

## Developing and Applying a Toolkit of the Organizational Diagnostics for Vietnamese SMEs

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**Abstract:** The objectives of the study are to develop and apply a toolkit of the organizational diagnostics (OD) for the small and medium business enterprises (SMEs) in Vietnam. Three SMEs in the manufacturing industries such as mechanical, dyeing, and rubber are chosen for applying the toolkit. The result presents the strengths and weaknesses of the management systems of those SMEs. This is a base for the SMEs in implementing business process re-engineering (BPR) in the next stages. The study then draws the learned lessons in applying this toolkit for the SMEs in Vietnam.

**Keywords:** Organizational Diagnostics, toolkit, SMEs, Management System.

### Introduction:

When Vietnam has joined the WTO, AFTA, and recently the TPP and AEC, the opportunities and challenges have been created for the SMEs. The SMEs have been facing the challenges such as how to maintain the current position in the dramatically changing business environment, how to develop business in the future to compete with foreign companies; and most importantly, how to operate business effectively and efficiently. Therefore, the SMEs who want to survive and thrive in fiercely competitive environment today need to diagnose their "health" to prepare for changes through business process re-engineering (BPR).

An organizational diagnostics is an important step in any change initiations, and the flexibility and creativity become the successful keys in the changing environment [1]. Therefore, the objectives of this paper are to develop and apply a toolkit of the organizational diagnostics for Vietnamese SMEs. The study then draws the learned lessons in applying this toolkit for the SMEs in Vietnam.

### Literature Review:

BPR was defined as the fundamental rethink and radical redesign of business processes to generate dramatic improvements in critical performance measures such as cost, quality, service, and speed [2]. To be able to implement BPR efficiently and effectively, the first step of BPR is the organizational diagnostics (OD).

OD is a method used for analyzing the organization in order to identify organizational shortcomings so they would be neutralized through organizational change [3]. In other words, the OD is the method used to review the entire organization, analyze and timely find out the shortcomings in the operation. The appropriate solutions are then suggested and the organizational changes are implemented to overcome those shortcomings.

OD toolkit in this study was developed based on the quality management systems implemented in the

developed countries such as the Malcolm Baldrige National Quality Award Ministry (MBNQA) of USA, European Foundation for Quality Management Department (EFQM) of Europe, and the Australian Business Excellence Framework (ABEF) of Australia [4] [5] [6].

The overall structure of OD toolkit consists of three main parts: (1) Company profiles, (2) Description and evaluation of the systems, and (3) OD questionnaire (analysis of ten systems). The OD toolkit assesses ten critical systems of the organization as follows:

- (1) Leadership system: Evaluating the leadership styles and their influences on the organizational culture. Four questions are used to assess this system.
- (2) Support system to achieve the objectives of the strategic plan: Assessing the organization's capability of appropriately allocating the resources to achieve the objectives. Nine questions are used to assess this system.
- (3) System meeting the customers' expectations (benefits or values): Evaluating the organization's capability in meeting the expected values of the customers. The stages were evaluated: (1) Understanding the customer's expected values, (2) Designing the features of the product/service to meet those expected values, and (3) Measuring the results delivered to the customers. Ten questions are used to assess this system.
- (4) System supporting information for making decision: Evaluating the effectiveness of the data, facts and knowledge usage to make management decisions. This system is designed to collect the inside and outside information of the organization. Six questions are used to assess this system.
- (5) System controlling variations of the processes of producing the main products: Evaluating the

understanding of the process variations affecting the results of the products, and evaluating the plan to reduce the variations. Eight questions are used to assess this system.

- (6) System of human resource development: Evaluating the main system reflecting the capability of the company through the enthusiasm, ingenuity, and contributions of employees. The system assesses the working environment that helps employees undertake initiatives, participate in planning, and share knowledge. It also reviews the performance evaluation and the satisfaction of employee. Eight questions are used to assess this system.
- (7) The system supporting the learning and continuous improvement: Measuring the organization's sustainability, continuous improvement and innovation that are the important factors for long-term success of the organization. This system is evaluated by drawing the learned lessons, learning the successful cases and the methods supporting continuous improvement. Nine questions are used to assess this system.
- (8) System building the corporate image in the community: Evaluating the development of the organization image in the community and the business sector by planning resources and meeting the standards of the community and industry. This is a reflection of the organization's sustainability. Four questions are used to assess this system.
- (9) System meeting the stakeholder's requirements: Evaluating the long-term sustainability by investing the resources, planning and measuring the results to meet the needs of stakeholders. Nine questions are used to assess this system.

**Methodology:**

Research methodology is case study. Three SMEs in the manufacturing industries such as mechanical (company A), dyeing (company B), and rubber (Company C) are chosen for applying the toolkit. The interview samples of these companies are presented in Table 1.

Table 1: Interview samples of three companies

OD toolkit	Interviewees		
	Company A	Company B	Company C
Company profiles Description and evaluation of the systems	2 members of director board	4 members of director board	1 member of director board
OD questionnaire	9 middle managers, 14 senior staffs/workers	15 middle managers, 6 senior staffs/workers	3 middle managers, 1 senior staffs/workers

**Result:**

**Description of the companies:**

Company A is the Machinery Industry Joint Stock Company with medium size. It has about 274 employees. Company A is a pro-manufacturer in rice machinery, dyer, and storing for agricultural products such as de-stoner, husk aspirator, rice polisher, rice whitener, bran dying system, and silo, etc. These machines are sold in the domestic market (mainly the provinces of the Mekong Delta) and foreign markets (mainly Thailand, Indonesia, Philippines, and India). Due to competitive pressure, its production and sales have decreased from 2013 to date.

Company B is a family-owned business with small size. The number of employees is about 50. Company B's dyed products are sportswear fabrics, polar fleece for jackets and sweaters, and lining cloth for shoes. The main market is domestic, especially the traditional markets in Tan Binh district, Phu Tho Hoa area in Tan Phu district, garment export companies and shoes manufacturers. In 2011, due to the crisis of Vietnamese economy, company B faced many difficulties in maintaining business. In 2012, company B began to rehabilitate its business. In 2013, it invested a new factory to make production conditions more favorable and impulse its growth.

Company C started business two years ago. It is a small-scale company. The main products are natural rubber, centrifuged latex, and mixture rubber consumed in the domestic market and foreign market (mainly China and Japan). The number of regular employees is about 44. Besides, company C recruits the seasonal workers to meet the increase of production demands. Due to the educational level of human resources is limited, company C encounters difficulties in absorbing to knowledge on innovation, improvement tools, or implementing improvement solutions.

**The results of organizational diagnostics**

The OD results often systems are synthesized the strengths and weaknesses of three companies in Table 2. Based on OD results, the companies have identified the prioritized processes to implement BPR. For Company A, these are the processes of the internal communication, customer surveys, and KPIs development for improvement and innovation. For Company B, these are the processes of formulating reward and motivation policy, developing the guideline documents of the production, inspection, and deviation control. For Company C, these are the processes of expanding the market, improving the working environment, reducing production costs, and developing workforce.

**Conclusion:**

The study has developed the OD toolkit, including ten systems. This toolkit was applied at three Vietnamese SMEs in industries including mechanics, dyeing, and rubber. The diagnosis results have helped

these companies realize their strengths and weaknesses to select the prioritized processes for BPR. Overall, the OD toolkit has the high generalization of all systems in the company. Through answering the questionnaire in this toolkit, the company can understand the current status of all management systems and realize their strengths and weaknesses. For the methodical company (e.g. company A), responding the questionnaire during interview is not too difficult. However, for family-owned company (e.g. company B) and new company (e.g. company C), the respondents have faced many difficulties answering the questionnaire. The reason is that these companies have operated their business based on the individual experience of owners rather than the professional knowledge in business management. Therefore, the SMEs using OD for the first time should invite the consultants. The role of the consultants is to help companies understand not only the benefits of the OD, but also the terms used in the questionnaire. When understanding the benefits of the OD, the leaders will commit and support the assessment of all systems in their companies to identify the strengths and weaknesses. This is a base for BPR in the next step. Moreover, this will also help middle managers and staffs/workers support and participate in implementing OD and not hesitate to give their opinions for the improvement.

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Table 2: The OD results of three companies (Strengths and Weaknesses)

Systems	Company A		Company B		Company C	
	Strengths	Weaknesses	Strengths	Weaknesses	Strengths	Weaknesses
Leadership system	<ul style="list-style-type: none"> <li>The employees trust and appreciate the role of the leaders.</li> </ul>	<ul style="list-style-type: none"> <li>The mission, goals, and strategies of the company are not widely communicated to all employees.</li> </ul>	<ul style="list-style-type: none"> <li>The leaders are dynamic and pioneer in the improvement and innovation.</li> </ul>	<ul style="list-style-type: none"> <li>The employee encouragement, motivation, and recognition are not much considered.</li> </ul>	<ul style="list-style-type: none"> <li>The leaders have much experience in the rubber industry.</li> </ul>	<ul style="list-style-type: none"> <li>The mission, goals, and strategies are only developed by the top leaders, without the participation of the managers or staffs. This information is not documented and disseminated within the company.</li> <li>The top leader's vision is not far and wide yet.</li> </ul>
Support system to achieve the objectives in the strategic plan	<ul style="list-style-type: none"> <li>The company utilizes the intangible and tangible resources to achieve the objectives</li> </ul>	<ul style="list-style-type: none"> <li>There is no long-term plan to best prepare for the future development.</li> </ul>	<ul style="list-style-type: none"> <li>There are short-term and long-term goals.</li> </ul>	<ul style="list-style-type: none"> <li>The strategic plan does not focus on the customers yet.</li> </ul>	<ul style="list-style-type: none"> <li>The goals and strategies are built based on the main stakeholders' needs</li> </ul>	<ul style="list-style-type: none"> <li>The specific plan is not developed (in writing) to achieve the objectives.</li> <li>There is no involvement of employees in the process of setting objectives and strategies</li> </ul>
System meeting the customer's expectations	<ul style="list-style-type: none"> <li>The company establishes a R&amp;D department not only to meet but also create needs for the customers.</li> </ul>	<ul style="list-style-type: none"> <li>The collection of feedback and the measurement of customer satisfaction are not considered seriously.</li> </ul>	<ul style="list-style-type: none"> <li>The customer benefits are ensured.</li> </ul>	<ul style="list-style-type: none"> <li>The company rarely collects information from customers</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining the traditional customers depends on the personal relationship of the leader.</li> </ul>	<ul style="list-style-type: none"> <li>There is no any training course about skills or knowledge for the employees to work with customers effectively.</li> </ul>
System improving the capability of the production and business processes	<ul style="list-style-type: none"> <li>The top leaders know the production capability of the main products.</li> </ul>	<ul style="list-style-type: none"> <li>The forecast of the production demands is weak.</li> <li>There is no department in charge of gathering customer feedback and analyzing data to improve the product quality.</li> </ul>	<ul style="list-style-type: none"> <li>The top leaders and managers can understand the process capability and identify the causes before blaming to anybody</li> </ul>	<ul style="list-style-type: none"> <li>There is no any documentation of the operation and production process</li> </ul>	<ul style="list-style-type: none"> <li>The top leaders and managers can understand the production capacity as well as related supporting processes to provide resources for the primary process.</li> </ul>	<ul style="list-style-type: none"> <li>Objectives of the process capacity are not set up yet. Thus, there is no implementing plan.</li> </ul>
System supporting information for making decision	<ul style="list-style-type: none"> <li>Data and information of the process for making decision are regularly used.</li> </ul>	<ul style="list-style-type: none"> <li>The methods of collecting information from customers, competitors and the market are limited.</li> </ul>	<ul style="list-style-type: none"> <li>The data is used in the judgment and assessment of the work performance</li> </ul>	<ul style="list-style-type: none"> <li>The key indices for evaluating the processes are seldom used.</li> </ul>	<ul style="list-style-type: none"> <li>The company uses data and information on the process for making decision.</li> </ul>	<ul style="list-style-type: none"> <li>Beside KPIs of revenue or profit, the company is not interested in other indicators such as the improvement, the satisfaction of the employee and customer.</li> </ul>

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System controlling variations of the processes of producing the main products	<ul style="list-style-type: none"> <li>The raw materials and finished products are inspected before delivery.</li> </ul>	<ul style="list-style-type: none"> <li>The tools of quality control are weakly used. The materials are only tested on basic indicators.</li> </ul>	<ul style="list-style-type: none"> <li>The managers have much experience in realizing the deviations of processes</li> </ul>	<ul style="list-style-type: none"> <li>There is no any system to control the deviation</li> </ul>	<ul style="list-style-type: none"> <li>The raw materials and finished products are inspected before delivery.</li> </ul>	<ul style="list-style-type: none"> <li>The approach to solve the quality problems of the company is mostly based on case-by-case.</li> </ul>
System of human resource development	<ul style="list-style-type: none"> <li>The employees are working in a liberal and comfortable environment to suggest new ideas, and to collaborate with each other within the company</li> </ul>	<ul style="list-style-type: none"> <li>Many ideas or new initiatives are not implemented.</li> </ul>	<ul style="list-style-type: none"> <li>The company creates favorable condition for developing the employee's ability</li> </ul>	<ul style="list-style-type: none"> <li>The company rarely encourages to undertake the initiatives</li> </ul>	<ul style="list-style-type: none"> <li>The company recruits experienced employees who satisfy the work requirements.</li> </ul>	<ul style="list-style-type: none"> <li>The company does not pay attention to the training and development of employees after recruitment.</li> <li>The work environment is not tidy, scientific and effective.</li> </ul>
<b>Systems</b>	<b>Company A</b>		<b>Company B</b>		<b>Company C</b>	
	<b>Strengths</b>	<b>Weaknesses</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Strengths</b>	<b>Weaknesses</b>
The system supporting the learning and continuous improvement	<ul style="list-style-type: none"> <li>The company often encourages employees to develop innovative ideas through the rewards such as cash and bonus based on the percentage of completed performance.</li> </ul>	<ul style="list-style-type: none"> <li>The process of waiting for the initiative approval faces structural obstacles, because the initiative idea has to submit many departments. As a result, it takes time.</li> <li>There are not the criteria for rewarding innovative ideas.</li> </ul>	<ul style="list-style-type: none"> <li>The employees learning during working process is good.</li> </ul>	<ul style="list-style-type: none"> <li>The current working environment has rarely implemented the improvements and the development of ideas</li> <li>The employees have not yet planned long-term learning</li> </ul>	<ul style="list-style-type: none"> <li>The company has encouraged employees to acquire knowledge and experience.</li> </ul>	<ul style="list-style-type: none"> <li>There is no system of recognition and reward for promoting initiatives or upgrading the qualification of the employees</li> </ul>
System building the corporate image in the community	<ul style="list-style-type: none"> <li>The company complies with current standards of the local.</li> </ul>	<ul style="list-style-type: none"> <li>The company is not interested in the assessment of its business's impact on the environment and communities.</li> </ul>	<ul style="list-style-type: none"> <li>The leaders always comply with the business ethics</li> </ul>	<ul style="list-style-type: none"> <li>The company does not assess its business' impact on the environment and communities.</li> </ul>	<ul style="list-style-type: none"> <li>The company has only interested in building its image with customers and suppliers</li> <li>The company complies with current standards of the local.</li> </ul>	<ul style="list-style-type: none"> <li>The company less concerns with the environment and the community.</li> </ul>
System meeting the stakeholder's requirements	<ul style="list-style-type: none"> <li>The company builds good relationships with customers, employees and suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>The understanding of stakeholder's expectations and the resource allocation to meet the stakeholder's targets are not concerned.</li> </ul>	<ul style="list-style-type: none"> <li>The company invests in resources and balances the objectives to meet the requirements of the owners, customers and employees.</li> </ul>	<ul style="list-style-type: none"> <li>The company lacks the policy of creativity generation to create added benefits for the main stakeholders.</li> <li>The company does not use the indicators measuring the performance.</li> </ul>	<ul style="list-style-type: none"> <li>The requirements of the stakeholders are carefully considered and evaluated before making investment decisions on resources and other related issues.</li> </ul>	<ul style="list-style-type: none"> <li>The company does not use the indicators related to the stakeholder's requirements.</li> </ul>