

Internal Business Organisation in the Private Garment Industry in Vietnam

The Roles of Ethnicity, Origin and Location

Thomsen, Lotte

Document Version

Accepted author manuscript

Published in:

Competition & Change

DOI:

[10.1179/102452909X390600](https://doi.org/10.1179/102452909X390600)

Publication date:

2009

License

Unspecified

Citation for published version (APA):

Thomsen, L. (2009). Internal Business Organisation in the Private Garment Industry in Vietnam: The Roles of Ethnicity, Origin and Location. *Competition & Change*, 13(1), 29-50. <https://doi.org/10.1179/102452909X390600>

[Link to publication in CBS Research Portal](#)

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

Take down policy

If you believe that this document breaches copyright please contact us (research.lib@cbs.dk) providing details, and we will remove access to the work immediately and investigate your claim.

Download date: 22. Oct. 2024



Internal Business Organisation in the Private Garment Industry in Vietnam: The Roles of Ethnicity, Origin and Location

Lotte Thomsen

Journal article (Post print version)

Cite: Internal Business Organisation in the Private Garment Industry in Vietnam : The Roles of Ethnicity, Origin and Location. / Thomsen, Lotte. In: *Competition & Change*, Vol. 13, No. 1, 2009, p. 29-50.

DOI: [10.1179/102452909X390600](https://doi.org/10.1179/102452909X390600)

Uploaded to [Research@CBS](https://research.cbs.dk): December 2016

Internal Business Organisation in the Private Garment Industry in Vietnam: The Roles of Ethnicity, Origin and Location

LOTTE THOMSEN Danish Institute for International Studies

Post print version. For quotation: *COMPETITION & CHANGE*, Vol. 13, No. 1, March 2009 29–50. <http://www.ingentaconnect.com/content/maney/com/2009/00000013/00000001/art00002>

Abstract:

This paper pinpoints important differences within the private sector in Vietnam. It shows that the country's private sector is much more heterogeneous than is often suggested, and attempts to reveal some of the causal mechanisms that cause this diversification. Theoretically, the paper draws on business system theory, particularly on that aspect of it that deals with internal business organisation, in order to examine the nature of and trends in relation to firm-level management and control. On this background, the paper uncovers a Vietnamese-owned segment in Hanoi, two different Vietnamese-owned segments in Ho Chi Minh City distinguished by the origins of their owners, and a Vietnamese Chinese-owned segment in Ho Chi Minh City.

Introduction:

In recent years, the private sector has become widely recognised as an engine of economic growth. Most developing countries are introducing market-oriented policies, and an increasing proportion of their economic activities are private. Literature on the emergence of a private sector after the introduction of the *doi moi* (renovation) economic reforms in Vietnam in the mid-1980s has mainly focused on the progress of the reforms per se and the differential treatment of the private and state sectors. This paper argues that, although these are certainly crucial issues that present obstacles to the country's wider economic development, understanding differences within the private sector is equally important. The private sector in Vietnam may generally be acknowledged to be complex due to the country's transitional nature, but how the complexity is manifested remains an open question. Based on open-ended interviews with 68 private clothing enterprise owners, this paper suggests that the distinctions within the private sector in Vietnam are based mainly on the geographical location of companies and the ethnicities and origins of their owners, since these factors tend to influence their relationships with the state, including former statesector employment, Communist Party membership, formal education and personalised relationships with bureaucrats. The influence of the former planned economy is greatest in northern Vietnam, where the ethnic Vietnamese constitute most of the private sector, and where the economy became centrally planned after the country's independence in 1954. The tradition of a market economy is much stronger in southern Vietnam, where the planned economy was only introduced after the reunification of North and South Vietnam in 1975 and only functioned up to the introduction of reform. Moreover, certain sectors in southern Vietnam, such as the Ho Chi Minh City (HCMC) private garment sector, have a relatively large number of businesses owned by Vietnamese Chinese. Other, interacting factors contributing to the heterogeneity of the private sector include the origins of business owners in both northern and southern Vietnam. In contemporary discussions within economic geography on industrial development, firms are on the one hand often seen as essential independent actors, while on the other they are situated within the context of wider social relations, political-economic processes and changes in business environments (see Yeung 2000a).

Similarly, debates in other fields (e.g. Wade 1996; Whitley 1999) suggest that, even in an increasingly global world, no single form of economic rationality or logic of efficiency is adequate

to explain the actual forms of business organisation that have become established in different contexts. Business organisation is influenced and governed by a diverse range of institutions, ranging from political and financial systems to more culturally influenced institutions such as family or kin relations and authority structures (Whitley 1992, 1999). Whitley suggests that, together with their distinct institutional contexts, these diverse forms of business organisation constitute different 'business systems'. According to Yeung (2000b: 400), 'this business system perspective is particularly relevant in analyses of the political economies of the Asia-Pacific region where national business systems are socially and institutionally embedded'. Yet, the business system approach has also been criticised. For example, Gereffi (1996) stresses that it more or less neglects global issues, while Yeung (2000b) questions the stability of Asian business systems in the present-day situation of accelerated globalisation. This paper argues that, in spite of its weaknesses, the business system approach is a very useful starting point in attempting to understand, compare and contrast different types of business organisation.

The paper therefore starts with the business system debate, though its aim is not to define or examine 'complete business systems', nor does it contrast Vietnamese business systems with others. Instead, it will focus on the particular parts of the approach that are linked to internal business organisation, broadly defined as firm-level organisation. This is also considered the most convincing aspect of this approach, the one that can best enhance our understanding of the complexity of business organisation in the private sector in Vietnam. Hence the paper contributes by highlighting important variations, some of which may pose obstacles to dynamic economic development in Vietnam. The key characteristics of a business system with regard to internal business organisation will be defined here as comprising primary means of owner control; the degree of managerial delegation to, and trust in, employees; and employer–employee interdependence (see Whitley 1999). The paper examines these dimensions by looking at locally owned garment enterprises in, respectively, HCMC in southern Vietnam and the country's capital, Hanoi, in the north. Certainly, there are factors that typically characterise the enterprises described in this study, as well as private clothing enterprises in Vietnam more generally; for instance, they are mainly small and medium sized, and many of them produce export garments on what are usually referred to as cut-make-and-trim (CMT) contracts with foreign buyers (see Knutsen 2004; Kokko & Sjöholm 2004; Thomsen 2007). However, this paper shows that the sector is quite heterogeneous by uncovering a Vietnamese-owned segment in Hanoi, two different Vietnamese-owned segments in HCMC distinguished by the origins of their owners (respectively, northern and southern Vietnamese), and a Vietnamese Chinese-owned segment in HCMC. Hence, the paper also contributes to wider academic discussions, which have not paid much attention to Vietnam so far, on the roles of ethnic Chinese minorities in relation to 'local populations' in South East Asia.

The paper is organised into the following sections. In the first section, the fieldwork and sampling methodology applied is presented. In the second section, the paper presents the business system approach in general and outlines the elements of internal business organisation in particular. The third section presents relevant aspects of Vietnam's history to provide the context for the analysis of the country's present-day private sector. The fourth section contains an analysis of empirical data focusing on internal business organisation within Vietnam's private sector. The different segments of companies – distinguished by ethnicity, origin and location, as mentioned above – will be successively outlined. Finally, the main findings will be summarised and concluded.

Fieldwork and Sampling

This paper represents one of six papers that together comprise a PhD dissertation (Thomsen 2006) on how developing country suppliers' entry to global value chains for clothing is affected by the business systems/varieties of capitalism in supplier as well as buyer countries. For the primary target of fieldwork in Vietnam, private clothing manufacturers, an interview guide was constructed to comprise the theoretical insights of the business system, global value chains and transition economy approaches that were expected to contribute to the understanding of supplier entry barriers in Vietnam. The interview guide therefore consisted of questions on four main topics, of which the first, second and fourth are relevant for this present paper: (1) basic information about the business and its owner with the purpose of categorising businesses into segments according to considerations of ethnicity, origin and location; (2) business system elements that had to do with internal business organisation and would help to explore the similarities and differences between the various segments of enterprise owners; (3) global value chain elements concerning market relations, in order to obtain information concerning which segments exported to specific markets and how they did so; and (4) questions about businesses' and their owners' historical and present-day relationships with the state, including state-owned enterprises (SOEs) and business organisations, and also more personalised relationships. Though their historical relationship with the Communist government has been quite problematic at times, especially at Vietnam's reunification, the ethnic Chinese minority was expected to represent a relatively strong segment of the private sector at the outset of fieldwork for several reasons. These included their historical importance for the economy and their relatively fast re-establishment in the private sector when economic reform was introduced (see Lindahl & Thomsen 2003). It was therefore intended to interview an equal number of both Vietnamese and Vietnamese Chinese in Hanoi and HCMC, respectively, so that the study would cover four groups of enterprise owners on this basis. However, since not a single Vietnamese Chinese-owned clothing enterprise was identified in Hanoi, only ethnic Vietnamese enterprise owners were interviewed there. Moreover, a further unexpected (and unexpectedly important) group of respondents emerged during the fieldwork in the south: besides Vietnamese of southern origin, former northerners who were now living in HCMC owned a number of enterprises in the south. The majority of these former northerners in the southern clothing industry had been placed in major state companies or in the southern administration by the central government after the country's reunification.

Respondents were also chosen so that certain additional factors could be taken into account as much as possible. For example, enterprises in each group were chosen in order to include all the three ownership forms that comprise the registered private sector in Vietnam, namely, 'joint stock companies', 'limited liability companies' and 'private enterprises' (see Appendix), as well as enterprises of different sizes. The purpose of this was to distinguish those management strategies, problems or potentials that derive from ethnicity, origin or location from those that were related more to size or forms of ownership. Since several of the themes discussed during interviews, including ethnic differences and business-state relations, are sensitive matters in Vietnam, interviews were conducted without the presence of 'official' assistants, to reduce anxiety and avoid risks for the respondents. Likewise, the latter were promised confidentiality. Thus, references to business owners in the paper do not refer to any persons, businesses or brands by name. The main bulk of fieldwork was conducted in 2000–01 – including interviews with all 68 companies – and forms the basis for the following empirical analysis.

Data collection has been followed up by key informant interviews plus selected company visits/interviews in Vietnam in 2005 and 2008, respectively, when general information on private sector development was also updated. To improve the reliability of the data on private enterprises,

comparisons and contrasts were made using material from year books, factory visits and interviews with representatives of foreign and state-owned companies that the company being interviewed had contracts with. In respect of key informants, interviews, also mainly for triangulation purposes, were held with ministries, People's Committees, Chinese community associations, garment organisations, donors, etc. Similarly, the conductance of in situ research (see e.g. Yeung 2003) provided for further triangulation of data, and also led to observations and results that could not possibly have been obtained from a distance in a number of ways. For example, it is not easy to investigate sensitive issues concerning personalised relationships with the state through surveys, and the quality of data on such issues is often improved by conducting interviews in situ. For example, some respondents hesitated to tell me about important personal connections until they had been asked about the portraits of themselves and state officials or the party medals on their walls. Pride in such objects often led them to talk about their relations with the state, overcoming their initial reluctance.

Business Systems.

An understanding of the internal dynamics of and differences within the Vietnamese private sector is crucial to this paper. The business system approach (Whitley 1992, 1999) deals with such complexities. Along with much of the orthodox economic literature, Whitley accepts that the basic economic unit is the firm. However, he stresses that firms do not seem to follow a common rationality worldwide, as is implied by neo-classical economics. Rather, their rationalities systematically differ according to the prevalent 'business systems', defined as 'particular ways of organising, controlling and directing enterprises that become established in different contexts' (1992: 7). Two overall propositions of business system theory are hence: (1) business organisation can be characterised by how owners and managers operate firms; this tends to differ systematically between countries. (2) Underlying these differences are variations in (a) regulatory frameworks and (b) cultural institutions. Hence, the institutional context is seen as divided in two overall categories (Whitley 1992, 1999), as follows. Key social institutions include the state and political system, including regulation of firms' entry into markets and sectors; the education and training system; and the financial system. A business system commonly corresponds to a nation state, as national key institutions influence it. However, it can be connected to just a small part of a country, as cultural and ethnic differences may encourage a variety of business systems within certain nation states, or it can be cross-national. On this basis, Vietnam may be seen to possess at least two ethnically-based business systems within the private sector, namely, an ethnic Vietnamese one and an ethnic Chinese one. In addition, the latter could be regarded as part of a wider, 'trans-national' overseas Chinese business system, as Whitley (1992) has also suggested we look at the overseas Chinese in Asia. Cultural institutions refer to more 'diffuse' factors, which affect relationships both within and between enterprises, such as cultural preferences and beliefs, family and kinship ties and also authority structures. These institutions are seen to affect business organisation less directly and are more distant in origin than the key social institutions. Whitley (1999: 34–36) also identifies a number of key dimensions at the business organisational (rather than institutional) level for comparing business systems. These key dimensions are divided into three interconnected areas, namely, ownership co-ordination, non-ownership co-ordination, and also employment relations and work management.

Throughout the following description of these key dimensions, the so-called Chinese family business (CFB) has been chosen as an example for two reasons. First, understanding the abstract components is enhanced by concrete exemplification; and second, a typology of CFBs is thereby provided. The latter would be expected to provide a basic understanding of the Vietnamese Chinese

firms, which could be considered as belonging to a trans-national overseas Chinese business system, which is in turn generally considered highly influenced by cultural institutions such as Confucian values, in the business system terminology, as mentioned above. Against this background, we would in fact expect Vietnamese Chinese as well as Vietnamese firms, both of which are based in communities traditionally reflecting Confucian values of trust and family-based relations, to more or less resemble the CFB as presented in the following. While trust is often emphasised as an important factor in literature on most East and Southeast Asian economies, few or no comparisons of how this plays out in Vietnamese and Vietnamese Chinese firms exist. A determining factor will be how other types of institution, not least the state and political system in Vietnam, affect the outcomes – and whether or not these differ between the types of firm examined here. Ownership co-ordination refers first to the primary means of owner control, such as the extent to which the owners and controllers of a firm's financial assets are involved in its management, the concentration of control over these assets, the exclusivity of ownership boundaries, and the degree of risk-sharing (Whitley 1999: 35). Second, ownership co-ordination refers to the extent of the ownership integration of production chains within sectors, and, third, to the degree of ownership integration across sectors. These two last points involve defining the extent to which firms in specific economies are horizontally and/or vertically integrated. This implies examining the extent to which firms are discrete economic actors operating at arm's length from each other, and the dominant ways in which firms develop and compete. Whitley (1992, 1999) himself emphasises the CFB as an example of a firm that is not an autonomous legal and financial entity along the lines of the typical Anglo-Saxon firm, but characterised rather by personalised management by the owner, and by a limited sharing of control and shareholdings with others. Also, CFBs are usually seen as pursuing opportunistic diversification strategies that are typically horizontal and are also characterised by a degree of integration into retailing and distribution. Non-ownership co-ordination refers to the integration of activities through alliances, obligations and similar non-ownership linkages. Non-ownership co-ordination may apply vertically to production chains (the extent of the 'alliance co-ordination' of chains), or horizontally between rival firms and groups of firms (the extent of collaboration between competitors and the extent of the alliance co-ordination of sectors or groups of sectors). Comparison of non-ownership co-ordination between different business systems therefore involves examining the degree of mutual co-operation and trust between suppliers and customers in long-term relationships, as well as of mutual obligations in networks across industries and markets. The latter may, for instance, facilitate financial assistance and risk reduction. In this context, CFBs may be seen as exemplifying participation in and dependence on trust-based vertical and horizontal co-ordination in a way that secures orders, credit, long-term finance and risk spreading (see, for instance, Redding 2000). Finally, the business system dimension of employment relations and work management draws attention to two issues: first, employer–employee interdependence, which refers to degrees of reliance on external labour markets or on commitment to and investment in the internal development of organisational capabilities; and second, delegation to, and trust in, employees. This dimension subsumes issues such as the recruitment and retention of labour, intra-firm divisions of labour, the nature of subordination and dependence relations that exist between employer and employees, and the degree of managerial authority within firms. These factors are all seen to reflect more general relationships of authority and trust in a society. In the archetypical CFB, the family head or patriarch, not the manager, is the key decision maker; labour for important positions is recruited from within the family; and the degree of trust between an employer and employees who do not belong to the former's family is generally considered very low. Hence, the delegation of tasks to supervisors or managers beyond the family is rare. Likewise, employees are commonly recruited through relatives and friends who are already working in the company (Redding, 2000).

As mentioned in the introduction, it is not the aim of this paper to identify complete business system(s) in Vietnam, but rather to focus on those points that have to do with the internal business organisation that is the focus here (and hence not on those dealing with production chains or non-ownership linkages between different firms); they are therefore associated with the first and third areas mentioned above. For this purpose, the business systems approach is considered a useful point of departure since it ‘involves the identification of the central phenomena of market economies in ways that are: (a) sufficiently standardised across them to enable comparisons to be made systematically, and (b) flexible and variable enough to incorporate the crucial aspects in which they differ’ (Whitley 1999: 31). It pinpoints specific issues that should be taken into account when the business organisation and the institutional context within which it is interdependent are analysed. Since Whitley’s own specification of the elements of business systems appears fairly inconsistent and varies from one outline to another, the following outline of those elements that concern internal business organisation is limited to drawing upon Whitley (1999) in order to enhance clarity. In his 1999 version of the approach, a number of key dimensions are defined, and divided into three interconnected areas: these areas are, respectively, ownership co-ordination, non-ownership co-ordination, and employment relations and work management. Also, since the overall task here is not to compare different business systems – that is, business systems corresponding to different nations or economies – but to identify differences within Vietnam’s private sector, some of the key dimensions even within these two areas are more relevant than others. More precisely, those key dimensions that seem to characterise the garment sector in Vietnam in general because they relate, for instance, to a particular type of regulation (e.g. of labour markets) are not particularly important in terms of comparing the ethnically and/or geographically distinguished subsectors that are the focus here. Hence, this paper will concentrate on the following features of internal business organisation:

- Primary means of owner control, including: – the extent to which the owners and controllers of financial assets are involved in management. – the concentration of control over these assets, which is typically high in owner-managed firms. – the exclusivity of ownership boundaries, which refers to the extent to which ownership rights are regarded as indivisible, and which is, for example, considerable in owner-managed family firms (Whitley 1999: 35).
- The degree of managerial delegation to, and trust in, employees (pp. 38–39).
- Employer–employee interdependence, including reliance on external labour markets and/ or mutual investment in organisational capabilities (p. 38).

Throughout the analysis of different types of private sector business organisation in Vietnam, some reflections are offered on how these appear to have been influenced by culturally dependent background institutions or key social institutions. In the case of East and Southeast Asian business systems (Whitley 1992, 1999), those background institutions that Whitley mainly regards as influencing business organisation concern family structures and relations, for instance the degree of loyalty and trust that stretches beyond the core family, or the degree of formalisation and depersonalisation of authority relations. Concretely, among other things, this has implications for the primary means of owner control and employer–employee relations in enterprises in terms of the degree of ‘personalisation’ in ownership and management, the extent to which tasks are delegated to managers and supervisors (and whether or not these are family members), and the ways in which workers are recruited and trained. For example, delegating tasks to managers beyond the family is

commonly seen as rare in the overseas Chinese family business, employees normally being recruited through relatives who already work in the company (Redding 1990). These points will therefore be crucial in the analysis of the primary means of ownership and employer–employee relations for the respective business segments.

Towards a Private Sector

Before turning to the analysis of enterprises in Vietnam, however, some historical details need to be understood, mainly the background to the development of a private sector in Vietnam, with its formerly planned economy. Some of the contemporary divisions within Vietnam's private garment industry are clearly related to the country's history. When the formerly separate states of South Vietnam and North Vietnam were reunified in 1975, the Soviet-inspired Democratic Republic of Vietnam (DRV) model, which had been followed in North Vietnam since 1954, was applied to the entire country. Previously, since South Vietnam had had a market economy supported by the US, the economic system was very different from that in the north. The industrial sector in the south was mainly concentrated in Saigon (now HCMC) (Cortés & Berggren 2001). The Hanoi government's industrialisation strategy for the reunified country aimed at establishing an economy consisting solely of SOEs and co-operatives and promoting heavy industry. Thus, SOEs were assisted by the government in many ways, including direct subsidiaries and debt freezes (Dinh 2003). As part of the industrialisation strategy, the Hanoi government initiated a clampdown on private business in the south. Campaigns to eliminate capitalist activities were implemented, and private enterprises were nationalised; only households were accepted as 'private' economic units. Historically, the Vietnamese Chinese area of former Saigon, Cholon, was the main centre for private trade. The consequences of the anti-capitalist campaign, which apparently peaked when Vietnam went to war with China in 1979, were therefore most drastic for the Vietnamese Chinese (Amer 1996; Pan 1998). As Dolinski stresses (2004), like everyone in southern Vietnam, the Chinese of Cholon were dispossessed of their properties and wealth, but they also lost all the privileges that their community had acquired through the years (e.g. Khanh 1991). In the late 1970s, a major economic crisis occurred in the entire country. According to Beresford (1989), this was largely caused by the country's reunification, since the socioeconomic systems in the communist north and the capitalist south proved incompatible. It has also often been stressed that the south had never really been integrated into the collectivised system after 1976. Hence, the following transition from a planned to a market economy, which started in the early 1980s, is often seen as having been triggered by this crisis (see e.g. Cortés & Berggren 2001; Vylder 1995).

In 1986, the *doi moi* reforms were promulgated. Nonetheless, price controls and state subsidies persisted, as did hyperinflation (MPDF 1999). The crisis further weakened the 'conservatives' position in the government, and the goal became one of building a market economy with an export-oriented industrialisation strategy, a so-called market economy with socialist orientations (Dinh 2003; Fforde & Vylder 1996). In 1988, the private sector was officially recognised, and by the end of 1990 the enterprise law established its legal basis.² Simultaneously, the official perception of the Vietnamese Chinese changed somewhat since it seems that they were suddenly recognised as potential contributors to the country's economic development (Lindahl & Thomsen 2003). The reforms that followed, among other things, aimed at creating a 'multi-ownership system and developing enterprises of various economic components' (Dinh 2003: 8). It is, however, important to note that, although a private sector was permitted from the end of the 1980s, it was not encouraged (Kokko & Sjöholm 2000). Today, SOEs still enjoy favourable conditions, such as access to financial resources, land, infrastructure and labour (Dinh 2003; Nghia, 2001). The registered private sector that is in focus here consists of restructured SOEs, dissolved co-operatives

and newly established firms, which are now registered as ‘limited liability companies’, ‘one-member limited liability companies’, ‘private enterprises’ and ‘joint stock companies’ (see Appendix). These registered private enterprises operate under the enterprise law, which was first introduced in 1990 and further extended in 2000 and 2005. However, some enterprises were established prior to the Law on Private Enterprises in other (private or state) ownership forms and only registered in their current forms later. Southern Vietnam is still the economically dominant region in Vietnam. The private sector was especially quick to re-emerge in HCMC, which currently hosts around a quarter of all private enterprises in the country (Cortés & Berggren 2001). While Vietnam is to some degree still an agrarian society, with around 60 per cent of the workforce employed in agriculture, forestry and fisheries, industrial GDP has grown by more than 10 per cent annually over the past decade, meaning that the industrial sectors contributed around 41 per cent of GDP in 2005. Growth rates have been particularly rapid in footwear, garments, and car and motorcycle assembly (EIU 2006). SOEs continue to lose their share of industrial output, which decreased from 44 per cent in 1999 to 34 per cent in 2005. The foreign invested sector is the fastest growing and accounted for 37 per cent of industrial output in 2005. Thus, the remaining 29 per cent of output is from registered and unregistered private enterprises together (EIU 2006).

In what follows, four different categories of enterprise will be examined: respectively, Vietnamese in Hanoi, Vietnamese Chinese in HCMC, Vietnamese of southern origin in HCMC and Vietnamese of northern origin in HCMC. The analysis will take as its starting point the business system approach to internal business organisation and therefore focus on the primary means of owner control, employer–employee interdependence and managerial delegation to, and trust in, employees. A few general remarks, mainly on sample size, enterprise size by number of employees and origin of enterprise owners, are made at the outset of each of the four sections in order to set the scene. The Vietnamese in Hanoi The 20 enterprises included in the Hanoi sample employed little more than 200 workers on average; with JSCs representing the largest firms, with an average of 370 employees. There were no private enterprises in the Hanoi sample, which reflects a more general shortage of garment private enterprises here. As we shall see in the following, this is closely connected with a preference for collective ownership and management forms in Hanoi. All enterprise owners in the Hanoi sample were ethnic Vietnamese and had been born in northern Vietnam, mainly in Hanoi.

Primary Means of Owner Control

Enterprise owners in Hanoi were generally involved in managing their enterprises to some extent, though most of them had little experience in running a garment company, except in a few cases where garment manufacture had been a traditional occupation of their families. More than half of the Hanoi respondents had been occupying positions in the state sector (though rarely garment-related) before opening private enterprises, and were university educated, usually at the economic and foreign trade universities in Hanoi or former Eastern Europe. They often emphasised that their education, which had usually been acquired during the period of the planned economy, was of hardly any use in contemporary Vietnam. A few other enterprise owners had had (now bankrupt!) private enterprises in other industrial sectors, and seemed to have switched to garments because of the industry’s relatively low entry barriers in terms of, for instance, start-up capital. In spite of the fact that few of these educated former state employees possessed advantages in garment production regarding qualifications, they often had other advantages in the form of different types of personalised business–state relationships. These relationships with various types of authority seemed to have emerged in contexts within or between the state and SOEs, and had been recently re-configured into personalised relationships between particular officials and themselves as private

sector business owners. Such relationships appear to be almost mandatory for private business owners in terms of accessing certain resources such as land use rights, long-term bank loans and licenses, and foreign markets. Respondents and key informants also commonly stated that business–state relations were helpful for avoiding or decreasing corruption-related visits by officials. Hanoi enterprise owners without a background in the state sector did not have university educations either, yet they were among the most experienced in garment production in Hanoi. They were commonly self-taught women, who had initially started out in household businesses during the period of the planned economy, after which they generally targeted the local market with tailored products of good reputation. Rather than rely upon connections, this group of Hanoi business owners emphasised the importance of ‘learning by doing’. The long duration of the planned economy in northern Vietnam means that private initiative has only started to emerge here recently. Hence, the majority of enterprises in the sample in Hanoi were founded after the introduction of the 1990 enterprise law in the specific ownership form that they still remain in. Exceptions were a few former SOEs and households, which were now either JSCs or limited liability companies. Also, a relatively large number of the Hanoi enterprises in the sample were not under individual ownership. First, this was the case for JSCs, which were mainly former SOEs and still had state stock. Second, some limited liability companies were also owned by groups of people, who attended the members’ councils. According to the law, members of limited liability companies with multiple owners should appoint a council, a chairperson and a director; which also seemed to be the actual situation in Hanoi. Respondents in enterprises with multiple owners often pointed out that they did not want to take the risk of owning a company on their own, which indeed they were not used to doing. They preferred more collective forms of ownership, which were also commonly perceived as less ‘selfish’ and less ‘capitalist’. However, there was also a group of Hanoi limited liability companies that were family-owned. The majority of them had been registered as limited liability companies from their foundation, while others were former household businesses that mostly started producing between the early 1980s and mid-1990s. Only two family-owned limited liability companies were older: one of them was a former production unit belonging to the local Youth Union³, while the other had been established during the colonial period. The latter became a household business under the planned economy and reregistered as a limited liability company after the *doi moi*.

Delegation To, and Trust In, Employees

Few alterations in management or personnel had been made in any of the former SOEs, which were therefore managed by people who had (perhaps only) entered the private sector because of the authorities’ decisions on ‘equitisation’⁴. In these, as well as in limited liability companies not under individual ownership more generally, directors were commonly in charge of daily operations, though certain tasks were usually delegated to other representatives of the Board of Management or Members’ Council, which had full responsibility for these tasks. The main reason given for this was that it increased managers’ confidence that they had the support of their boards in the sense that they did not have to take all the decisions single-handedly, i.e. they could share the responsibility with others. In family-owned companies, it was often stated that all or many family members worked for the company, for example as secretaries or supervisors, and responsibility was delegated to them to a relatively large extent. It was generally considered ‘nice to be able to supply jobs for relatives’ (Hanoi respondent, 2000). The benefits obtained from employing one’s family or relatives were usually believed to include risk reduction and the preservation of profits within the family. Yet, some respondents noted some disadvantages, mainly in terms of maintaining individual authority, and stressed that relatives were not automatically preferred since ‘it is not our ambition to employ them just because they are family – they should also be qualified. But if it’s possible, family members are always more welcome’ (Hanoi respondent, 2000). When asked what safeguards there

were against relatives taking advantage of their relatively secure positions in the companies, only a few respondents were able to give any examples. One respondent (2000) explained how she once told her uncle to ‘stay away from work for a month, because he refused to follow instructions’. Yet, she still paid his salary during that period. Interdependence of Employers and Employees As is often the case in the garment industry, the vast majority of workers in all enterprises in both Hanoi and HCMC were women, and wages were usually paid by the piece.

In Hanoi, workers employed by all types of enterprise were mainly recruited through advertisements. Supervisors commonly tested workers before employing them. It was often stated that, due to the relatively large surplus of workers in Hanoi, supervisors simply chose the best and best-trained applicants from the beginning. Often, these workers were initially employed for a month without training, after which they were either fired or hired. Hanoi business owners in the sample seldom invested much in training themselves. Exceptions were a few enterprises engaged in tailoring. Besides, workers in some companies, mainly family-owned, were trained on-the-job – not by persons specifically employed and qualified as a trainer, but in the sense that ‘older workers work together with the new ones on the same machine for a while’ (Hanoi respondent, 2000). Some of the former state employees also recruited workers through vocational schools, especially immediately after the business had been established, when no employees were ‘old’ enough to train newcomers. The Vietnamese Chinese in HCMC The Vietnamese Chinese-owned private sector in HCMC⁵ is mostly located in and around Cholon. Except for one elderly man, who had been born in China, the 24 business owners in the sample were all born in the HCMC area. Vietnamese Chinese respondents commonly stressed their ‘Chinese-ness’, but also often underlined that they were ‘Vietnamese citizens like anybody else’. Vietnamese Chinese companies were relatively small. Though the average Vietnamese Chinese company had about 240 employees, the number falls to less than 145 if one outlying company with 2500 employees (Vietnamese Chinese respondent, 2001) is not included. Interestingly, this was the only Vietnamese Chinese-owned company in which the state now owned stock, as a consequence of the company being embroiled in a scandal involving (among others) Vietnamese Chinese companies in 1996. Primary Means of Owner Control Without exception, Vietnamese Chinese business owners were closely involved in management. They were generally not university educated, but their experience in running garment companies was usually solid. About one-third of them had been trained to manufacture garments in traditional ‘tutor systems’,⁶ after which some opened companies almost immediately, while others took jobs – usually as quality controllers in foreign-owned garment companies – before opening companies of their own. Others had owned household businesses for years and regarded themselves as self-taught. It is significant that only one Vietnamese Chinese respondent had ever occupied a position in the state sector, in which he had managed an SOE. Even more strikingly, this was not a case of an SOE recruiting a Vietnamese Chinese manager. In fact, the enterprise was initially private, having been registered as a co-operative during the planned economy, and was owned and managed by a group of Vietnamese Chinese. When the economy was gradually liberalised, it was one of the first businesses to register as a limited liability company. Soon afterwards, and despite the fact that this was by now the early 1990s, the business was nationalised, since when the Vietnamese Chinese staff had been gradually replaced. Subsequently, the respondent left voluntarily to open his own company, and he stressed that he had cut off all co-operation with the SOE and ‘never touches the state sector anymore’ (Vietnamese Chinese respondent, 2001). On the one hand, Vietnamese Chinese respondents often mentioned their lack of relations with the state as problematic, again in terms of obtaining access to certain resources and as a ‘protection’ against corruption. On the other hand, they also often mentioned that these problems helped strengthen networks within the Vietnamese Chinese community. The usefulness of this type of relationship,

however, is limited in contemporary Vietnam. First, it is important to note that even such ethnic networks are often highly exclusive. Second, they do not necessarily compensate for the restrictions in the political economy in the areas where businesses need it the most. As is also often the case with overseas Chinese-owned companies elsewhere, Vietnamese Chinese companies were generally family-owned. Given Vietnam's quite recent transition to a market economy, which generally meant that most private enterprises were established after 1990, they were relatively old, and not one of them was a former SOE. A few were former co-operatives, which had already been dissolved into independent (usually household) units in the mid-1980s and later registered. Others were originally households, some of which existed during, or even before, the planned economy. As in Hanoi, the majority were limited liability companies, but about a quarter were registered in single ownership forms, usually as private enterprises, which have either started operating within the last ten years or were former households. In addition, one company was the only limited liability company included in the study with just one officially registered owner. Vietnamese Chinese business owners generally retained a high degree of control over their businesses. They often explained that they found it important to be able to own and control the companies themselves, among other things to hasten decision making. One example was a private enterprise that had been part of a co-operative during the planned economy: "In the co-op there were lots of people and just as many ideas involved. We had meetings and a lot of debates, which was exhausting. So later everybody decided to become households, and now my company is a Pte. Now I can make my own decisions and respond to customers quickly. When I need other people's opinions, it's up to me to ask" (Vietnamese Chinese respondent, 2001). Therefore ownership and management tended to overlap so that a single owner and his/her family usually owned and managed the company to the maximum extent possible. Registration in the form of private enterprises⁷ was obviously the easiest way of securing this, but it is also significant that, although other enterprises were mainly registered as limited liability companies with two or more owners, the very notion of this ownership form differed from that common in the north, where ownership was understood less exclusively. Limited liability companies owned by Vietnamese Chinese commonly only had family members, relatives or close friends, who did not necessarily work or contribute capital to the companies, but were registered as co-owners. Limited liability company registration was basically a practical formality made in accordance with the policy framework at the time of registration; for instance, it was aimed at obtaining licenses that required limited liability company registration, while ownership and control were still highly concentrated.

Vietnamese Chinese business owners usually took all the ultimate decisions in the companies, even though management was often partly delegated to relatives occupying key positions. It generally seemed easier for the Vietnamese Chinese than for the Vietnamese in Hanoi to maintain authority over family members who worked in the company, perhaps exactly because of the clear mutual agreement that the head of the company was ultimately in charge, even of departments run by family members. A relatively large number of Vietnamese Chinese business owners also employed managers who did not belong to their families. The most commonly stated reason for this was that they often had only a few family members left in the country after the Vietnam War and the country's reunification.⁸ Hence, this large degree of employment of 'outsiders', larger than commonly stressed in the literature on the Overseas Chinese (see e.g. Redding 1990, 2000), seems to relate at least to some extent to the Vietnamese context. However, Vietnamese Chinese generally adapted to this situation, and they seldom stressed it as particularly problematic. Rather, they picked managers who were trusted for reasons other than family bonds. One female limited liability company owner explained how she had promoted a Vietnamese woman to be vice-director: "For me it's not important whether people are Vietnamese or Chinese as long as they are trustworthy. All

kinds of people can be good and bad [...] I work with them for a while to check their xin yong (trustworthiness), and sometimes that leads to guanxi (long-term relations). My vice-director used to be a worker here, but since I was very satisfied with her performance, I decided to promote her” (Vietnamese Chinese respondent, 2001). Thus, while employed managers in Vietnamese Chinese businesses were sometimes ‘outsiders’ in the sense that they did not belong to the family, nor necessarily to the ethnic group either, they were still ‘insiders’ in company terms: they were picked from the company and trusted because they had been employed by it over a long period of time.

Interdependence of Employers and Employees

Four main features characterised the relationships of Vietnamese Chinese business owners with their workers. First, smaller family enterprises especially often employed core workers over relatively long periods, often five to ten years. Second, unlike all Vietnamese business owners, they rarely advertised for workers or recruited them from vocational schools, which, they usually stressed, would decrease the degree of trust between them and their employees. Rather, they hired via ‘word-of-mouth’ methods to get somebody they were already familiar with. Third, they tended to train and supervise workers themselves, which may explain why it was important to keep them employed for a long period of time. They often emphasised that they simply did not trust anybody else to train their workers, but preferred to be sure that the training be in accordance with the specific requirements of precisely their company. Likewise, the state-owned training centres were considered to be of very low quality, which was also generally confirmed in interviews with foreign agents and buyers. Fourth, Vietnamese Chinese business owners complained about labour law-related difficulties much more frequently than other business owners. The latter may, on the one hand, be due to the fact that HCMCs’ relatively large number of labour-intensive enterprises (competing over foreign orders and sometimes having to stop producing for a while when orders were lacking) made it difficult to retain workers. Private enterprises could generally not often offer the same incentives as the subsidised state companies and were not always able to pay the same salaries as foreign ones. This problem seemed particularly difficult to resolve for smaller private enterprises, as Vietnamese Chinese-owned ones generally were. On the other hand, the concern with labour regulations also seemed to be due to a greater degree of scepticism concerning the political-economical system, which clearly related back to the time of reunification, the consequences of which had been particularly hard for the Vietnamese Chinese, as described above. During interviews, Vietnamese Chinese business owners mentioned local authorities’ arbitrary interpretations and implementations of labour regulations fairly often.

Given that there is a clear tendency among both the Vietnamese authorities and business owners still to distrust Vietnamese Chinese in quite general terms and consider them disloyal to the country, it is also very likely that, as business owners, the latter had quite a lot of experiences of that kind. While some factory inspections, for instance, were undertaken properly, others were clearly corruption-related; business owners were asked to ‘pay money in a white envelope’, but not to correct the ‘errors’ that had led to the ‘fines’. Similarly, it was often stressed that complaints from workers did not necessarily lead to an investigation of the problem, but simply to immediate fines on the business owners (again, in an envelope without receipts being issued). Enterprise owners often observed that the system solved very few real problems. Vietnamese of Southern Origin in HCMC The 13 HCMC enterprises that were owned by Vietnamese, who also originated in southern Vietnam, were the smallest Vietnamese-owned ones in the sample. Though their average number of employees was 336, this falls to as little as around 150 if two enterprises with 1000 and 1700 employees, respectively, are not included. This makes the remainder about the same average size as Vietnamese Chinese-owned enterprises. Primary Means of Owner Control HCMC Vietnamese of

southern origin usually possessed some knowledge of the clothing industry. A few had had garment household businesses for around 20 years or came from, and were trained by, families with businesses in related fields, for instance dyeing or garment trading. A few other Vietnamese of southern origin had a university education, but seldom any subsequent relevant experience. Likewise, fewer Vietnamese of southern origin had had positions in the state sector previously compared to the other Vietnamese-owned segments.⁹ It is also significant that, as with the Vietnamese Chinese, some Vietnamese of southern origin owned (single-owner) private enterprises, which was not the case for any of the Vietnamese in Hanoi, or for any HCMC Vietnamese who had originated in the north. It therefore seems that the preferences for owning enterprises individually were more of a southern phenomenon than necessarily an ethnic one. In addition, enterprises owned by Vietnamese of southern origin were often registered as limited liability companies with two or more owners, but – as was the case for Vietnamese Chinese-owned enterprises – this was mostly a necessity as a consequence of the policy framework at the time of registration; hence relatives were listed as co-owners on paper only. A limited liability company in which the male owner had previously worked as an accountant in another private (not garment) enterprise is an example of this. Hence, control over businesses was maintained in the owners' hands, as was also the case for most Vietnamese Chinese. Delegation To, and Trust In, Employees The majority of Vietnamese limited liability company owners of southern origin ran their businesses more or less on their own, so that ownership and management largely overlapped. They generally stressed that, although certain management tasks were delegated to different departments, they still 'controlled everything personally', even in cases where enterprises were larger than average. It is also notable that, although this family were in the middle of expanding the enterprise, they had no plans to change the management structure accordingly. The different departments were usually handled by family members, and even in these cases, the enterprise owner re-checked their work as much as possible. As in the case of the Vietnamese Chinese, it seemed easier for the Vietnamese of southern origin in HCMC to sanction family members with whom they disagreed. Again, this may be seen to relate to the relatively low degree of responsibility that was actually delegated to family members, while business owners remained ultimately in charge of the company. Vietnamese of southern origin also usually emphasised that they tried to avoid employing managers who did not belong to their families on the grounds that 'outsiders' are not trustworthy. Unlike the Chinese, they seldom systematically turned 'outsiders' into 'insiders' by extending their perception of who belonged to or were trusted by the 'family' by building up trust through long-term relations. Rather, they generally remained more sceptical of delegating responsibilities to non-family members in the company. It is also of interest that none of the Vietnamese of southern origin employed ethnic Chinese or Vietnamese of northern origin as managers.

As with the Vietnamese Chinese, Vietnamese business owners in HCMC often stressed that they had problems in retaining workers, not least in periods when orders were scarce. For the Vietnamese of southern origin, this can again be partly explained by the fact that their enterprises were relatively small and not always able to attract orders continuously. The relations of Vietnamese of southern origin to workers differed from those of the Vietnamese Chinese in how they often recruited workers through advertising or vocational schools and seldom trained them. Exceptions were very small companies, which often recruited the friends and relatives of their current workers and provided them with (more or less thorough) training on-the-job. Vietnamese of Northern Origin in HCMC The vast majority of the 11 Vietnamese of northern origin who now lived in HCMC in this sample¹⁰ had been sent to the south by the Hanoi government after the country's reunification. Typically, they were members of the Communist Party, who had been placed in the south in SOEs or in the administration. The Vietnamese of northern origin owned by

far the largest enterprises, with an average of 520 employees. Primary Means of Owner Control As with the Vietnamese in Hanoi, those who originated there but lived in HCMC generally preferred forms of shared ownership, and hence all enterprises were registered as either JSCs or limited liability companies with two or more owners. In these limited liability companies ownership is also shared in reality, and generally owners had no plans to change this, though limited liability companies can now have one owner. These Vietnamese of northern origin were the least experienced of all in garment production, though they were all university educated, invariably in rather irrelevant fields. In cases where former northerners' enterprises were registered as limited liability companies, ownership was commonly divided between two or more individuals both on paper and in practice. Likewise, it is of interest that almost all JSCs in the HCMC sample were nearly 100 per cent owned and controlled by Vietnamese of northern origin, who were formerly the managers of these now equitised (or other) SOEs. The Vietnamese of northern origin were those in the sample who had most relationships with and former positions in the state sector. In addition, unlike all other enterprise owners in Hanoi and HCMC, they still had relatively easy access to resources and 'protection'. Delegation To, and Trust In, Employees In limited liability companies owned by Vietnamese of northern origin, management was commonly shared with or delegated to others, so that the directors delegated full responsibility for the different departments to the managers or supervisors in charge of them, regardless of whether these were family members or not. In some cases, Vietnamese of northern origin even relied entirely on 'professional' managers. While many factors might help explain this phenomenon, including the fact that they had little experience in running garment enterprises, a key reason seems to be that these well-connected business owners tended to act as 'silent partners' in a range of businesses. They appeared to be among the wealthiest actors in the current southern garment sector, and it seemed that their wealth had generally not been created within the industry itself. Rather, they picked the garment industry as one of many places to invest capital that was accumulated elsewhere. Interdependence of Employers and Employees As was usually also the case for other Vietnamese business owners in HCMC and Hanoi, former northerners practically always recruited workers through training centres or 45 INTERNAL BUSINESS ORGANISATION advertising. In addition, they were among the few in the privately owned garment industry who tended to locate their businesses in industrial parks, among other things to obtain access to pre-trained workers. One respondent, whose limited liability company is located in an industrial park just outside HCMC, explained how – contrary to the Vietnamese Chinese, who tended to think that quality was achieved through personal training and who had little confidence in the state-run training centres – this gave him confidence in terms of the quality of the work and thus that of his products: The park has a unit that trains and introduces workers. I go through them when I employ somebody. This is also because 100 per cent of my products are for Japan, which is a market that is hard to please (former northern respondent in HCMC, 2001). Summing Up For the four overall categories of enterprise, the main similarities and differences concerning internal business organisation can be summarised as follows. Enterprise owners' involvement in management ranged from low (or even absent) in the case of the former northerners in HCMC, at one extreme, to HCMC Vietnamese Chinese-owned enterprises in which ownership and management coincided, at the other. In between, Vietnamese in Hanoi were generally involved in management to some extent, while Vietnamese of southern origin in HCMC showed more similarities with the Vietnamese Chinese, so that here too management and ownership often overlapped. Generally speaking, in terms of owners' involvement in management, it seemed that what distinguished enterprise owners the most was whether or not they had had positions in former SOEs, and hence their origin in Hanoi or HCMC was essential. Enterprise owners with such positions had to some extent transferred management styles from the state sector to the private sector. The Vietnamese Chinese and the Vietnamese of southern origin had few experiences of

employment in SOEs and were therefore far more used to managing private enterprises individually, as well as being generally more self-confident in doing so. A similar 'rank order' appears in terms of the exclusivity of ownership boundaries and the concentration of control over assets: Vietnamese of northern origin in HCMC and the Vietnamese Chinese again represented polar positions. Several individuals and/or organisations usually owned the enterprises in the case of the former, while concentration of control over assets was extremely high in the case of the Vietnamese Chinese. Enterprises owned by Vietnamese in Hanoi were seldom under individual ownership, while those owned by southern Vietnamese normally were. Again, in the case of business owners from the north, there was a tendency for them not to register in individual ownership forms regardless of whether they still lived in Hanoi or had moved to the south. An origin in southern Vietnam tended to lead to a general preference for individual ownership and a relatively high concentration of control over assets. This was not least the case for the Vietnamese Chinese, whose scepticism about giving up control may have been strengthened by the country's history, since their ancestors had had businesses confiscated on a large scale, and by the fact that similar (wholly or partly) nationalisations of Vietnamese Chinese-owned businesses had occurred in recent cases. In respect of delegation to, and trust in, employees, the pattern described above still holds to some extent, so that Hanoi enterprise owners and also former northerners in HCMC had similarities in the way that they commonly delegated full responsibility for certain tasks to managers, while HCMC Vietnamese of southern origin and also Vietnamese Chinese delegated responsibility less, and when they did, it was mainly to family members. Also, they generally re-checked the work of these managers and supervisors. Vietnamese of northern origin still stood out, since they were the only ones who hired 'professional managers' to run their companies entirely. Nonetheless, in terms of the delegation of responsibility, it was not the Vietnamese Chinese but Vietnamese of southern origin in HCMC who differed most from them, since they were least likely to delegate responsibilities beyond the family. In some cases, Vietnamese Chinese even delegated responsibility beyond ethnic lines to trusted Vietnamese managers. The latter practice is particularly interesting, since overseas Chinese in South East Asia are otherwise commonly seen to limit trust – and therefore delegation of responsibility – to their families. One possible explanation for this difference is that the Vietnamese Chinese have been forced into broadening their employment of managers beyond their family, since many members of their family fled the country during and after the Vietnam War. As regards methods of hiring and training workers, the Vietnamese Chinese preferred recruiting workers through trusted 'intermediaries' such as long-term employees. They usually trained the workers themselves to ensure that the training met their own specific requirements, which, with their generally high degree of experience in producing garments and low confidence in the capabilities of the state-controlled vocational schools, they preferred doing themselves. By contrast, Vietnamese business owners of all kinds tended to hire sometimes pre-trained workers through advertising or vocational schools. Concluding Remarks This paper has examined internal business organisation in the private garment industry in Vietnam, and has shown that the country's private sector is much more heterogeneous than is often suggested. Four segments of enterprise distinguished by their locations in northern or southern Vietnam, the business owner's origin in either, and also whether they are of Vietnamese or Chinese ethnicity, have been included in this analysis. The business system approach has helped us reveal how Vietnamese Chinese firms to a large extent do resemble the archetypical CFB as presented in the theoretical section, and also deviates from it. Likewise, the business system theory allowed identification of differences between the Vietnamese Chinese and ethnic Vietnamese firms, though it is also clear that these differences are relatively minor in the case of Vietnamese firms that are located and originate in the HCMC area, where the planned economy was never as evident as in northern Vietnam, while they are much larger when compared to firms that originate in and/or are located in Hanoi. While these immediate

differences have been revealed with the help of business system theory, it is suggested here that the causal explanations behind them are not thoroughly revealed only by looking at the common institutional contexts as suggested by business system theory. A stronger emphasis on the role of the personal backgrounds, relations and histories of individual enterprise owners (and how these relate to the political system in question) than is normally considered within the framework is considered equally important. Against this background, a causal explanation for the existing variations within Vietnam's private sector seem to relate to enterprise owners' origins in two very different political economic systems (northern or southern Vietnam, respectively), rather than merely their ethnicity or where they are located today. Hence, Hanoi enterprise owners and Vietnamese of northern origin in HCMC are generally still very influenced by the former planned economy than their Vietnamese and Vietnamese Chinese counterparts who come from HCMC. Thus, this paper forms a basis for understanding how Vietnam's transitional regulatory regime has encouraged a segmentation of the emerging private sector. In this emerging economic system, the different groups of enterprise owners experience unequal opportunities, including accessing resources and markets (see also, Thomsen 2007). It is therefore suggested here that the differential treatment of private and state sectors that is often pinpointed in the literature on Vietnam is also reflected within the private sector itself, where certain segments are more closely related to the state system than others. Lowest in this hierarchy of more or less (including un-) state-connected private enterprises are those enterprises that originate and are still located in HCMC. This also seems to mean that the recovery of the Vietnamese Chinese community (which derived from the end of the 1980s, when they were suddenly seen to contribute to economic reform and export-orientation) has diminished again. Besides a number of ethno-political consequences of this scenario, this means that the existing local private sector resource base is not fully utilised, in turn affecting the development of the wider Vietnamese economy.

Acknowledgements I am truly grateful to Peter Gibbon, Danish Institute for International Studies; Niels Fold, Copenhagen University; Henry Yeung, National University of Singapore; and Jakob Lindahl, Roskilde University, all of whom provided invaluable comments on earlier drafts of this paper. Also, I am indebted to all the enterprise owners, officials and researchers in Vietnam, who spent hours talking to me and made me feel welcome in their beautiful country.

Notes

1 Although the ethnic Chinese are often singled out as important actors in the private sector in Southeast Asian (see e.g. Lim & Gosling 1983; McVey 1992), little research has been done on their contemporary role in the Vietnamese economy (Lindahl & Thomsen 2003). Amer (1996) provides a historical analysis of the Vietnamese Chinese community.

2 Since its introduction, Vietnam's enterprise law was revised and developed in 2000 and again very recently (1 July 2006). The outcomes of the most recent changes are still not clear at the time of writing.

3 After the introduction of the *doi moi*, the Communist Party and mass organisations created companies, which were subsequently governed by the law on private enterprises in 1999 and registered as limited liability companies or JSCs (Nghia 2001).

4 In Vietnam, selling off SOE equity is called *equitisation*. It was generally difficult to obtain information on whether or not former SOEs still had state institutions among their shareholders.

5 The Vietnamese Chinese first came to Vietnam from China, especially Guangdong Province, between the eighteenth and twentieth centuries. Four of the existing five Chinese speech groups in HCMC are represented in this study in degrees that more or less reflect their actual presence in the city's garment industry: the majority are Guangdong and Teo chew, while a few are Fukien and

Hainan. The last group in HCMC, with only a few representatives in the garment industry in general and none in this study, is Hokkien.

6. Joint Stock Company (JSC) is either established from the outset as a private or an equitised SOE. The charter capital is divided into shares, and shareholders (a minimum of three), who may be either individuals or organisations, are liable for the debts and other property obligations of the enterprise up to the amount they have contributed. A JSC must have ordinary shares and preference shares, and usually shareholders are free to assign their shares to other persons with some restrictions. The company is managed by a General Meeting of Shareholders, a Board of Management and a director. Source: Vietnam Economic Times No. 150, August 2006

References

Amer R. (1996) Vietnam's policies and the ethnic Chinese since 1975, *Sojourn: Journal of Social Issues in Southeast Asia*, 11: 76–104.

Appold S.J., Nguyen Q.T. (2004) Social embedding as a solution to a control problem: Evidence from Vietnamese small business, paper presented at the Sixth ASEAN inter-university seminar on social development, George Town, Penang.

Beresford M. (1989) *National Unification and Economic Development in Vietnam* (Basingstoke: Macmillan).

Cortes C., Berggren A. (2001) Financing the growth of Vietnamese firms, discussion paper in economic policy analysis No. 0101 (Hanoi and Copenhagen: CIEM-NIAS).

Dinh V.A. (2003) *Developing the Socialist-oriented Market Economy in Vietnam* (Hanoi: CIEM).

Dolinski M. (2004) Identity changes of the Chinese community in Vietnam: A survey of 20 families in Cholon, revised version of the paper presented at the Search for Interfaces: Interdisciplinary and Area Studies in Southeast Asia and the Pacific international conference, University of Provence.

EIU (2006) *Country Report Vietnam: January 2006* (London: Economist Intelligence Unit).

Fforde A., Vylder S.D. (1996) *From Plan To Market: The Transition in Vietnam, 1979–1994* (Boulder, CO: Westview).

Gereffi G. (1996) Global commodity chains: New forms of coordination and control among nations and firms in international industries, *Competition & Change*, 1: 427–439. [Abstract](#)

Khanh T. (1991) *The Ethnic Chinese And Economic Development in Vietnam*. (Singapore: Institute of South East Asian Studies).

Knutsen H.M. (2004) Industrial development in the buyer-driven networks: The garment industry in Vietnam and Sri Lanka,

Journal of Economic Geography, 4: 545–564.

Kokko A., Sjöholm F. (2000) Some alternative scenarios for the role of the state in Vietnam, *Pacific Review*, 13(2): 257–277.

Kokko A., Sjöholm F. (2004) The internationalization of Vietnamese SMEs, EIJS Working Paper Series 193, European Institute of Japanese Studies.

Lim L.Y.C., Gosling P.L.A. (eds) (1983) *The Chinese in Southeast Asia, Vol. 1: Ethnicity and Economic Activity* (Singapore: Maruzen Asia Pte. Ltd.).

Lindahl J., Thomsen L. (2003) The overseas Chinese in Vietnam: Private business and socio-economic network relations in the Chinese community of Ho Chi Minh City, in Menkhoff T., Gerke S. (eds), *Chinese Entrepreneurship and Asian Business Networks* (London and New York: RoutledgeCurzon).

McVey R. (ed.) (1992) *Southeast Asian Capitalists* (New York: SEAP, Cornell University).

MPDF (1999) Vietnam's undersized engine: A survey of 95 larger private manufacturers, MPDF Private Sector Development Paper No. 8, Hanoi.

Nghia P.D. (2001) *Essentials of Vietnam's Business Law* (Hanoi: Gioi Publishers).

Pan L. (1998) (eds) *The Encyclopedia of the Chinese Overseas* (London: Curzon Press).

Redding S.G. (1990) *The Spirit of Chinese Capitalism* (New York: De Gruyter).

Redding S.G. (2000) What is Chinese about Chinese family business? And how much is family and how much is business?, in Yeung H., Olds K. (eds) *Globalization of Chinese Business Firms* (London: Macmillan).

Thomsen L. (2006) Supplier entry barriers to global value chains for clothing: The roles of business-state relations in Vietnam and of lead firm strategies in Europe, PhD thesis, Danish Institute for

International Studies, Copenhagen.

Thomsen L. (2007) Accessing global value chains? The role of business–state relations in the private clothing industry in Vietnam, *Journal of Economic Geography*, 7(6): 753–776.

Vylder S.D. (1995) State and market in Vietnam: Some issues for an economy in transition, in Nørlund I., Gates C., Dam V. C. (eds), *Vietnam in a Changing World* (London: Curzon Press and Nordic Institute of Asian Studies).

Wade R. (1996) Globalisation and its limits, in Berger S., Dore S. (eds), *National Diversity and Global Capitalism* (Ithaca, NY: Cornell University Press).

Whitley R. (1992) *Business Systems in East Asia: Firms, Markets and Societies* (London: Sage).

Whitley R. (1999) *Divergent Capitalisms: The Social Structuring and Change of Business Systems* (New York: Oxford University Press).

Yeung W.C.H. (2000a) Organising ‘the firm’ in industrial geography. I: Networks, institutions and regional development, *Progress in Human Geography*, 24(2): 301–315. [Abstract](#)

Yeung W.C.H. (2000b) The dynamics of Asian business systems in a globalizing era, *Review Of International Political Economy*, 7(3): 399–433.

Yeung W.C.H. (2003) Practising new economic geographies: A methodological examination, *Annals of the Association of American Geographers*, 93: 442–51.