

Coping With Challenges and Taking Opportunities in International Business Strategies of Foreign Enterprises in Vietnam

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Abstract: The world is at the threshold of globalization, promising many changes. The increasingly widespread influence of multinational companies along with the development of science and technology has pushed the whole society to race on the path of development. In this context, the trend of open economic cooperation with diverse countries is a prominent standpoint of Vietnamese government. On December 19, 1987, the National Assembly passed the Law on FDI, allowing foreign institutions and individuals to invest in Vietnam, thereby attracting a large amount of capital to promote economic development. However, the process still faces many challenges as well as opportunities for foreign businesses in Vietnam. So, foreign businesses need to come up with strategies to overcome difficulties and take advantage of opportunities for development. In order to understand deeply that problem the topic "coping with challenges and taking advantage of international strategic management of foreign enterprises in Vietnam" has been selected for the analysis in order to propose some of solutions and recommendations.

Keywords: Challenges, Opportunities, International Business, Strategy, Management, Foreign Enterprises

1. Introduction

According to the latest statistics of the General Statistics Office of Vietnam, the number of established enterprises in our country in the first 6 months of 2017 has reached 10,985 enterprises, up 9% compared to the same period last year (Marketing Department - Kizuna JV Corporation, 2017). Vietnam is a market with an abundant labor force with cheap labor cost along with the potential and rapid economic growth over the years. Foreign enterprises consider Vietnam as a promising market for investment. Foreign investors have poured capital into 19 industries, in which processing and manufacturing industry has attracted foreign investors with 15.87 billion USD, accounting for 44.2% of the total registered capital (Companions, 2017). However, in reality, only a few large-scale foreign enterprises enjoy preferential policies from the Vietnamese government such as tax policies, support for land and factory rent rates, and most small and medium-sized foreign enterprises often face many difficulties in legal issues, administrative procedures, infrastructure as well as the quality of human resources in Vietnam (Vu Sy Cuong, 2018). In addition to the above issues, the right international business strategy is also a decisive factor affecting the existence and development of enterprises in Vietnam market (kinhtevadubao.com.vn, 2013). When setting up their international business strategy, enterprises need to consider necessary and sufficient factors to cope with the challenges and take advantage of the opportunities in Vietnamese market to compete with the domestic and foreign competitors. Enterprises need to work together to consolidate their strength and to focus on core business activities. As a country with a transforming economy, with a goal of modernization and industrialization, Vietnam desperately needs investment from foreign businesses and must know how to utilize this capital in the most effective way by continuing technology right collection, learning management experience and advanced working style; effectively exploit human resources, resources and domestic capital through advanced technology transferred; upgrade and complete infrastructure (Nguyen Hoang Tien, 2018). In that sense, we decided to study the opportunities and challenges in international strategic management of foreign enterprises in Vietnam, thereby

providing experience for Vietnamese enterprises and solutions for foreign enterprises to operate more effectively in Vietnam.

2. Theoretical Framework

International business management

International business is the fact that businesses have commercial or investment activities in the market of another country. The international business strategy of an enterprise is to gather the objectives, policies and operational business plans to ensure the international development of the business. International business strategy management is the whole process of planning, implementing and controlling the international business strategy of an enterprise (Ha Nam Khanh Giao, 2017). Opportunities of international strategic management are: bringing global efficiency to reduce production, distribution costs and scale up operations; flexibility to meet the different needs of each country; understanding knowledge and learning experiences from many markets to be applied from one market to another. Along with the opportunity, the challenge is to provide suitable products and services to the right consumer market, to compete with the right competitors, to coordinate activities between business units accordingly (Nguyen Hoang Tien, 2018).

Macro environmental factors

+ Legal - political factors:

- Market opening: opening markets for goods, services and foreign investment. In a multilateral trading system, when all participants accept the opening of their markets, it means creating an open global trading system.
- Bilateral and multilateral trade agreements: An international agreement signed between two or more countries and subjects of international law, based on the principle of equality and mutual benefit, respect for independence and ownership each other's rights to establish and develop economic and trade relations between the parties, and at the same time fix the rights and obligations of each party in the economic and trade relations and the protection of intellectual property rights.
- Tax cuts: Although it is recognized that the cut or reduction of import tax rates under free trade agreements that Vietnam has signed will affect revenues, increasing competition pressure in the domestic market, but many experts said that this is also an opportunity for Vietnamese enterprises to access cheap raw materials for production.

+ Economic factors:

- The development of means of transport and means of communication: A sustainable, environmentally friendly transportation system, contributing to socio-economic development and ensuring national defense and security as a strategic and long-term target that we need to move forward; the rationalization of organization structure, research and application of advanced transport types combined with efficient energy use and control of environmental pollution.
- Widening domestic market: Strengthening public-private dialogue on distribution system development policy and measures to open distribution market; Supporting the training for domestic distributors, especially training for small distributors; Strengthening cooperation among domestic distributors including mergers and acquisitions to create financial strength for technological innovation, development of branding system; Strong linkage between manufacturers, distributors to stabilize sources of goods and consumer markets; Completing the regulations on advertising management, preventing the oversea mother companies to pay for advertising to domestic companies that exceed the norms, creating inequalities between domestic enterprises and foreign investing companies.
- Domestic and international competition: trade promotion programs are needed to provide support for enterprises to improve competitiveness and domestic trade development.

+ Financial factors - profit:

- Exploiting economies of scale: extending the life cycle of products, depreciating investment capital and effects of experience.
- Access to cheaper input factors.

+ Scientific and technological development

It is undeniable that the field of science and technology in the past has achieved many achievements and practical contributions to socio-economic development. In particular, the investment in science and technology has helped many businesses improve product quality, increase competitiveness in the market. The State has also created preferential policies for enterprises to invest in science and technology development, such as: ordering enterprises to carry out scientific research to create practical products for life and society; encourage businesses to deduct annual revenue to invest in science and technology development; support import source technology, high technology. Besides, there are a series of other policies and legal documents creating favorable legal corridors for enterprises to actively invest in science and technology. It can be said that the above mechanisms and policies are creating momentum and paving the way for businesses to invest in scientific and technological research. (Kinhtevadubao.com, 2013)

The macro-environmental factors affect Samsung's strategic decision.

+ Political and legal factors:

Vietnam is an old agricultural country and its economic strength is focused on agriculture and some light industries. So the electronic industry is not much concerned until the government opens the market. Samsung have very much taken advantage of the opportunity such as preferential tax policies, investing heavily in Vietnam for the purpose of market annexation. In addition, the Vietnamese government has had many preferential policies for Samsung such as 112 hectares of free land, business tax exemption for the first 4 years. After that, Samsung will only have to pay 5% per year of tax for 12 years and 10% per year for the next 34 years. This is an opportunity to help Samsung save big costs compared to taxes that Samsung has to pay annually in Korea.

+ Economic environment:

In recent years, Vietnam is one of the countries with rapid and stable GDP growth in the region, always being evaluated by investors as an ideal destination in the region. Because of this economic stability, Samsung can expand its market in Vietnam.

+ Socio-cultural environment:

Vietnamese people do not tend to use domestic goods, even when the product quality of some domestic products is not inferior to those of foreign ones; the general mentality of Vietnamese people is to prefer to use foreign goods. Especially when the electronics industry is still underdeveloped, Samsung has become a familiar brand in Vietnamese consumers. In addition, Vietnam is a country with abundant labor resources, with a semi-skilled and eager labor force. The labor cost is competitive which has helped Samsung get an abundant source of labor that costs reasonably.

+ Technology environment:

Compared to other countries in the region, Vietnam is not highly appreciated for the technology environment. However, in recent years the situation has improved somewhat. That is the rapid growth of laptops and smart phones to replace obsolete products and meet the development needs of human society. Taking this opportunity Samsung took part in the battle when in turn launched quality products with superior technology.

Micro factors impact on the strategy of Samsung in Vietnam market

+ Supplier:

In the field of electronic production, the Vietnamese market has a relatively large number of suppliers of equipment and spare parts. Samsung itself is one of the suppliers for corporations and enterprises working in the field of technology. Therefore, Samsung does not face many difficulties in finding its suppliers and Samsung also has a strategic alliance with reliable partners in order to have a well-managed supply chain from input materials to the production process.

+ Customers

The important position of customers is reflected in the large and huge consumption of products. They always demand very high quality products, configuration, style, class, etc. In addition, they also care about the price and warranty policy as well as after-sales services. Determine whether customers stick with or switch to

another brand. So Samsung needs to calculate so that the lowest cost, the best warranty policy and promotion programs attract the most customers but does not affect the quality and profitability of the company.

+ Distributor

Distributors bring Samsung products to consumers. They may be network operators, supermarkets or mobile online shops. Samsung wants to reach customers, so it must always meet the strict requirements of the carriers. Operators always ask phone manufacturers like Samsung to offer the lowest price, want the product to be best compatible with their network as well as the design, the configuration must be better than those of the competitors. With stores, electronic supermarkets with the position of having a wide network to reach many types of customers, they always want to enjoy the best discount. This leads Samsung in addition to lowering the cost of production to provide the best price distributors and it must also study the compatibility with the network and diversify product styles to suit network operator's request.

3. Research Methodology

To study this topic, we have used: methods of collecting information through newspapers, the Internet, etc. Methods to analyze opportunities and challenges of foreign enterprises in Vietnam when implementing strategies for development. The analytical method causes the positive aspects as well as the difficulties that the source in the international strategic management that foreign enterprises in Vietnam are encountering and taking advantage of opportunities and address international strategic management challenges. The research objectives of our work is to learn about the opportunities and challenges of international strategic management of foreign enterprises in Vietnam; carry out research on the status of international strategic management of foreign enterprises in Vietnam. Through this, the group of our researchers proposed solutions to solve the existing problem. Our research subject is international strategic management, advantages and challenges; research object are Samsung, one of foreign electronic enterprises operating in Vietnam.

4. Research Results and Discussion

Through research of the opportunities for foreign businesses, Vietnam is seen as an open playground for them, trade and economic barriers between countries are to be minimized. In addition, Vietnam is opening up opportunities for cooperation and joint ventures with foreign businesses. Moreover, when foreign businesses doing business in Vietnam they get a lot of advantages in resources, especially human resources at low costs; science and technology are strongly developed, which helps businesses to choose the most suitable technology to enhance the competitiveness in the market. The market in Vietnam is increasingly expanding to help businesses reach more groups of customers with richer and more diverse needs.

However, in addition to the advantages of opportunities to participate in the Vietnamese market, foreign enterprises are facing challenges and risks such as: increasingly more competitors in the market, more competitive and complex market segments; the market is getting more and more intense as production levels increase rapidly so there is a tendency to supply bigger than demand. Therefore, market demands are stricter in terms of product quality. But besides that, customers also require additional factors such as low cost, reasonable price, perfect service, right delivery time and distribution channels must be spread everywhere. The application of science and technology into research, development and production process is still limited. There is a need to find breakthroughs to prevent the risk of falling behind in technology. The most important thing is that the problem is going on more and more seriously as businesses only race to pursue profits without caring about the environmental harms.

Facing these opportunities and challenges, managers of foreign enterprises have introduced strategic management to help them stay in Vietnam market and develop more. Efforts such as to bring satisfaction to customers; bring practical contributions to the development of the domestic industry; supplement knowledge, improve the quality of training at international level, and building the life for employees working at the enterprise; building a professional local staff to regularly check the market to be able to grasp the needs of the market quickly and clearly to help the company have quick and timely strategies; research and apply modern technology to manufacturing and manufacture products with trends in line with modern time; cultural factors for each country are very important, if there is a cultural difference between countries, the industry will have to invest a lot of research to avoid being sued and violating the law due to disagreement of socio-cultural factors. Vietnam is a very favorable natural geographic location, not suffering from natural disasters such as tsunami like some other countries in the world, so the risks caused by the environment are very little for businesses

working in Vietnam. Enterprises must evaluate their weaknesses and strengths and combine with challenges and opportunities from the environment. This will help businesses to find competitive trends and exploit opportunities to gain a firm position in the market prior to competitors.

With the opening trend together with the policies calling for and attracting foreign investors into Vietnam today, foreign enterprises increasingly and incessantly invest in Vietnam and contribute significantly to the growth of the background of Vietnam economy. The Vietnamese government always has policies to encourage investment for foreign businesses but there are still many shortcomings and challenges that hinder the management of international strategies of these businesses.

The strategies proposed by this paper are not the same in content but have the consistency of purpose. Strategies are set out to guide the development and influence of foreign businesses on the market Vietnamese such as developing customer care services, enhancing brand position, building a team of high quality human resources, applying green modern technology in manufacturing, complementing the shortcomings of the business management process and confront the challenges faced by foreign businesses. The strategy that foreign businesses currently apply is still beneficial but still not flexible to adapt to changes in the market. Its continued application will affect the development of the business. However, the benefits it brings will make businesses able to adapt and face the challenges that the Vietnamese market brings.

5. Conclusion and recommendation

Enterprises that want to invest abroad need to have international business strategies that are meticulous and suitable for the country in which they want to invest. Although the investment process has many advantages, businesses need to be fully aware of the difficulties they face after investing in Vietnam. Therefore, it is essential to prepare solutions in advance. There are many things that are popular in foreign countries but cannot be applied in Vietnam. In order for the investment in Vietnam to be the most effective, foreign businesses should pay attention to things like: a preliminary survey before investing in Vietnam; consider building a factory or renting a factory because of a large initial investment cost but it is uncertain whether the business in Vietnam is going smoothly or not is a great risk that these businesses face, ready-built factory for rent helps investors realize future investment direction after a few years of trial business in Vietnam market, minimizing risks and initial investment costs and helping businesses implement business operations quickly; It is necessary to master customs and logistics procedures to know the shipping costs to international ports and airports. Besides, the recruitment of expatriates or Vietnamese is also a matter to be considered. In order to make the country more and more developed, it is necessary to attract investment from foreign enterprises. In order to create favorable conditions for foreign businesses to invest in Vietnam, the government of Vietnam needs to adjust the costs of infrastructure and goods circulation so that it is to be reasonable. In addition, the Vietnamese legal system needs to be consistent and transparent.

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