

Project Management in a New Market Economy: A Vietnamese Experience

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Introduction

Since Vietnam has instituted an open door economic policy of restructuring its economy towards a market one in 1986, this country of nearly eighty million people, richly endowed with human and natural resources, has been on the threshold of economic take-off. To speed up its economic development with the purpose of serving the cause of making Vietnam an industrialized country by 2020, Vietnam has implemented a significant number of infrastructure projects funded by Official Development Aid (ODA) donors like Japan's Overseas Economic Cooperation Fund (OECF), the World Bank (WB), and the Asian Development Bank (ADB), etc., whose successful completions are impacted by the lack of project management expertise, e.g., the slow pace of ODA disbursements, especially those related to projects in the power and transport sectors, caused by the lack of knowledge to draft and conduct feasibility studies for project.

Projects are sure to fail if effective project management is not provided. Ample evidence of this project execution failure exists throughout the world and is particularly severe in a developing country like Vietnam where necessary project management skills have not been developed in the workforce to keep pace with an increase in the number of projects to be implemented. Other factors creating barriers to successful project management operations include political and social systems, legal and contractual problems, cultural thoughts, and lack of financial resources and procedures.

Project Managers in Vietnam are encountering the difficulty of effectively managing their projects, which are mostly funded through ODA or Foreign Direct Investment (FDI) budgets. It is estimated that U.S. \$20 billion worth of infrastructure projects will be executed before the year 2000, amounting to approximately 15 percent of Vietnam's gross domestic product per year for infrastructures spending. These projects required effective and efficient execution of the work performed to meet and, if possible, exceed clients' needs and expectations, resulting in urgent requirements for project management consulting and training services—a specialization considered to be quite new by the Vietnamese industries as the Vietnamese, not familiar with the project management prac-

tice required by its donors, are looking forward to receiving technology transfer in globalized, generally accepted project management knowledge to improve its foreign aid management capability, maintaining a higher growth rate, and continue improving its people's living standards.

The purpose of this paper is to outline many of the problems observed in the project management environment in Vietnam, in attempting to apply the Project Management Body of Knowledge (PMBOK) for projects in a developing country's environment. Most of the areas discussed will be illustrated by real-life situations. After these problems have been identified, various approaches to their mitigation, if not their solution, will be presented.

Conclusions will be drawn and an assessment made as to the viability of the proposed approach. Problems discussed and approaches proposed are derived from experiences of the past four years operating a construction company and doing consulting work for clients desirous to do business in Vietnam.

Problem Areas

The following problems, identified along the PMBOK practices, are barriers to more efficient and effective project management in Vietnam as the country is coming to grips with these new concepts of managing projects.

Scope Management involves the processes of planning and controlling a project in terms of its objectives through all project's phases. Lack of application of the Work Breakdown Structure (WBS) concept, one of the most important concepts in project management to ensure that all work is identified and defined, often results in the lack of common understanding of the project's work scope. In addition, the Vietnamese legal system is not yet fully streamlined, and the lack of precedents and ambiguities, due to the fact that the country is undergoing a period of transition to a new market economy, may cause problems in project implementation and enforcement of legal issues.

Cost Management involves the processes required to ensure that the project is completed within the approved budget. Bureaucratic and stringent regulations on tender couples with the lack of effective cost control processes make it extremely difficult to attain the cost objective of

projects and make a profit; e.g., resources prices for labor and materials are fixed by the government. Government authorities frequently published construction price instructions that stipulate the resources norms with fixed rates. Cost accounting systems, though recently developed rapidly, are not yet consistent with international norms, and an unfamiliarity with the concept of independent auditing means that financial status of projects may have been difficult to evaluate. Cost-related practices could include the pre-arranged division of sections of a contract to different stakeholders for political reasons. Members of the so-called Project Management Unit (PMU), tasked to run project management operations, often lack project management training and do not have a good understanding associated with the different activities involved in cost management versus contract/procurement management.

Time Management involves the process required to ensure timely completion of the project. Time management techniques, mostly supported and generated by the progress of computerization, seem to be nonexistent due to scarce availability of computerized equipment. Abundant supply of hardworking labor force, with wages among the lowest in Asia, helped to complete many projects on time or, in many cases, ahead of schedule and continue to impair project schedule and control principles and methodologies. This, however, should change in the near future, as labor becomes more and more expensive, catching up with the rest of Asia. In addition, in government-related projects, centralized planning and inefficient project execution have prelude effective time management.

Quality Management involves the processes required to ensure that the project will satisfy the needs for which it was undertaken. Vietnamese enterprises are controlled by dictums in countless government documents, providing minute ministry-level direction on how to meet quality requirements on projects, from which there should be no deviation without authorization of the concerned ministry. Lack of innovative products, systems, and services that conform to requirements and meet clients' needs and expectations impacts the quality management processes. Only a handful of Vietnamese enterprises obtained ISO 9000 certification, which complicated the quality approach to project management designed to meet the performance objectives of ongoing projects.

Human Resources Management involves the process required to make the most effective use of the people involved with the project. Project staffing could easily be influenced by political practices employing unqualified individuals on the project team, i.e., people who their very consideration, which qualifies them as project team members, is due to their lifelong service to the state, particularly during wartime. The concept of effective organiza-

tional structure of the project, aiming toward accomplishing a project's objectives on time, within budget, and with acceptable quality, seems not to exist thanks to the workforce having been accustomed to the security of a socialist state and unfamiliar with the challenge of a free market economy. Vietnam is handicapped in structuring efficient and effective project management organization partly due to the fear of failure by individual project managers of the organization. The individual project manager tends to hold a low profile, no-reward position rather than pursuing an innovative high-profile course of action where rewards are problematic but penalties for failure could be catastrophic. This project environment many times results in a lack of decision-making in the execution of projects. The span of management control, therefore, leads to breakdown in communications, lack of effective supervision of the immediate and lower levels of the project organization, and results in operations generally wasteful of resources. Besides, project human resources management is also severely impacted by the dual transition of Vietnam from a centrally planned economy to an open market economy and from a traditional, agricultural society to a modern industrial society. The ongoing restructuring of state-owned enterprises and the continuing introduction of advanced agricultural techniques and urbanization, causing high unemployment and economic instability, will definitely impair project managers' efforts to staff the types of personnel and expertise for various phases of their projects without facing external and internal political constraints.

Risk Management involves the process of identifying, analyzing, and responding to risk on the project. It could be stated that the only risk that concerns project managers relates to the law on foreign investment affecting their planned or ongoing projects. The law's overall aspects are associated with investment aspects of a project from which potential risks that could impact the project implementation can be identified by the project managers. In addition, added headaches of pervasive corruption, red tape, and the government's failure to enact critical legal, financial, and bureaucratic reforms contributed to potential risks in a project.

Communication Management involves the processes required to ensure timely and appropriate generation, collection, dissemination, storage, and ultimate disposition of project information. Lack of frequent project audits and reviews often leads to missed opportunities to identify the early stages of problems or conflict development. Project managers, because of their responsibilities and pressures to achieve their project objectives, tend to focus upon technical and schedule aspects of their projects and often missed the opportunities to use effective communication

tools such as audits and reviews to monitor the project's progress. Part of this could be attributed to the fact that project managers in Vietnam are still lacking modern western management experiences and experiencing a low level of computerization.

Contract/Procurement Management involves the process of acquiring goods and services from outside the performing organization. This is an area where I think project managers in Vietnam are really involved in their work. The Project Management Unit (PMU), whose responsibility is to manage projects from the concept phase to completion, mostly focuses on activities associated with regulation on tender. However, protracted contract negotiation caused by the new Build, Operate, Transfer (BOT) concept, and the critical issue for BOT project sponsors and financial backers to find contractors capable of performing the project on time, within budget, and meet technical requirements, remain major obstacles to overcome. Time lags in gaining bureaucratic approvals, gaining custom clearance, placing orders with foreign suppliers, and manufacturing with special equipment are such that they render the project inoperative for an extended period of time. There are frequent references to the "competent decision-maker" in the regulation, which need to be clarified. Although pretty comprehensive and complicated, project managers in Vietnam seem to be effective in managing this aspect of project management particularly when cost is the decisive factor in the tender selection process. In short, this is what they do best in the present environment, and, I believe, this is the only area in which they spend most of their time working as project managers.

Other Social/Cultural Aspects Management—in project operations, the understanding of priority where less prioritized work may be neglected could be dangerous and impair effective management of daily activities. Vietnamese cultures, in general, discourage management and supervisory staff from working closely with lower-level members of their projects. In addition, although members of management may have a good understanding of the task to be accomplished and may be capable of telling how a task should be performed, they may not be capable of showing how to accomplish it. This results in leaders having the theory but not the practice in the area where training is needed. Many in top management are politically appointed and may be unqualified to organize and administer the project management function. They may, in fact, be interested in diverting project budgets assigned to project management activities to other interests.

The problem areas discussed above are not unique to developing countries. All of these problems are experienced in every nation to one degree or another. However, the important thing to consider about problems asso-

ciated with the practice of project management is that there is nothing unusual in principle about what has happened in Vietnam. Most of the major "Asian Tiger" countries that have experienced rapid growth in the last ten years have also experienced project management learning curves of their own. In the meantime, steps can be taken and approaches proposed to help Vietnam overcome these problems and speed up the development and training of project management discipline to support the country's goal of changing its economy toward industrialization and modernization.

Problem Mitigation Approach

The opportunity to mitigate problems in managing projects in Vietnam should start with improving the management of projects financed by the international lending institutions. It is critical that the project management practice be addressed seriously in the implementation of any project.

Scope Management of a project must include the use of a Work Breakdown Structure (WBS) concept. Project managers must be trained to understand, apply, and appreciate the use of the WBS to divide the contractual work into manageable pieces of effort to achieve the project's objectives. It must be applied to budgeting, scheduling, and status reporting, etc., as it is the most effective tool for helping project managers to plan, organize, and control any project. The clarification of the Scope of Work in accordance with the WBS structure must be done in such a way that should eliminate future official and unofficial additional demands based on the perceived concept of considering a contract as an open-ended document that could be modified and negotiated during the project's life cycle. Get rid of the fact that the job is not what you see in the contract; it's what you don't see.

Cost Management should include the elimination of the publication of manuals associated with estimated, fixed prices for project resources. This approach is more suitable to a centralized, planned economy but not for a new, open market one. Contractors should be encouraged to mark up their tender prices based upon their own cost estimations and bidding strategy, not based upon the norm set forth by government authorities. Modern cost management techniques, such as the "Earned Value" approach, must be taught to project managers who will be in charge of managing projects, particularly those in the infrastructures field. One of the very first priorities must be to educate project staff, including project managers, in the Project Management Unit (PMU) on the different processes that distinguish the activities of cost management

and procurement management. This will allow the rapid development of a cost management process, which has been proven to be efficient and effective for Western countries in the open market world. It is within this sphere of activity that cost management skills can offer the greatest immediate value to effective project management practice in Vietnam.

Time Management should include the utilization of modern project management software for effectively managing the project schedule, i.e., detailed consideration of all the activities necessary to complete the project through modern time-controlled software packages. Vietnam's project managers must take advantage of one of the most remarkable technological developments in recent years, namely, the integrated cost/schedule/technical project management software packages, such as those from Microsoft, Primavera, etc. It is important to expose project managers to time management methods such as the Critical Path Method (CPM) and the Program Evaluation and Review Technique (PERT), as well as to those assessing project scheduling risks using the Monte Carlo method. The phenomenal increase in computer utilization will facilitate this recommended approach.

Quality Management must be based on the principle that the project objectives must be attained and conformed to clients' requirements and meet all stakeholders' needs and expectations. Government regulations on how to meet quality requirements on projects should be used as guidelines and not as controlled dictums. Tools and techniques of modern quality management must be presented to project managers for potential utilization on their projects. The day-to-day objective of quality management must be the ongoing improvement of the processes, systems, products, and services to increase quality and productivity and to decrease costs. Project quality management must begin with a thorough understanding of the clients' project requirements and conclude with the clients' evaluation of our project performances and must be based on the presumption that processes can be continuously improved over time to eliminate most errors and defects. Project managers must be trained in the principles and methodologies of ISO 9000 standards and their potential application on projects since these standards are considered to be good quality management practices worldwide.

Human Resources Management should include the building and training of a competent project staff for effective project operations. Selection of project team members must be based on members' qualifications and experiences and their abilities to help project managers foster project integration. This should start with the project planning effort where only the senior qualified members

of client and management teams will be involved. The development of the project team should be closely coordinated with the project phases' efforts in order to gain maximum understanding of projects' goals and objectives resulting in efficient project operations. Project managers must be given the authority to staff and organize effective management of human resources for their projects by building and integrating the efforts of a diverse mix of project team members. The decision-making process associated with this must be free from all political and organizational constraints, as well as from the impact of macro-economic policy of the government. University training in project management must be established to produce graduates ready to embark on careers in project management. Present educational programs are of no relevance to the needs of this profession.

Risk Management—it is suggested that the frequent changes in laws or regulations, which would limit or damage the benefits of foreign-invested projects, must be stopped and replaced with a long-term law by enacting legal reforms and investment overhaul to ensure investment stability, the basic condition for economic development. Commitment at all levels of the Vietnamese government to consistent interpretation and application of regulations affecting projects must be obtained, e.g., laws on BOT contracts.

Communication Management—as a result of dramatic information technology advancements, as personal computers have become integral components in project management integrated information systems, there has been significant use of project management software as a tool for planning, tracking, and, most importantly, disseminating and communicating information to all project team members. It is recommended that project managers in Vietnam educate themselves to utilize this tool as it gives managers the ability to understand the project's overall status, as well as its supporting details in both graphical and textual outputs. They must be trained and experienced on project audits and reviews where they are exposed to project documentation associated with what happened during the project's life cycle. Good documentation is quite critical for successful project management operations in Vietnam. What this all adds up to is that a great wealth of information and a means for communicating it effectively should be the most basic tools for the accomplished project manager in Vietnam.

Contract/Procurement Management—as Vietnam is interested in having projects implemented in the Build, Operate, Transfer (BOT) approach, and with the experience that these projects have brought so far, it is suggested that regulations associated with this type of contract be refined, as project managers have encountered various legal

issues with this approach. Regulations on tender must also be improved, particularly on those involving the methods of tendering. A project management proposal is recommended in addition to the present technical and financial proposals. Improvement in this area can also be found and linked to the scope management area.

Other Social/Cultural Aspects Management—Project managers in Vietnam must learn to understand what makes the project management process work and how to manage project teams effectively regardless of what the nature of the project may be. Project management training for them is imperative, and it is hoped that it can be accomplished through technology transfer mechanisms. They must be trained to apply and advance the Project Management Body of Knowledge (PMBOK) the same way that it is being widely applied in the developed, western countries. Gone are the days when Vietnamese project managers executed their projects in isolation from the entire world. The project management training mentioned above can help them to use advanced technologies from more highly industrialized parts of the world. The training must also emphasize the incorporation of social and cultural aspects of a project into the project's environment. The primary objective should be the development of future self-reliance for Vietnam's project management technology.

Conclusion

An urgent need exists in Vietnam to improve all facets of project management operations as Vietnam is accelerating its strategy of industrialization and modernization with the execution of a significant number of infrastructure projects. While the need is so great as to be critically required, resources, both human and financial, are quite limited. Project management improvement is further constrained by political realities, including social problems and, to some extent, corruptive practices. It seems that true commitment and desire to obtain the project management skills needed are existent in Vietnam, but the Vietnamese are lacking the support and assistance of the governments and private industries of developing nations of the world in this matter. Project managers in Vietnam have been recognizing the effective application of project management for successful project implementation and are looking forward to receiving technology transfer associated with training and consulting in this area of expertise. Thus, an attempt has been made in this paper to present certain situations relating to what continues to be complicated problems impairing project management practices in this country and to sug-

gest approaches for mitigating or solving these problems. Today, the situation of Vietnam is very different; government and decision-making are much more decentralized and far less autocratic. Because of this, project management decisions involved more individual processes and better rewards. Project managers in Vietnam should use the proven principles and methodologies of modern project management techniques to improve the performances of their projects, resulting in better foreign aid management capability. It is hoped that, in this manner, Vietnam can maintain a higher growth rate and continue improving its people's living standards. Our role will be one of helping project managers in Vietnam obtain these objectives by providing them with appropriate, modern project management technology in order to face the challenge of managing projects in the Twenty-first Century.