

**MINISTRY OF EDUCATION AND TRAINING  
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**IMPROVING THE EFFICIENCY OF BUSINESS  
ACTIVITIES OF STATE ENTERPRISE AFTER  
EQUITIZATION IN VIETNAM**

**Major: Political Economy**

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**SUMMARY OF ECONOMIC DOCTORAL THESIS**

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### **PUBLISHED SCIENTIFIC WORKS**

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## **INTRODUCTION**

### **1. Rationale of the thesis**

Equitization of SOEs in our country continues to be promoted on a national scale but also poses many problems to be solved. One of the top concerns is how to implement successfully the equitization goal and to improve the performance of the enterprise after equitization. To do this is to improve the operations and the ability to gain access to external resources, contributing to sustainable development of the business. Therefore, improving the performance of SOEs after equitization is not just a matter of every business itself as the Corporation but also a tremendous impact on the progress of equitization of SOEs and many aspects of economic - socio life. When the performance of the enterprise is improved, it will minimize the possibility of damage to the economy in front of the crisis, good for planning policies of the Party and the state, and become basic accumulated resources for social reproduction. As for now after privatization, operational efficiency improvement will contribute to strengthen the ownership of the investors, provide income to employees, enhance the reputation of the enterprise in the market and confirm the correctness of a major policy of the Party on innovation, reorganization of state-owned enterprise system in accordance with the structure of the economies in transition.

For state-owned enterprises after privatization, the goals of equitization are implemented as promoting autonomy in the business, increasing the state capital, mobilizing social capital to invest large manufacturing business; renewing the management relationship and distribution of products, enhancing the competitiveness of enterprises, providing jobs for many employees, enabling employees to become the real owners of the business after equitization, etc. However, the activities of some enterprises after privatization revealed weaknesses due to the difficulties of no longer receiving the privileges of the Government such as credit, land, market information ... and the outstanding issues after equitization such as settlement of redundant labors or issues arising after the transfer of state-owned enterprises

into joint stock companies such as corporate management and governance after privatization, the relationship of management of stated owned capital in the enterprise after equitization; etc. All these limitations have remarkable impact to the performance of the joint stock companies after privatization of state enterprises.

To understand the status of business performance as well as the difficulties and obstacles that hinder the operation of the equitization enterprises, which provide a basis to propose the solutions and recommendations to develop the capabilities and further improve the operational efficiency of production and business of enterprises after equitization of state-owned enterprises in Vietnam, I chose the theme *"Improving business performance of stated owned enterprises after equitization in Vietnam"* as economic doctoral thesis.

## **2. Objectives and research questions of the thesis**

### **2.1. Research target of the thesis**

Study the scientific and practice basis in the performance of the SOE after equitization and propose solutions to improve business performance for state-owned enterprises in Vietnam after equitization

### **2.2. Research question of the thesis**

Based on the tasks of the thesis, the thesis will answer the following key questions: what is the theory on business performance of enterprises in general and SOEs after equitization in particular? What is the reality of business performance of the SOEs after equitization like? What measures need to implement to improve business performance for SOEs after equitization?

## **3. Study subject and scope of the thesis**

Subject of the study: business efficiency of the SOE after equitization.

Scope of research: SOEs after equitization in Vietnam

## **4. Study methodology:**

### **4.1. Qualitative Research Methods**

Source of data collection: collected from the reports of the Board of Enterprise Innovation and Development, GSO, published data from scientific topics, the results of research by national and international

scholars, reports of some ministries, state owned corporations, local corporation and from the interviews, surveys, investigations in 217 SOEs after equitization, taken in February and October 2012; Method of data collection include: desk research, direct observation, surveys using questionnaires, interviews to consult the experts, scientists, and managers; Data processing: analytical, compare, synthesize, statistics tools, etc. are used to highlight the overall picture of the status of the business performance of state-owned enterprises, and clarify the causes of the achievements, limit the weaknesses in the performance of the SOEs after equitization.

#### **4.2. Quantitative Research Methods**

Source of data collection: thesis using data from the financial statements of 217 companies listed on the stock exchanges in Hanoi and Ho Chi Minh City; Method of data collection: the thesis uses information taken from Annual listed companies yearbook of Vietstock and desk research methods to calculate the necessary criteria and refine the relevant information; Data processing: financial reporting data of 217 SOEs after equitization stored as Excel file for each year from 2007 to 2012, then formatting to Stata 12 to calculate the variables measuring the efficiency of business such as ROA, ROE, and other relevant variables such as total assets, equity, short-term debt, long-term debt, Years of equitization, the number of board members, state ownership, oversea ownership, etc. In addition, the thesis also applies some analysis techniques such as statistical models (average, median, standard deviation, etc.), and the thesis also uses data regression analysis to assess business performance and identify the factors affecting the performance of the SOE after equitization.

### **5. The research related to the thesis**

#### **5.1. International researches**

There have been many worldwide studies on the performance of enterprises in the various fields such as manufacturing, services, finance, banking, etc. The research generally refers to the measurement indicators of business performance, the relationship between performance factors such as financial structure, company

size, business capital, etc. Some typical researching in this area may include AJSingh, Ramond S.Schmidgall, Sanjai Bhagat, Brian Bolton, Prasetyantoko Agustinus, Parmono Rachmadi, Rami Zatun, Heibatollah Sami, Humera Khatab, Maryam Masood, Justin T. Wang, Haiyan Zhou, Ong Tze San, The Boon Heng, Ming Cheng Wu, Hsin Chiang Lin, Cheng Lin I, Chun Feng Lai, Costea Valentin, etc. who have published many practical and valuable academic research works, namely: Prasetyantoko Agustinus and Parmono Rachmadi (2008): *"Determinants of corporate performance of listed companies in Indonesia,"* posted on the website <http://mpra.ub.uni-muenchen.de/6777> / MPRA Paper No. 6777, posted 17; Heibatollah Sami, Justin T. Haiyan Wang and Zhou (2009): *"Corporate Governance and operating performance of Chinese listed firm"* presented at the annual conference of the European Accounting Association and American Accounting Association; Humera Khatab, Maryam Masood et al (2011): *"Corporate governance and firm performance: a case study of the Karachi stock market "*, published in the International Journal of Trade, Economics and Finance; Muzaffar Muhammad Saeed, Ali Ammar Gull et al (2013): *"Impact of Capital structure on banking performance: A case study of Pakistan "*, published in the Journal of Interdisciplinary Journal of Contemporary Research in Business.

## **5.2. National Researches**

In Vietnam, the research on the effectiveness of business operations in general and enterprises after equitization in particular starts when there were advocacy of equitization of SOEs, ie at the beginning of the process of innovation, and rearrangement of SOE system. Since then, in Vietnam there have been some studies on the operation of the SOEs after equitization which approaches to many aspects and under different levels published in books, newspapers and scientific subjects, economic journals. Among the research projects related to business operations of SOEs after equitization which we refer, there are some typical projects as follows:

Economic Doctoral thesis with the theme: *"Financial Management contributing to improve the competitiveness of the economic corporation in Vietnam"*, by Vu Anh Tuan, protected in 2010; Economic Doctoral thesis: *"Improving the management policy of the state capital in state-owned enterprises after equitization"* by Tran Xuan Long, protected in 2012; Economic Doctoral thesis: *"Improving business efficiency analysis of the joint stock company listed on the stock market in Vietnam"* by Tran Thi Thu Phong, protected in 2012; Article: *"Equitization – the solution to develop the private sector, a study in the area of Ho Chi Minh City,"* published in Economic Development Journal, No. 5, 2011 by the author Vo Thi Quy ; Article: *"Financial support for state-owned enterprises after privatization"*, published in the Journal of Economic Development, no. 7, 2010 of Mai Cong Quyen; *"Managing a public company, listed for businesses and investors "*, CTQG Published house in 2010 by Le Minh Toan," *Financial analysis of joint stock company"*, Published by the National Economics University, Hanoi in 2010 by Nguyen Van Phuc, etc.

In general, studies on the effectiveness of business operations of SOEs after equitization has been raised in a number of articles, research works. However, it is only the side view from different aspects without deep study systematically and comprehensively on the status of business operations after equitization of SOEs, to find out the cause, point out the problems arising in the course of operations, as well as propose complete solutions. Therefore, the issue of enhancing the performance of SOEs in Vietnam after equitization need more comprehensive, systematic and deeper researches to meet the demands of reality.

## **6. Scientific contributions of the thesis**

The contents of the thesis have the following new features:

- The Thesis systematized theoretical framework and outline the overall picture for the performance of the SOE after equitization. On this basis, the thesis points out the limitations and the cause of the



limitations in business activities of the SOEs after equitization in Vietnam in recent years.

- Generalized experience of improving business performance for SOEs in China after equitization, the country with similar conditions to Vietnam to apply the measures for improving business performance of SOEs in Vietnam after equitization.

- Qualitative research results of the thesis by developing a questionnaire study has identified the problems arising in the operation of the SOEs after equitization and pointed out the factors that affect performance of the SOEs after equitization.

- The results of the thesis is the basis to adjust state policies for enterprises after equitization and propose suitable major solutions to promote the advantages, capabilities and improve business performance business enterprises after equitization in our country today.

- Results of quantitative research methods through the use of regression analysis of table data, the thesis estimates research models based on data collected from 217 firms and determine the impact of these factors on the business performance to the SOEs after equitization.

- The results and methodology of the thesis can be oriented for further research in evaluating and measuring factors affecting the performance of the enterprise activities of other types of enterprises (SOEs, private domestic enterprises or enterprises with foreign investment, etc.).

## **7. Outline of the thesis**

The outline of the thesis: apart from the introduction, conclusion, tables, diagrams, charts, lists of abbreviations, reference, the content of the thesis is shown in 3 chapter, 9 section and 163 pages.

## **Chapter 1:**

### **RATIONALE FOR BUSINESS PERFORMANCE OF STATE OWNED ENTERPRISES AFTER EQUITIZATION**

#### **1.1. BUSINESS PERFORMANCE OF ENTERPRISES**

##### **1.1.1. The concept of business performance**

On the basis of inheriting the different notions of efficiency of production and business activities of enterprises, the thesis introduces the concept of business performance of enterprises as follows:

*Business performance of enterprises is the economic categories reflecting the level and quality of using available resources in business operations with minimum cost to achieve the highest results.*

Business performance of one enterprise is a broad concept, covering the performance in terms of both economic and social aspect; is a measure of leadership and use of corporate resources to maximize results and minimize costs to achieve business goals.

##### **1.1.2. System of evaluation criteria for business performance**

The scientific theories divide the financial performance of the enterprises into two categories: classic financial indicators and modern indicators. The classic indicators include indicators reflecting the productivity, profitability like the profit out of assets, the rate of profit on equity, profit on the sales, profit compared to the cost, basic earnings per share, etc. These modern indicators measure the effectiveness o based on the market value added (MVA) and economic value added (EVA). In general, there are many indicators used to evaluate the business effectiveness of enterprises, but because business activities are so lucrative so the indicators reflecting the profitability is commonly used.

##### **1.1.3. Necessity to improve the business performance of state-owned enterprises after privatization**

Operational efficiency in general and business performance in particular is the objective in the operation of the enterprise. Improving the performance of the enterprises after privatization is imperative, as an objective necessity, deriving from the following causes: *Firstly*, due to the development needs of the enterprise itself

after privatization; *Secondly*, to meet the requirements of industrialization and modernization of the country and increasing international economic integration; *Thirdly*, response the requirements of the state management of the enterprises after privatization.

Improving the performance of state-owned enterprises after equitization has the crucial meaning to the survival and development of enterprises in the market economy, as well as meet many different interests of the equities (enterprises, employees, managers, investors, etc.), all factors contributing to business performance of enterprises.

## 1.2. FACTORS AFFECTING BUSINESS PERFORMANCE OF THE ENTERPRISES

### 1.2.1. Basic characteristics of state-owned enterprises after equitization

*Firstly*, the capital of shareholders (the State, employees and the manager of the enterprises) in the form of purchase of shares, supplement capital from business results, capital raising from corporate funds; *Secondly*, the majority of employees of the enterprises after privatization is the labor of state owned enterprises before equitization; *Thirdly*, the organizational structure and management board include: General Meeting of Shareholders, the Board of Directors, Director (General Director) and the Supervisory Board; *Forthly*, profit and risks sharing mechanisms are carried out according to the principles of the shareholders' equity and profit of joint stock company; *Fifthly*, the state retains a dominant role for a number of key industries such as oil and gas, finance, banking, electricity, telecommunications, maritime, etc.

### 1.2.2. Factors affecting the business performance of state-owned enterprises after privatization

According to the results of the previous studies, there are many different factors that affect the business performance of enterprises such as firm size, growing pace, age of the enterprise, capital structure, Corporate administration (Board of Director structure, the

separation between the Chairman and CEO, the independence of the Board of Directors, the Board of Directors' scale).

### **1.2.3. Models and hypotheses**

Based on theory and relevant research, analytical framework assumed that the business performance of enterprises is determined by firm size, growth rate, number of equitized years, fixed assets, quality of human resources, corporate administration (Board of Director structure, the separation between the Chairman and CEO, the independence of the Board of Directors, the Board of Directors' scale). The characteristics of the owners have an impact on business performance of the enterprises measured by ROA and ROE.

*Hypothesis H1:* The scale of BOD has a negative impact on business performance of enterprises; *Hypothesis H2:* the independence of the Board of Directors has a positively impact on business performance of the enterprises; *Hypothesis H3:* the Chairman cum CEO has a negative impact on business performance of the enterprises; *Hypothesis H4:* the experience of BOD affects positively business performance of the enterprises; *Hypothesis H5:* Qualifications of the BOD have a positive impact on business performance of the enterprises; *Hypothesis H6:* Institutional shareholders have a positive impact on the business performance of the enterprises; *Hypothesis H7:* The ownership of BOD possesses a positive impact on business performance of the enterprises; *Hypothesis H8:* Foreign ownership has a positive impact on the efficiency of business operations of the enterprises; *Hypothesis H9:* State ownership is inversely related to the efficient operations of the business.

## **1.3. EXPERIENCE OF ENHANCING BUSINESS PERFORMANCE OF STATED OWNED ENTERPRISES AFTER EQUITIZATION IN CHINA AND LESSONS FOR VIETNAM**

By studying the experience of China on improving business efficiency for the enterprises after equitization, we can draw some experience: *Firstly*, making corporate finance healthy; *Secondly*, appreciate the management of enterprises; *Thirdly*, create a fair

business environment; *Forthly*, reduce state intervention; *Fifthly*, increase control over capital assets of business in the state.

## **Chapter 2:**

### **REALITY OF BUSINESS PERFORMANCE OF STATE OWNED ENTERPRISES AFTER EQUITIZATION IN VIETNAM**

#### **2.1. REALITY OF BUSINESS PERFORMANCE OF STATE OWNED ENTERPRISES AFTER EQUITIZATION**

##### **2.1.1. Generalizing the equitization of state owned enterprises**

After 22 years of equitization of state-owned enterprises, as of May 2014 our country has completed the equitization for 4073 enterprises and parts of enterprises, in which local enterprises now accounts for 58.2%; Ministerial enterprises account for 30.3%; the enterprises under corporation accounts for 11.5%. Regarding capital structure of the charter capital: 57% state owned, 14% owned by the employees, 6% owned by foreign investors, 23% owned by other investors. The equitization of state-owned enterprises in our country has a tremendous impact on business performance of the enterprises, reflecting on many aspects: value of total assets, revenues, profits, budget.

##### **2.1.2. Reality of business performance of state owned enterprises after equitization**

###### **2.1.2.1. Surveying business performance of state owned enterprises after privatization**

*Firstly*, business efficiency through profit targets

Profit after tax per 1 business grew from 30,583 million in 2001 to 165,080 million in 2012 (14.3%); revenue increased from 378,480 in 2001 to 1,774,869 million in 2012 (an average increase of 13.8%). In 2001 for 100 dong of net revenue, the enterprises generated by 8.08 dong profit after tax; then in 2012 for 100 dong of net revenue, the enterprises after equitization generated 8.74 dong profit after tax.

*Secondly*, business performance through efficient use of property

The productivity of total assets increased from 299.9 billion in 2001 to \$ 1860.7 billion in 2012 (increasing 6.2 times), in which the

productivity of long term assets increased from 8.4 billion years 2001 to 789.9 billion in 2012 (an increase of 94 times), the productivity of short term assets increased from 82.9 billion in 2001 to \$ 1393.2 billion in 2012 (16.8 times).

*Thirdly*, business efficiency through effective use of equity capital

Coefficient of equity earnings increased from 0.02 in 2001 to 0.23 in 2012. Profit target increased together with the investment value of equity resulting in a return on equity of increase over the years, that is to say the effectiveness of capital use of the enterprises after equitization is growing over the period 2001 -2012.

*Fourthly*, Business performance through revenue and profit per 1 employee

Revenue and profit per 1 employee respectively equivalent to 1557.5 million and 125 million in 2001 increased to 3784.4 million and 330 million. Although the number of employees increased annually, the revenue and profit per 1 employee is constantly increasing over the period 2001 to 2012, which suggests that the enterprises after equitization have operated effectively and constantly expanding scale of operations.

*Fifthly*, business performance through liabilities rates to total assets

The ratio of debt out of total assets of enterprises increased from 0.4 in 2001 to 0.55 in 2012. The ratio of debt out of total assets for the period 2001 -2012 was 0.54. The average coefficient of funding (equity/total assets) in the period 2001 -2012 was 0.58, which shows that the enterprises after equitization now depend less on loans, and thereby reduces loan costs and risks in business.

*Sixthly*, business efficiency through the implementation of obligations to the State

The business performance of the enterprises after equitization also expressed through the budget contributions: one enterprise after equitization has increased corporate income taxes in the budget from 9.75 billion in 2001 to \$ 35.92 billion in 2012 on average.

#### **2.1.2.2. Reality on the ownership, management and distribution of state-owned enterprises after privatization**

Property: After equitization, the enterprises establish clear ownership; Most enterprises after equitization exist the situation that the ownership are concentrated and controlled the most by the State; Administration: the separation between ownership and management rights, between the management of the owners and operation management, and administration, between the inspection and control; The enterprises now have more autonomy in production and business and investment; the monitoring activities of the Supervisory Board and shareholders have contributed to guarantee the stability and security of financial indicators; Distribution: 73.4% of shareholder dividends recognition over the years has increased, while the remuneration for workers is also one of the decisive factors to attract and retain workers capacity and is also a measure for the employees to recognize and evaluate the performance of themselves in the process of working.

#### **2.1.2.3. Limitations and weaknesses of the business performance of enterprises after privatization**

The percentage of enterprises with profit tends to decrease and the rate of enterprises with lost tends to increase; rate of tax payment compared to revenue, rate of profit on capital and profit on revenue; profitability of property assets and consumption of many businesses tend to fall; the lack of stability in the enterprises after equitization with major stated owned capital; fixed assets have not been effectively exploited.

#### **2.1.2.4. Main causes of the limitations and weaknesses**

After equitization, the enterprises have now no longer enjoyed preferential loans and other financial incentives; the adjustment to increase enterprise value (book) increases the price due to increased depreciation; not yet fully implemented the requirements on diversification of ownership in the enterprise; fails to promote the advantages of the model of joint stock companies; the enterprises' leadership after privatization have not given up thinking and acting

according to the old mechanism, lack of dynamism in the new mechanism, slow to grasp the progress of science and technology, not invest equipment and advanced technology of production and business.

## **2.2. EVALUATION OF FACTORS AFFECTING THE BUSINESS PERFORMANCE OF STATE OWNED ENTERPRISES AFTER EQUITIZATION**

### **2.2.1. Source of data**

The Thesis conducted the research with observation samples of 217 enterprises after equitization now listing on the stock exchanges of Ho Chi Minh City and Hanoi in 2007-2012. Do not disclose information from heterogeneous and non-mandatory information disclosure should appear sample some missing data should be excluded from the sample. Data of final thesis consists of the 447 observations.

### **2.2.2. Description of sample**

ROA of businesses in the average ROE of 7.64% and 15.99% average. The growth rate of average total assets of the company is 17.73%, the ratio of fixed assets / total average assets was 0.29; Average age of the first business 12 years, debt ratio (debt / total assets) with the average value is 0.51. Scale average BOD 5 people with an average age of 56, and some independent members of the Board average of 2.67 people. Percentage of board members have graduate degrees or above average 12:42, the average percentage of ownership of the Board of Directors is 36.74%. Ownership of water held in average 28.87%, the percentage of foreign ownership on average about 2.69%, while the proportion of state ownership is 18.57% average.

### **2.2.3. Results of the study the impact of factors affecting business performance of enterprises after privatization**

#### **2.2.3.1. Theoretical models**

Models of thesis research using panel data (panel data) are regressed by 3 ways: pooled, random effect (random effects) and fixed effects (fixed effects). To find out regression method is the most



appropriate of the three methods, we use the inspection: F inspection, testing Lagrangian Multiplier (LM test, Breusch and Pagan, 1980) and Hausman test (Hausman, 1978).

#### **2.2.3.2. The variables in the model**

The dependent variable is measured by ROA and ROE, while independent variables included: Board size (Boardsize), the part-of Chairman (**Duality**); experience of the Board of Directors (Boardage), the independence of the Board of Directors (Outboard), lie in the specialized tissues of the Board of Directors (Boardqualified), owned by the Board of Directors (Boardshare), owned organizations (Institution), foreign ownership (Foreign ), state ownership (State) and the control variables include: firm size (size): measured by the natural logarithm of total assets; growth (Growth), the age of the **business**, debt ratio (Leverage).

#### **2.2.3.3. Results of testing the impact of factors affecting business performance of enterprises after privatization**

Based on the regression results show that the factors affecting business performance of enterprises with different results include the impact factor, the negative impact factor and the human no impact factor:

- *The impact factor*: there is a positive relationship between the statistical significance of the Board of ownership and enterprise efficiency measured by ROA. Regression coefficients of ownership Board was found to have had a positive impact to the ROA statistically significant at the 10%. The regression results also show that the independence of the Board of Directors to have a positive impact on ROE at 1% significance level, but the effect is not statistically significant to ROA. In addition, the regression results also show that there is a positive relationship with statistical significance at the 10% significance level between the Board and the effective size measured by ROE.

The results from the two models have also found a positive relationship with statistical significance between asset growth and

efficiency ROA and ROE measured by, all the regression coefficients of financial growth significant at the 1% significance.

Firm size effect relationship has significant positive turn in the 5% significance level to effectively measured by ROA, but no impact on ROE. The regression results also showed that the age of the business (number of years equitization) have significant positive impact on the efficiency statistics ROA and ROE measured by 1% significance level.

- *The negative impact factor:* in addition to the positive relationship as mentioned above, the regression results also show that there is a negative relationship between the statistical significance of the chairman concurrently with ROA at 5% significance level.

- *These factors have no impact:* The results of this study did not show a relationship between institutional ownership and performance of the enterprise after equitization. This shows that the organization is not interested in supporting business knowledge and experience to improve the efficiency of their companies. Results of regression analyzes of foreign ownership and performance of the enterprise after equitization showed no relationship between the statistical significance of foreign ownership ROA and ROE for. In addition, the size of the Board, the qualification of the Board, the debt ratio, the proportion of state ownership with the data collected is not sufficient grounds to prove significant impact on ROE and ROA statistics to of business after equitization.

Thus, the results of studies have supported the hypothesis firm size, number of years of equitization, asset growth, the part-of Chairman, the percentage of ownership and independence of the Board of Directors Board of impact on the business performance of the enterprise after ROA and ROE measured by equitization.

## 2.3. ISSUES ARISING IN THE OPERATIONS OF THE STATE OWNED ENTERPRISES AFTER EQUITIZATION IN VIETNAM

### 2.3.1. Financial supervision and State management of state owned enterprises after equitization

After equitization, state management for enterprises exist some shortcomings: regime governing body no longer, many enterprises after equitization very embarrassing in operation; there is no legal framework for businesses that occupy a dominant share of water; State intervention against the company after privatization is still quite popular; the issue of financial disclosure and financial reporting system is generally low; management mechanism is not clear, especially on the role of state management as well as the direction and control of the agencies assigned functional state shareholders make business and production activities in a number of enterprises stagnation, state assets are at risk of derelict.

### **2.3.2. Management of the state capital, and representatives of state capital in state-owned enterprises after privatization**

The issue of state capital management at the enterprise after equitization emerging issues: *First*, distributed in many organs; *Secondly*, the increase in charter capital reduction is not clearly defined; *Thirdly*, there is no mechanism for solving all the financial problems after equitization, *Forthly* the problem of accounting, capital management, as well as the state capital of shareholders confused; *Fifthly*, the issue of state representatives have not been clearly defined; *Sixthly*, determining ownership assets of enterprises inadequate businesses that have difficulty in implementing business expansion, joint ventures, business cooperation with partners.

### **2.3.3. Discrimination against state-owned enterprises after privatization**

The transition from state owned enterprises to the Corporation has brought a different business environment but also new difficulties arise. The issue of primary concern now is that credit, land, administrative procedures, etc. Although in practice in recent years has had a lot of support policies for business after privatization was enacted, but stability, uniformity is not high, even overlapping, conflicting should have taken advantage of the negative trend, especially tax incentives, credit policies ... Besides which, lack of interest and support of the industry, the level of business after

equitization has reduced the effectiveness of incentives for state enterprises after privatization.

#### **2.3.4. Transfer of shares in state-owned enterprises after privatization**

In the equitization process, policy preference shares sold to the government employees have been applied done from the start equitization process. However, in practice workers holding only a very small proportion of shares, almost negligible because after a few years of corporate shareholders equity has transferred some of its shares or intermediary to help others sell, transfer of shares to private enterprises outside. This phenomenon can make the difference direction and is in danger of equitization process of privatization of state enterprises after privatization, losing the role of the State and the workers in the enterprise, not in true to the original purpose of the equitization of state-owned enterprises.

#### **2.3.5. The role of social and political organization (party, union) in the state-owned enterprises after privatization**

The relationship between the Party organizations and unions in many enterprises equitization can work quite well for the Party and the trade unions in these enterprises have the advantage of being available by Party organizations and trade unions from now State move to .. However, in many places, the role and position of the Party organizations and trade unions are limited, eclipsed during the operation of the company shares. Trade unions in some enterprises after equitization not promote ownership of the activities involved in corporate governance law, although unions are appointed representatives of its stake in Companies participating candidates to the Board and the Supervisory Board.

### **Chapter 3:**

## **VIEWPOINTS AND SOLUTIONS TO ENHANCE BUSINESS PERFORMANCE OF STATE OWNED ENTERPRISES AFTER EQUITIZATION IN VIETNAM**

### **3.1. BASIC VIEWPOINTS ON IMPROVING OPERATING PERFORMANCE OF STATE OWNED ENTERPRISES AFTER EQUITIZATION**

To improve the business performance of enterprises, it should thoroughly understand some basic notions of the following: *First, the point of development; Second, comprehensive perspective; Third, practical standpoint, Forthly, unified view, Fifthly, benefit perspective.*

### **3.2. MAIN MEASURES TO IMPROVE THE EFFICIENCY OF THE BUSINESS ACTIVITIES OF STATE OWNED ENTERPRISES AFTER EQUITIZATION**

#### **3.2.1. Micro solutions from the enterprises**

##### **3.2.1.1. Strengthening internal monitoring of state enterprises after privatization**

Clearly distinguish between ownership and management rights business; enhance independence; professionalism and effectiveness of the Supervisory Board; build effective internal control system of the enterprise; strengthen supervision from investors and shareholders, etc.

##### **3.2.1.2. Improving governance in state-owned enterprises after equitization**

To improve corporate governance should implement measures such as team building corporate management personnel qualifications, abilities, qualities consistent with the requirements of corporate governance after equitization; innovation management apparatus in accordance with the legal status of the business after conversion; enhance the responsibility of the Board; strengthening the role of the independent members of the Board of Directors from outside; effective monitoring of transactions with related parties;

detect and solve the problems that arise in business administration after equitization.

### **3.2.1.3. Enhanced efficiency of capital using in state-owned enterprises after privatization**

For fixed assets: revaluation of fixed assets, depreciation expense is calculated on the full costs and profits, to prioritize investments in fixed assets to expand production scale business or modernization of machinery and equipment; for assets: should avoid excessive material reserves, valued the inventory management, regular inspection of the raw material reserves, revaluation of current assets; For receivables and payables: need to quickly convert the debt into shares, sell the bad loans to commercial banks or debt trading companies to recover part of the capital to reinvest for business and production activities.

### **3.2.1.4. Encourage physical benefits for the Board, the Board of Directors, supervisory Board and motivate employees**

The remuneration system for the Board, the Board of Directors and the Supervisory Board should split into two parts: fixed part (wage and salary allowances accounted for 50% of income) and additional part as a result of business performance (50% of income). For employees paid according to performance, quality and work efficiency. In addition, there should be bonuses, incentive regime, appointment and promotion; support workers to purchase preferred shares.

### **3.2.1.5. Ensure and maximize the role of shareholders**

Creating the conditions for successful implementation of shareholder rights and their obligations; ensure equal treatment for all shareholders, especially minority shareholders; enhance the role of shareholders in the General meeting of shareholders; to protect and create conditions for small shareholders to fully implement their rights.

### **3.2.1.6. Restructuring of state enterprises after privatization**

Need to restructure the organization of the management and human resources; number of strategic shareholders as well as the number of shares that shareholders holding strategy; also need to

restructure the market, strategic objectives, business plans, product categories of goods and asset portfolio, financial appropriate; the capital structure of the business, the rational use of loans.

### **3.2.1.7. Strengthening the role of the Party and the trade unions in state-owned enterprises after privatization**

Need to ensure good implementation of business strategies; dissemination of corporate law and the charter company to the employees understand the rights and obligations of his; check the implementation of policies for employees; organizations launched the movement of workers and mobilizing staff and workers in enterprises participating in social activities, care for the improvement of working conditions, help each other in their careers and in life.

### **3.2.2. Macro solutions from the State**

#### **3.2.2.1. Improve policies related to the operation of state-owned enterprises after privatization**

Issuance, dissemination and guiding the implementation of legislation on businesses; fix the overlap, inconsistencies between policies; create a legal basis for the joint stock companies improve the quality of governance; improve the mechanism of supervision and evaluation of the effectiveness of state enterprises after conversion; mandatory provisions on disclosure of information and transparency of management for enterprises after privatization.

#### **3.2.2.2. Promote business autonomy of state-owned enterprises after privatization**

The state agencies should limit its lowest level intervention by administrative orders in process management, business administration; promulgation of additional regulations on financial management non-state enterprises; revised regulations controlling share of the state; separation of ownership of the property, business and macroeconomic management rights; limited to the lowest level of part-time board member positions for staff doing work in the State management agencies in the state enterprises.

### **3.2.2.3. Promote innovation in management mechanism and regulation on representatives of state capital in state-owned enterprises after privatization**

It should be prescribed and uniform application of standards represents the state owns shares in company shares to exercise the rights and obligations of shareholders; legal framework for the representation of state capital; define coordination mechanisms between the direct management of the state capital; monitor the implementation of the obligations of the direct management of the state capital in enterprises after privatization; structure and balance the state capital in the enterprise equitization.

### **3.2.2.4. Enhance Capacity financial oversight of state for state enterprises after privatization**

Regulations specific responsibilities of government agencies in the provision of information, dissemination policy regime for business after conversion; should assign responsibility for innovation management committee of local enterprises to solve business problems after privatization; clear rules on administrative management in enterprises after privatization; required all state enterprises have equitization shall make quarterly reports or annual deadlines and strict criteria for the request.

### **3.2.2.5. Change supporting forms of the state for state enterprises after privatization**

Support enterprise equitization of training human resources; Business Support equitization build a uniform information system serving the inspection and supervision of the shareholders; building trade promotion program with the support of the state; support changing corporate governance corporate law; development organizations and investment services for the operation of the company shares.

## **3.3. SOME RECOMMENDATIONS**

To improve the business performance of state-owned enterprises after equitization to meet the objectives of SOEs, the thesis proposes:

### **3.3.1. For Government**



Clarify and specify the conditions of Chairman cum Director (General Director), requirements on board members who must have experience in the field of business enterprises; strengthen sanctions against businesses after equitization.

Specifying the management functions of state in the Ministry, provincial responsibility, the central cities, State Capital Investment Corporation, the company purchases the outstanding debts and assets and the relationship between these agencies in dealing with issues related to equitization and business activities of enterprises after equitization; and undergoes new organizational structure, the apparatus of the Board of innovation and business development function-oriented restructuring process, monitoring the enterprises after equitization.

### **3.3.2. For the province, central cities**

To advise the Government in issuing the policy relating to equitization and operation of businesses after equitization; Regular Steering review, assess the status of business activities of enterprises after equitization; complete financial institutions, enhance the effectiveness of the provisions of the state relating to business activities after equitization is established in the legislation; Guide and support enterprises in the study of equitization to use of modern management principles in the management of business operations of the business.

### **3.3.3. For state-owned enterprises after privatization**

Strengthening the involvement of the independent members of the Board of Directors from outside to improve transparency, openness in business administration; choose the Board members are experienced, skilled strategy, understanding the business areas of the business; construction sequence and the target system performance evaluation of the Board, using the management principles of the OECD; strengthening financial, debt restructuring, debt ratio to ensure a reasonable level; intensive training on modern management knowledge for managers at all levels will help businesses more aware of information transparency, accountability as well as the particular

governance practices in general to thus enabling enterprises to further improve the efficiency of production and business activities.

## **CONCLUSION**

Through the study of theoretical issues and practical in business activities of enterprises after equitization, the thesis has contributed to clarifying some basic content and purpose of the research mission of the thesis. In details:

1. Thesis approach and solve problems in terms of clarifying the nature of business efficiency, defined theoretical basis for effective business operations of the business through proof of concept, the criteria evaluate the effectiveness and objectivity needed to improve the efficiency of their enterprises after equitization, while building a research model and hypotheses as well as summarize the lessons of the countries in world.

2. Thesis assessment of the business performance of the enterprise after equitization, which analyzes the achievements, weaknesses and limitations to overcome. Through research, the thesis shows the limitations and weaknesses of the business performance of the enterprise after equitization and the cause of the poor is limited by the management of state enterprises after equitization; Internal corporate governance can not change to suit the organizational forms of production and business of enterprises after equitization; the existing problems in the process of equitization has not been solved ... In addition, the thesis also has built model test the impact of factors affecting business performance of enterprises after equitization; detect problems that arise in business activities of enterprises after equitization require corrective measures soon as the issue of financial supervision and management of state enterprises after equitization; State capital management and representatives of state capital; transfer issue preference shares of workers; implementation issues with improper incentives regulations make it difficult for business operations of SOEs after equitization.

3. On the basis of analyzing the current situation, assess the achievements and limitations, determine the cause of the weak and

the problems that arise in business activities of enterprises after equitization, and model-based testing elements affect the business performance of the enterprise after equitization, thesis proposals and views of major solutions improve business efficiency of enterprises after equitization. The solution was divided into 2 group:

*The first group of solutions* from the enterprises, including strengthening internal monitoring of enterprises after equitization; improve corporate governance; enhance the efficiency of capital; encourage physical benefits for the Board, the Board of Directors, Supervisory Board and motivate employees; ensuring and maximizing the role of shareholders; promote corporate restructuring; strengthening the role of the Party organizations and trade unions in the enterprises after equitization.

*Second,* the macro solutions from the state including improvement of policies relating to the operation of the enterprises after equitization; promote the autonomy of business; promoting innovation management mechanism which and regulations representatives of state capital in enterprises after privatization; improve financial supervision of the State for the enterprise equitization; strengthen coordination and monitoring of business and production activities of the enterprise equitization; support of state enterprises after privatization.

In addition, the thesis also proposes recommendations to the Government and People's Committees of provinces and cities directly under the Central Government and enterprises after equitization in adopting and implementing the solutions proposed to improve the efficiency of Business for SOEs after equitization.

Research on the effectiveness of business operations for state enterprises after equitization is a complex research topic, with theoretical and practical high. It is hoped that the findings of this thesis will provide a scientific basis, contributing to the successful implementation of equitization goal, which is to improve the performance of the enterprise after the shares.