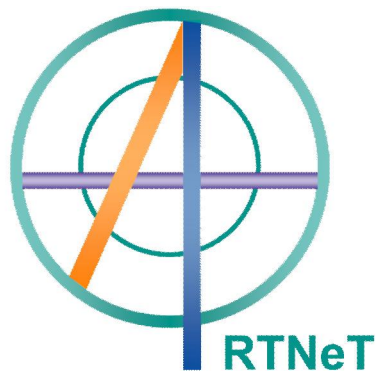




Asia-Pacific Research and Training Network on Trade

Challenges resulting from the global economic crisis, and responses by Vietnamese woman-led, export-oriented enterprises: A preliminary inquiry

By Nguyen Manh Hung, Truong Thi Kim Anh and Vu Thanh Huong

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Abstract

While Vietnamese businesswomen have exhibited their excellent capability in overcoming the global economic crisis as well as their readiness to play an essential role in rebuilding the post-crisis economy, the country's women-led export enterprises that are facing post-crisis challenges are in the need of suitable policy support and "hand-holding" to successfully navigate this difficult period.

This research paper is a preliminary attempt to inquire, through a small sample survey, the response and adaptation of the Vietnamese woman-led, mostly export-oriented, small and medium-sized enterprises (SMEs) to the new challenges arising from the economic crisis, and especially the ways these enterprises have sustained their export orientation. (However, it is not a comparative study with their male counterpart SMEs). The results indicate that most of the woman-led, export-oriented SMEs have relied on their own efforts to overcome the crisis challenges. Their crisis management strategies have included taking market-oriented and in-house policy measures, such as collecting authentic market intelligence, designing an appropriate crisis management strategy, followed by cost-oriented efforts to scale down the production and marketing volume and readjust pricing to increase their competitiveness. As woman-led export enterprises become committed to the responses in line with market requirements to the new difficulties resulting from the crisis, the research findings reveal the need for a more supportive role by government organizations and industry associations.

The package of policy programmes may include: (a) market research, up-to-date and on-going information on supply and demand pattern of the products and early warning signals; (b) export-oriented market development training and skills upgrading programmes; (c) easy access to export credit, including pre- and post-shipment credit; and (d) special dispensing of post-crisis rehabilitation finance from institutional sources on easy terms.

To benefit further from on the above research findings and the recommendations emanating from the case study of Viet Nam, it would be worthwhile and cost-effective to examine their policy relevance to the Lao People's Democratic Republic and Cambodia, two neighbouring countries with similar economic settings and SME status. This could be done

through two short pilot research projects under the ARTNeT umbrella, with the ultimate objective of mitigating the challenges faced by woman-led exporting units in the Lao People's Democratic Republic and Cambodia. Such a study will be an effective starting point for testing the need for suitable policy interventions in the Lao People's Democratic Republic and Cambodia as well. Further, viewed from the subregional angle, these joint efforts by Viet Nam, the Lao People's Democratic Republic and Cambodia are expected to enhance the capabilities of woman-led exporting SMEs in the regional and global markets.

JEL code: F13, F14, F15, F19

Key words: Global crisis, women-led export enterprises, Vietnam

Introduction

The global economic crisis in 2008 and early 2009 has brought about one of the most difficult challenges for the Vietnamese economy since the 1997-1998 Asian financial crisis. Falling demand from foreign markets plus the instability of the domestic economy adversely affected many SMEs, especially those in the export sectors. In an urgent warning at the end of 2008, the Viet Nam Association of Small and Medium Enterprises reported that almost 20% of SMEs might be on the brink of bankruptcy, of which nearly 10% might have already stopped their operation or transferred to other operational areas (Phuoc Ha, 2008). It was expected that, compared to SMEs owned by men, female-headed SMEs would have faced many challenges and been severely affected, given their many disadvantages such as being smaller in scale, more limited access to credit, more labour-intensive activities and other family-related barriers.

However, in contrast, a recent survey by the Viet Nam Chamber of Commerce and Industry (VCCI) found that during 2008-2009 crisis about 90% of woman-led enterprises were able to maintain stable production while more than 51% continued to invest in expanding operations. In 2010, women contributed to 60% of household economies nationwide, and about 30% of almost 350,000 enterprises were owned by businesswomen. Most of those businesses were SMEs and were mainly operating in such sectors as garments and textiles, agricultural processing, fisheries and footwear, which have been large export sectors in Viet Nam. Many have recovered from the economic difficulties by adopting the policy of "cut your coat according to your cloth." Some enterprises even began to achieve high growth in the early 2010 (Tinmoi, 2010).

Speaking on Viet Nam's Entrepreneur Day in March 2010, Standing Deputy Prime Minister Nguyen Sinh Hung emphasized the fact that Vietnamese businesswomen had already proved their strength and excellent capability in overcoming the crisis, and were ready to play a more essential role in rebuilding the post-crisis economy. The latter appeared to be a heavy task for the woman-led export enterprises, which were likely to face disproportionate challenges in the post-crisis period. First, they had to renew their export efforts, which were scaled down during the crisis period, in case there was new demand from recovering overseas markets. Second, they have to re-adapt to the competitive environment when government support provided during the crisis was removed. Third, they had to deal with rising pressure from an overall effort to rebalance the sources of economic growth by placing greater emphasis on domestic consumption.

This research paper is a preliminary attempt to review the response and adaptation of Vietnamese woman-led export enterprises to new challenges arising from the economic crisis, especially the ways in which these enterprises have sustained their export orientation. The study revealed the need to immediately initiate some suitable policy interventions to address the emerging challenges faced by Viet Nam's woman-led export enterprises in the post-crisis

period. Therefore, this research paper is organized into three sections. The first section reviews some key related literature. The second section reports the key findings of the survey of 24 woman-led enterprises, comprising 19 exporters and 5 non-exporters. The final section comprises the conclusion and a discussion of the potential policy implications of the research.

1. Literature review

The current study points to the fact that women-owned SMEs play a significant role, especially in the developing countries where the number of women in the labour force is almost as high as that of men, and where women-owned businesses are increasing at a rapid rate. Women-owned businesses can be found in every sector, including services, agriculture, food processing, textiles and garments, trade, health care/social work, education, tourism and pottery (Swiss Agency for Development and Cooperation, 2001). In most Asian countries, women-owned SMEs dominate the service sectors, and contribute to job creation, the growth of savings, and the increase in purchasing power and business volume. Woman entrepreneurs make a big contribution to the well-being of their families, poverty alleviation and women's empowerment. Women's leadership is also able to gain high loyalty from employers because they have specific attributes (such as higher capacity than men) in conducting clean, ethical, transparent and honest management as well as the talent for working as part of a network (International Labour Organization, 2008; Motik, 2009).

Nonetheless, women have to overcome many challenges and obstacles in starting and developing their own businesses. First, women often have a more difficult time dealing with administrative and regulatory barriers such as red-tape and the tax burden because they generally have less time than men to devote to their businesses; this reduces their incentives to start their own businesses. Second, in many countries, woman entrepreneurs are not considered to be economic actors. In addition, cultural and religious beliefs bring about a negative image of woman entrepreneurs, putting great pressure for those who want to do business. Third, women in developing countries often have restricted access to: (a) formal financial mechanisms; (b) information and networks; (c) education and training, especially training in entrepreneurial skills related to business strategy and practice, management, finance and banking; and (d) other supportive services. Four, an unequal share of family and household responsibilities are big

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