



Enhancing the Innovation Capability of Manufacturing SMEs in Vietnam

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2025 KDI-LPEM 2nd Joint Seminar

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Content

Manufacturing SMEs in Vietnam

The Study on innovation capabilities in 2024

Policy recommendations

Value chain of manufacturing industries in Vietnam

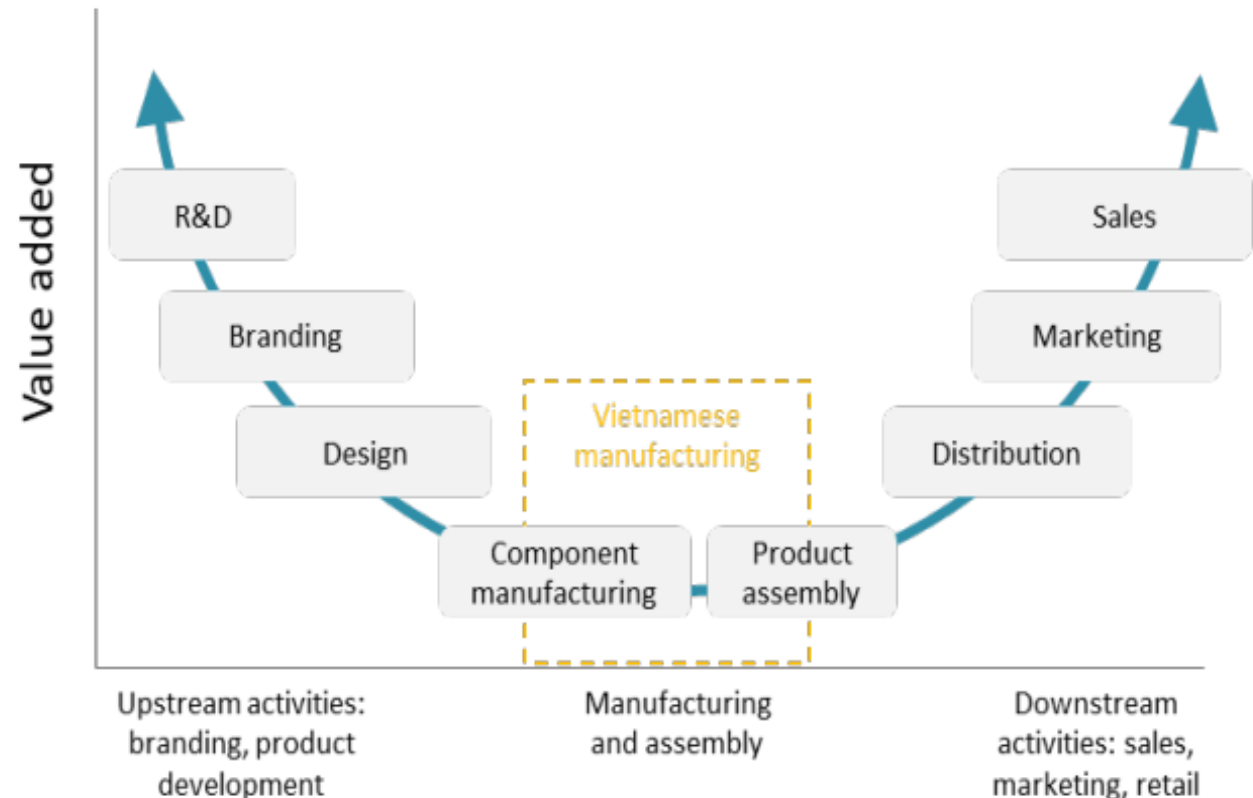
Component manufacturing data¹

Manufacturing Value Added (MVA): \$963m | **30%** of component demand met by domestic firms

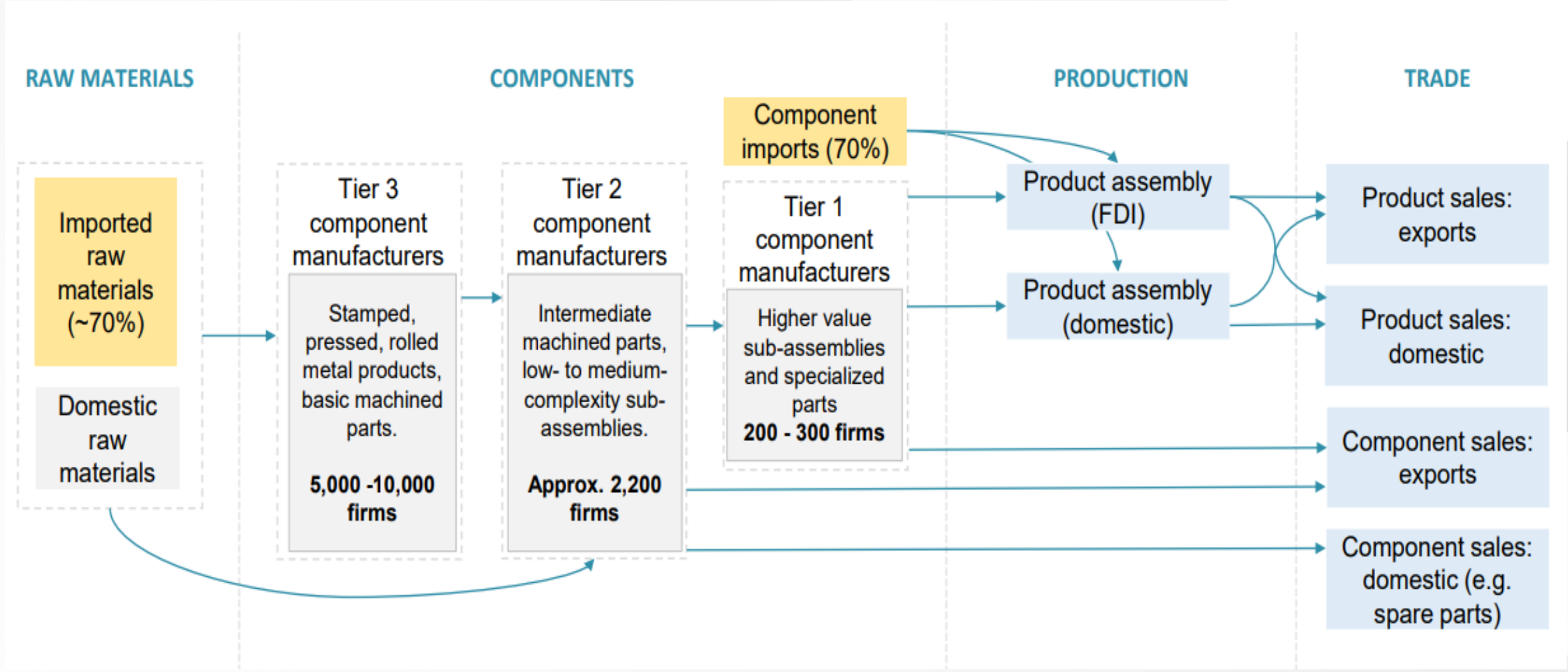
Firms: 2,200+ | **Workers:** 86,000+ | **38%** of workers are women | Average monthly wage **VND 10.4m**

Highlights

- ▶ Strong growth in M&E outputs and exports
- ▶ But a sub-sector of two halves:
 - ▶ **Higher value activities** - FDIs and large domestic brands. Inputs from top tier component firms.
 - ▶ **Lower value activities** - domestic manufactures. Inputs from 2000+ SME component firms – many caught in low productivity trap.



Supply chain of manufacturing industries in Vietnam

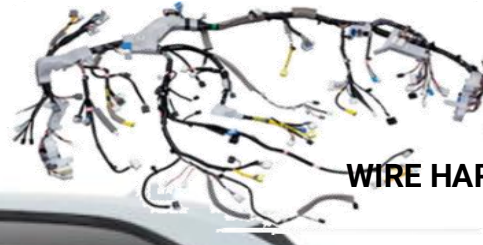


Example: key components/products supplying to automotive industry

Source: VASI, 2025



Ceiling Stiffener Panel



WIRE HARNESS



STAY FR TOP COVER (DSTAY, INSTRUMENT PANEL, NO.215K)



BOARD, FR DOOR TRIM UPR LH



EXTENSION, INSTR PANEL REINF, LH



AUTOMATION SOLUTIONS



Engineering

Function Testing

Inspection

Through-hole Assembly

PCBA

Surface-mount Assembly

Prototyping

Auto-soldering

Coating



PANEL, COWL TOP SIDE, LH



Cover, FR Bumper Hole



EXTENSION, INSTR PANEL REINF, RH



PANEL, COWL TOP SIDE, RH



COVER, FR BUMPER, LWR



BRKT, UNIT ASSY BCM



BRKT, HORN (INSIDE)



BRKT, MULTI RELAY BLOCK



BRKT, SUB FUSE BOX LH



HANGING WIRE

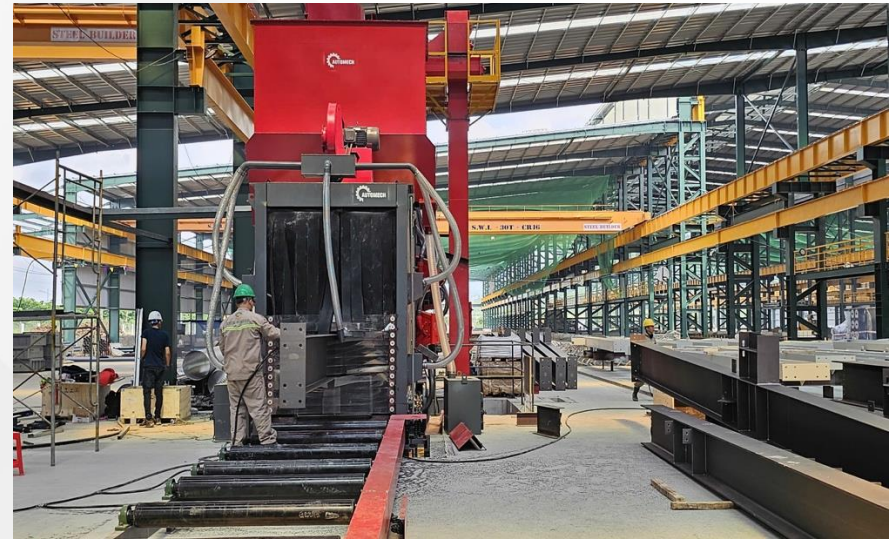


STAY, INSTRUMENT PANEL, NO.2



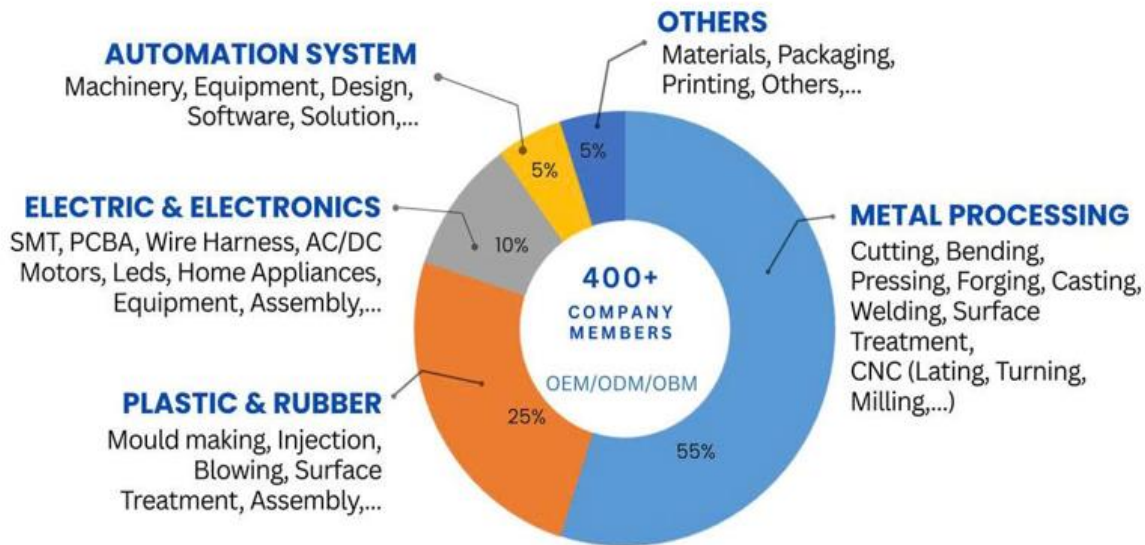
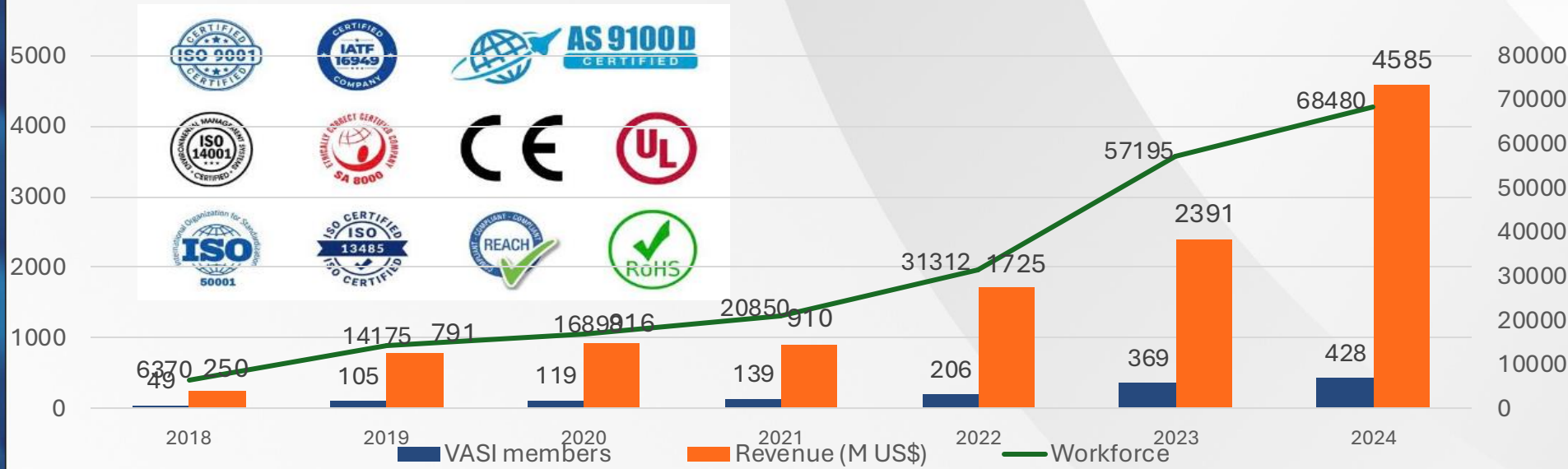
COVER, RADIATOR

Example: automation system/solution





Vietnam Manufacturing SMEs



MAIN EXPORT MARKETS GROWTH



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The 2024 Study

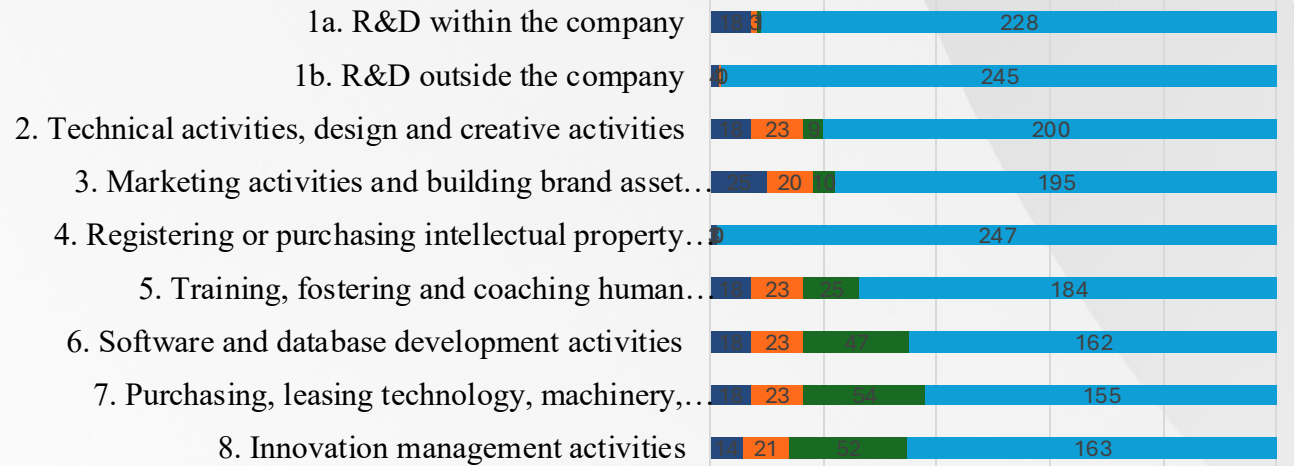
- ❑ Vietnam GII (2023): 46/135 (4th in ASEAN)
- ❑ Labour productivity (US\$/worker)
 - ❑ 2013: 69
 - ❑ 2022: 8,106
 - ❑ 2023: 8,380
- ❑ SMEs in Vietnam
 - ❑ 98%
 - ❑ Significant challenge in R&D

- ❑ The innovation: the introduction and application of new products, technologies, business processes, business models, and R&D

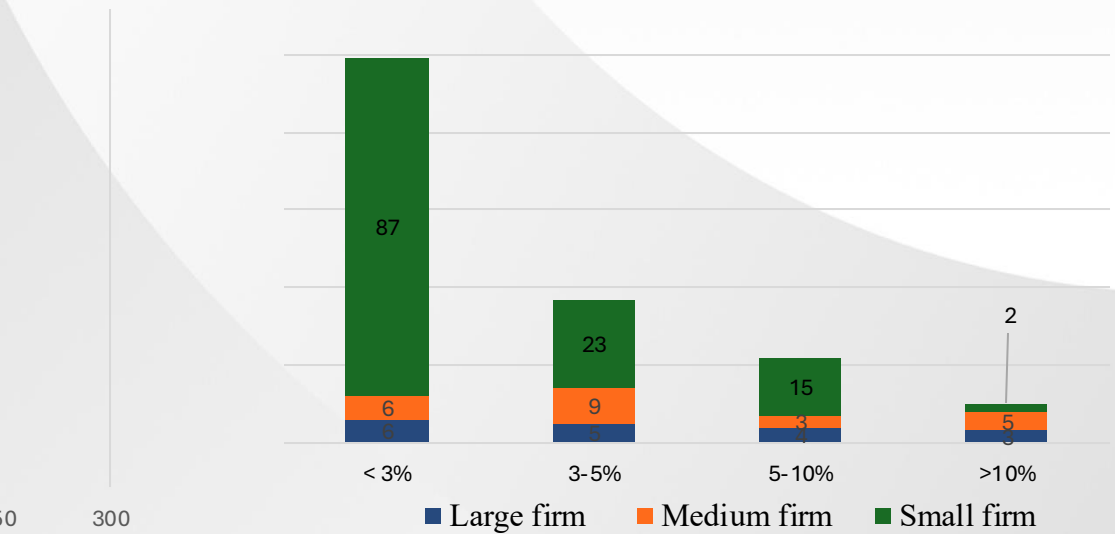
- ❑ Main findings of the 2024 Study
 - ❑ SMEs: productivity and quality improvement activities
 - ❑ Large firms: R&D, and it is an outcome of productivity and quality improvement processes.

Company and main products	Labour size	Support from the Government relating productivity, quality, innovation
Accuracy Mechanical parts for Motorbike	120	- 5S and LEAN consultancy by TAC and VNPI (program 712) - B2B matching by VASI with MNCs (program 68)
ANCL Techco Mechanical components for Automobiles	150	- Linkage to Samsung, Panasonic, IIT by VASI (program 68) - Training course on IATF 16949 by VASI (program 68)
EMTC Mechanical components OEM and OBM products	1200	- LEAN consultancy by P&Q Solution Company (program 712) - CE and IATF16949 consultancy by VASI (program 172) - B2B matching by VASI with MNCs (program 68)
Hanel PT PCBA, Sasaki dryer	280	- Grant from National Technology Innovation Program - LEAN consultancy by P&Q Solutions company (program 172)
Hung Dung Wire harness	85	- 5S consultancy by TAC (program 172) - UL consultancy by VASI (program 172) - Some technical training courses by VASI (program 68)
Kim Sen Aluminium components	250	- Some technical training courses by VASI (program 68) - LEAN consultancy by P&Q Solutions company (program 172)
Mekamic Mechanical parts for Motorbike	140	- Some technical training courses by VASI (program 68) - B2B matching by VASI with MNCs (program 68)
TCI pre Mechanical components for Automobiles	130	- LEAN consultancy by P&Q Solutions company (program 172) - Some technical training courses by VASI (program 68)
Thanh Long PCB, PCBA	110	- 5S consultancy by TAC (program 172) - UL consultancy by VASI (program 172) - B2B matching by VASI with MNCs (program 68)

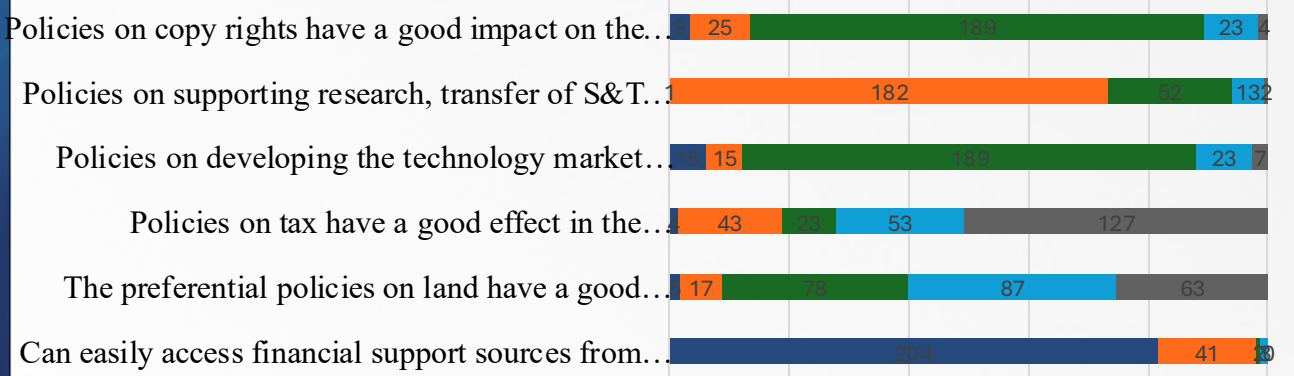
Overview of innovation activities of manufacturing SMEs in Vietnam



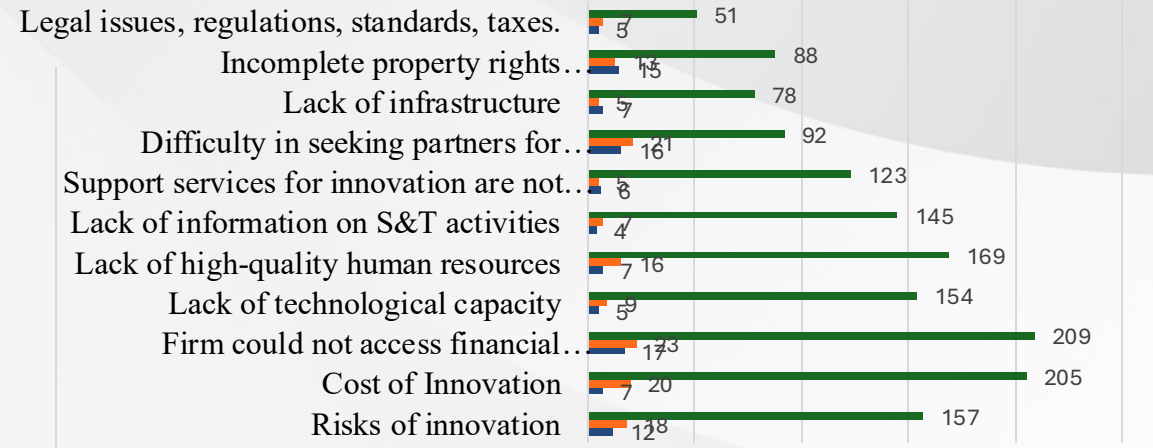
■ Large firm ■ Medium firm ■ Small firm ■ No



■ Large firm ■ Medium firm ■ Small firm



■ 1 almost not ■ 2 ■ 3 ■ 4 ■ 5 very strong impact



■ Small firm ■ Medium firm ■ Large firm

Policy instruments for enhancing technological capabilities and innovation of SMEs

Program	Ministry	Duration	Third Parties	Main content
Program 712 on enhancing productivity and quality	MOST	2010-2020 2020-2030	MOIT BAs, BDSs	<ul style="list-style-type: none"> - Enhance productivity and quality at Vietnamese companies - Support Vietnamese companies to adopt international quality management systems - Development of new Vietnamese Standards (TCVN) - Publish guide books on productivity and quality
Program 68 on supporting industries	MOIT	2018-2025	BAs, BDSs	<ul style="list-style-type: none"> - B2B Vietnam suppliers to FDIs/export - Support Vietnam enterprises to apply management systems to meet the requirements of GVCs - Improve human resources as global manufacturing requirement - Support application of technology transfer and innovation - Building supporting industry database
National Technology Innovation Program	MOST	2013-2020 2020-2030	-	<ul style="list-style-type: none"> - Enhance national scientific and technological capacity - Enhance the technological absorption capacity of Vietnam enterprises
Tax legislation	MOFA	1999-2014 2014-2030	-	Corporate income tax incentives (two-year exemption and 50% reduction for next 5 years)

Barriers for OEM/ODM/OBM product development

- Market
 - Information
 - Customers
 - Branding
 - Distributions
 - Market size
- Cost
 - R&D
 - Marketing & sales
- Recourses
 - Familiar to manufacturing only
- Supply chain in Vietnam
 - Material
 - Lack of some finished process
 - Production volume



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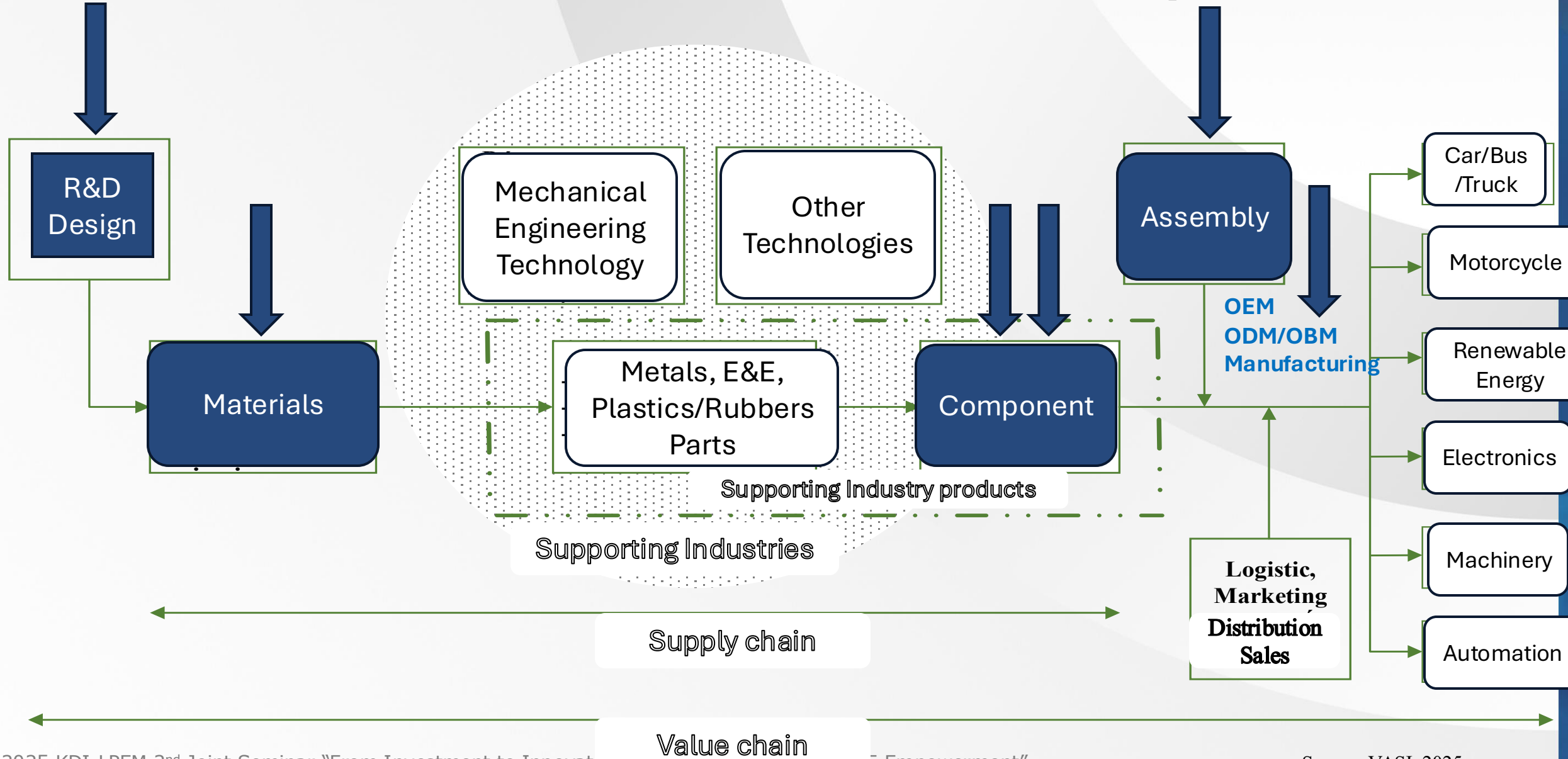
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Investment and development trends



Policy Recommendations

- ❑ Only focusing on Supply-side policies
- ❑ Lack of Demand-side technology policies
- ❑ Productivity activities: Effective approach: Implemented by third parties such as business support organizations (BDSs)
- ❑ R&D support: Direct by MOST: complexity/barrier for SMEs in accessing the fund
- ❑ Challenges in accessing financing for innovation
- ❑ Lack of M&E on these programs
- ❑ Capacity building as a priority for innovation.
Supporting the manufacturing SMEs should begin with fundamental reforms in organizational and management practices, enabling companies to implement and adjust new processes, and eventually adopt more complex technological knowledge
- ❑ Comprehensive program for productivity, quality, and R&D
The support required varies significantly across different stages of this process: the initial stage often involves technical assistance (such as standards and connections with multinational corporations), while later stages require financial and technological support for R&D and brand development.
- ❑ Program for supporting the transition from OEM to OBM
Such a program could include activities such as market research for end products, studying products and competitors, assessing technology levels and investment needs, facilitating access to credit, supporting brand building and distribution channels, and assisting with export activities.

2025 actions

❑ **Products: QCD + ESG + digitalization**

- ❑ Cost optimization
 - ❑ Learning and Kaizen
 - ❑ System management
 - ❑ Cost control

❑ **Defining of Customer segmentation**

- ❑ Customer size
- ❑ Processing stages, Industries
- ❑ Diversification

❑ **Expansion of production stages**

- ❑ Components
- ❑ OEM
- ❑ ODM/OBM

❑ **Market**

❑ **Tradeshaw**

- ❑ FABTECH US 2024/2025/2026
- ❑ EICMA Italy 2025/2026/2027
- ❑ Hannover Messe, Germany 2026/2027/2028

❑ **B2B**

❑ **Commercial counselors from country Embassies in Vietnam**

❑ **Oversea Vietnam Commercial counselors**

- ❑ Market and Tariff: updated customer situations and global policies

❑ **Building capabilities**

- ❑ E-learning (ILO)
- ❑ 05 online training courses
- ❑ Toyota – VASI coaching program



VASI free sourcing tours



Sourcing tours:

2 days Greater Hanoi

2 days Greater Hochiminh city

to visit the best local companies in:

- Mechanical Engineering
- Plastic and Rubber
- Electrical and Electronics
- Automation system

Visitors:

- Potential Buyers
- Potential Investors/Partners
- Commercial counselors from country Embassies in Vietnam
- Oversea Vietnam Commercial counselors







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