

Vietnam blossoms into a global technology hub

# Vietnam – the lotus blooms

Asking people about Vietnam, you are likely to get a response that focuses on the Vietnam War. It was one of the few times the cold war turned hot, and it was an event that defined the country in the eyes of a generation. You are probably less likely to hear that after twenty years of market reforms the World Bank now describes Vietnam as “one of the great success stories”.



By Paul Smith

### From war ravaged to commercial haven

After the conflicts with colonial France and the United States in the second half of the twentieth century, by the mid 1980s the war-ravaged country faced famine, a decimated national infrastructure, and the prospect of its economy failing completely.

In the face of its major trading partner, the Soviet Union, collapsing, the Vietnamese government launched a renovation process (Doi Moi) in 1986, committing the country to increased fiscal liberalization and the type of structural reforms needed to modernize the economy. Within the span of 23 years, Vietnam has transformed itself from a closed door on the world, a crushingly poor and underdeveloped nation, to an open and inclusive member of the international community. Foreign investment has grown substantially as the domestic entrepreneurial spirit has been unleashed.

Vietnam's economy has expanded rapidly. It avoided the economic collapse that other transition economies went through in the early 1990s as well as the economic crisis that several East Asian countries suffered in the late 1990s. The economic growth rate has exceeded eight percent for the last three years, and while this is forecast to drop this year to around six percent, Vietnam still boasts the second fastest GDP growth in South East Asia, behind China.

### A remarkable economic development

A key element to Vietnam's success has been its geographic stability, that is, within a region that has seen both incredible growth as well as devastating economic and social collapse in its neighborhood. Vietnam has been able to maintain both political and economic security by integrating effectively with a range of international institutions. Its accession to the World Trade Organization (WTO) in January 2007 and joining the United Nations Security Council has resulted in both lower barriers to trade and shared priorities on the world stage with the most developed nations. Indeed Vietnam has become increasingly influential as a lobby point for countries to gain access to the Security Council – a fact not lost on peer countries clamoring to be good friends.



As a major foreign investor in Vietnam for almost a decade, Harvey Nash plc has witnessed first-hand how international integration and the Doi Moi economic policies have transformed the country. As a UK based, publicly traded business we are acutely aware of Vietnam's importance to the British economy. In 2007, Vietnam imported British goods worth £119.3 million, and the UK remains one of the largest investors in Vietnam.

Foreign investment comes from an array of major global brands, from HSBC and Prudential in financial services, to Microsoft and IBM in IT products and services. Vietnam's attractiveness to organizations of this caliber is largely based on its modern approach to public financial management. Increased decentralization, improved fiscal transparency, and strengthened auditing mechanisms are all part of the appeal. The introduction of common regulations and models of corporate governance for all enterprises, regardless of their ownership, has contributed to the rise in prominence of Vietnam in the corporate boardrooms of the world's largest firms.

Development on such a scale would not have been possible without effective investment in its human resource. From a purely fiscal perspective, real income has grown 7.3 percent per annum over the last ten years. Reinvest-

ing wealth, derived from domestic natural resources and an expanding industrialized economy, into education and public infrastructure has proven highly successful. Vietnam has an abundance of natural resources with a thriving mining and oil industry. This year has seen the opening of Vietnam's first oil refinery. From an agricultural perspective Vietnam is now number two in rice and coffee production, and supplies spices, shell fish and seafood to the world markets.

When the World Bank reengaged with Vietnam in 1993, income per capita was US\$170. In 2009, it could cross the US\$1,000 mark. Relative income growth, in line with advancing education and skills, have led to Vietnam being recently described by the World Bank as "one of the best-performing developing economies in the world".

### An economic engine: the Vietnamese people

Vietnam's human resource is significant. It is the 13th most populous country in the world based on estimates from 2008 with 86,116,560 people. This already exceeds the population of Germany, the United Kingdom, France and Italy, for example. Birth rates and improved life expectancy are predicted to push the population size over 100 million by 2020.

Additionally, Vietnam benefits from a population with an average age of 27, compared to the average age in the United States of 37, 40 in the United Kingdom and 44 in Japan. As the advanced economies continue to age, and suffer the economic and social problems that accompany an aging workforce, it becomes very clear that if Vietnam continues to invest in the education and welfare of its young population, it will further benefit from growing economic prominence.

The Vietnamese people are ambitious for their country. They are confident that they, both individually and as a country, are well placed to enjoy greater prosperity during the next generation. These feelings are reinforced by low unemployment rates during recent years. Unemployment currently runs at 4.5 percent, a positive outlook when compared with the United Kingdom at 5.7 percent, China at 6.1 percent, the United States at 6.5 percent and the European Union at 6.7 percent.

Harvey Nash employs more than 2,500 local Vietnamese staff in its software development and business process outsourcing operations throughout the country. There is a high demand for domestic employees with technology skills, and we have found our local staff to be hardworking, loyal, trustworthy and honest, as well as highly skilled in their role.

### The power of talent

The “power of talent” is highly regarded in Vietnam. Its track record of investing in the education and advanced skills of its people, particularly in the technology sector, is enviable by any standard.

In the last two decades, school attendance has dramatically improved, with net primary enrolment increasing from 86 percent in 1993 to 96 percent in 2006. With the support of initiatives from international organizations such as the World Bank, the Vietnamese Government has put more than 80 million language and mathematics textbooks into primary schools across Vietnam and built around 14,000 classrooms. Microsoft has undertaken a program to train 50,000 teachers in the country. Such investment has contributed to one of the highest literacy rates in the world, at well over 90 percent, with a large percentage of the population speaking both Vietnamese and English. Internet access penetration per capita of 23.4 percent positions

Vietnam in the world’s top twenty countries. It is easy to understand why when traveling outside the major conurbations: Every village seems to have an internet café.

Advanced education to degree level has also benefited from investment by both the Vietnamese Government and private institutions. There are more than 200 universities in Vietnam, with 23 non-public universities, accounting for 11 percent of the total number. Harvey Nash was one of the first businesses to partner with local organizations – in our case it was our software development partner FPT – to educate students in high technology skills.

## Vietnam fast facts

Capital:	Hanoi
Official language:	Vietnamese
Currency:	Vietnamese Dong (VND)
Population:	86,116,560
Area:	329,560 km <sup>2</sup>
GDP:	US\$70 billion
Local time:	GMT +7



The FPT University alone provides over 2000 technology graduates each year. The success of these institutions in training students for specific high technology careers has led the government to announce an increase in the number of non-public universities from 11 to 30 percent within the next few years.

Within the technology sector, specific initiatives have also contributed to the creation of a highly skilled technology workforce. The US\$70 million government investment in software industry training is one such example. Also, one should not forget how the personal drive and ambition of the Vietnamese people contribute to the success of the technology sector. Science-based subjects are the first choice for 83 percent of students at Vietnamese universities. It is no coincidence that the

International Mathematics Olympiad was held in Vietnam this year. Vietnam’s team achieved a podium place, beaten only by China and Russia.

As a result of the investment in science-based education, Vietnamese universities are now producing technology graduates at a rate of 4:1 compared to the UK and most Western countries. Having been involved in the talent business for the past ten years, it has become clear to us that developed countries have suffered from a significant skills shortage within IT and science. With a growing and youthful technology literate workforce, and an ambition to

develop its software services, Vietnam has become a natural home for many technologically sophisticated companies. Seven years after our initial investment in the country, Harvey Nash now employs over 2,500 technology professionals. An important and often forgotten statistic is the staff churn rate, which has reached damaging proportions in India, for example. Vietnam has enviable staff retention rates primarily based on the innate culture of loyalty created by the family ethic. Harvey Nash staff churn rates are sub 6 percent of the workforce.

### Gender balance

The investment in education of the last two decades has also had a significant impact on gender diversity in the Vietnamese workforce.

In a country where 52 percent of the population is female, women make up a very positive proportion of skilled employees and management. In fact, with science and technology subjects favored by the vast majority of Vietnamese students, women also make up a large proportion of technical roles like software engineers – a far more positive balance than the gender gap plaguing the IT industry in developed countries where less than 12 percent of technology workers are female.

Harvey Nash's experience also proves this favorable trend: 56 percent of the Harvey Nash team in Vietnam is female, including many management and technical roles. In fact, our senior management team in the country comprises six people in total: four women and two men.

### Foundations for growth and an exciting future

The basis for the current success and future prosperity of Vietnam was established more than 20 years ago with the adoption of the Doi Moi economic policies and a desire to integrate into the global community.

The more recent investment in education, which has led to the development of a world-class technology literate workforce, has already had a direct impact in propelling Vietnam into the global business spotlight.

As Klaus Rohland, former Country Director for Vietnam at the World Bank recently stated, "there is probably no other country in the world that has moved its development so far and so fast".

Still, challenges remain for the Vietnamese Government and the Vietnamese people. There is a need for more sophisticated regulation in financial services to encourage further foreign investment. The pace of infrastructure upgrade has to be improved to keep up with the demands of 21st century business. Middle management skills in all industries also need continued investment to ensure quality standards are not put at risk. This is not surprising given that Vietnam has such a young workforce and therefore lacks experience in certain fields. However, this is an opportunity for many professionals from the rest of the world who can help to fill the skills gap.

There are few Western companies with as much experience in Vietnam as Harvey Nash,

and the ongoing pace of development in the country constantly impresses us. We see continued investment from the Vietnamese Government and foreign business, making Vietnam ever more appealing to the rest of the world.

Vietnam is already a stable, growing and strong country. As it continues to reinvest its mineral, agricultural and economic wealth in science-based education to benefit the global high technology industry, it will grow in importance on the world stage.

The Vietnamese Government has laid the foundations, while the Vietnamese people have shown that they have the entrepreneurial skills, the energy and the ambition to create a winning formula for long-term success.

### contact



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a personal award for outstanding services to Vietnam's ICT industry from the Vietnamese government.

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