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Vietnam is gearing up to join the Asian Tigers. Business opportunities beckon yet foreign investors often still need to co-operate with local state-owned enterprises to gain access to crucial local resources. This creates unusual management challenges. Ha Thanh Nguyen and Klaus E Meyer outline some of the key challenges arising in such relationships and offer insight in how to manage them.

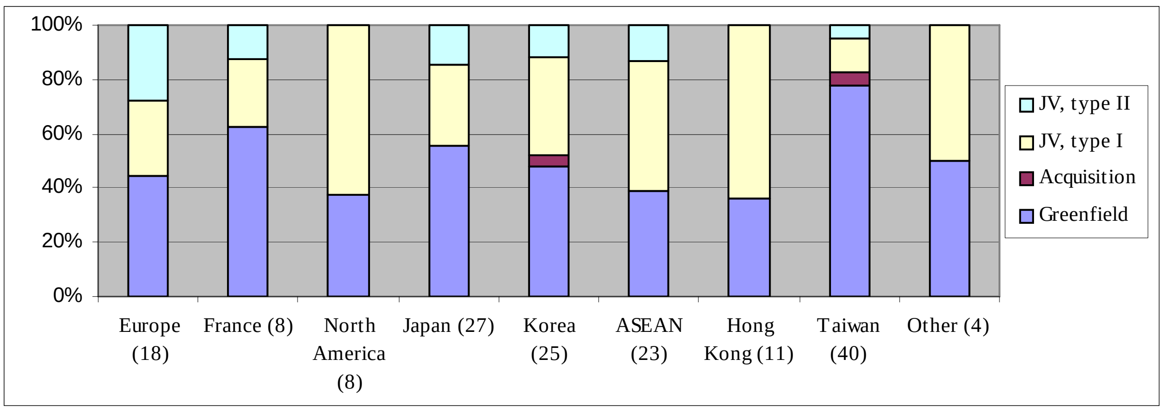
Vietnam has become the latest destination for multinational enterprises seeking to capitalise on the economic potential of emerging markets. They are attracted by economic growth of over seven per cent, by the prospect of WTO membership by 2005 and by an educated and motivated workforce available at relatively low labour costs.

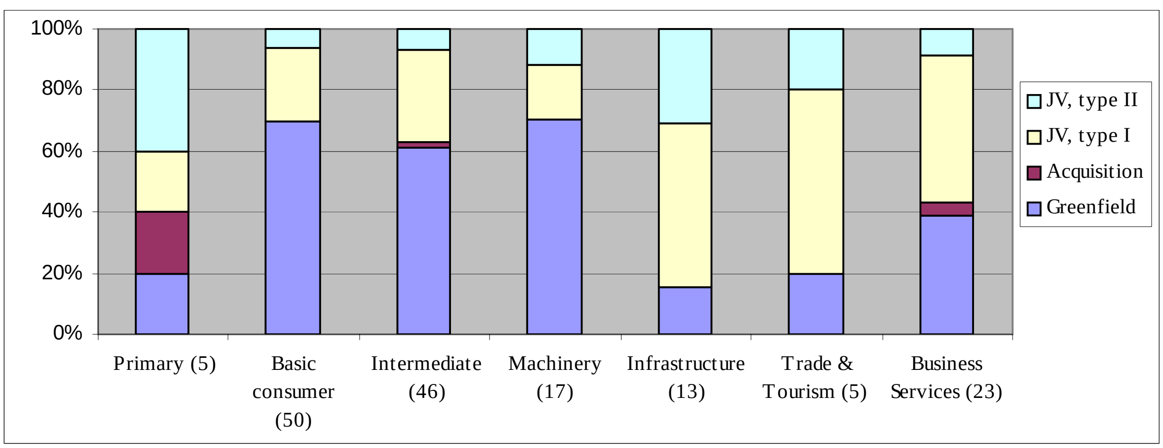
Yet operating in Vietnam poses special challenges, as the institutional transformation towards a market economy is as yet partial. State-owned enterprises (SOEs) are still dominant players in the economy, especially in strategic and capital-intensive industries, such as telecoms, electronics, electrical engineering and cement. Therefore, many foreign investors find it necessary to operate in partnership with local SOEs, often in form of a joint venture (JV). Yet how can private, profit-oriented businesses manage a partnership with a state-owned firm in a country that still calls itself a "socialist republic"? In this paper, we review the challenges encountered in these capitalist-socialist collaborations and offer some suggestions for how foreign investors may manage their JVs.

An enterprise survey undertaken in winter 2001/2002 illustrates the pattern of foreign direct investment (FDI) in Vietnam (Nguyen et al. 2004). In a representative sample of 171 foreign investment projects, 44 per cent are in the form of JVs. The majority are conventional JVs ("type I") – a new firm established with contributions by both partners. However, 11 per cent of FDI projects are JVs "type II", in which the local partner transfers its existing operation to the newly created entity. In these JVs, the local firm continues as a legal entity, yet primarily as a shell company owning shares in the JV. As acquisitions are still inhibited by legal constraints, the JV type II provides an organisational arrangement that in many ways resembles a partial acquisition.

Figure 1 illustrates the pattern of entry modes across industries and countries of origin. Greenfield entries are common for export-oriented projects in manufacturing industries and especially projects established more recently in the southern part of Vietnam. JVs are particularly common among investors from Europe and from the more developed Asian economies, while Taiwanese investors prefer greenfield. JVs are more popular in the primary and service industries then in manufacturing. Type II JV's are most common for investors originating in Europe other than France, and in the primary sector and infrastructure where local firms control access to crucial resources.

Figure 1: Entry modes across source countries and sectors



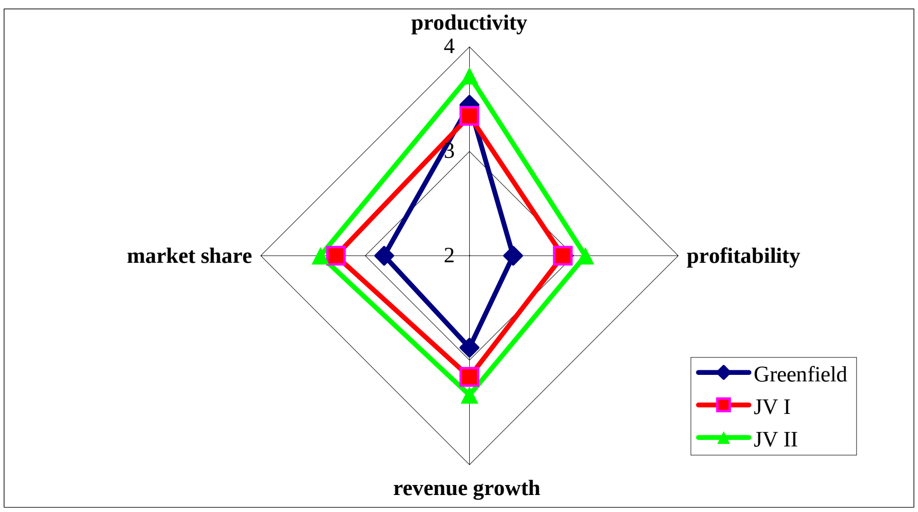


Source: Dataset described in Nguyen et al. (2004).

Note: Number of observations in parentheses, Europe excludes France.

Managers frequently state a preference for full ownership since this facilitates control and consequently enhances performance of the affiliate. This, however, does not hold for foreign investors in Vietnam. Respondents to our survey were asked to evaluate on a scale from 1 to 5 to what extent FDI had fulfilled their expectations with respect to productivity, profitability, revenue growth and (unless they are solely exporting) market share. As Figure 2 illustrates, JVs type II outperform the other modes while greenfield investors underperform in all criteria except for productivity. While this variation may be influenced by, for example, timing and industry differences, it does illustrate that JVs may do better than wholly owned ventures in the Vietnamese context. Yet how did experienced investors achieve their objectives?

Figure 2: Foreign investors self-evaluation



Note: Respondents were asked to rate "Has the affiliate fulfilled the expectations of the investor in terms of the original objectives with respect to the following performance criteria?" on a scale from 1 (not at all) to 5 (fulfilled all expectations). Firms exporting all their produce are not included in the market share scores.

Source: Dataset described in Nguyen et al. (2004).

We have investigated the challenges of managing JVs in Vietnam with two case studies of European investors operating in Vietnam since the in mid 1990s.

Carlsberg has been operating in Vietnam since 1993 through two JVs, Hue Brewery in Hue and South East Asian Breweries (SEAB) in Hanoi. SEAB, the focus of our case study, brews beer under the local brand Halida as well as the international Carlsberg brand. Carlsberg initially invested in partnership with the local state-owned company Viet Ha and Danish investment fund IFU, but bought out the stake of the investment fund in 2003. The joint venture was structured in a traditional way with the local partner contributing a local brand and distribution network, while Carlsberg contributed modern technology and marketing know-how along with the international brand.

ABB established a JV in 1996 with Hanoi Transformer Manufacturing Factory near Hanoi, taking 65 per cent of the equity. ABB Transformers Vietnam manufactures transformers, most of which are sold to operating companies in the electricity sector, which are state-owned firms. The local partner transferred its resources and operations to the newly created JV. The case thus illustrates how a foreign investor can use a JV type II to attain control over an existing operation in ways that resemble a partial acquisition, yet having to restructure the firms without full equity control. Table 1 provides an overview of these two cases.

Table 1: Two case studies

	South East Asian Breweries	**ABB Transformer**
Industry	Beverages: brewing	Electrical engineering: transformers
Foreign parent	Carlsberg Breweries	ABB
Country of origin	Denmark	Sweden / Switzerland
Year of entry	1993	1996
Mode of entry	Joint venture	Joint venture
Foreign ownership	Initial: 35 % [a] 2003: 60 %	Initial: 65 % 2003: 100 %
Employment	1995: 342 2003: 292	1998: 470 2001: 260

Note: a = Initially 25 per cent were held by Danish investment fund IFU, yet this stake was acquired by Carlsberg in 2003.

Our analysis identifies three key issues crucial for the performance of joint ventures.

First, in building a business relation with an SOE, the first essential issues are partner selection, building the relationship and the design of the JV. Second, governance of the JV has to integrate diverging interests and means of control, while accommodating governmental influence on the business. Third, the upgrading of local operations and sharing of knowledge often turns out to be more challenging than many investors initially expect.

Challenges of co-operation with state-owned firms

Why form a JV with a state entity?

Foreign investors may consider a JV with a SOE for three reasons. First, in many industries a partnership with a local SOE is required to obtain governmental approval and a business license. However, the number of industries where local equity stakes are mandatory is declining; and most export-oriented businesses can operate without local partners. Second, local SOEs may control resources that would be essential for the operation of the business, and which can only be accessed through a JV. This includes, notably, land-use rights, as foreign investors are not permitted to own real estate and many of SOEs hold property rights to land. Third, a JV may be voluntary in the sense that both full and shared ownership are feasible but the contributions of a local partner are expected to outweigh its costs.

State-owned firms have long dominated the Vietnamese economy, and they showed considerable growth in the early phases of transition, in contrast to other transition economies. Although the state share in industrial output has declined in recent years, their output is still higher than in 1987 (van Arkadie and Mallon 2003). Privatisation has so far been very limited. Similar to China and in contrast to Eastern Europe, Vietnam has notionally retained the commitment to socialist ideals. For example, the term “privatisation” is avoided and Vietnamese authorities talk of “equitisation” to retain consistency with official ideology.

Although there has been considerable progress in the thorny area of economic restructuring, the law still restricts which SOEs can be equitised. Several industries are still not open to privatisation, including heavy industry such as mining, mechanical engineering and utilities, but also the tobacco and pharmaceutical sectors. In some other industries, the state is to retain controlling ownership of equitised enterprises, including sugar refining, milk processing, edible oils and printing.

Acquisitions of state-owned firms have been permitted since 1997 but foreign ownership has been limited to 30 per cent of equity, and with complex conditions attached. The rules were somewhat relaxed in 2001, allowing local companies in most industries to sell equity to foreign investors without case-by-case governmental approval. However, despite this liberalisation of the investment regime, full acquisitions of SOEs are rarely feasible, such that partnerships generally take the form of JV or non-equity collaboration.

Private entrepreneurship has been permitted in Vietnam since the onset of *doi moi* policy in 1986, but only in recent years government policy has encouraged the establishment and growth of new private businesses. However, Vietnam has not yet created a level-playing field between state-owned and private sectors, as formal and informal institutions governing business in Vietnam subtly favour SOE over their private competitors (Tenev et al. 2003).

Effectively, foreign investors until recently had to co-operate with SOEs to access resources such as real estate and export licences and to obtain legitimacy with local authorities. So far, few private firms are strong enough to become an attractive partner for a foreign investor.

How are SOE different?

State-owned firms, especially those in centrally planned economies, have a different role in society and economy than private firms in a competitive market economy. In consequence, they are not only governed by other principles but their organisational structure and culture reflects the different objectives and ideologies. In Vietnam, most SOEs are under the administration of a particular line ministry or local government and they are thus perceived as agents of their superior authority. Moreover, SOEs in Vietnam are also characterised by strong political patronage from the respective authority, perhaps even more so than SOEs in other former socialist economies.

SOEs tend to be exposed to conflicting interests, including those of the state in general, their superior authority, the management and the employees. They thus have to manage a complicated web of relations to maintain their position. This leads them to pursue not only profits but a broader set of objectives that reflect the interests of the stakeholders. As a result, only 40 per cent of state owned firms are reported to operate profitably, while 29 percent have prolonged losses and 31 per cent break even (von Arkadie and Mallon 2003: 142).

The governance structure impacts directly on the business strategies and practices of the firm. For example, many SOEs have a high degree of horizontal and vertical integration and low strategic flexibility to react to changing business opportunities. Their human resource management is typically based on long-term employment relations.

Both foreign investors of our case research partnered with such a state-owned firm. Carlsberg's partner, Viet Has was (and still is) a diversified group of enterprises producing a range of food products, including baker's yeast, soy sauce, frozen meat, instant noodles, soft drinks, and beer in an operation called Halimex. It employed mainly conventional labour-intensive production processes with technologies that were below international standards. However, Halimex had since 1990 operated a turnkey brewing facility installed by Danbrew, an affiliate of Carlsberg.

ABB partnered with Hanoi Transformer Manufacturing Factory, which operated under the General Corporation of Electrical Equipment and Techniques and thus the Ministry of Industry. It was one of five major distribution transformer manufacturers, holding about 50 per cent of Vietnam's distribution transformer market. The factory also manufactured a variety of other products.

The challenges of forming and operating a JV with an SOE in Vietnam somewhat resemble the challenges experienced by foreign investors acquiring SOEs in Eastern Europe (Antal-Mokos 1998, Meyer 2002). Figure 3 summarises some of the structural differences between a typical SOE in Vietnam and a typical affiliate of a private multinational enterprises operating in a market economy. These structural differences influence both the partner selection, discussed in the next section, and the organisational change processes, discussed later.

Figure 3: Challenges of operational transformation

	State-owned firm in central plan regime	→	Affiliate of a multinational enterprise
Objectives	Rent seeking, satisfying not only financial but also social/political targets	→	Profit making, financial efficiency
Corporate governance	Hierarchical relationship with the ministries, no clear decision makers, frequent interference.	→	Corporate board with separation of strategic and oversight functions from the day-to-day management
Organisational structure	Diversified conglomerate, Centralised decision processes, functional organisational structure	→	Focus on core competences, Delegation of responsibilities, cross-functional interactions
Business culture	Plan implementation based, technological perfection of quantitative target with given means	→	Cost-benefit based, continuous improvement of the value of production using new means under economic considerations

Partner selection and design of the JV

Each JV starts with finding an appropriate partner, clarifying the contributions of the two (or more) parents to the JV and design of the venture. This process has to secure access to resources needed for the operation of the venture as well as fulfilling the requirements for obtaining the license and for implementation.

The contributions sought from local partners fall in three broad categories: technology; market access; and political capital.

Table 2 provides an illustration of where FDI firms in the enterprise survey obtain key resources (political capital was not included in the question). We asked respondents which resources are most crucial for their competitiveness, and where they obtained these resources. The table shows that the foreign partner's contribution dominates the local partner's contributions in all categories. Substantive local contributions emerge especially with respect to market access related assets, both from the local parent firm and from other local sources. Technology is even more dominated by the foreign partner, though our cases show that while not important in the long run, the local contribution in terms of ability to adapt technology can be crucial.

Table 2: Who contributes what to FDI projects in Vietnam,
in per cent of the type of resource contributions

	Market-access				Technology			Capital
	Brand	Business network	Distribution network	Marketing capabilities	Machinery & equipment	Technological know how	Managerial capabilities	Equity
Source of resource								
Local parent firm	13	15	23	13	4	11	11	11
Foreign parent firm	78	53	46	44	78	72	67	76
Other	9	32	31	43	18	17	22	13
Total	100	100	100	100	100	100	100	100

Note: Respondents were asked to indicate which top three resources were most crucial for their competitiveness. From a list of 17 items, the eight types of resources were the most commonly mention. For these, they then provided estimated percentages obtained from either parent or other sources.
Source: Nguyen et al. (2004, Table 14).

The partner selection processes illustrate the resources that the foreign investor has been seeking (Table 3). Carlsberg had several co-operations in form of turnkey projects by its affiliate Danbrew prior to establishing the JV in 1993. The chosen partner, Halimex, was second to Hanoi Brewery in terms of market share in Northern Vietnam. However, Halimex had demonstrated ability to adapt and apply the technology received through a turnkey project. It did not compromise on quality, even during periods of rapid output growth and produced beer of higher and more stable quality than the other breweries in Vietnam that had also been involved in Danbrew turnkey projects. This compensated for the fact that it was a relative newcomer to the brewing industry.

Table 3: The Local partners

	South East Asian Breweries	ABB Transformer
Name	SOE: Viet Ha	SOE: Hanoi Transformer
Industry	Food sector, diversified	Transformers and side businesses
Authority	Hanoi Municipality	Ministry of Industry
Resources attractive to the foreign investor	Proven ability to adopt brewing technology, local brand and distribution network, political capital.	Industry specific technology, access to key SOE customers, political capital.
Organisational arrangements	JV, type I	JV, type II
Managerial control	Rotating appointment of CEO	ABB appoints CEO

Carlsberg provided most tangible assets in terms of equipment and machinery as well as key know-how that permits the efficient production of high and sustainable quality beer, for instance technology to control temperature to add flavour to the beer during the brewing and fermentation periods. It also supplied capital, technical and management training for the workforce, the international brand "Carlsberg" and marketing know-how for this brand.

Halimex provides Carlsberg with access to its distribution network and understanding of the market. An important tangible asset in the beer business is the distribution network as over 70 per cent of beer is consumed on public premises. Access to outlets like restaurants, pubs, bars, nightclubs and cafes is thus critical for beer sales in Vietnam. Moreover, the local partner contributed the land, the initial production facility and equipment, the labour force, "political know-how", local marketing know-how and the brand Halida.

SEAB is structured as a traditional JV where both partners contribute resources and share control. The local firm retained and developed related business thus realising synergies and spill-overs while Carlsberg does not have to take responsibility for non-brewing businesses. Carlsberg Breweries of Denmark maintains control indirectly through its brand name and by having for 10 years a Danish financial investor as a partner that locals perceived part of the "Danish side".

ABB chose a partner with a track record of production and innovation in the industry, including experience in reverse engineering. By local standards, this firm was technologically advanced applying mainly technologies imported from the then Soviet Union. Moreover, Hanoi Transformer Factory possessed business network that very valuable because ABB sells in business-to-business markets, where network-based sales strategies are important since public tenders with equal opportunities are exceptions unless a project is sponsored by, for example, the World Bank.

The local co-owner transferred all its operations to the newly created JV and remained as a shell-firm owning equity in the JV. ABB has agreed to take over the existing operation, including business units that it was not interested in, such as switchgears. This created challenges for the restructuring. Ideally, ABB might have wanted to replace some factories and downsize others, thus creating a brownfield project where the resources transferred by the new owners may quickly dominate those of the acquired firm.

Both cases thus illustrate that a technologically advanced local partner facilitates knowledge transfer and thus the upgrading to the needs of the foreign investor. Yet, there are also cases where the local partner has an entirely passive role. For example, Honda Motorcycle established a JV in which the local firm helps to gain legitimacy and provides land use rights but does not take an active role in the governance or management of the JV.

Creating effective governance

The JV ownership limits the control of foreign investors over local operations, especially in cases of minority JV, and the interests of two or more owners have to be balanced to avoid disruptive conflicts. In the Vietnamese context the relationship between partners is even more complex due to the involvement of governmental authorities, notably the ministry or provincial authority under which the partner SOE operates. This influences the governance of the JV, in terms of equity stakes and other mechanisms of control and conflict management.

Government as partner

If the local partner is an SOE, an invisible but ever-present partner is lurking in the background, namely the government and its representation at different levels of the hierarchy.

For example, ABB recognised that its partner is controlled by the General Corporation of Electrical Engineering (VEC) under the Ministry of Industry, so it welcomed the representation of VEC on the board of the JV. In the case of Carlsberg, the local government is more important because sales were, especially in the initial stages, mainly on public premises in Hanoi. The first CEO of the JV pursued a political career to become member of the people committee of Hanoi. The current CEO of both Viet Ha and SEAB maintains good relationships with the authorities. On this basis, Carlsberg did not experience disruptive influence by local or central authorities.

The authorities and local partners often favour ambitious investment plans expanding capacity and upgrading technology, even before this is commercially viable. Early investment commitments may thus facilitate the negotiation and approval process but may come to haunt the JV later. The Carlsberg JV was set up in 1993 with a registered investment of $79m and a planned production capacity for the first phase of 360,000 hectolitres per year. Phase I has been completed with an implemented investment of only $23.4m, and Phase II has been postponed.

ABB was less fortunate. The local partner and the authorities established preconditions for approving the JV, most significant of which were: to retain all existing employees of the factory within the JV and to start with production of distribution transformers and then quickly move to manufacturing power transformers so long as the distribution transformer business was in normal operation.

The acceptance of these two preconditions later created pressures for ABB. Production of power transformers had to be started before they were commercial viable in a small local market. Moreover, when restructuring of business operations and reduction of the labour force became necessary, ABB faced considerable resistance both internally and externally, including the media.

Organisational arrangements

With shared ownership, foreign investors have to find effective mechanisms of control that also allow building trust with local partners. Foreign investors may wish to maintain strategic control while interfering only minimally in the daily operations that a local partner may be better positioned to manage. With legal restrictions on equity ownership and local firms’ control of key resources, foreign investors use means other than equity to assert their control, including contracts and managerial appointments.

Contractual arrangements provide control by stipulating terms and conditions of the JV. For example, licensing or franchising contracts allow the parent to stipulate conditions on the JV's use of the parents' technology or brand names. However, there may be limits to implementing such contractual arrangements because of interventions by government ministries and because the juridical system to enforce contractual rights is still weak.

The corporate governance structure of a JV, with board of directors (BOD) and board of management (BOM), is new to many Vietnamese managers. They are accustomed to a hierarchical structure in which SOEs are governed by a ministry or local government, which had to approve major strategic decisions and would directly interfere in operations.

The appointment of top management positions by foreign and local partners is recognised as an important means of control by local and foreign partners. Top management appointments normally depended on the resource endowment, power and capital contributions of the partners. However, top management can be divided between foreign and local partners to take advantage of local resources and know-how, including "political know-how". For example, if the local market is the main goal, well-connected local top management may help.

The general manager faces many balancing acts when leading such a JV. On the one hand, the local parent may use its proximity to the operations, inside information and relations with the authorities to influence the operations of the JV. Naturally, managers prefer to manage day-to-day operations without such interference. On the other hand, Vietnamese often see expatriate managers as "representative" of the foreign parent firm, such that CEOs may have to be cautions about showing allegiance to either parent firm.

Carlsberg had until 2003 a tripartite ownership structure and a rotating management arrangement. The first general director (GD) was appointed by Viet Ha, although Viet Ha held only 40 per cent of equity. The second GD was a Carlsberg expatriate, and the third GD again a representative of the local firm. This arrangement provided access to local business networks and balanced control over the local operation, but it also created discontinuities in leadership styles.

Knowledge sharing and organisational change

Arguably the most important challenge for operational management in emerging market is the sharing of knowledge between the foreign parent and its local affiliate. It involves many complementary approaches that take account of the often-tacit knowledge required to manage operations in Vietnam in line with the global operations of the parent.

As in most JVs in emerging economies, the foreign partner in our cases contributed expertise in technology and management while the local partner contributed its understanding of the local context in terms of distribution channels, consumer behaviour and political conditions (Table 4). May be less common elsewhere, the foreign investors also transferred machinery in the form of turnkey projects or internal transfers and thus the technology embodied in this machinery (see also Table 3).

Table 4: Resource management in the case firms

	SEAB	ABB
Contribution by foreign partner	Technology and marketing know-how, machinery, global brand, capital.	Technology and management, especially production-process related knowledge, machinery, capital.
Contribution by local partner	Educated workforce (absorptive capacity), distribution network, local marketing and sale experience, local brand, land and buildings, political know-how.	Staff, physical assets & liabilities, relationship with state-owned firms as customers, industry-specific human capital (absorptive capacity).
Methods of knowledge transfer	Overseas training, on-the-job training, both specific and perception-related, localisation of management.	On-the-job training both in Vietnam and foreign affiliates, technical documents, extensive technology sharing and management localisation schemes, connecting to ABB worldwide network.

Many Vietnamese SOE managers have an engineering education, specialising in a particular industry, similar to patterns found, for example, in Russia. This enables them to learn and master technology transferred by foreign investors to a JV and to implement it in the production process. However, they often lack business education and management skills, which limits their capability to engage in fundamental changes that concern managerial tasks such as organising work processes and delegating decision making and responsibility (van Arkadie and Mallon 2003).

The most important resource transfer is thus the transfer of knowledge, which may take multiple forms and requires top management attention. Local managers may quickly learn to use new vocabulary and techniques but they often lack a deeper understanding of its meaning. Therefore, training has to go beyond specific skills to enable local employees to understand the logic of new techniques to empower them to create and sustain radical changes. The training may occur in the company itself or by sending key employees abroad. Either way, however, it is a long-term task.

Staff from the Vietnamese company may initially be employed as trainees or to “shadow” experienced colleagues from the foreign firm. This arrangement works well if all parties are motivated to participate and over time, the staff-in-training play an increasingly valuable role. Managerial training on the job with foreign advisors has generally been most important. In-house, on-the-job training has been essential for JVs at least until recently because specialised training in the country is in short supply. Moreover, training has to be contextualised and tailored to be effective and inspiring for employees.

Both case firms implemented such management training programmes to support their policy of localising management and senior technical staff. In SEAB, even initially only three expatriates worked at the brewery. Three years later, only the general director and the brew master were expatriates, while subsequently a Vietnamese national successfully replaced the brew master. Four candidates were selected and rotated in different tasks and on-the-job training in different positions and job places, from the brewing house to fermentation, bottling and canning. In this way, the candidates were given broader knowledge and skills for their job while being challenged to demonstrate their general management skills.

As part of the training programme both case companies send key employees abroad to provide them with a broader understating of the company's operations.

Naturally, the success of such training depends on the individual and organisational capabilities that the recipients can contribute. Hence, selection and preparation of individuals and groups for training in crucial, as is the creation of an organisational context in which trained employees can implement their ideas. Before sending employees on training programmes they need to commit to taking on their expected subsequent roles.

The motivation to participate should not be taken for granted. As in other transition economies, many employees are categorised as public servants, enjoy job security and hence may not have professional reasons to commit to rigorous retraining. Also, the authorities might relocate certain employees after having received training, which would be counterproductive for the JV itself.

The changing skill profile also affects recruitment and retention practices. Technically oriented JVs, such as ABB, retain employees from local partners who are experienced in the industry, even when these were older and not fluent in English, and then retrain them. For more market-oriented JVs, such as Carlsberg, it may be more appropriate to hire younger people such as graduates from universities and colleges and train them accordingly.

For training to be effective, the organisational structure has to support the new objectives of the organisation and provide opportunities for trained employees to implement their ideas. Previously, SOEs typically had hierarchical structures with few decisions being delegated. Thus internal organisational processes and the modes of interaction between individuals within a JV have to be redefined.

A particular concern has been the internal departmentalisation, which partly results from the legacy of the SOE and partly from the joint-venture arrangements. However, information-sharing across departments is important. In the case of ABB, closer co-operation between various departments within the JV was required to respond quickly to orders. A new procedure was created, in which each department's role and functions were clarified.

The formal changes have to co-evolve with changes in organisational culture, that is the values and attitudes shared by employees in the organisation. This requires broad consensus. In ABB, many issues were exposed to comment and discussion by various departments and units within the JV to avoid the paralysis incurred by some JVs due to lack of support from local employees or lack of consensus between local and foreign staff. Without this, the introduction of operational innovations, such as preventive maintenance, would have been difficult as they were not perceived as important in SOEs. Hence, successful implementation requires not only specific technical training, but also enhanced awareness of the people involved.

Knowledge management and the creation of a market-oriented organisational culture are crucial success factors for a JV. Training and knowledge sharing with local staff should be a core duty of expatriate managers and professionals stationed in the JV and not be seen as secondary, residual task. In the ABB case, both short-term consultants sent by ABB to the site and resident engineers and managers were required to train Vietnamese staff on the spot. Moreover, this was considered to be one of their main tasks, not something incidental to be done in their spare time.

Conclusions

Vietnam is emerging as an attractive location for multinational firms seeking new markets or low cost production sites. The institutional environment remains difficult to navigate; yet many investors have built successful operations, even when partnering with state-owned enterprises. Our two case studies suggest that key for the success may be that the venture be well negotiated with both joint venture partners and the relevant governmental authorities, and that top management need to give priority attention to both issues of governance and knowledge management.

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