

THE GLOBALIZATION STRATEGY OF VIETNAMESE IT ENTERPRISES IN THE CONTEXT OF ASEAN ECONOMIC COMMUNITY VIA THE CASE STUDY OF FPT CORPORATION

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ABSTRACT

Vietnam IT Industry has been growing rapidly during the past 15 years. It has been considered as the main short cut to develop the Vietnamese economy from a low income to a middle income country (MIC). From 2002 to 2013, the revenue of software industry increased 52 times to reach nearly 3 US\$ billion; and the revenue of hardware industry increased 70.5 times to reach 36.8 US\$ billion. Hanoi and Ho Chi Minh City – the two biggest cities in Vietnam have been ranked in the Top 100 outsourcing destinations by Tholons (an advisory firm for global outsourcing and investment).

ASEAN is one of the key markets for Vietnam's IT industry. The region also provides a high potential labor force market to solve the human resource problems of the IT enterprises. In this context, ASEAN Economic Community will have a significant influence to the development of Vietnam's IT enterprises.

This paper will discuss the globalization strategy of Vietnamese IT enterprises in the context of ASEAN Economic community via the case of FPT Corporation – the leading IT Company in Vietnam which currently has its office in Singapore, Malaysia, Thailand, Laos, Cambodia, Myanmar, Indonesia and the Philippines.

1. Overview of Vietnamese IT Industry

1.1. About Vietnam

Vietnam is a medium country in South East Asia, shared the border with China in the North; Laos

and Cambodia in the West. It has a long coast of around 3,200 km along Eastern Sea (South China Sea).

Vietnam is a young country (over 50 million out of 90 million population aged under 35). This is a huge potential for IT human resource.

Some facts about Vietnam:

Area of land: 330,972.4 km²

Population up to date 31st December 2014: 89,708,900 people

GDP of 2014: 171.2 billion USD

GDP per capita of 2014: 1,908 USD

Growth rate of GDP in 2014: 5.42%

Export value of 2014: 132,143.9 million USD

Import value of 2014: 132,125.9 million USD

(Source: General Statistic Office of Vietnam)

Vietnam has been known as a communist country with the long history of a subsidy economy. After the Vietnam – America war ended in 1975, Vietnamese government still keeps the old economic management system until it shows the failure in the end of 1980s. The inflation rate increased up to 600 – 700% while the socio – economic situation was at the worst during many years.

The 6th National Congress of the Vietnamese communist party (CPV) has set up the Renovation strategy (“Doimoi”) with some main changes:

- Privately owned enterprises were permitted in commodity production (and later encouraged) by the Communist Party of Vietnam

- DoiMoi reforms led to the development of what is now referred to as the Socialist-oriented market economy, where the state plays a decisive role in the economy, but private enterprise and cooperatives play a significant role in commodity production.
- DoiMoi helped Vietnam establish diplomatic relationships with the capitalist West and East Asia in the 1990s. Vietnam joined ASEAN in 1995, and normalized the relationship with the US in the same year.

With DoiMoi, Vietnam officially opens its door to the international community at the time when

ICT developed much faster than ever. This is one of the key condition for Vietnam to use ICT as a leverage for its economic development.

1.2. Overview of Vietnamese IT Industry

After nearly 15 years of successful development, IT industry in Vietnam has achieved the next level of matured stage and obtained a new power.

The IT Industry in Vietnam is combined from three main sub-industries, including: hardware, software, and digital content. There are about 14,000 IT enterprises totally in Vietnam (2014) with 50% in the software industry.

Total number of registered enterprises in the IT industry sector (enterprises)

Sector	2010	2011	2012	2013	2014
Hardware	992	1,273	2,763	2,431	2,485
Software	1,756	2,958	7,044	7,246	6,832
Digital content	2,844	2,312	3,289	3,883	4,498

(Source: Authority of Business Registration Management, Vietnam Ministry of Planning and Investment, 2015)

For market size, the total revenue of the whole IT industry in Vietnam is 39,530 million USD (2014), means that the average revenue per enterprise is only 2.86 million USD/ year (small and medium enterprises)

Vietnam Information Technology Market

Revenue of IT Industry (million USD)	2010	2011	2012	2013	2014	Growth rate
Hardware	4,627	5,631	11,326	23,015	36,762	59.7%
Software	850	1,064	1,172	1,208	1,361	12.7%
Digital content	690	934	1,165	1,235	1,407	1.9%
Total	6,167	7,629	13,663	25,428	39,530	55.3%

(Source: Authority of Business Registration Management, Vietnam Ministry of Planning and Investment, 2015)

Human resource is the key factor for the development of Vietnamese IT industry. The IT workforce counts around 450,000 employees (2014) of which over 200,000 ones are postgraduates and graduates. Young students in Vietnam are trainable, motivated, intelligent and strong in mathematics. They can easily move beyond routine tasks and come up with solutions. However, the weaknesses of Vietnamese IT workforce is the working skills and foreign language (English, Japanese). There are nearly 300 universities and colleges together with

more than 200 vocational schools are offering training courses on IT majors with the total annual enrollment quota of 65,000 students. This is not really match with the need of the industry while it's still remain a big gap between the universities and the industry.

2. The globalization strategy of Vietnamese IT enterprises in the context of ASEAN Economic community via the case study of FPT Corporation

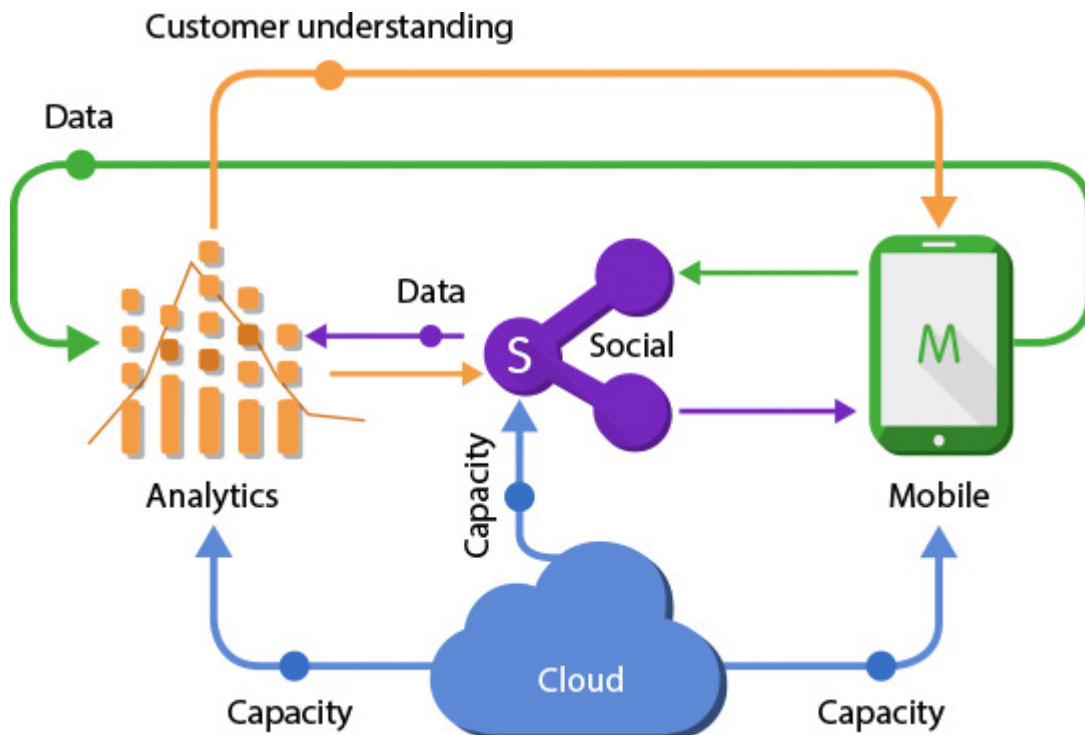
Technology is the foundation for any development of the IT industry, including its globalization. Technology itself is the best example of globalization. Never as before, the world is driven by technology and deeply influenced by technology.

A new technology can be spread widely over the World in just a few weeks, even a few days.

SMAC (Social, Mobility, Analytics, and Cloud) becomes the newest and most popular platform for the World's technology. The table below shows that SMAC is being considered as the newest IT Era:

IT Era	Dates approximate	Computers approximate	Applications approximate	Users approximate
Mainframe	1950 – 1965	~ 100,000	Thousands	Millions
Mini-computing	1965 – 1980	~ 10M	Thousands	Ten of millions
PC & Client/ server	1980 – 1995	~ 100M	Ten of thousands	Hundreds of millions
Internet (Web)	1995 – 2010	~ 1B	Hundreds of thousands	Billions
SMAC	2010 – 2025(?)	~ 10B	Millions	Billions

(Source: computerworld.com)



(The model of SMAC)

In this paper, the author will not focus on the technology site of SMAC but just emphasize SMAC as the new trend for globalization of Vietnamese IT industry. Vietnam's IT enterprises have many good

foundations to apply and develop SMAC as a leverage for the development in this new era.

All biggest Vietnamese IT companies (FPT, VNPT, Viettel, CMC, etc.) have officially state SMAC as their development and globalization strategies. Under

this strategy, software industry, particularly software outsourcing becomes the most effective way to internationalize Vietnamese IT industry. Vietnam is in the Top 10 most attractive destinations for software outsourcing in Asia with the advantages of labor force market.

In terms of market, Japan, America and Europe are the biggest markets for Vietnamese software industry. To be able to get bigger scale, some big Vietnamese IT companies have developed its software outsourcing development centers outside Vietnam to take the advantage of human resource in the region. In this context, ASEAN Economic Community (AEC) will create an important framework. AEC is the most important milestone in the development of ASEAN and its regional economic integration which will create a free labor force market and encourage investment within the region.

This paper will study the case of FPT Corporation as an example for the globalization strategy of a Vietnamese IT enterprise (particularly in the software industry) in the context of ASEAN Economic Community.

2.1. Overview of FPT Corporation

- Year of establishment: 1988
- Number of staff: 24,000
- Company member: 07
- Business areas: Software (System integration, IT service, telecommunications, digital content, training service, distribution, manufacturing and retail of IT and telecommunication products), Information System, Online, Trading, Retail, Education
- Oversea offices: in 19 countries, including the US, Japan, France, Germany, Singapore, etc.
- Consolidated Revenue: 1.65 billion USD (2014)
- General introduction

Founded 1988, for nearly 27 years of development, FPT Corporation has always been the leading ICT company in Vietnam with the revenue of

more than VND 35,114 billion, equivalent to nearly USD 1.65 billion (financial statement 2014), creating more than 24,000 jobs for the society. The company's market capitalization (as of Feb 28, 2014) reached VND 17,608 billion, being one of the largest private enterprises in Vietnam (ranked by Vietnam Report 500).

Through conducting core businesses in the fields of information technology and telecommunications, FPT has been providing services to all sixty three cities and provinces of Vietnam and continued expanding its business to the global market. FPT has had clients or opened representative offices and companies in 19 countries including Vietnam, Laos, Cambodia, America, Japan, Singapore, Germany, Myanmar, France, Malaysia, Australia, Thailand, United Kingdom, Slovakia, UK, Philippines, Kuwait, Bangladesh and Indonesia.

FPT has intensive experience of establishing and implementing large scale business models. After nearly twenty six years, FPT is now the No. 1 company in Vietnam specializing in Software Development, System Integration, IT Services, Distribution and Manufacturing of IT products, and Retails. In telecommunications area, FPT is one of three biggest Internet services providers in Vietnam. In regard to content development, FPT is now the No. 1 online advertising company in Vietnam, owning an e-newspaper with more than 42 million page views per day, which is equal to the number of Internet users in Vietnam. In addition, FPT is one of the best IT training service providers in Vietnam with college and vocational training system, attracting nearly 17,000 students.

2.2. SMAC as the globalization in technology of FPT Corporation

Understanding the role of SMAC as the keyword to change the ICT sector in the near future, FPT commits to bring more values to the customers through SMAC – the based business model of smart services and solutions.

FPT has developed several projects related to SMAC technology, including:

- FPT Play HD: a television service, integrating the most modern and smartest entertainment technology, provides TV viewers an infotainment system.-

FPT.eGOV is a comprehensive system comprising 31 subsystems (applications). Each subsystem, used for one field, helps manage the administrative activities of State bodies and delivers IT applications to all levels of the province or city.

The system is designed to apply the latest IT technology to establish and develop an exclusive database system that enables users to increase access and processing speed. They can also retrieve and supply exact, timely, complete and synchronous information.

- E.click: a smart advertising network based on Big Data collected via users' interaction on online products and services. Advanced algorithms are used for behavior analysis, subgroup, data mining to display relevant ads, helping advertisers optimize their efficiency and publishers optimize their revenue.

- FPT.eHospital is a comprehensive software system for hospitals that manages all activities of patient from the time they into the hospital to the time they leave the hospital. FPT.eHospital is divided into 35 modules which combined to create a unified information flow, giving the hospital complete control.

FPT.eHospital has versions which are suitable for each type of hospital: public hospital, health center, private hospital, specialty hospital, general hospital, etc.

2.3. ASEAN in the globalization strategy of FPT Corporation

In the globalization strategy of FPT Corporation, ASEAN has a very important influence. FPT currently has its office in Vietnam, Laos, Cambodia, Thailand, Myanmar, Singapore, Malaysia, Philippines and Indonesia.

Among that, besides head office and main development centers in Vietnam, FPT has set up its

telecommunication companies in Laos, Cambodia and Myanmar; FPT Software development centers in Singapore, Malaysia, Thailand and the Philippines; and FPT Information system in Singapore and Indonesia.

With this operational network, FPT is taking the advantage of ASEAN Economic community to expand its presence in the region. Especially with the software development centers in the Philippines and Thailand, FPT is using the best human resources in the region to provide software solutions and services to clients around the World. Employees from Thailand or the Philippines with a better background of foreign languages (especially English) can support FPT in its globalization strategy.

For education, FPT University – the member of FPT Corporation also develop a lot of exchange programs and other kinds of cooperation to the ASEAN universities. FPT University is founding member of P2A (Passage to ASEAN) – a network to develop the mobility of students among the region and increase their awareness of ASEAN Economic integration. These activities are expected to not only develop the English ability of students but also to create a good culture foundation for students to be able to work in any country in the region after they graduate.

3. Conclusion and policy recommendation

Vietnamese IT industry, particularly software industry is developing fast but it is also facing with the problem of human resource. The gap between universities and industry is bigger especially when technology moving so fast like today. Universities should be more independent to develop its curriculum and update the latest technology to its program; otherwise students will be left behind.

ASEAN Economic Community will also create a big change in the labor force market of the region. For the companies, this is a good chance for them to recruit the best employee and open the offshore development centers in the region. For students, this is also an ideal opportunity to get their global career. In this context, higher education institutions will need to take a more important role; and we expect to see more framework/

platform for the cooperation among universities in the region.

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