Strategies to win in Viet Nam

As Viet Nam continues to expand into a regional and global powerhouse, more and more businesses will decide to enter the market. Dinh Thi Quynh Van covers the key issues a firm must analyse before doing business in Viet Nam.

Viet Nam’s star keeps on rising as it continues to draw investments from many multinational and regional companies, attracted by the country’s exciting growth prospects. Foreign investment to date in 2017 is at record levels. Viet Nam’s young and abundant workforce, large population with increasing purchasing power, and a stable government committed to economic growth create a compelling story to attract investors. As such, Viet Nam is projected to be among the top 20 economies in the world and in the top 10 in Asia by 2050 in PwC’s World in 2050 report, issued earlier this year.

While Viet Nam offers a wealth of potential for businesses, foreign investors need to be mindful that there is no one-size-fits-all strategy. Instead, they must adapt their plans and capabilities to the evolving local context to ensure success. Foreign investors should also take note of two key factors that are integral to creating a winning strategy for Viet Nam: the need to understand the local environment and the need to invest in local talent.

UNDERSTANDING THE LOCAL ENVIRONMENT

No two economies are the same – what may work for one market may not work for another. Foreign companies should have an open mindset, and focus on studying and understanding the local environment – the people, culture, marketplace, customers, and regulations – to develop a localised go-to-market strategy.

They should consider all factors that will impact their business in Viet Nam, particularly the soft side of the business which is often not visible such as regulatory framework (quality of the law), administration, local culture, maturity or quality of the labour market, etc. Knowing more about major government policies such as administrative reforms and reforms in the banking sector will further help foreign investors understand the complexities of the environment in which they would be doing business in.

One important point to keep in mind is that Viet Nam is an emerging market with a somewhat underdeveloped legal framework compared with established market economies. Inconsistencies in the interpretation of the law can be challenging to foreign companies, but this is not something that cannot be overcome, and there are workable appeals procedures to higher-level authorities which can help address such problems.

While there is continuous and positive development of the law and regulations, the rate of change can itself pose challenges, both to companies and to the authorities, in keeping abreast of the latest rulings and applying them effectively. Viet Nam’s accession to the World Trade Organization, and more recently its new laws on Investment and Enterprise, have done much to open up new areas for foreign investment, and ease licensing procedures. However, while headline changes are generally positive, the challenges can sometimes be lurking in the details, in terms of the hurdles and procedures imposed by subsidiary regulations. Knowing these and being prepared for them in advance is essential.

Taxation is another area where research and a thorough knowledge base are critical for a successful investment. Viet Nam’s tax system has been fundamentally modernised over the last couple of decades, and is now largely harmonised with and similar to tax regimes in other countries. There are, however, certain areas where both the tax law and its implementation are unusual, and these can create pitfalls for ill-prepared investors. Similarly with local accounting rules, record keeping in some companies still leaves a lot to be desired.

But it is not just the laws as they stand which need to be examined. The implications for local laws of Viet Nam adopting and moving in line with international developments also need to be factored in. The roll out of bilateral and multilateral trade agreements, and adoption of new concepts like the OECD’s BEPS initiatives need to be factored into forecasts. And, it is not all one-way traffic of course – a year ago we were busy discussing the implementation of TPP, but this has now been relegated to the back-burner for now. Agility and adaptability are essential.

INVESTING IN LOCAL TALENT

Any company coming in to a new market needs to have a workforce that understands the local environment and is committed to the long-term growth and success of the company. Local talent is often in the best position to identify and capitalise on market opportunities and challenges. By investing in their development, foreign companies have expert allies to help them win and be successful in the market.

Over recent years the market for Vietnamese staff has been extremely hot, and this has posed challenges in terms of staff retention. Yet it is the degree of investment in talent development that often differentiates those foreign-owned companies which have high levels of employee loyalty and retention, from those which do not have them. Local staff are keen to learn and progress, and if they see a commitment to structured career development, perhaps with opportunities to work in different roles over the years, then they tend to take a longer term view in return. Programmes that enhance employees’ skills cultivate a sense of being valued, and makes workers feel like
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At PwC, over the last two decades we have invested heavily in the development of our local staff. As well as myriad internal training courses – both on technical and soft skills – we support our staff in studying for local and overseas professional accounting qualifications. Many of our staff have, with our support, obtained overseas qualifications including the UK ACCA and Australian CPA. This investment is reflected in PwC’s leadership team, where the top leadership role and the majority of our partners are now Vietnamese. Together with our senior expatriates, many of whom have a decade or two of experience in Viet Nam, we are well placed to assist investors in Viet Nam.

OUTLOOK
These are exciting times for Viet Nam as one of Asia’s leading emerging markets. With such positive projections and outlook for the country, foreign companies will certainly continue to see the country as an attractive investment destination. But while potential and opportunities abound in Viet Nam, there are also challenges and complexities ahead. Understanding Viet Nam, and all the elements that make it a unique market, will help businesses be better prepared to invest here. More importantly, with proper planning supported by the right information and advice, foreign investors will not only effectively enter the market, but enjoy sustained success in this future economic powerhouse.

To know more about investment opportunities in Viet Nam and find out how to create a successful business in Asia’s rising star, read our special report at pwc.com/vn/spotlight-on-vietnam.

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