

If you ask most 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 20 years of market reforms the World Bank now describes Vietnam as “one of the great success stories.”

Vietnam the Lotus blooms



FROM WAR RAVAGED TO COMMERCIAL HAVEN

After conflict with France and the United States in the second half of the twentieth century, Vietnam was a war-ravaged country by the mid-1980s. It 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 structural reforms needed to modernize the economy.

Within the span of 23 years, Vietnam transformed itself from an isolated, crushingly poor and underdeveloped nation, to an open and inclusive member of the international community. Foreign investment has grown substantially and 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 8% for the last three years. While growth is forecasted to drop this year to around 6%, Vietnam still boasts the second fastest GDP growth in South East Asia, behind China.

REMARKABLE ECONOMIC DEVELOPMENT

A key element to Vietnam's success has been its geographic stability within a region that has seen both incredible growth as well as devastating economic and social collapse. 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 membership of the United Nations Security Council have resulted in lower barriers to trade and shared priorities with most developed nations.

In fact, Vietnam has become increasingly influential as a lobby point for countries working 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 global firm, publicly traded with headquarters in the UK, Harvey Nash is acutely aware of Vietnam's importance to the British economy. In 2007, Vietnam imported British goods worth \$177 million. Today, the UK is 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 resources. From a purely fiscal perspective, real income has grown 7.3% per annum over the last 10 years. Investing wealth derived from both domestic natural resources and the expanding industrialized economy into education and public infrastructure has proven highly successful. Vietnam has a wealth of natural resources, which have resulted in thriving mining and oil industries. This year has seen the opening of Vietnam's first oil refinery.

From an agricultural perspective, Vietnam is now the world's number two rice producer and number two coffee producer as well as a supplier of spices, shellfish and seafood to markets worldwide.

When the World Bank re-engaged Vietnam in 1993, average monthly income per capita was \$170. In 2009, it could cross the \$1,000 mark. Relative income growth in line with advancing education and skills have led to Vietnam's recent description by the World Bank as "one of the best-performing developing economies in the world."

AN ECONOMIC ENGINE: THE VIETNAMESE PEOPLE

Vietnam's human resources are significant. It is the 13th most populous country in the world based on 2008 population estimates of 86,116,560 citizens. This is already larger than Germany, the United Kingdom, France and Italy. Birth rates and improved life expectancy are expected to push the population size over 100 million by 2020.

Additionally, Vietnam benefits from a population with an average age of 27, compared to 37 in the United States, 40 in the United Kingdom and 44 in Japan. As advanced economies continue to age and suffer the economic and social challenges that accompany an aging workforce, it becomes very clear that Vietnam will continue to benefit from growing economic preeminence as it invests in the public education and welfare.

The Vietnamese people are ambitious for their country. They are confident that they, both individually and as a country, are well positioned for greater prosperity in the decades ahead. These feelings are reinforced by low unemployment rates in recent years. Unemployment currently runs at 4.5%, compared to 5.7% in the United Kingdom, 6.1% in China, 6.5% in the United States and 6.7% across the European Union.

Harvey Nash employs more than 2,500 local Vietnamese in its software development and business process outsourcing operations. 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 roles.

THE POWER OF TALENT

As a company, Harvey Nash believes fully in "the power of talent," which is our tagline because it comprises everything we do. Whether we are recruiting technology professionals or senior executives from one of our 35 international offices or we are delivering outsourcing solutions from one of our centers of excellence in Vietnam, it is the talent of our people that delivers exceptional value to our clients.

In this central view, we share an affinity with 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.



VIETNAM FAST FACTS

- **Capital:** Hanoi
- **Official language:** Vietnamese
- **Currency:** Vietnamese Dong (VND)
- **Population:** 86,116,560
- **Area:** 329,560 sq kms
- **GDP:** \$70 billion
- **Local time:** GMT +7

In the last two decades, school attendance has dramatically improved, with net primary enrollment increasing from 86% in 1993 to 96% 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%, with a large percentage of the population speaking both Vietnamese and English. Internet access penetration of 23.4% of the population positions Vietnam among the world's top 20 countries. It is easy to understand why when traveling outside the major cities. 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 that account for 11% 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-tech skills. The FPT University alone provides over 2,000 technology graduates each year. The success of these institutions in training students for specific high-tech careers has led the government to announce an increase in the number of nonpublic universities from 11% to 30% within the next few years.

Within the technology sector, specific initiatives have also contributed to the creation of a highly skilled technology workforce. The \$70 million U.S. Government investment in software industry training is one such example. One can also 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% 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 by only 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. For the past 10 years, it has become clear to us in the talent business that developed countries have been suffering from a significant skills shortage within IT and science. With a growing and youthful technology literate workforce, and ambition to develop its software services, Vietnam has become a natural

home for many technologically sophisticated companies. Seven years on from our initial investment in the country, Harvey Nash now employs over 2,500 technology professionals there. An important and often forgotten statistic is staff churn rates that have reached damaging proportions in countries like India. 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% of the workforce.

GENDER BALANCE

The investment in education seen in the last two decades has also had a significant impact on gender diversity in the Vietnamese workforce. In a country where 52% 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 make up a large proportion of technical roles like software engineers. Vietnam has achieved a more positive workplace gender balance than the gaps plaguing the IT industry in developed countries where less than 12% of technology workers are female.

In Vietnam, 56% of the Harvey Nash team is female, including many managers and technical specialists. In fact, our senior management team in the country comprises six people, four of whom are women and two of whom are 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.

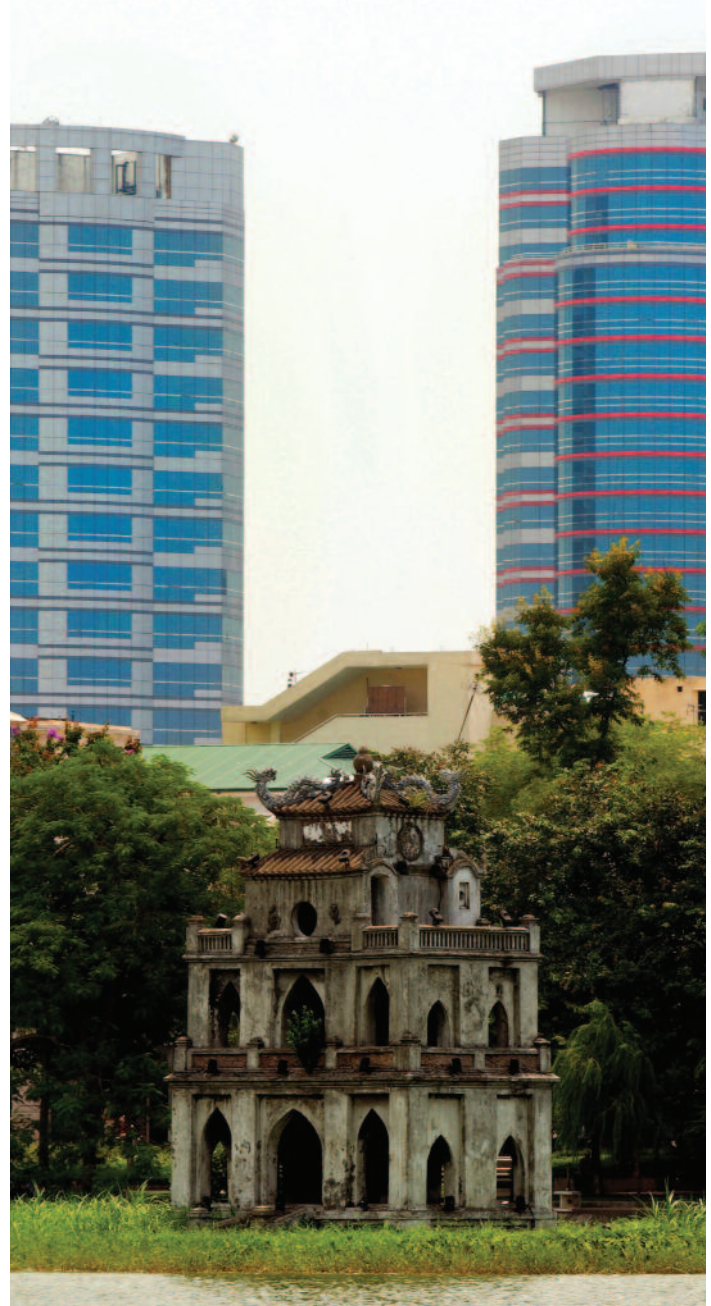
The more recent investment in education, which has led to the development of a world-class, technology literate workforce, has already had a direct impact in propelling Vietnam into the global business spotlight.

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."

However, 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



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are not put at risk. This is not surprising given that Vietnam has such a young workforce and therefore lacks experience in certain fields. It is also 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 we are constantly impressed at the ongoing pace of development in the country. 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-tech industry, it will grow importance on the world stage. The Vietnamese government has laid the foundations while the Vietnamese people have shown they have the entrepreneurial skills, the energy and the ambition to create a winning formula for long-term success.