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Conversion of State-Owned Enterprises in Vietnam in the New Context

Duong Thi Thu Thuy

Trade Union University/ Viet Nam

* Corresponding Author: **Duong Thi Thu Thuy**

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Abstract

In recent years of innovation, the Party and the State have consistently pursued policies to foster a multi-sector economy, functioning under a market mechanism guided by state management within a socialist orientation. Within this economic structure, state-owned enterprises (SOEs) are designated to play a pivotal role. Despite the ongoing process of equitisation, which has reduced the number of SOEs and their share within the overall enterprise sector, they continue to command substantial resources in terms of capital and assets, generate considerable revenue, and make significant contributions to the state budget. This article highlights the achievements and challenges encountered in the transformation of SOEs and offers recommendations for improving the effectiveness and efficiency of this process in Vietnam's evolving economic context.

Keywords: State-owned enterprises, state-owned enterprise transformation

1. Introduction

The transformation of state-owned enterprises (SOEs) has become a focal point for the Party and Government in Vietnam, reflecting its crucial role in the nation's socio-economic development. As part of the country's broader strategy to cultivate a multi-sector economy under a socialist-oriented market mechanism, this process is both complex and sensitive, involving significant changes in societal perceptions and economic paradigms. Over the past 30 years of economic innovation, particularly during the five years of the "Restructuring State-owned Enterprises, focusing on economic groups and state-owned corporations in the period 2011-2015" project, noteworthy advancements have confirmed the appropriateness of these reforms.

The ongoing transformation of SOEs seeks to redefine their roles and functions, diversify ownership structures through equitisation and other mechanisms, and enhance governance to strengthen the relationship between state ownership and enterprise management. These efforts are essential for mobilizing capital and resources, modernizing the economy, and improving operational efficiency within the SOE sector. By examining the achievements and challenges in this transformation process, this paper aims to provide insights and recommendations for enhancing the effectiveness and efficiency of SOEs in Vietnam's evolving economic landscape. Through a comprehensive analysis, it aspires to contribute to the broader discourse on the role of SOEs in promoting sustainable economic growth and development.

2. Results and Issues in the Conversion of State-Owned Enterprises in the Past

2.1. Results achieved

2.1.1. On determining the role of state-owned enterprises

Vietnam has a new perspective compared to the previous period on the role of the SOE sector in a direction that is more consistent with the market economy practices of recent times. Previously, Resolution 3 of the 9th Central Committee required SOEs to occupy a large enough market share for key products and services and dominate key sectors and fields of the economy. By the 2011-2020 period, Resolution 5 of the 12th Central Committee no longer holds the view that SOEs must occupy a dominant market share for key products. SOEs are an important tool to ensure the effective implementation of macroeconomic stability policies, curb inflation, cope with market fluctuations, generate large revenues for the State budget.

And make important contributions to the construction and development of the socio-economic infrastructure system and economic restructuring, and the implementation of national defence, security and social security policies.

2.1.2. On divestment and equitization of state-owned enterprises

Firstly, the transformation of 100% state-owned enterprises into joint-stock companies changes the structure and management methods of enterprises, creating conditions for enterprises to equitize, gradually applying modern corporate governance principles according to market economy practices; minimizing unreasonable intervention by state administrative agencies; clarifying the relationship between enterprises and state ownership representative agencies through the mechanism of implementing shareholders' rights according to the provisions of the Enterprise Law; enhancing the autonomy and self-responsibility of enterprises.

Second, equitization has achieved the goal of improving the production and business efficiency of enterprises. The financial situation of most equitized enterprises is better than before equitization, contributing to affirming that equitization is an important solution to improve the production and business efficiency of state-owned enterprises.

Third, the institutions and legal regulations on the equitization of SOEs have been amended and supplemented promptly to meet practical requirements, becoming increasingly complete, adequate and synchronous; achieving the goal of publicity and transparency according to market principles, associated with the development of the capital market and the stock market, and overcoming the closed equitization situation of the previous period.

2.1.3. On state enterprise governance compared to international practices

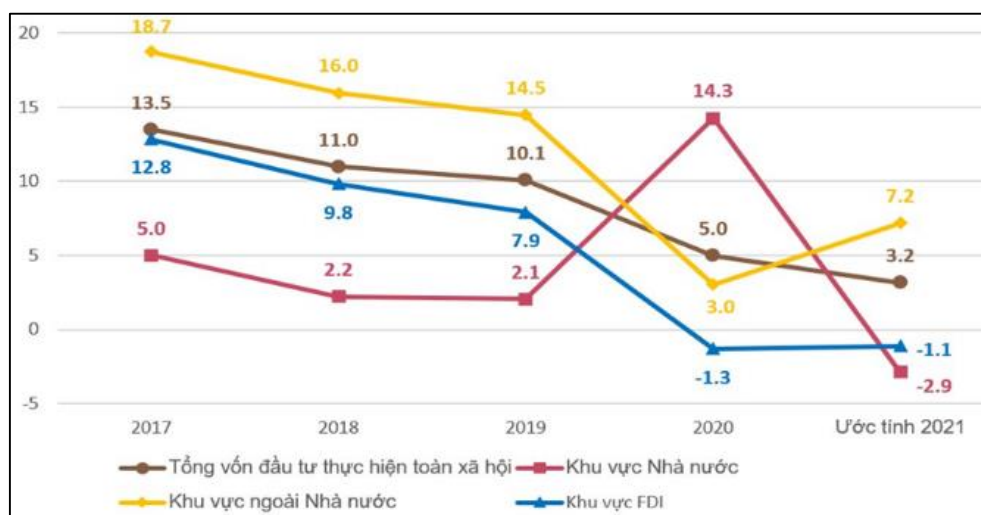
Regarding the governance of state-owned enterprises, there are relatively complete and synchronous regulations on economic and financial relations between the State and state-owned enterprises, especially the rights and obligations that are fully and transparently implemented according to the provisions of law, by the market mechanism. Regulations on the elimination of direct administrative intervention mechanisms, subsidies for state-owned enterprises, unequal treatment of enterprises of other economic sectors, especially in accessing state resources, credit, land, resources, investment opportunities, business, finance, taxes, etc.

2.2. Existing limitations

2.2.1. The role of state-owned enterprises is still not meeting the requirements of the restructuring process

State-owned enterprises still dominate, even monopolize, many key sectors, industries and occupations. Production and business activities at state-owned enterprises still have many problems, the efficiency of state investment capital is lower than the average investment efficiency of the economy and is significantly lower than that of the non-state sector and the foreign direct investment (FDI) sector, leading to a decrease in the contribution of the state-owned economy to GDP growth.

Total social investment capital at current prices in 2021 reached VND 2,891.9 trillion, up 3.2% compared to 2020, equivalent to 34.4% of GDP (state sector capital reached VND 713.6 trillion, accounting for 24.7% of total capital and down 2.9% compared to the previous year).



Source: VNEconomy (2021)

Fig 1: Growth/decrease rate of total social investment capital

It can be seen that SOEs have not yet demonstrated their role as a driving force in the economy, the contribution of SOEs to economic growth has decreased, and the investment efficiency of the State economy is increasingly low. Social resources focused on the state sector currently account for a larger proportion than the contribution of this sector to economic growth. SOEs have also not clearly demonstrated their role in leading, motivating, promoting the development of other economic sectors, and promoting value chain linkages.

In sectors with high levels of competition among economic sectors such as trade, construction, manufacturing, etc., the business efficiency of state-owned enterprises is low, demonstrating that competitive pressure has exposed limitations in the business efficiency of state-owned enterprises. The role of state-owned enterprises in high-tech sectors and sectors with the ability to lead the transformation of economic structure towards modernization is still unclear.

2.2.2. Equitization and divestment of state-owned enterprises are still slow

The number of equitized enterprises is much lower than the

same period of previous years. The quality of equitization has not shown any signs of improvement. This is shown in the following table.

Table 1: Equity of state-owned enterprises in the enterprise system with production and business results

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital owner office has (1000 billion copper) Ratio weight (%):	4785.9	4967.9	5958.4	6523.3	7399.8	8479.0	9379.2		
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100	100
State-owned enterprises	23.8	27.6	27.5	25.8	23.2	21.8	19.4	22.6	21.9
Business career outside home water	56.3	50.9	50.2	50.8	54.2	54.5	56.5	34.8	33.4
Business career FDI	19.9	21.4	22.3	23.4	22.6	23.7	24.1	38.1	39.4

Source: White Book of Vietnamese Enterprises 2012 - 2021

The sale of state shares to the public continues to face difficulties. As of 2021, only 16 enterprises have been divested with a book value of VND 1,652 billion, earning VND 4,356 billion. Therefore, state-owned enterprises and enterprises in which the state holds controlling shares are still present in sectors and fields that the state does not need to hold, causing state-owned enterprises to fail to achieve the goal of focusing on essential sectors. The proportion of state capital equitized and divested to society is still low, significantly limiting the results of implementing the goals of restructuring, innovating, developing and improving the efficiency of state-owned enterprises.

2.2.3. Mechanisms and policies before, during and after equitization still have many shortcomings

The criteria for classifying enterprises are mainly based on production and business sectors to determine which types of enterprises need to retain 100% state capital, and which types of enterprises the State holds controlling shares, does not control or does not participate in shares. Meanwhile, SOEs often operate in many different sectors and fields, so it is difficult to determine.

Regulations on determining enterprise value, especially values such as geographical advantages, brand value, and cultural values, are still complicated to implement.

The restructuring of SOEs has been mainly implemented on a broad scale, only focusing on reducing the number of SOEs, not focusing on SOEs in which the State still holds 100% of the capital. Meanwhile, most of the enterprises in which the State holds 100% of capital have not changed in substance, mainly changing in name and legal form such as single-member limited liability companies; corporations, general companies, parent companies - subsidiaries still have many weaknesses in finance, human resources, and management.

2.3. Causes of limitations

Although there have been many efforts in restructuring state-owned enterprises, aiming to take advantage of opportunities for development in the trend of increasingly deep integration, however, the process of transition to a market economy and state-owned enterprise restructuring activities still have limitations due to both subjective and objective causes.

2.3.1. Objective causes

- Due to the complicated and tense situation in economic and political relations in the world and the region, it affects the financial and stock markets in the country and the region. In addition, the unpredictable developments of the COVID-19 pandemic have caused production, business and other social activities to stagnate, leading to

difficulties in implementing equitization and divestment of enterprises.

- In recent years, the domestic and world markets have continuously fluctuated, especially in the period 2008 - 2013. The US financial market crisis and the world economic crisis have strongly impacted the Vietnamese economy, including the state-owned enterprise sector, as well as the restructuring process of state-owned enterprises.
- In production and business activities, there are still some individuals and enterprises that violate market principles, do not publicize and make transparent financial information, and in particular, some leaders violate the law, affecting the efficiency of production and business activities of enterprises, leading to losses and loss of capital in some projects.
- From the perspective of business administration, the current mechanism does not create enough pressure and motivation for SOE managers to maximize asset value, and save costs and are often not careful enough to make optimal decisions, even abusing to spend and profit from state assets. In many cases, investment and procurement are carried out at all costs, regardless of investment efficiency because the larger the purchase, the higher the opportunity for personal gain, typically the violations in the announced cases: purchasing old, dilapidated assets, outdated technology with payment values many times higher than the actual value to gain illegal profits through agreements on foreign supply partner contracts.
- In some state-owned enterprises, business managers are not fully aware of the benefits and importance of restructuring. Therefore, they are not willing to support, but delay and hinder the restructuring process of state-owned enterprises, fearing that it will affect the rights and stability they have in the enterprise such as position and salary.
- Fear of change: People who have worked for a long time in state-owned enterprises often fear that they will no longer be suitable for the reform period, they will have to go to school, will have to change to approach new things... leading to a common mentality of opposing and hindering the process of restructuring enterprises.
- Weak management capacity: The current leadership team of state-owned enterprises mostly relies on experience accumulated in the production and business process, leading to a lack of experience and knowledge in business management and operations when they become managers, and a lack of supporting factors such as consulting on business management, human resource management, etc., making it difficult for state-owned

enterprises to retain talent and unable to promote the advantages of state-owned enterprises in terms of capital and human resources.

- Lack of capital: Although state-owned enterprises, especially corporations and economic groups, benefit greatly from credit incentives and the allocation of financial resources from the Government, due to their spread out investment and expansion of industries and occupations to meet the required model, they are limited in accessing capital in the stock market, leading to a decrease in cash flow. To meet production needs, state-owned enterprises must access short-term credit, resulting in huge interest costs, and reducing business profits.

2.3.2. Subjective causes

- Institutional problems are slow to be researched, completed, and supplemented to resolve and promote the process of equitization and divestment of state capital in enterprises.
- The work of making plans for equitization and divestment to submit to competent authorities to issue the list of equitization and divestment for the period 2016 - 2020 is not close to the actual implementation. Some ministries, localities, economic groups, and state-owned corporations have not seriously implemented the plan for equitization, divestment, and restructuring of state-owned enterprises according to the direction of the Party, State, and Government.
- The equitization process of state-owned enterprises requires a lot of time to handle financial, land and labour problems in the pre-equitization period, which prolongs the equitization period. In particular, the issue of establishing legal land records by the local People's Committee is slow, taking longer than prescribed, which also slows down the equitization process. The high proportion of state capital in equitization plans leads to a decrease in attractiveness to investors, affecting the success of the equitization process. Even after the enterprise has transformed into a joint stock company, the high proportion of state capital leads to slow innovation in corporate governance, affecting the production and business results of the enterprise.
- The role, awareness and responsibility of business and unit leaders are still low, and not resolute in innovating business operations, being transparent, by legal regulations, ensuring market principles, and fighting against group interests in equitization and divestment of state capital. Some managers in ministries, branches and localities have loosened management in the valuation of public assets, causing losses of thousands of billions of VND to the budget.
- Many state-owned enterprises are assigned a huge amount of assets to operate with increasing autonomy. However, the monitoring and management system does not keep up with practical requirements, lacks effectiveness, is formalistic, and is even disabled, leading to failure to prevent and warn of risks that cause enterprises to lose money and lose state capital.
- Through the implementation of realignment and handling of houses and land, it shows that the majority of corporations, general companies and SOEs do not proactively implement the State's policies. Only when

equitization is required do they start to reorganize and handle houses and land, thereby affecting the equitization progress. Moreover, many SOEs do not want to divest from industries and fields that are developing strongly and have high profitability, causing the divestment progress to slow down.

2.4. Issues arising from the transformation of state-owned enterprises in the coming period

Because developing a socialist-oriented market economy is an unprecedented undertaking and process, some issues need to be further considered and improved:

Firstly, the socialist-oriented market economy that we are building is a specific economy, suitable for the political, economic and cultural conditions of the country and the socialist values that we are aiming for. However, the issue that needs to be considered is whether we can study to apply more and more fully the laws and common values of the market economic institution to our economy, to facilitate faster and more sustainable development.

Second, the orientation of the Party and the State and recent practices have proven that to develop the Vietnamese economy, it is impossible to rely on just one economic sector, but it is necessary to unleash all the potential and resources of the country. The core for economic development is the solid support for the country's macro-economy, is it the state-owned economy represented by state-owned enterprises, or the collective economy, the private economy? Thus, to unleash all the economic potentials of the country, regardless of which economic sector is the pillar, it is necessary to create fair and equal rules of the game in enjoying policies, accessing resources and complying with the law.

Third, with the restructuring of state-owned enterprises, it is necessary to detect the manifestations of group interests and crony capitalism taking place in the economy. There must be solutions to prevent this to ensure that the restructuring is not lost or appropriated by a minority, but is preserved and shared fairly in society.

Fourth, there must be a strategy and the most effective solutions to ensure that market factors are fully applied. However, the State must still maintain the role and position of the State economy, which is represented by State-owned enterprises, to ensure that the economy is operated according to the market economy but still ensures the socialist goal, the macroeconomy is still controlled, the economic activities of State-owned enterprises still create coordination of regional and group interests, but still ensure that the production and business of State-owned enterprises are managed according to the market economy and common practices of the world.

Fifth, overcome the limitations in equitization. According to the assessment of the Steering Committee for Enterprise Innovation and Development, in the past, most of the state-owned enterprises after equitization have been operating effectively, contributing to the state budget and increasing the income of workers. Every type of enterprise has strong and weak enterprises. Private enterprises and joint-stock enterprises in the world cannot avoid business losses and bankruptcy. Therefore, equitization is not a certain answer to improve the operational efficiency of an enterprise. However, equitization is a correct and inevitable trend. Thus, it can be understood that equitization is a method to innovate enterprises, but equitization is probably not the goal.

3. Orientation for Conversion of State-Owned Enterprises

3.1. Conversion of industries and fields of operation of state-owned enterprises

Viewpoints on identifying key industries and fields of operation that need to maintain state ownership after conversion:

Firstly, the main sectors and fields of activity that need to maintain state ownership must be based on the correct philosophy on the role of the State economy and state-owned enterprises in a socialist-oriented market economy. The sectors and fields that need to maintain state ownership are mainly determined by the nature and characteristics of goods and services, whether or not the role of the State is needed, and the maintenance of state ownership is limited in time.

Second, the main sectors and fields of activity that need to maintain state ownership are determined according to the competitiveness of state-owned enterprises and the usefulness of state ownership (state ownership exists only when it is beneficial) in state-owned enterprises or enterprises with state capital below the controlling level. That is, if that principle is not met, there is no need for state-owned enterprises and state ownership in enterprises.

Third, determining the industries and fields that need to maintain state ownership and the level of state ownership must follow specific principles, not based on the general industry or field of operation of state-owned enterprises but based on the position and importance of the enterprise, or of the production stage or technology of each enterprise.

3.2. Restructuring the dominant and monopoly position of state-owned enterprises

The direction of adjusting the scale of the state-owned enterprise sector in state-monopoly industries and fields is to narrow down the number of monopoly state-owned enterprises and narrow the scope of monopoly arising from monopoly state-owned enterprises.

For state-owned enterprises in a natural monopoly position, there is no competition (such as electricity): review to separate products, services or exploitation, stages that are not naturally monopolistic (for example, electricity generation) from the state-monopolized industry and field. Identify stages and stages that are naturally monopolistic (for example, electricity transmission). Thereby, narrowing the scope of state-owned enterprise monopoly. This is narrowing the scope of monopoly arising from monopoly state-owned enterprises.

For SOEs in a monopoly position due to organization (only one enterprise is organized so there is no competition), the reduction of this type of monopoly SOEs needs to be combined in two ways: (i) creating a competitive institution that forces SOEs to compete fairly with private sector

enterprises; (ii) establishing more SOEs and encouraging the development of private enterprises of the same type (if possible) to compete.

3.3. Innovation of State policy on state-owned enterprises

Firstly, innovate the mechanism for providing public goods and services by applying the ordering mechanism to economic sectors (except for products and services for security and defence reasons).

Second, review to separate products, services or stages that are not essentially public goods, services and public utilities to narrow down the industry and field providing public goods, services and public utilities.

Third, thoroughly separate public and social tasks from state-owned enterprises to create equal business conditions with non-state enterprises, thereby narrowing this type of state-owned enterprises.

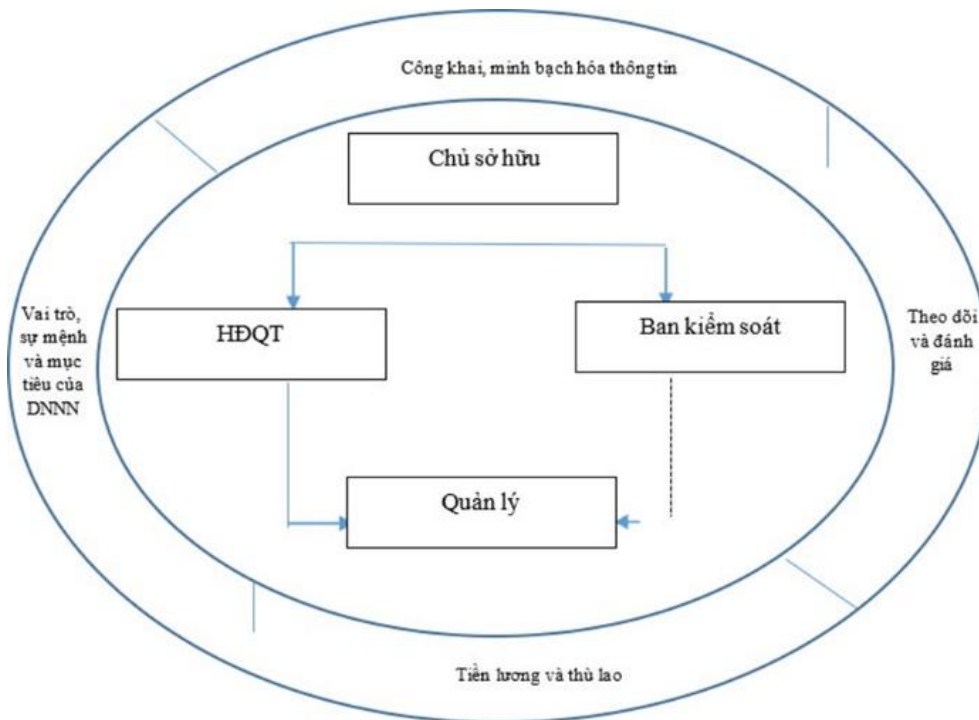
3.4. Restructuring the dual position of the State in its relations with state-owned enterprises

Eliminate the administrative division of labour and decentralization of SOE management, characterized by many focal points, many levels, and many organizations; eliminate the use of the state administrative apparatus and state officials to perform the ownership function; gradually reduce and eventually eliminate the use of administrative coordination mechanisms, paperwork, from the outside in, from the top down, which are ineffective, stagnant, roundabout, with administrative procedures and unclear responsibilities.

Switch to the way of organizing the management of state-owned enterprises by state owners - state investors in a specialized and professional manner by the market economy institution, creating dynamism in the management of owners and initiative for state-owned enterprises; managing state-owned enterprises according to objectives; separating the management of owners from the state management function for enterprises; assigning and decentralizing fewer focal points, clearly defining rights and responsibilities along with a monitoring and evaluation mechanism according to the entire system of state-owned owner representatives from the supreme authority to the direct representative of state ownership at state-owned enterprises and the representative of state capital at enterprises.

3.5. Restructuring of state enterprise governance

- Unification in SOE governance: Good corporate governance, first of all, must be a framework composed of a system of synchronous, cohesive, complementary and coordinated solutions towards highly effective resolution of corporate governance issues. The proposed model is as follows:



Source: Organization for Economic Cooperation and Development – OECD (2005)

Fig 2: Unified framework for SOE governance

- Review and re-evaluate the management personnel of state-owned enterprises, economic groups, and corporations; especially capital representatives and authorized representatives at all levels and layers of enterprises, including authorized representatives of state owners at state agencies. Innovate the selection, screening, and employment mechanisms for authorized representatives of state owners and capital representatives. Restructure the management personnel, authorized representatives, and capital representatives.
- Supplement regulations on information, reporting, accountability, and evaluation mechanisms of the system of capital representatives, authorized representatives at all levels and layers of enterprises, and representatives of state ownership at state agencies.
- Develop an assessment mechanism for the implementation of the function of representing state ownership for agencies, organizations and individuals representing state ownership of state-owned enterprises and state capital in enterprises.
- Strengthen the responsibility of the authorized representative of the state owner for state-owned enterprises by a binding contract on the rights and legal responsibilities between the authorized representative and the representative of the state owner. Which, clearly defines the rights and obligations of the owner directly performed by the representative, the rights and obligations that need to be approved by the owner before voting, voting or making decisions at the company as well as the mechanism for handling the consequences when the authorized representative does not properly perform the contractual obligations, causing harm to the interests of state shareholders.

4. Some Solutions to Transform State-Owned Enterprises by 2030

4.1. Solutions from the State

Clearly define the sectors and occupations that the State needs to hold: Clearly define which sectors the State needs to hold 100% of capital, which sectors need to hold controlling shares, and which sectors do not need. Thereby, narrowing the number of sectors, occupations, and business fields that require SOEs. Focusing the activities of SOEs on several sectors, occupations, and fields that ensure national economic interests, national defence, security, public services, infrastructure, and high technology.

Improve the competitiveness of state-owned enterprises: Improve the competitiveness of state-owned enterprises, put them in a competitive environment, and separate the public service role from production and business according to the market economy. This separation will create pressure on leaders, forcing state-owned enterprise leaders to organize production and business according to market mechanisms. In addition, it is necessary to eliminate all forms of preferential treatment for state-owned enterprises, treating them equally with other types of enterprises.

Perfecting the mechanism for investment and use of state capital: The State, as a capital investor, member, and shareholder in companies, needs to develop and publicize strategies and policies on ownership and business investment in the economy, in each industry and each group of companies or each specific company. Investment and ownership policies include:

- (i) Ownership policy by which the State exercises ownership rights in enterprises;
- (ii) The Government's ownership policy, which specifies the

National Assembly's ownership policy and determines the ownership policy for each economic sector; and finally, the ownership policy of the Ownership Agency (ministerial level), which determines the purpose, mission, goals and targets that the owner assigns to each specific enterprise.

Depending on the state ownership ratio, the specific objectives of the state ownership policy at each specific company may include: (i) Profit margin; (ii) Revenue and export product and service ratio; (iii) Requirements on the level and level of technological development in a specific period; (iv) Requirements on technology research and development capacity; (v) Position and market share domestically and internationally.

Regarding the completion of the mechanism for state capital representatives at state-owned enterprises: The Government needs to promptly issue full mechanisms, especially mechanisms defining the functions, tasks and powers of the agency managing state capital representatives at state-owned enterprises. The functions and powers of the representative unit need to be determined and institutionalized.

Continue to promote the equitization of state-owned enterprises practically and effectively: The restructuring, arrangement, and equitization of state-owned enterprises must be based on the market economy. Research and amend inappropriate regulations that are hindering the equitisation process of state-owned enterprises, including, first of all, issues related to determining enterprise value, choosing strategic partners, selling preferential shares to employees, and increasing sociality within joint stock companies.

The State needs to focus on completing the equitization plan of SOEs, considering this a key task in the years 2021 - 2030. Seriously implement market mechanisms and legal regulations in equitisation, avoid negativity and loss of capital and assets; and strive to complete the plan to handle 5/12 projects and enterprises that are behind schedule and ineffective.

Diversifying the form of ownership conversion: The conversion of the form of ownership of single-member limited liability companies owned by the State is currently carried out mainly through the form of equitization. Joint stock companies are a type of enterprise with many advantages, but it is not the only form. In reality, there are investors who, for some reason, are not interested in the form of joint stock companies. Therefore, it is necessary to have guidance on converting single-member limited liability companies owned by the State into limited liability companies with two or more members.

Restructuring of administrative personnel, authorized representatives and capital representatives

Review and re-evaluate the management personnel of SOEs, especially the representatives of ownership, capital, and authorized representatives at all levels and layers of enterprises, including authorized representatives from state agencies; ensure representative capacity, representative responsibility, information and reporting mechanisms, and accountability to the authorized person and the agency that sends the capital representative. Supplement the elimination mechanism and strong enough sanctions based on transparent and clear criteria for implementation.

A competitive examination system should be applied to select directors of each SOE and only appointed for a limited period based on reasonable conditions that candidates put forward when applying; there should be a mechanism that is attractive

enough to attract dedicated and capable people to the SOE management team, and at the same time there should be a mechanism for strict evaluation and supervision.

4.2. Solutions from state-owned enterprises

To effectively implement the transformation of state-owned enterprises, businesses need to pay attention to the following solutions.

4.2.1. Group of solutions on business administration

- Build a high-quality workforce, and apply modern corporate governance in state-owned enterprises, especially in economic groups and state-owned corporations. Conduct examinations to recruit directors or general directors, or hire people from outside, initially piloting in several suitable state-owned enterprises.
- Reorganize the distribution network and build a brand. Brands are always associated with quality - technology – and design. The worrying thing is that Vietnamese businesses often do not pay attention to building and maintaining their brands.
- Reorganize production and business to improve labour productivity and reduce product costs, create high-quality, low-cost products, and designs that must suit consumer preferences, according to the customs of each region and each ethnic group.
- Modernize businesses. In today's era, speed is increased, not just scale; intellectual content is increased, not just experience and materials. For Vietnam, it is necessary to pay attention to increasing national content, not only in each product but also in each business.
- Enterprises need to build a flexible salary regime for business managers, corresponding to the market.
- Separate and distinguish the rights, obligations, responsibilities and functions of business managers from those of other civil servants and public employees of the State.

4.2.2. Group of solutions on operations according to market mechanisms

- The State and SOEs must fully comply with the principle of “profit and loss”; and the State, as an investor, must ultimately bear the risks arising from the business activities of the enterprise. When an SOE encounters difficulties or suffers losses in business, no one has the right to request tax reduction or deferral, debt reduction, deferral, debt forgiveness, interest rate reduction, product consumption support, or any other special incentives. At the same time, no one has the right to “give”, or grant incentives and other privileges reserved for one, some or all SOEs.
- State-owned enterprises need to determine that their task is to preserve and develop State investment capital when the actual value of the owner's investment capital increases or the after-tax profit rate on equity is at least equal to the average interest rate of Government bonds in the domestic market during the same period.
- State-owned enterprises must comply with the enterprise monitoring system and enterprise management information system established by the State and the State capital management agency so that the supervision of the capital owner agency is carried out continuously, with accurate and updated information.

4.2.3. Other solution groups

- Enterprises need to properly assess the importance of transformation, and disseminate views on business transformation to members so that everyone can see the importance of the transformation process. To do so, enterprises need to organize to invite experienced experts to help everyone be more aware of the importance of business transformation; thoroughly understand the awareness and actions in member units so that the restructuring implementation is truly focused, on schedule and effective; resolutely apply when the enterprise has gathered all the necessary conditions.
- Enterprises must be determined and persistent in a process of innovation, reforming business institutions, financial institutions, labour recruitment and leadership mechanisms, enhancing autonomy and self-responsibility. Accelerating the equitization process is a fundamental solution to meet the innovation requirements of the development process.
- Enterprises need to be equipped with adequate knowledge. The transformation process has many changes, so it is necessary to train and equip the workforce with the necessary knowledge to be able to adapt to the new model, with new issues after the transformation of the enterprise. Moreover, the transformation process will have a great impact on the workforce in the company such as changing job positions, cutting labour, etc. Therefore, enterprises need to provide necessary information about their rights and responsibilities so that they can proactively plan their work.
- Establish the right time to convert. Timing is always an important factor for businesses in any situation. Therefore, businesses should analyze and evaluate the operating cycle, and changes in the business environment and from there determine the most appropriate time and decision to convert.
- Grasp market information, and have good solutions for processing and forecasting. Grasping information is difficult, but knowing how to organize process information, forecast and make correct and timely decisions is even more difficult. It requires businesses to know how to organize channels from near to far. The staff, especially the leaders, must be smart, sensitive and qualified to meet the requirements.
- State-owned enterprises strictly implement regulations on transparency and disclosure of information on the operations of state-owned enterprises. Strengthen inspection, examination and supervision of the operations of state-owned corporations and groups.

5. Conclusion

The transformation of state-owned enterprises (SOEs) has consistently captured the attention of the Party and Government, playing a pivotal role in the socio-economic development of Vietnam. This transformation represents a long-term undertaking that is both challenging and nuanced, as it encompasses not only economic restructuring but also a fundamental shift in societal perceptions and attitudes.

Over the past 30 years of economic reform, particularly during the five-year implementation of the "Restructuring State-owned Enterprises, focusing on economic groups and state-owned corporations in the period 2011–2015" project,

substantial progress has been achieved, validating the strategic direction taken. The transformation of SOEs entails a comprehensive redefinition of their positions, roles, and functions, alongside the diversification of ownership structures through equitisation, sale, contracts, and leasing. Additionally, there is a pressing need to restructure governance frameworks to enhance the relationship between state ownership and enterprise management.

To further catalyze this transformation, it is essential to prioritize innovative solutions, effectively mobilize capital and resources, and modernize the economy. Such efforts are crucial not only for enhancing the operational efficiency of enterprises but also for reinforcing the vital role that the SOE sector plays in driving sustainable economic growth. By addressing the challenges inherent in this transformation process and embracing strategic reforms, Vietnam can unlock the full potential of its state-owned enterprises, positioning them as key players in the nation's economic future.

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