

# The Implementation Of ISO9000 In Vietnam: Case Studies From The Footwear Industry

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## ABSTRACT

*Following the implementation of "doi moi" or economic renovation policies in Vietnam in the late 1980s, State-Owned Enterprises have been forced to compete in a market economy environment. This new focus on competition necessitates a change in the quality management system. Looking at the process of ISO 9000 implementation in two Vietnamese footwear companies, this article examines the effect of different interpretations by top management of the need for and commitment to ISO 9000 certification. The results suggest that management attitude plays an important role in determining the process and impact of ISO implementation.*

## INTRODUCTION

Vietnam has made significant economic progress following the implementation of the "doi moi" or economic renovation policies begun in the late 1980's (Binh and Pham, 2002; Dang, 2004). This has had a considerable impact on all elements of the economy with major changes occurring in the operation of State Owned Enterprises (See Ngu, 2001, CIEM, 2004).

In the Vietnamese state-run economy prior to "doi moi," firms did not operate according to market economy standards. Profit maximization was not a motive, competition was virtually non-existent and the ideas of quality and standards were not well defined. Vietnam's membership in the Association of Southeast Asian Nations (ASEAN) and its possible ascension to the World Trade Organization, however, have forced SOEs to compete in the global economy. This will require drastic changes in quality standards and methods of production.

While there is no doubt a number of SOEs have improved the quality of their products, the sustainability of these changes has come into question. Many "quick fix" remedies did not always mean an improvement in the production process. As Tran (2003) notes, 'enterprises have made efforts to improve standards but the management structure is not clearly defined and the philosophy of quality is often confused.'

This new focus on competition will necessitate a quality management system that ensures consistency and a continual process involving inspections, quality control, quality assurance and total quality management. And the quality management choice must be made in consideration of the actual capability of the enterprises in quality management (Dale, 1994).

In order to continue the process of economic renovation, enterprises must progress with the new economic environment. This article presents case studies of two Vietnamese footwear companies, Ngoc Tuan Shoe Company and the Me-An Shoe Company,<sup>1</sup> focusing on the implementation of ISO 9000 standards and the effect of different

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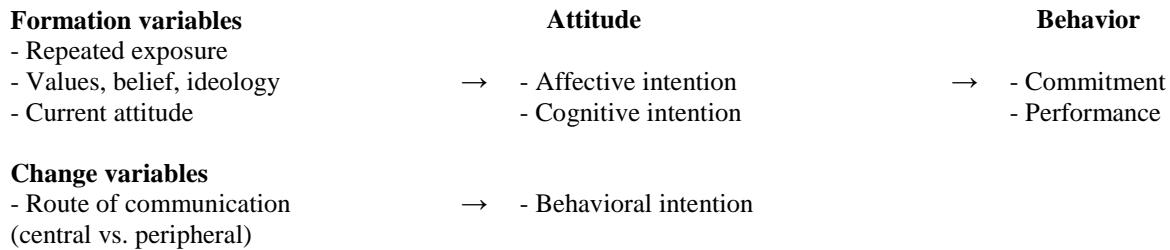
<sup>1</sup> The names of the companies have been changed to protect confidentiality.

interpretations by top management of the need for and commitment to ISO 9000 certification.<sup>2</sup> The studies suggest that management attitude plays an important role in determining the process and impact of ISO implementation.

**ISO 9000 AND THE ROLE OF ATTITUDE**

ISO 9000 is a set of standards for quality management systems that is accepted around the world.<sup>3</sup> It concerns the way an organization goes about its work, and not directly the result of this work. “Nevertheless, the way in which the organization manages its processes is obviously going to affect its final product. The efficient and effective management of processes is, for example, going to affect whether or not everything has been done to ensure that the product satisfies the customer's quality requirements. The management system standards in these organizations state requirements for what the organization must do to manage processes influencing quality” (ISO 9000 in Plain Language).

An important factor affecting management system standards is attitude. According to McGuire (1985) attitude is composed of three components (or three classes): affective, cognitive, and behavioral intention. The affective component is how one feels about an attitude object (e.g. ISO 9000), including the mood, emotions and sympathetic nervous system activities experienced in relation to the object. The cognitive component is the beliefs or ideas one has about an objective. What people think about ISO also has an evaluative meaning and these thoughts are the cognitive component of attitude toward ISO. The third component of attitude, behavioral intention, is how one acts, and/or intends to act toward an attitude object. The role of attitude can viewed as follows:



Looking at ISO 9000 as the object, formation variables are the existing thinking and understanding people have about ISO 9000. The change variables are the way people are made to understand about ISO 9000. These formation and change variable are the two elements that affect the three functions of attitude that determines the performance and behavior of the people in implementing ISO 9000.<sup>4</sup>

**APPLYING ISO 9000 IN THE CONTEXT OF THE BUSINESS CULTURE OF STATE OWNED ENTERPRISES**

Although ISO 9000 standards make no reference to the cultural environment within which it will operate, it is clear the standards will be applied to a wide range of differing organizations and styles.<sup>5</sup> Management’s perspectives on quality are the views on what ISO 9000 means to the company and attitude concerning ISO 9000. Among Vietnamese SOE managers, there are different views of the benefits of ISO 9000. One view is that certification helps the companies advertise themselves in the market place helping to fulfill tender requirements. Another is that that ISO 9000 is a tool for quality improvement and assurance.

<sup>2</sup> The data were obtained from in-depth interviews conducted between 2000 and 2004 with management and workers of both companies. A summary of individuals interviewed as well as the general format of the questions posed are presented in the appendix.

<sup>3</sup> For an excellent discussion of International Standards for Quality Management Systems see We Are Simply Quality!

<sup>4</sup> For a discussion of the effect of attitude on behavior see Brief (1998)

<sup>5</sup> See Fairbairn, ISO 9000 and Organisational Culture

For managers concerned only with certification, the ISO 9000 implementation process is just a procedure to “fix” the company in order to qualify for certification. Thus, the easiest and least costly way to obtain certification is pursued. For managers with a more long-term view, the process of applying for ISO 9000 certification involves developing both a new philosophy of quality management and a new quality management system. The extent to which managers place priority on the first or second view greatly affects the application of ISO 9000 in the organization.

**OBTAINING ISO 9000 CERTIFICATION: EXAMPLES FROM THE VIETNAM FOOTWEAR INDUSTRY**

**ISO 9000 Implementation At The Ngoc-Tuan Shoe Company**

The Ngoc-Tuan Shoe Company has a history of nearly a century. It was first established in 1912 as a private French company and, until 1954, its main customer was the French army in Indochina. Equipment and materials were fully imported from France.

After the defeat of the French by the Viet Minh in 1954, the company was set up as a joint venture company with the newly formed government of North Vietnam. With the nationalization of all industry in 1960, the company became a State Owned Enterprise under the management of the Hanoi Department of Industry and until the 1990s was Vietnam’s leading shoe producer with output meeting or exceeding planned levels every year.

Over the past decade, the restructuring of State-Owned Enterprises has been at the centre of Vietnam's overall economic reform and various measures has been taken up to restructure and improve the efficiency of the SOE sector. Permanently loss-making and inefficient SOEs were merged and a small number of SOE were allowed to go bankrupt. The equitization (privatization)<sup>1</sup> process has continued, albeit at a slow pace, with the vast majority of SOEs being restructured and granted autonomy in production and management.<sup>7</sup> The Ngoc-Tuan Shoe Company now has an independent accounting system under the management of the Ministry of Industry.

<b>Brief Statistics Of The Ngoc-Tuan Shoe Company</b>	
Total capacity in 2003	4 million pairs of shoes
Turn-over	US\$11 million with 73. 5% for export
Total Number of Employees (2003):	800
Employees under 35 years old	87%
Percent of Women Employees	68%
Percent with High School Diploma or Higher	95%

*Objectives of Applying ISO 9000*

The objectives of the Ngoc-Tuan Shoe Company in applying ISO 9000 were to:

- Create an environment that encouraged people to practice quality management
- Improve production processes to reduce the number of defective products
- Improve shoe quality to make its products competitive in the market
- Qualify for tender
- Advertisement purposes

Since the Ngoc-Tuan Shoe Company was a pioneer in applying ISO 9000 in the shoe industry, it received financial support of VND100 million (about US\$7000) from the Ministry of Industry to carry out the application process. Moreover, based on a request from the company, the Ministry of Industry appointed a quality management specialist to be Vice Director in charge in quality management. This individual was the former head of the quality

<sup>6</sup> The Vietnamese government prefers the term “equitization” rather than privatization.

<sup>7</sup> For a further discussion of changes affecting SOEs in Vietnam see Painter (2003).

department of the Vietnam General Shoe Corporation and one of the earliest Vietnamese to be trained, both domestically and abroad, in ISO. In addition, the Vice Director was considered to have substantial influence with both workers and management due to his educational background and political connections.

*The Vice Director has a post graduate degree from the management department of the Communist Party National Institute (Nguyen Ai Quoc Party Institute). Since its establishment, the school has primarily trained communist party members in Marxist-Leninism thought. However, following the reforms in 1986, the school has co-operated with other universities in the country to offer a range of course in management and economics, considered key knowledge for leaders in the new era of Vietnam. In SOEs in Vietnam, a post-graduate certificate from this school is given higher weight than any other certificate, because it is not only a certificate of knowledge but also a certificate of empowering the person to be a leader in the Communist Party.*

In a personal interview with the Vice Director, he clearly stated the company's philosophy on ISO: "We believe ISO is not just a certification – it is a process to maintain quality and to make continuous improvement"

Support for this philosophy was also clear from conversations held with the ISO implementation team members. They indicated that the process required tremendous commitment from all parties involved. Another important indicator of the commitment of the management implement ISO 9000 was the Board of Directors willingness to bring in an outsider in such a high position.

#### *Important Steps in the ISO 9000 Implementation Process*

##### Step 1 - Formation of Project Team

A project team, headed by the Vice Director, was formed and the heads of each department were recruited to ensure the projects received the support of all employees.

##### Step 2 - Communication to Staff

On the advice of top management, a large campaign was undertaken to communicate to all staff of the company the purpose of the project so they would be willing to intensively take part in the project. Training courses on ISO 9000 by visiting consultants were implemented. Since the team leader (Vice Director) was an ISO 9000 specialist, this individual developed the implementation plan. Since the company's employees were young and educated the company was perceived as successful in convincing the workers that implementing a new quality strategy was vital and would bring better opportunities. The management also encouraged workers to think of quality improvement objectives for their own jobs.

##### Step 3 - Development of Manual, Training and Conducting an Internal Audit

The Vice Director took the lead in developing the procedures, regulations and operations applicable to all departments to ensure compliance with ISO 9000 standards. The project team carried out training to educate employees in the procedures detailed in the manual. Feedback was encouraged though the department heads to ensure continuous improvement. The entire process of developing the manual, training employees and conducting an internal audit took one year.

##### Step 4 - Application and Granting of Certification

The Ngoc-Tuan Shoe Company chose SGS as its certification body. The project team indicated this certification body was chosen due to its high standards and the objectives were not only certification, but also the development of a high quality management system that would bring about real change in the company operation.

The certificate of ISO 9001-1994 was granted in early 2001, three months after the first internal audit. At that time, the Company Director stated: "We have taken a long time to struggle for quality improvement and a quality

assurance system. ISO 9000 is really the tool that we are looking for. We are looking at it as a tool for continuous improvement as well”.

From the Vice Director who was the team leader: “We were successful in applying ISO 9000 because the management board made full commitment and gave me full support. Another reason it that we have been successful in driving staff’s attitude in a positive direction”.

*Observations*

Since the granting of ISO 9000 certification over three years ago profound changes have occurred at the Ngoc-Tuan Shoe Company. This is immediately evident upon entering the facilities. Contrary to pre-certification, the physical plant is now well maintained and orderly. There is new motorcycle and car park and all facilities have a clearly marked signboard. The atmosphere in the company is now one of friendliness and professionalism.

In a follow-up meeting with some workers and administration officers who were interviewed in 2000 and 2001, it was clearly evident they are very proud of the changes in the company, and attribute the positive factors to the new quality management system. Comments from employees were:

- Now we are sure that we can make a good quality product
- ISO 9000 is necessary to us
- We have more convenient summer holiday provided by the company thanks to less waste due to defective products. ISO 9000 has made this possible
- The better implementation of ISO 9000, the more benefits we get.

Although data on the financial situation of State Owned Enterprises are not available, it can be concluded that financial capital to undertake investment and upgrade facilities has come from profits generated by the firm.<sup>8</sup> Workers also seem to have benefited from the improvement in firm’s financial health as salary levels in 2004 were 50 percent higher than in 2001; increasing from between VND450,000 and 650,000 (around US\$30-40) to between VND700,000 and 900,000 (around US\$45-60) per month. This rate of increase also applied to top management and heads of department.<sup>9</sup>

Additional changes included offering days off on major holidays, allowance every month of around VND100,000 (around US\$7) to buy medicines, and longer summer holidays.

**ISO 9000 Implementation At The Me-An Shoe Company**

The Me-An Shoe Company was established in 1960 as a State Owned Company under the management of the Hanoi Industrial Department. Until 1992, production decisions were implemented according to the government plan. Following the SOE reform process, the company has been allowed some control over financial and production decisions.

<b>Brief Statistics Of The Me-An Shoe Company</b>	
Total capacity in 2003	5 million pairs of shoes
Turn-over	US\$10 million with 69% for export
Total Number of Employee (2003):	470
Employees under 35 years old	35%
Percent of Women Employees	72%
Percent with High School Diploma or Higher	100%

<sup>8</sup> In SOEs in Vietnam, the board of directors usually try to transfer profits to reinvestment capital so the company does not have to contribute full profits to the government budgets.

<sup>9</sup> The actual figures are not available, but top management salaries are estimated to have increased from between VND1,500,000 and 2,000,000 (around US\$100-125) to between 3,000,000 and 5,000,000 (around US\$200-310) per month. In addition, a one-month bonus is generally paid at the end of the year.

The Me-An Shoe Company has a group of skilled workers (mainly women) who have worked for the company since its inception. The longevity of these workers employment is looked at from both a positive and negative aspect. While their experience is considered an asset to the stability of the firm, these workers are also considered more intransigent. In addition, heavy family responsibilities impact on their motivation.

### **OBJECTIVES OF APPLYING ISO 9000**

The objectives of the Me-An Shoe Company in applying ISO 9000 were:

- To be able to qualify in tender for contracts and for advertisement
- To improve shoe quality to make its product competitive in the market

In 2001, when a number of major shoe companies were successful in obtaining ISO 9000 certification, the Me-An Shoe Company was also encouraged to do so by the Hanoi Industrial Department with financial assistant of VND70 million (about US\$5000) provided to carry out the project. With the Board of Directors committed, the company invited a local consultant company to assist the company in implementing ISO 9000. The ISO 9000 implementation process was communicated to the staff and detailed implementation steps were developed by the consultants. Training courses on ISO 9000 were made by the visiting consultants and the staff were encouraged to think of quality improvement objectives for their own jobs.

### **IMPORTANT STEPS IN THE ISO 9000 IMPLEMENTATION PROCESS**

#### **Step 1 - Formation of Project Team**

A project team was formed by specialists of the consultant company and managers of all departments. The technical manager, who worked for the company for almost 30 years, headed the project team. Although the technical manager was well-versed in the technology of shoe production, he did not appear to be highly skilled in management and was unaware of advances in quality management techniques.

#### **Step 2 - Communication to Staff**

The responsibility for communicating the importance of ISO implementation was given to the consultants.

#### **Step 3 - Development of Manual, Training and Conducting an Internal Audit**

The consultants worked with other members of the project team to develop the manual. All department and staff were required to make descriptions of their operation processes and the consultants redesigned processes in accordance with the requirements of ISO 9000. After a period of nine months the manual was introduced to the staff through training carried out the specialists. The consultant played an integral part in preparing the Me-An Shoe Company for the certification process and assisted in the internal audit of the company.

#### **Step 4 - Application and Granting of Certification**

Based on the advice and recommendation of the consultants, the Me-An Shoe Company invited Quacert, the only certification body in Vietnam, to certify the company's ISO 9000 application. The certification process was uneventful and the Me-An Show Company was successfully granted ISO 9001-1994 certification in late 2001.

### **OBSERVATIONS**

The extent of changes at the Me-An Shoe Company following ISO 9000 certification have been relatively minor. While the staff was positive on the advantages of ISO 9000, there was an air of pessimism regarding the future and it was felt that ISO 9000 would not necessarily guarantee success to the company. Comments from employees were:

- There are many factors that effect the success of a business that ISO 9000 cannot help
- Now that most companies have ISO, ISO is no longer a competitive advantage.

Although the salary of staff has increased by 10-20% over the past three years, bonuses and allowances have not been forthcoming. Summer holidays have not been organized due to the tight budget.

The primary concern of management now is to obtain enough contracts for full capacity. There is also possibility that the company will forego ISO 9000 certification due to the cost of maintaining certification. In a conversation with the Director, it was stated that the company's main concern is to get enough contracts for full capacity. The company may also not be able to maintain ISO 9000 certification because of the required fee ISO manaintenance certificate required every six months.

**Comparing The ISO Implementation Process For The Two Companies**

<b>Element</b>	<b>Ngoc-Tuan Shoe Company</b>	<b>Me-An Shoe Company</b>
Impetus for ISO 9000 Certification	<ul style="list-style-type: none"> <li>• Management initiative</li> <li>• Market push</li> </ul>	<ul style="list-style-type: none"> <li>• Push by government authorities</li> <li>• Need to “keep up with the Joneses”</li> </ul>
Management’s Views on ISO 9000	Tool for continuously ensuring quality	Certification to enable company to obtain contracts
Management’s Attitude Toward ISO	<p><i>Affective:</i></p> <ul style="list-style-type: none"> <li>• Appreciate ISO 9000</li> <li>• Believe that applying ISO 9000 will bring benefits</li> <li>• Support from outside stakeholders</li> </ul> <p><i>Cognitive:</i></p> <ul style="list-style-type: none"> <li>• Good understanding of ISO 9000 as an advanced quality management system.</li> <li>• To be motivated to apply ISO 9000 for quality management improvement,</li> </ul> <p><i>Behavioral intention:</i></p> <ul style="list-style-type: none"> <li>• Commitment to applying ISO 9000</li> <li>• Make ISO application part of organization’s strategy and management.</li> </ul>	<p><i>Cognitive:</i></p> <ul style="list-style-type: none"> <li>• Fair understanding of ISO 9000</li> <li>• To be motivated to apply ISO 9000 for marketing and quality management improvement</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>• To create environment to practice quality management</li> <li>• To improve production process</li> <li>• To control shoe quality</li> </ul> <p>Marketing</p>	<ul style="list-style-type: none"> <li>• Marketing</li> <li>• To control shoe quality</li> </ul>
Project team	Leaders and staff of the company	Consultant and middle management
Training	Self train staff	Train by consultant
Choosing certification body	<ul style="list-style-type: none"> <li>• Self choosing</li> <li>• Choose the most recognized one in the market</li> </ul>	<ul style="list-style-type: none"> <li>• Recommended by the consultant</li> <li>• Choosing the easiest one in the market</li> </ul>
Shifting to ISO 9000 - 2000	1 year before certification expiration	1 month after certification expiration
Regulation audit result	Continuous improving result	Pass result
Result	<ul style="list-style-type: none"> <li>• Continuous improvement in company performance</li> <li>• Change in whole company’s attitude in quality management</li> </ul>	<ul style="list-style-type: none"> <li>• No clear improvement in performance</li> <li>• Attitude change is not clear</li> </ul>

Although the Director was well-respected by employees, it did not appear as if he had the management skills necessary to lead the company in the new market economy.

## LESSONS LEARNED

The study is consistent with the literature on the role of top management in leading change (Kotter, 1996; Daft and Weick, 1984). Top management can be the interpreters of the environment and the initiator or inhibitor of change. In the case of the two shoe companies, management plays a key role in interpreting why ISO 9000 is needed and each develops a commitment for such programs inside the company.

The lessons of the two companies studied are that management's perspective on quality and commitment to ISO is the key to its successful implementation. Management must initiate and take responsibility for the necessary change programs, employ policies that encourage innovation and recognize employees' motivation and competencies.

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**APPENDIX**

**(A) Summary Of Individuals Interviewed**

	<b>Interviewees</b>	<b>Number of interviewees</b>
1	General Director of Ngoc Tuan Shoe Company	1
2	Vice Director of Ngoc Tuan Shoe Company (Team Leader)	1
3	Heads of Departments of Ngoc Tuan Shoe Company	6
4	Administration department of Ngoc Tuan Shoe Company	2
5	Human resource manager of Ngoc Tuan Shoe Company	1
6	Workers at Ngoc Tuan Shoe Company	10
7	Guard of Ngoc Tuan Shoe Company	1
8	Director of Me-An Shoe Company	1
9	Head of Technical Department, Me-An Shoe Company (Team leader)	1
10	Heads of Departments of Me-An Shoe Company	4
11	Administration department of Me-An Shoe Company	5
12	Chairman of the Union at Me-An Shoe Company	1
13	Workers at Me-An Shoe Company	9
	Total	43

**(B) General Format of Questions**

1. What are the objectives for applying for ISO 9000 certification?
2. What was the impetus for applying for ISO?
3. How committed was the Board of Directors?
4. What individuals composed the ISO implementation team?
5. Could you describe the process in detail?
6. How was the manual developed?
7. How was the training conducted?
8. What were the biggest challenges in the implementation process?
9. What are results? After 1 year, 2 years?
10. Could you describe the regular audit?
11. What was the process to upgrade certificates from ISO 9000-1994 to ISO 9000-2000?
12. What are the benefits to the staff after the implementation of ISO 9000?
13. What do you perceive to be the key success factors?

NOTES