COMPLETION   REPORT

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An Analysis of Japanese MNC(Multi National Companies)s' position in the Vietnam's IT outsourcing market

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In the Vietnam's IT outsourcing market, Japanese firms applied different operating strategies, focusing on two major types: (1) a multi-domestic strategy and (2) a global strategy. The former is used to access local markets and compete with local firms, while the latter, which generally exists as a part of the network of the MNC's global operations, is used to make use of local advantages to compete in world markets such as cases of Persona Tech Vietnam, Briswell Vietnam Co., Ltd or Tranmosco Vietnam Co., Ltd. In terms of categories of ICT services offshoring, Japanese firms operating in Vietnam focus on software development, design, and relatively a few BPO. It is argued that the presence of Japanese firms have played an important role to the Vietnam's IT sector development, especially with regard to human resources development through transfer of technology, management skills and organizational knowledge. On the other hand, the spillover of Japanese working culture brings positive impacts to Vietnamese IT staff, promoting mutual understanding between two countries.

The interviews reveal that Japanese firms in Vietnam are facing three major challenges, including human resources, infrastructure, and ICT related policies.

In terms of human resources, it is a fact that Vietnam's IT human resources have not met expectations of Japanese firms in terms of quantity and quality. The FPT Software, the leading IT outsourcing company in Vietnam, is a stark example. Despite its status of the biggest partnership of Japan in the IT sector, the FPT Software lacks sufficient human resources, making it benefit only a small portion from the Japanese firms' projects. Besides, shortage of Vietnamese IT workers with good knowledge basis and fluency in Japanese language skills, which create obstacles for ensuring quality of requirements from Japanese firms. Moreover, the relatively frequent job-hopping phenomenon among Vietnamese staffs has been also one of the big challenges that threat to management and business activities of Japanese firms in Vietnam.

With regards to Vietnam's IT infrastructure, there are not many cases wherein Vietnamese local firms become the key suppliers of Japanese firms such as FPT Software, Tinh Van Outsourcing, TMA Solutions. Besides, as of 2015, there has been just 8 IT and software parks in Vietnam, located mainly in big cities such as Ho Chi Minh City and Hanoi. There are also very few universities and training centers in Vietnam training on IT that provide IT manpower immediately after graduation such as Bach Khoa University, Foreign Trade University, FPT Aptech School, FPT Arena Multimedia. A large number of IT graduates from other universities need to be retrained in order to meet the requirements of the companies. The number of Japanese language centers in the universities are also very few that limits options for learners.

In terms of policies, although Vietnamese government has made multi-pronged efforts to propel the IT sector such as tax incentives for foreign investors, unclear regulations, complicated administrative system, and time-consuming tax procedures are still remain as the barriers to Japanese IT firms.

With this in mind, the research confirms that cooperation between Vietnam and Japan in the IT sector has still been

under capacity. In order to respond to these challenges as well as gain greater benefits in the IT sector, this study suggests the following measures:

First, Vietnamese government needs to continue to enhance administrative reforms in order to facilitate Japanese IT firms and other foreign firms operating in Vietnam. Cities such as Ho Chi Minh City, Hanoi, and Da Nang should issue more favorable policies and incentives for foreign companies, including Japanese ones. Besides, cities should also focus resources on developing ICT as one of the spearhead industries.

Second, Vietnam needs to promote both quantity and quality of its IT manpower to meet software outsourcing demand of Japanese IT firms. Especially, human resource cooperation between Japan and Vietnam in IT sector should be strengthened. One of the recent initiatives is the "10k BrSEs" or the 10,000 Bridge Software Engineers Program which is initiated by FPT in 2014. Under the Program, FPT will send 10,000 software engineers to Japan to learn the skills needed to target the IT needs of Japanese market. They will be charged with learning requirements from Japanese firms and transmit the information to the engineers who cannot speak Japanese and manage the software development process. The program is believed to bring mutual benefits and it can be seen as important initiatives in promoting human resource cooperation between Vietnam and Japan over the years.

Third, in terms of IT infrastructure development, Vietnam should also focus on IT parks and modernized national information system. Besides, Vietnamese government should also encourage universities and training centers in IT field to create programs in Japanese language.

Last but not least, occupational associations such as Vietnam Information and Services Association (VINASA), Vietnam-Japan IT Cooperation Club (VJC), Japan IT Services Industry Association (JISA) should also play a greater role in promoting IT sector collaboration between the two countries. Annual events such as Vietnam IT Day and Japan IT Day need to be further expanded in the years to come.