conditions related to capital, workshops, equipment, human power... However, with the experience and relationship which is created in many years, the enterprise has found some new customers. At the moment, the two largest customers are state manufacturing companies - Thong Nhat electro-mechanical company and Dai Thanh porcelain company (They count for more than 70% of the total revenue). The enterprise sell to these customers many things like different kinds of fan feet, cover of ceiling fan... Besides supplying for these two main customers the enterprise also produces for other manufacturers and sell in free market.

In order to sell products in the market economy, sale by credit is necessary. In respect of state-owned enterprises, they often pay 10-15 days after the due time. In respect of private customers, they have to pay for the previous order if they want to receive new delivery. For the purpose of avoiding risk, the enterprise has to investigate its customers carefully before offering them credit. The information is usually from friends, relations... Normally after a few transactions, the enterprise can identify the customer's reliability but most of the enterprise business now base on the long-term cooperation with big and believable companies.

However the fact is that sometimes the unlucky happen despite all of your effort to avoid it. In 1993 there was a customer cannot pay for his bill. This is an individual customer and he failed to pay for folding iron door. After some negotiation the enterprise accepted partial payment of 70% of total value of the contract.

The enterprise purchases materials from different sources to keep the stablization of production. The enterprise do not pay much attention to suppliers because there are many providers in the market, such as state owned manufacturers, private manufacturers, house-holders... The most important issue regarding to the supplying the material is testing the quality of them. The payment for providers can be made only after this testing. Sometimes the enterprise delay the payment when the value of order is big. In general, the suppliers accept this delay and there is nearly no dispute with them.

The enterprise itself creates relations with providers, customers, as well as settles disputes arising from these relations. The local authority association or bank do not play role in this process.

Case 11: Dong luc Ltd. Company

Established in July 1993, Dongluc private company specializes in producing leather sport products. Main products made by the company are volley balls and socker balls. Though at present Mr. Le Van Thanh taking the position of director, the company is actually run by both Mr. Le Van Thanh himself and his father.

Before setting up the company, Thanh's father had 10 years of experience working in state-owned leather making enterprises. He is a very experienced people in this field and has maintained very good and prestigious relations with enterprises within the leather industry. In addition, he is very a good technician and a good manager as well. During his time working in state-owned enterprise, he often took extra work of ball making home for his children and relatives. After that he decided to set up an production establishment specializing in ball making (sewing) for football and volleyball. In these time, though still very young, Thanh proved to be helpful for his father in organizing his father's production establishment to ensure the highest efficiency. That was his very first steps to get himself accustomed to business. After many years of studying and accumulating experiences from his father Thanh has been more and more experienced. Besides, after his graduation, Thanh spent 2 years working in Vietnam Sport Company. Before starting his own business, he was a vice-director. This is the time could not he only apply his acquired knowledge and experiences in reality but also widened his panorama and built up relations. We can see that with the above mentioned background is the very strong advantage, the key cornerstone that determine the sucess of the company.

Factors like high quality products, growing demand in the market for his products requires to expand production to meet market demand, to improve business and production scale. With a combination of advices from friends and self-trust in their own capacity, Thanh and his father came to a decision to set up the present company by capital from his family and friends.

With the above founding features, right at the begining the company had big customers. They were mainly state-owned enterprises, which Thanh and his father have maintained good relations to or worked with. It can be said that the relations are very cordial and business-like that have been constructed in a very long time. Vietnam Sport Company is a good example. This company has been customer of Dongluc Company since the latter was just a establishment. Thanks to its close relations, Dongluc and this state-owned company enjoyed a very simple and convinient way of doing business. When there is an order, they will make a phone call to the company to inform Dongluc of requirements about the products (quantity, specification, quality, time of delivery...). After getting those information, the company shall enter into production and make delivery of goods to customers' warehouse. Thanh or his employees will come to see his customers' business every week. The purpose is to study the demand for his products, solve difficulties if any, make plans for production of future orders. In general, the way to conduct his business is very appropriate and is applied in doing business with almost all state-owned enterprises.

In addition to the above customers, the company also has customers from private sector who are shops, agents. Doing business with this kind of customer, the company shall have to take grater risk, therefore it is required to have strict measures in concluding contracts and in ensuring payment. The company came to know these customers through introduction by state-owned enterprises, friends and somewhat they come to buy products of the company selling in the market. If it is the new comer, then the company shall ask them to make deposit of about 30% of the contract value. After doing business with each other for a while (3-4 months), the Company

can evaluate the creditworthiness of customers. Then it will decide whether to offer sales on credit or not. Usually, once offering sales on credit, it will apply payment against next shipment method, which means that customers must pay for last shipment before he can take delivery of next shipment on credit.

Foreign customers are also its customer. They can be individuals, intermediate or trading companies. In essence, since 1994 the company has sold its products to this kind of customers. However, but that time foreign orders were placed through state-owned enterprises. Overtime, customers came to know the company through its products sold overseas, by introduction from Vietnamese companies or foreign companies. As a result, they have come to sign contracts with the company. However, this has just been done in 1996. At present, the company has just got a contract for a Brazilian customer. Nevertheless, due to the fact that it has not yet been licensed to do export-import business, it must do it through a state-owned company on a commission basis. It also understands that foreign customers are very strict. They require high quality and strict inspection. After finishing inspection, they will make payment immediately (through commissioning companies). This method of payment was initiated by the company to avoid risk involved and was accepted.

At present, the company has a very large distribution market. It covers the north, central and southern parts of Vietnam as well as stretch out overseas. Therefore, in order to secure good management, avoid risks, the company has to take various measures. Moreover, doing business in a market economy, the company has to offer sales on credit to meet competition. That is why the company has to assure its customer of quality, time of delivery and on-spot services, and to give financing to reliable and big customers. On the other hand, it has paid great attention to maintaining good relations with established and big customers by paying frequent visits to customers' establishments to study their business operation, to see how its products are sold, and join recreational games and festivals (in the afternoon, Thanh often plays tennis with businessmen from state-owned enterprises). As for foreign customers and private ones, it will try to maintain relations, contacts by itself and through friends to understand its counterparts' operation for better reaction and response once something happens.

Due to the fact that the company mainly offers sales on credits, therefore there are some customers who delays in payment. Those customers are private enterprises, and the company has to send its employees to claim payment. It can be said that they often clear their debts with the company, however there are several cases they intentionally refuse to pay, typically a case occurred in Danang. This case took place in 1994 involved a private enterprise doing business with the company for 5 months. This customer through its market research and introduction by friends came to sign a purchase contract with the company. After some time doing business properly with prompt and timely payment, the company found this customer delayed in payment. The shipment that this customer owed to it was up to VND 50 million. In such circumstance, it had to send its employees to claim payment. Up to now (1996), it has recovered part of that sum (VND 30 million). As for the rest, it might have to write off because this customer is now in great difficulty, and moreover travelling from Hanoi to Danang is very expensive. When this occurred, it stopped making delivery to this customer and the latter is now no longer customer of the company. It has not yet requested any help from any agency or individuals to solve this dispute and to recover payment. The reason might be the fact that the contract value is not so big and/or if referring the case to any agency could have caused trouble to the company itself.

Another factor playing important roles in business and production of the company is its

suppliers. Main raw materials here are leather. Suppliers include domestic supplier and foreign supplier. Though the supplies of materials are quite available, the company mainly gets supplied by state-owned enterprises. These enterprises >from whom the company purchased materials when it was still an establishment. They can be said the key suppliers of the company, not only because of long-time relation (or Thanh and his father worked in those enterprises or have maintained good relations when working there) but also they are considered friends and comrades. That is why it feels very reliable and convenient in getting their supplies. Other suppliers (not so large) are private enterprises. They are trading companies, shops, and agents.

As for domestic suppliers, once there are orders, it will phone to inform customers of quantity, specification. After that they will deliver goods as requested by the company. By that time, it is the company's responsibility to carefully inspect goods. After being inspected and taken, it is not allowed to return goods. Thanks to its good and long relations with suppliers, they often sell on credit. In general, the relation between the company and its domestic suppliers are very good, well developed without any disputes. The company always prompt and due payment and its suppliers always provide timely supplies as requested.

At present, the company has been proceeding the way that domestic materials for domestic consumption and imported materials for export. Therefore, since 1994 whenever it gets foreign orders, it has often used imported materials. But by that time, it often bought imported materials through state-owned enterprises on a commission basis. By late 1995, it had to import materials through a known state-owned enterprise because it did not have an import-export licence. Drafting and signing import contracts were assigned to the commissioning company with consultation from Dongluc. Once the contract was concluded, it will advance total payment to supplier to take delivery. It will conduct inspection, if the materials do not match with its requirements (quantity, quality ...) it will request suppliers to change and supplement. Though making deposit of 100% contract value is risky, it entirely entrusts to the commission suppliers because they have good relations with foreign suppliers and experiences in international business. Reality has proved that relations between the company and its suppliers are very strong. The contract's conditions and terms are strictly observed and the company has not yet been involved in any disputes on quality of products or time of delivery.

At present, in Hanoi there are not so many producers of the like products, like-product producers are state-owned enterprises. In general, it has maintained very good relations with those companies. It often holds meetings, talks and discussions on matters relating to production technologies, customer information, supplier information, prices of materials and finished products. As for other organizations like local authority, local people's court, the company does not highly value those organizations in its business operation though highly respects them.

Though the company has spent some expenditure on promotion and advertisement through its participation in trade fairs exhibitions, TV Ad, etc, its result is not so effective. Perhaps, it is the quality of product that is the most effective means of advertisement. For the time being, the company is applying for export-import business licence. The sooner it gets, the more convenient and favourable for its business operation and production. In addition, the company has been trying to expand production scale by installing new machinery and equipment to substitute labour intensive ones (for the time being 50% are made by labour), recruiting more skill staff and workers (90% of its workers used to work for state-owned companies).

Case 12: Tuong Mai private enterprise

The enterprise established in 1993 by the only owner who know necessary techniques to produce food for animals feeding. Main materials for the production are pressed peanut and soybean (the remaining after extract oil by pressing peanut and soybean). Its revenue reached 120 million VND in 1994. Total staff was 22 by the end of 1994.

As many other private enterprise in Vietnam, Tuongmai has established relationship with customers step by step. In the beginning, customers were friends or customers found by accident. Then, the enterprise gain its own reputation in the market and many customers come to the enterprise to establish relation. Some of them become frequent customers.

The first customer of Tuongmai has been a track driver who has a small shop in his village. In 1993, when Tuongmai was at period of pilot production, he was paid to carry material to the enterprise. Seeing that food for animals feeding was a good business, he bought a few package to sell in his shop. From that time up to now, he is still a good customer of Tuongmai although the orders are usually smaller than later customers.

The newest customer of Tuongmai has been a state animal feeding enterprise. It was introduced by another customer in 1994, then after several meeting it started buying Tuongmai's products. Now it is a main customer who buy more than 20% of Tuongmai's total production.

Tuongmai usually offer credit for its customers in the form of late payment. The amount and period of late payment depend on relationship between the enterprise and its customers. It also depends on particular period of time and competitive conditions. Basically, customers who have good reputation and long-term relationship can be offered bigger amount of late payment. The customers usually get this offer after several successful transactions (For the first customer, it is 3 transactions, about 6 months of relation and for the newest, it is 2, about 2 months relation).

Because, Tuongmai has offered credit for its customers not on the base of legal agreement but on customers' reputation, customers' investigation become an important activity to manage risk coursed by late-payment (or un-payment) of customers. There are three ways to get information about customers.

First, the enterprise usually sends its staff to talk with customers' neighbor. In Vietnam, most small shops or production factories locate in residential areas. The house of enterprise' owner is usually his shop or factory too. Due to this nature, the neighbor living in the same area as the entrepreneur and having good communication in small residential community are one of the best information about that entrepreneur. Second, through doing business, the enterprise can evaluate attitude of its customers then decide whether or not offer them credit and related conditions. Last, other producers can be a source of information about reputation of a particular customer.

Although using multi-chenal to evaluate the customers, the manager of Tuongmai enterprise said, lost by offering late payment is un-avoidable. The enterprise accepts 10% lost for selling on credit condition and uses this rate to screen its customers. By doing this, the enterprise hopes keeping several strategic customers for its development.

In 1995, there was a customer failed to pay the enterprise for its purchase. This customer had three months relation with the enterprise up to that point. He had a small shop in his village to sell material for agriculture production. He involved in a gamble named "so de" and had paid a lot of money for this. As a result, he could not pay for the debt. Understanding that this customer had failed to settle the payment, the enterprise sent its staff to the customer to collect

debt money nearly everyday. After a few week of negotiation, the enterprise got back a part of the debt and finished selling to this customer.

The above case is only one of several cases in that the enterprise lost by offering late payment. Whenever that happen, the enterprise tries to negotiate with its customers. It sometimes asked the local authorities to help but this method never successes. Usually, asking the help of local authorities cost some money, but once the customer couldn't pay, the local authorities has no effective tools to force them pay. Using court for a small debt is unproductive. It is also the case for using criminal organizations. As conclusion, the enterprise has no effective way to force its customers pay debt. The only way to reduce this risk is offering credit in small quantity and non-stop investigating about customers, event the best customers.

As mentioned before, main material to produce food for animals feeding is pressed peanut and pressed soybean (the remaining after extract oil by pressing peanut and soybean). The enterprise buy these materials from several trading companies who collect them from farmers or producers then sell to producers like Tuongmai.

The first supplier of Tuongmai enterprise was a company located in Tayninh province (in the south). This supplier sell pressed peanut, pressed soybean and many other commodities from agriculture for several producers in Hanoi. Through its customers, this supplier known that Tuongmai enterprise was preparing to produce food for animals. Then, it came to the enterprise and negotiated about business relation. At that time, this supplier was the cheapest source in the market and the enterprise was very happy to buy from it.

The relationship with the first supplier has been very successful. After six months of relation, the supplier has offered Tuongmai credit in the form of late payment. Tuongmai usually pays 50% when it receives and accepts the supplied material and pays the rest after several months. After establishing relationship, the enterprise and supplier visit each other every a few months (although the distant >from Hanoi to Tayninh is quite long and the transport condition is not very good). This is also the way to maintain strategic relation with this supplier.

To make sure that the enterprise has enough material for production, Tuongmai buy materials from different sources. Among them, the newest supplier is a dealer in the suburb of Hanoi. He collects materials from farmers who extract vegetable oil by pressing peanut, soybean and other nuts. He offered Tuongmai late payment from the first transaction although they hadn't have any relation before. This is the typical way the new suppliers use to establish business with producers. Now after a year of relation, the enterprise just visited this supplier several times (usually in traditional festival days like "Tet").

In general, almost all suppliers offer Tuongmai late payment so there is not serious financial difficulty to buy materials. The only thing the enterprise must concern is quality of them. In fact, there is no written agreement between suppliers and the enterprise about material quality. However, both sides accept a rule that the enterprise must test quality of supplied material. Once the enterprise accepts, it is its responsibility for quality of material. If in a transaction, testing show that material does not meet the normal requirement of Tuongmai, it can return to the supplier or negotiate to reduce price for this material. For some suppliers, they are happy to replace or reduce price of low-quality material event after testing.

In three years of operation, there is not any big dispute between Tuongmai and its suppliers. However, the enterprise always find new suppliers to keep stable production and more importantly, to gain bargaining power in relation with suppliers. The manager of Tuongmai said that it usually take a month to find a substitute source if there is a supplier fail to offer appropriate

material. It take such long time because the enterprise wants to choose substitute source which has similar business conditions like the replaced one. These conditions are quantity and quality of material, credit and the like.

The enterprise is not a member of any association. However, it obtained a credit from Creating Jobs Foundation. The manager of Tuongmai said that, the local authorities, court and the like have weak positions in solving disputes between the enterprise and its customers. These organization sometimes are unproductive. They are also weak in offering information about a particular customers not because they don't have information but because the formal procedure to get help from them is too complicated and the attitude of un-willing help.

Case 13: Namhai private company

Namhai company was established in June 1992 with a staff of 10 people to produce handicraft commodities. Its revenue was 294 million VND in 1994. At this time, Namhai had 14 workers and had been producing different kinds of handicrafts to export. Mr. Xuan, the owner and director of Namhai, used to work as an engineer, then a manager of a state enterprise. He also worked at Vietnam Academic Institute for several years before establishing Namhai. His relationship developed during these times are very important for Namhai present business.

Mr. Xuan's family has long tradition in producing handicrafts. His childhood closely associated with the family production activities. His parents made "son mai" since 1951 and stated making silver commodities since 1974. Mr. Xuan said that he learnt a lot of things from his parents and these know-how make him running Namhai successfully. Now, at the age of 50, he has trained two of his nephews to follow the family tradition in the future. They are also the main workers in the factory.

Namhai is very unique in relationship with customer. In fact, from the beginning up to now, it has nearly only one customer, a state trading company which Mr. Xuan has relationship for years. This customer imports and exports many commodities but specializes in exporting handicrafts. Whenever it has orders from foreign customers, it signs several subcontracts with producers like Namhai, then supervises the whole process.

Knowing this customer (means managers of the company) for many years and having many friends working there or at organizations which supervise this state company, Mr. Xuan has chosen it as the strategic customer of Namhai company. Since 1992, ninety nine percent of Namhai production has filled this customer's orders. Namhai also offers late payment from the first contract and always try to avoid any unnecessary dispute with the customer. Close relationship with only this customer over 4 years shows clearly Namhai's efforts to follow this trend.

Although having close relationship with the customer for many years, Namhai's business still bases on written contracts. Every year, a principle contract is signed which shows the general principles applying for later contracts in that years. The principle contract has articles about quality, payment conditions, making complain etc. and responsibility of each partner. Later on, based on particular orders, detailed contracts are signed. These contracts determine name of products, quantity, price, time of delivery and the like.

Usually, when there is a foreign customer's order, the trading company passes it to Namhai, Namhai then makes sample to send foreign customer to get comments. After several times sending back and forth (the average number is six), the detailed contract will be signed between the trading company and Namhai. The payment will be implemented after 30 days from the day of delivery. Namhai has to take responsibility of product quality. If it failed to export due to quality problem, the trading company won't pay Namhai. It is quite risky for Namhai, but in fact there are very few cases in that Namhai has to accept the un-exported commodities.

Mr. Xuan said that the strategy of having only one customer has the advantage of stable production and it allows the company concentrating on technical issue, but due to that it might miss many opportunities by working with other traders. Also, its development must depend on development of the trading company. At the moment, Namhai is trying to develop relationship with new customers but the process just starts.

Regarding the reliability of customer, Mr. Xuan thinks that, although working with only one customer for a long time, it is still important to have appropriate information about the customer. This information will help the company evaluate its partner at different periods of time.

(the information is usually about politics of customer company, e.g. who will be the new director? are there anything should be concerned due to this event? is this customer successful in entering a new market? what kind of commodities will be priority? etc.). In fact, the company can get this information via three sources. The first one is people working at customer's organizations. The second is Mr. Xuan's friends working at supervising agencies of this customer (here means Ministry of Trade and some other state organization), and the third one is other manufacturers. All of these relations are informal and base on private relationship.

Over 4 years, there isn't any considerable dispute between Namhai and the trading company. However, in 1995, there was a case that Namhai suffered losses due to a mistake of its customer. At that time, it got an order to make two types of chopsticks, the silver and the ebony ones. In the contract between the trading company and its foreign partner, beside Namhai's chopsticks, there were many other commodities that the trading company ordered other manufacturers make. In the first delivery of the contract, although Namhai's chopsticks' quality was good, quality of other commodities were poor. Due to this problem, the foreign customers broke the contract, but Namhai had made a considerable amount of chopsticks and it couldn't sell to any one then. This was not the mistake of Namhai and legally it could ask the trading company pay compensation for undelivered-manufactured chopsticks. However, to keep relationship, Namhai accepted the losses and cooperated with the customer to find new customers for these chopsticks. The result was not very nice for Namhai but it still be happy to work with its partner.

As mentioned above, Namhai makes many kinds of handicrafts, so it has to buy different kinds of materials. Not like the case of relationship with customer, there is no single supplier who can offer all kinds of material for the company. Namhai has to buy from different sources but it still hold the idea of buying just from several long-term suppliers. Mr. Xuan said that, it is the base for stable production and the guarantee for good quality of materials.

Relationship with suppliers is quite simple. Depending on particular suppliers and supplied material, there will be contracts or not. Namhai usually pay as soon as it receives and accepts the supplied material so there is nearly no dispute with any suppliers. Although relations with suppliers are direct and base on arm-length rules, it is important for Namhai to have up-to-data information about these suppliers. The information will help the company to develop suppliers' relationship. Mr. Xuan said that, this information can be got via his friends and association in which Namhai is a member.

Namhai's first supplier sold silver for the company. It was a state trading company which Mr. Xuan had relation with when he was working for the government. Other suppliers in the market, the similar manufacturers were the good sources of information about this supplier. This supplier is the state company so it is necessary to have a formal supplying contract. However, it is just the paper work, the real business was based on oral negotiation.

The newest supplier is a small shop in Hanoi. Namhai buy several kinds of paint (lacquer) at this shop to make lacquer products. The company knows this shop through similar manufacturers and other suppliers. Whenever the company needs lacquer, it can call the shop asking for particular quality and quantity. When it receives the required lacquer, the payment will be settled immediatly.

Regarding the local authorities and association, Mr. Xuan said that the local authorities has no role in term of offering good information about potencial customers and suppliers. The authorities just intereste in tax collection. On the contrary, profesional association (silver and gold

jewellery association) seems having an important role in company's business. This association is voluntary organization which have members in Hanoi. It is good source of technology, potencial suppliers, design, and many other things.

Case 14: Bat trang ceramic and chinese company ltd.

Bat Trang ceramic and chinese company was established in February 1992. Main products are different kinds of ceramic and chinese commodities. The company located in Bat Trang village, a very popular traditional professional village in Vietnam. In the village there are many production units in diversified forms, from household production to shareholding company. Products made in Bat Trang village have had very good reputation for hundred years and have been exported to many countries in the world. The relationship among the manufacturers is quite good. These manufacturers usually have consanguineous relationship.

The present director of Bat Trang ceramic company is Mr. Nguyen Quang Pho. He was born and grew up in Bat Trang village and has gained much experience in making ceramic and chinese products. Besides the experience of a Bat Trang resident, he also has knowledge of an engineer. He studied in Hanoi Polytechnic at Silicon Department for five years then worked for a popular state enterprise, the Bat Trang chinese enterprise. He used to be the chief of technical department of this enterprise. Mr. Pho is well-known due to his hardworking and professional ethics. Now, people in Bat Trang village vote him as the number 2 on technical issues in the village.

The company has exported to many countries since the established day. Almost all of its customers are foreign trading companies. Some of them have representative office in Vietnam but most of them not. The company has established relationship with foreign customers by different ways, some of them were introduced by friends who is working in Vietnamese trading companies, the others had visited Bat Trang then got to know the company. They usually buy from several manufacturers in the village in the beginning, then select the most appropriate partners for them. Once the reputation has developed, it spills over to other customers.

Usually, when there is an order, the company will negotiate with its customer about product model, colour, quality issue, and delivery time, then the written contract will be signed. Mr. Pho said that contracts are the most important issue in relation with customers. Good contract can protect the company out of unnecessary disputes. After signing the contract, foreign customers have to open LC in an assessable bank then the company can start implementing the contract. Mr. Pho said that, it is the safest payment method at present conditions and the company try to use this method whenever possible.

Besides foreign customers, the company has some domestic ones although they count for a small part in its production. The domestic customers are wholesale and retail shops, both private and state ones, the traders who deliver Bat Trang's products through out Vietnam and end users. Almost all of them come to the company to buy or order appropriate commodities. They usually have to pay immediately as soon as accepting the goods.

Over 4 years of doing business, the company has experienced several painful events that make it very careful in relation with customers and other manufacturers. Following are stories about dispute inside the company and a case that the company suffered a big losses due to dispute with a French customer.

As many other manufacturers in the village, the important positions in the company are usually held by members of the owner's family. The son in law of Mr. Pho was the case. He was invited to help Mr. Pho running the company from the beginning and took the position purchasing material and dealing with customers. In 1993 and 1994, Mr. Pho was busy dealing with technical issues and solving conflicts in his complicated family (he has two wives and there were many conflicts due to that), so the business, in fact, was run by his son in law. After two years

associated Mr. Pho, the son in law leaved the company to establish his own business. The new company produce the same line of goods and bring many former customers of Mr. Pho's company. Due to this event, revenue of Mr. Pho's company was reduced dramatically in 1994 and 1995.

In 1995, the company suffered a big loss due to the dispute with the French trading company. Initially, this customer signed a contract to buy Mr. Pho's products which had a value of 5000 USD. When putting commodities into a container, Mr. Pho realized that his products didn't fill that container. Understanding that un-filled container would create a risk of damaging commodities in transportation and high transportation cost, Mr. Pho had tried to negotiate with the customer to increase its order so the container could be filled. The customer had accepted to buy with condition of late payment for the raised value (it is about 9000 USD). Mr. Pho accepted this condition. So, the total value of new contract was 14000 USD in which 9000 USD would be paid later.

This deal was not nice for the company. When receiving the shipment, the French customer claimed that commodities' quality was not as good as had agreed and just paid 5000 USD for the initial agreement. After many no-solution negotiations (although the company had asked help from several Vietnamese agencies in authority), the company had to ship the remaining commodities back to Vietnam. Transportation cost for this shipment was 4000 USD. Worse than that, due to several procedure mistakes, the Vietnamese custom office thought that the company imported these commodities so applied an import tax of about 4000 USD on these. At the end, the company lost more than 9000 USD and got the so-called experience.

The French company is no longer the customer of Bat Trang company, but the story is still there. It shows clearly the weakness of almost all small Vietnamese companies in international trade. It also means that the direction, association and help of Vietnamese related government agencies are very poor and unbelievable. After the two above stories, Mr. Pho has to reorganize its company and pay more attention on business relation. Over time, the company now comes back to the right track. In 1996 it has signed many big contracts with foreign customers and most of these deals are based on long-term relationship.

Stories in suppliers' side of Bat Trang company are not as interesting as in customers' one. Due to a long-time working at the state Chinese factory and locating in Bat Trang village, Mr. Pho has nearly no difficulties in obtaining necessary material for his production. The simple material e.g. coal, firewood, the company can buy from suppliers in the village. More important material like special soil, the company buy from a state company in VinhPhu (a province next to Hanoi). This supplier always supplies appropriate material on time. The company can telephone this supplier to order. The payment will be settled when the company received and accepted delivered material.

Besides soil, the company has to buy colour flavour from small shops. This flavour was imported so the price is quite expensive. At the moment, Mr. Pho is developing a substitute flavour. If he succeeds, he can reduce 30% of cost compared to imported one. More than that, he can move downward to supply this material for other producers in the village and other province as well.

Although the company is a member of VCCI, it doesn't think that this organization can play an active role in associating its members. Mr. Pho has the same idea about local authorities and executive bodies like court, custom office. Mr. Pho believes that if there is any dispute happen, the best way to solve it is by direct negotiation smartly.

Case 15: Agricultural Chemical Processing Company PAC

PAC was established on September 1992 to produce insecticide solvent, and small-size agricultural machine. Later on, the company has expanded its production to chemical processing equipment, paper bag for cement packing, mineral water. Its revenue in 1994 was 650 million VND and the company had a staff of 32 people at that time. The director and also the owner of PAC used to work for Institute of Forest Studies as a researcher. He left the Institute to establish the company in order to practice his knowledge in chemistry and to implement his business ideas freely.

In the beginning, due to the nature of the company's products, it could sell to very few customers (most of them are the state agricultural material company) which the director has relation since the time he worked at the Institute. Its production so depended very much on customers' business. In the period from 1994 to 1996, due to difficulties of customers, the company's solvent production has been reduced. From 1996, the company has developed new businesses like paper bag for cement packing, mineral water etc.

The first customer of PAC is Plant Protection Material Company No. 1 which the PAC's director has known quite well when he worked at the Institute. This customer buys PAC's solvent to make different types of insecticide. PAC has offered this customer late payment from the first transaction. The payment is often divided into two periods. 30% of total value is paid when the customer receives ordered goods, 70% is paid in the next transaction. At the end of each year, all debt will be cleared.

Each type of insecticide requires a particular solvent so the company just produces when its customers order. However, to respond quickly customers' orders, the company usually has storage of several popular types of solvent. This is good but risky. If its customers fail to buy produced solvent, the company cannot sell it to anyone else. In fact, this has happened with the first customer event that there was contract for the deal, the Plant Protection Material Company No.1. In 1995, this customer ordered 50 tons solvent to produce insecticide but, in fact, just bought 10 tons because its insecticide sold not very well in the market. Due to the long relation with this customer, the company didn't ask the compensation for the remaining 40 tons. PAC had to use this 40 tons solvent as material to produce for other customers.

The newest customer of PAC is a state cement company in HoaBinh (60 kms north-west of Hanoi). PAC has established business relation with this customer via his family's members and friends. After negotiation and investigation of both sides, a principle contract has been signed for 10 years. Due to this contract, PAC will produce 1.5 billion cement paper bags in 10 years, each year, a detailed contract will be signed to determine quantity, quality, time of delivery and payment conditions. Up to now, the payment method is 50% when ordering and 50% when receiving the commodities.

Solvent and cement paper bag are the products for that customers usually are state companies. With these customers, it is very important for the company to have private relationship with people in authority there. This relationship is the evidence of reliability of customer. It also the source of beneficial contracts. Due to this kind of relation and as business custom, contracts exist usually just for itself. If in reality, things don't go as agreed in the contract, both sides will negotiate by themselves to obtain a solution.

Besides solvent for insecticide production and cement paper bag, PAC also produces mineral water and sell to many shops and restaurants in Hanoi as well as wholesalers in other provinces. It also produce mineral salt to sell to other mineral water producers. These businesses

are just began this year, and business behaviour is very different from what of solvent and cement paper bag production. As many mineral water producers, the company has to offer late payment for most of its customers. Usually the payment of present delivery will be settled in the next delivery. If any customer fail to do that, the company will stop delivering her until the payment be settled. This rule is slightly modified depending on particular customers and their reliability.

To avoid losses due to offering late payment in mineral water business, the company has to evaluate its customers during period of having relationship. It is difficult to identify good customers in the first time, but by doing business together, this can be evaluated. Information got by talking with other producers is also very important for investigating customers.

The manager of PAC said that although paying attention to investigating customers' reliability, failing of customers to pay on time is un-avoidable. He also said that, the company has to accept this as a fact and learn how to live with that. Just recently, in March 1996, a private customer in the South who bought mineral salt has delayed the payment of 38 millions VND. The company now is negotiating with this customer to get back the money. In this case, there isn't any third party involved in negotiation. It is probably the best way to get back debt and still have good relation.

Regarding the suppliers, in the beginning the company's production had based on several strategic suppliers. The PAC's director has known these suppliers while he was working for government so he has very good information of and connection with them. Later on, along the period of expanding production, the company has ordered different materials from new suppliers. In general, before establishing business relationship, the director or his assistants have to test carefully the material quality of potential suppliers. Moreover, a great attention is paid to investigate about the suppliers themselves. This is usually done by direct meeting and negotiating with suppliers. The director's friends are the important source of information too.

As reported by the director, the oldest supplier of PAC has been a Joint-venture (between a Japanese company and a Vietnamese one) company in Vinhphu. This joint-venture supply pine oil. This is a monopoly supplier in the market, so even having good relationship, the company has to pay 100% when it orders. However, the supplier always delivers on time and the commodities are always in good conditions. This situation is nearly the same for the newest supplier who supplies paper for cement paper bag production. In this case, the company pays 50% when ordering and pays the rest when receiving the ordered commodities. From the first day of business, there isn't any dispute with suppliers. The company has chosen good and well-know suppliers to do business with and these suppliers, in general, address what the company required.

The role of local authorities and associations are very weak in solving disputes. In fact, the company always tries to solve dispute by negotiating directly with its partners. Involving of local authorities can be un-productive.

Case 16: Mitex

Mitex company was established on February 1992 from a handicrafts production unit which had run since 1989. The director of Mitex graduated from Transportation University, After graduation he worked at Technical Department of Transportation Company No. 4, then Dong Thap Company, Hanoi Transportation Office. He has retired according to the Government's Decision No. 176 (this decision main to reduce the government staff, so the government encourages old people in government organizations retired event that they are still in the working-age). Mitex produces diffirent kinds of handicrafts and furniture made from wood. Its revenue in 1994 was 440 millions VND. The staff in this year was 41 people.

Just after established, Mitex has found the first customer, the Royal Comapny, through introduction of director's friends. This was the subsidiary of a Taiwanes company located in Taiwan. After several negotiations, a contract has been signed which determines that, the Taiwanese partner has to pay 15% of contract value as down-money, 30% will be paid when receiving the commodities, and the rest 55% will be paid later. Lacking experience in international trade and too believing on the foreign customers, Mitex has signed the contract that contain many risky articles. As a result, when there was dispute with this customer, Mitex didn't have enough legal evidence to get back the money that it offers this customer in the form of late payment.

The dispute with Taiwanese customer happended after 9 months of Mitex's operation. At that time, when receiving the down-money of this customer, Mitex had started its production to fill the order. The commodities as specified in the contract had been prepared in 9 months, then Mitex started delivering to the customer. When two third of commodities had been delivered, the Taiwanese customer announced bankruptcy and could not pay Mitex the remaining money. The reason for bankruptcy was given that a manager of Taiwanese company took all money that tend to pay Mitex, then run to the US. As a result, Mitex lost more than 9000 USD of delivered commodities plus the loss due to 6000 USD value of produced but un-delivered commodities (this commodities cannot sell to anyone else).

After the bankruptcy of Taiwanese customer, Mitex has asked the Taiwanese mother company to resolve the dispute but it didn't succeed. In the contract between Mitex and the Royal company, there isn't any article about responsibility of the mother company of Royal, so Mitex cannot ask this company paying the compensation. Renting an international law firm for this deal is too expensive. So after several un-successful negotiation, Mitex has to accept the loss. After that, Mitex still does business with the company (the mother company of Royal). All of new deals base on new contracts and there is nothing about the debt.

The dispute with Royal company is a painful memory, but it is also the very good experience for Mitex. The director of Mitex recalled that, he was too subjective in doing business with the Taiwanese company. He did not have any reliable information about this customer and didn't evaluate carefully the attitude of negotiating people. He reported that, when negotiating, the manager of Royal had asked a commision for the contract and Mitex accepted that. It seemed unusual for a foreign private company, but Mitex had though that, negotiating person could be just employed by the Taiwanese company, so if Mitex offer him his condition, he can sign a favourable contract for Mitex. In fact, the Mitex didn't see that this is a signal of un-serious attitude and would be careful with negotiating business conditions.

After the loss due to carefullness in doing business, Mitex is very keen in negotiation, contract as well as geting information about customers. Recently, Mitex has an order to make wood furniture from a Korean company (Daiwoo) which has representative office and factories in

Hanoi. This deal is set up with the help of some members in the director's family. The information about this customer is available among business community, and Daiwoo is very popular in term of big investor in Vietnam. In the contract with Daiwoo, Mitex required Daiwoo to pay 30% as deposit and the rest 70% will be paid a few days after delivering is made. The director said that working with customers who has office in Hanoi is more reliable. The popularity of customer is important as well.

Based on experience in establishing relation with customers and solving dispute with them, it is clear that local authorities and government organization in authorities don't have any positive role in assisting the company. The business association can be at the same situation.

Regarding to the suppliers, Mitex has to buy different kinds of wood and sinanodonta for its production. Almost all of Mitex's suppliers are Vietnamese private household business located in the North provinces. They usually come to Mitex to introduce their commodities and the favorable conditions which they can offer (e.g. late payment, replace if the material is not appropriate etc.). Base on price and favorable conditions, Mitex has chosen among them several suppliers to buy necessary materials. They have offered Mitex late payment from the first transaction event that they don't know Mitex before.

In fact, there are many suppliers in the market, it is not difficult to buy from other supplier if a supplier failed to offer the appropriate material. More than that, Mitex can use credit offered by its suppliers so there is no reason for dispute with suppliers at all. In the case, the quality of supplied material is poor, Mitex can require replacement or return to the supplier without any compensation. After 4 years of operation, Mitex has established relationship with several important suppliers, but still buy from new ones to guarente that its production won't be influenced by any difficulty in supply side.

As the director of Mitex reported, the most difficulty of Mitex now is competition from profesional villages around Hanoi. The manufacturers at these villages have many advantage e.g. cheap labour, close to suppliers, and atmotphare of an association, so they can produce the similar products with more attractive price. Recently, a foreign customer has agreed (oral) to order Mitex making several furniture models, but two days later, there was another manufacturer offering the customer lower price event though the quality is a little bit lower. This customer then decide doing business with low price manufacturer.

In the future, the Mitex has plan to upgrade its production facilities in order to increase the product quality and to compete in the high-end market. The director also has in fact, negotiated with other producers in order to set higher price but it seems not very reasonable. In the case there are thousands manufacturer competing in the market, relationship among them are very loose, it is imposible to have an effective association. What Mitex can hope, as the director said, is establishing a small association among hign-end manufacturers in a particular geografic area like Hanoi. Besides seting price, this organization can help its member finding and evaluating potencial customers. Marketing can be done thought this organization too.

Case 17: Tribeco Softdrink Company

Tribeco Company is a joint-venture between Trang An state cake and candy company (45%) and a private company in Ho Chi Minh City (55%). The joint-venture was established in 1993 to produce bottled softdrink. The machines used in the joint-venture are leased from Trang An company. The management board and technical staff of the joint-venture used to work for Trang An before, so more or less they have necessary experience to run Tribeco's business. Due to the characteristics of different seasons (in the North, there are four different seasons and softdrink is consumed very well in summer but not in winter), Tribeco's production goes up in the period from April to November and go down in the other months. This is one of the difficulties the company has to overcome.

Before establishing Tribeco, there was a market study done by the private partner of the joint-venture. This study shows that, the target market of Tribeco should be Tourist centres in the north provinces. Based on this judgment, Tribeco has had many efforts in establishing relationship with customers in the target markets. It has had an attractive policy which offers customers reasonable price, high commission, late payment, advertisement assistant etc. Over time, along with improving quality of product and services, Tribeco has more and more customers. Besides the customers which the company contacts actively, there are many customers coming to Tribeco to set up business relationship.

The first customer of Tribeco has been a private shop in Quangninh province (in Halong Bay). She had delivered 70% products of Tribeco in the first year and still be an important customer now. The communication with her is by telephone. When having her order, Tribeco will bring its products to Quangninh and settle the payment of previous order. This way of communication and payment settle is also applied to many other customers.

In 1993 when Tribeco just established, its products sold very well in the north provinces. Revenue increased very quickly and it was probably the best period of local soft-drink producers. Recently, due to the competition of American soft-drink companies like Coca-Cola and Pepsi-Cola, Tribeco's production has been reduced dramatically. It cannot compete in the high-end market in the big cities like Hanoi, Haiphong and at the moment 70% of its production is delivered in the north provinces.

Regarding the payment methods, the company cannot sell to anyone if it does not offer customers late payment. This is very risky but there is no choice and the company has to learn how to deal with this kind of risk. In order to reduce the loss due to offering late payment, Tribeco has to investigate its customers before offer them big credit. Direct meeting and negotiation seem the best way to evaluate customers, however, friends, customers' neighbour, other soft-drink producers and customers are also the important source of the customers' information. After several transactions and confirming that a particular customer is reliable, the company will have more serious business with that customer. Usually, there is a contract which identifies responsibilities of each partner. After that the company has to keep in touch with the customer continuously to collect information about selling situation. This information can help Tribeco seeing if there is anything need to be modified and for planning purpose. The services that Tribeco offers its customers as well as its social care are very important for maintaining business relation. Due to this reason, Tribeco sends its staff to visit the customers quite often, especially in the vacation seasons or important events.

In general, the relationship with customers is quite good. However, offering late payment for a large number of customers in a large range of areas, it is very difficult to avoid losses. As a

rule, when there is a customer failed to pay on time, the company has to investigate the main reasons, then an appropriate method will be applied to get back the money. For example, in 1993, there was a private customer in Hanoi failed to pay on time. This customer had had relationship with Tribeco for three months. In this period, it always settled payment on time but failed to pay for the last order (which have the value of 3 millions VND). Through investigation, Tribeco knew that this customer had broken law and had troubles with local authorities. However, the company still forced its customer to pay for the debt. At the end, Tribeco accepted to get back a part of the debt and stopped deliver this customer.

Besides developing relationship with customers, finding good suppliers is very important for stabilization of quality and production. The ideal supplier should be honest and reliable. He has to address all requirement for Tribeco's production. In fact, Tribeco is looking for this kind of supplier. On its side, the company always try to settle payment on time. Based on the above requirement, Tribeco has established relationship with several main suppliers.

In order to evaluate reliability of a particular supplier, the company usually based on information collected through direct meeting, its business behaviour, customers and other suppliers. More than that, the company has to verify quality of supplied material before paying money. It take time to do so but by doing that the company can avoid the un-necessary dispute with suppliers.

Communication with suppliers seems very simple. After several transactions, the company can order by phone, the supplier will deliver in door. As soon as verifying the supplied material, the company will settle the payment. Sometimes it can delay the payment due to the negotiation with suppliers.

The main materials are suger and aromatic substance. With suger, the company usually buy from state trading companies and pay as soon as it receive the suger. The quality of suger must be very good to keep the good quality of softdrink. This is a reason why Tribeco wants to buy from state companies. These suppliers seem more reliable than the private ones. Besides suger, aromatic substance is very important too. It is also the know-how of softdrink production. In fact, the supplier of aromatic substance is the private company that own 55% of Tribeco. The aromatic substance used in Tribeco's drink was an unique substance and always supplied on time.

The role of local authorities and associations are very weak. The company always wants to keep good relationship with these kinds of organizations but they cannot help the company in relationship with customers or suppliers. Association can be a good place to share management experience between producers. In the future, the company believes that associations are important players in the market. The company will be very happy to be a member of a effective association.