



KEY SUCCESS FACTORS FOR TAIWANESE INVESTMENT IN VIETNAM

Chang, Yang-Horn 

Ph.D. Program of Business, Feng Chia University, Taichung, Chinese Taiwan
yanghornl@gmail.com

Charles S. Chien

Department of Marketing, Feng Chia University, Taichung, Chinese Taiwan
scchiencharles@gmail.com

Abstract

Foreign direct Investment is an essential strategy for Taiwanese firms that are in pursuit of sustainability. Vietnam is a country with an investment niche among ASEAN countries, owing to its natural resources, demographic dividends, and regional economic integration. Taiwan's New Southbound Policy is a "people-oriented" interaction system with a focus on two-way investment, aiming to create a win-win situation for both Taiwan and the countries involved in this policy. The question is whether Taiwanese firms in Vietnam are able to carve out specific niches, enhance their business health, and find methods of transformation for survival under the New Southbound Policy. In terms of operations, Taiwanese firms in Vietnam, in general, are able to carve out their expected niches. From an analysis of the operations of Taiwanese firms interviewed and the author's research in this study, a key factor to ensure the success of investment in the country is being able to strengthen efforts to address environmental protection and pollution issues and increase engagement in social welfare activities. Other factors are to establish state-business relations with local government and firms, implement effective employee management, and provide benefits and promotion opportunities.

Keywords: Investment abroad, New Southbound Policy, Business transformation, State-business relations, Employee management, Environmental protection, Pollution



INTRODUCTION

Taiwanese firms' motivation to invest abroad can be broadly explored from two aspects: political and economic. From the political aspect, their motivation primarily stems from Taiwan's unique international status and the Taiwan Strait situation. To prevent potential political issues that may affect the sustainability and development of Taiwanese firms, Taiwanese firms should create backup plans through overseas investments. From the economic aspect, their motivation emanates from Taiwan's limited natural resources and hinterland, coupled with industrial restructuring led by rising labour costs, growing environmental awareness, and increasing pressure on industrial upgrading. In pursuit of sustainable development and survival, Taiwanese firms must expand investments abroad and search for production bases and environments with a competitive edge. These arguments are considered the driving force for Taiwanese firms to expand their investments abroad.

Taiwanese firms' investments abroad are not only aimed to meet their own needs but also guided by policy directions. Taiwan's introduction of the New Southbound Policy in 2016 and Vietnam's roll-out of the Renovation Policy in 1986 have both led to an increase in industrial investments and prompted Taiwanese firms to re-examine geopolitics-induced investments risks and benefits. They realised that aside from pursuing price competitiveness, foreign investment policies, state-business relations, local employee training, management and welfare, and fulfilment of corporate social responsibility (CSR) in an investment destination are also key success factors for an investment. Moreover, for Taiwanese firms, managing state-business relations, conducting local employee training and management, and fulfilling CSR lay the foundation for ensuring the success of an investment and enhancing corporate image. This study investigates the following issues: the investment environment in Vietnam, Taiwanese firms' motivation, strategies, and purpose of investing in Vietnam, problems they face and their corresponding countermeasures, and Vietnam's views on investments from Taiwanese firms. It uses Vietnam-related secondary data and interviews with Taiwanese firms before proposing recommendations as a reference for Taiwanese firms when investing in Vietnam.

Taiwan's New Southbound Policy

Since the 1980s, Taiwan's traditional manufacturing sector has been encountering a host of unfavourable economic factors (e.g. industrial upgrading, environmental protection, and increased production costs), which consequently set off a wave of investments abroad, specifically a substantial increase in commercial and trade activities and investments across Mainland China (Lai, 2006). To reduce Taiwan's economic and trade dependence on Mainland China, the Southbound Policy was conceived in the 1990s to provide guidance and preferential

loans to encourage Taiwanese firms to invest in Southeast Asia. From the political perspective, this policy prevents the overconcentration of Taiwan's manufacturing sector and supply chains in Mainland China. From the economic perspective, this policy expands Taiwan's influence in the economic system across Asia Pacific regions as a counterbalance in the face of international challenges (Huang, 2008). In 2016, Taiwan proposed the New Southbound Policy. The policy was aimed at not only maintaining and expanding relationships with Europe, the U.S., and Japan but also strengthening ties with member states of the Association of Southeast Asian Nations (ASEAN), South Asia, Australia, and New Zealand. This creates a new position for Taiwan to reduce its reliance on Mainland China through risk diversification. Unlike the Southbound Policy, the New Southbound Policy includes a higher number of countries, including six South Asian countries, Australia, and New Zealand, with a total number of 18 countries. On the conceptual side of this policy, the New Southbound Policy has transformed the "push" force, which simply regards ASEAN as a production base to reduce costs, into both "push" and "pull" forces that revolve around two-way investment and channel construction to create a win-win situation and benefits for both parties. Regarding implementation, this policy facilitates a shift from merely encouraging Taiwanese firms to invest and travel in these countries and receiving the return of overseas Chinese students to constructing a "people-oriented" interaction system that focuses on two-way investment, travel, and talent exchange and training. It also guides Taiwanese firms to move from "cost reduction" towards "value enhancement," but downplays Taiwan's autonomy in economic and trade strategies to avoid possible political effects (Xu & Li, 2018). In 2020, Taiwan rolled out New Southbound Policy 2.0 with a developmental focus on bolstering local channels, brands, and production planning to highlight Taiwan's "new value," "new image," and "new status" development model in the Indo-Pacific economy (Soong & Lan, 2021).

Vietnam, an ASEAN country with a relatively high development potential

The ASEAN region is a focal market under the New Southbound Policy with a population of 650 million people, a gross domestic product (GDP) of US\$3.1 trillion, an abundance of natural resources and a well-integrated regional economy. In recent years, it has recorded an average annual economic growth rate of around 5%–7%, suggesting that it is in a high economic growth stage. In 2013, ASEAN became the largest destination for foreign direct investments, surpassing Mainland China for the first time. Simultaneously, with the launch of the Indo-Pacific Economic Framework (IPEF) that signals the U.S.' "return to Asia," Regional Comprehensive Economic Partnership (RCEP), and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), all of which target the ASEAN region, this

region is projected to become the fourth largest economy in the world by 2030. Consequently, its promising development potential in the future is highlighted. Vietnam is a politically and socially stable socialist country located in the eastern part of the Indochinese Peninsula, with a population of 97.58 million people in 2020. To attract foreign direct investments, Vietnam shows a friendly attitude towards foreign firms. The country has also substantially reformed its economic system and improved its infrastructure in compliance with the rules and regulations of the World Trade Organization (WTO). It also actively participates in international organisations, thereby successfully attracting high value-added multinational firms to invest in the country.

Overview of foreign direct investments in Vietnam

According to data compiled from the Department of Investment Services under the Ministry of Economic Affairs (Taiwan), TAITRA Global Trade Source website, and Ministry of Planning and Investment of the Socialist Republic of Vietnam, Vietnam has vigorously developed its economy and international trade. It also built a favourable investment environment to attract foreign direct investments since the introduction of the Renovation Policy in 1986. Following its participation in the WTO in 2007 and the simultaneous roll-out of the 2011–2015 Socio-economic Development Plan and 2011–2020 Socio-economic Development Strategy (SEDS), the country has gradually moved from a “centralised command” economic system to a “market-oriented” economic system and built a modern industrial system. Particularly, Vietnam’s signing of the Bilateral Free Trade Agreement with the U.S. in 2000 has opened its door to the U.S. market, which has long been impeded by high tariffs. This has led to a steady flow of foreign direct investments into the country (Lai, 2005). Most of these foreign direct investments came from East Asian countries, including Taiwan, Japan, and South Korea.

Vietnam is a member state of various international trade organisations (e.g. WTO, APEC, and ASEAN) and has also signed free trade agreements (FTA) with 17 countries. It is also a member state of two regional economic organisations, namely CPTPP and RCEP, and has been invited to join the U.S.’ IPEF. All these underline Vietnam’s extraordinary position and development potential among the ASEAN countries.

The reasons why the country has been able to attract foreign direct investments are due to its involvement in a host of regional economic organisations and FTAs, low labour costs, demographic dividends, trade liberalisation, and favourable geographic location. According to statistics from the Ministry of Planning and Investment in Vietnam, the country’s foreign direct investments has increased from US\$300 million in 1988 to US\$400.7 billion in 2021. Note that, while foreign investors bring capital, advanced technologies, management capabilities, and international market knowledge to Vietnam, integration between local Vietnamese and foreign

firms is lacking because most multinational firms invest in Vietnam to acquire relatively favourable production resources. Similarly, Taiwanese firms also encounter the problem of relatively weak integration with local Vietnamese firms and environmental protection and pollution issues, all of which Taiwanese firms must pay serious attention to.

Overview and trend of Taiwanese investment in Vietnam

The “Survey on the Industry’s Views on Expansion into ASEAN Countries and South Asia” was jointly conducted by the Ministry of Economic Affairs and the Chinese National Federation of Industries in 2000 (Tan, 2021). It stated that “over 72% of the firms in the survey indicated that they have expanded into ASEAN , Vietnam ranked the highest among their preferred countries to invest in, regardless of whether they have invested in the aforesaid regions”. “Vietnam also was the first choice among Taiwanese firms because “Vietnam has the right conditions to attract foreign direct investments.”

Taiwanese firms have been investing in Vietnam since the 1960s. According to statistics from the Ministry of Planning and Investment in Vietnam, Taiwan has invested a total of US\$35.3 billion from 1988 to 2021, making the country the fourth largest source of foreign direct investments in Vietnam. Conventional manufacturing industries constitute 80% of the industries that Taiwanese firms invest in, while these types of investments are mostly made by fully owned new ventures that focus on relatively cheap raw materials, low labour costs, and preferential tariffs (Huang, 2008). In the 1990s, Taiwanese investments in Vietnam revolved around conventional labour-intensive processing and export-oriented industries (e.g. textile and apparel, footwear, wooden furniture, scooter, bicycle, and agricultural product processing), which were mainly concentrated in South Vietnam. After 2000, Taiwanese investments in Vietnam gradually shifted to “technology-intensive” (e.g. electronics) and “capital-intensive” (e.g. steel) industries, and with the investment region progressively expanded from South Vietnam to Central and North Vietnam. With the growth of the Vietnamese economy, the emergence of the middle class, and rising national income in Vietnam, Taiwan firms have also steadily increased investments in service industries (e.g. banking, finance, insurance, leasing, livelihood, and leisure). In terms of size, Taiwanese investments mainly come from small- and medium-sized firms that lack large-scale investments, with the exception of Formosa Plastics and Foxconn Technology. Although these investments can help reduce unemployment in Vietnam over the short term, niches that Taiwanese firms can fill are increasingly unable to meet Vietnam’s needs amid its rapid economic growth. Therefore, Taiwanese firms should engage in transformation and restructuring to increase investments in large-scale and high-tech industries, as well as service industries, if they want to pursue long-term economic and trade development in both Taiwan and Vietnam.

A report titled “Determinants for Taiwan’s R&D Investment into Vietnam: An Updated Survey from Vietnam Nationwide,” published in 2018, disclosed that, while Taiwanese investments have contributed to Vietnam’s economic growth and provided job opportunities in the country, they have also given a negative image to Taiwan, thereby presenting Taiwanese firms with food for thought. This report mentioned that “as Taiwan invested in labour-intensive polluting industries, such as metal and chemical industries, using its low environmental protection standards and competitive advantage, 80% of these industrial areas were in violation of environmental protection regulations, where the resulting environmental issues and labour disputes were particularly significant” (Nguyen, 2018). Meanwhile, a report titled “The Image of Taiwan and Taiwanese Business in Vietnam,” published by the Taiwan-Asia Exchange Foundation (TAEF) in 2019, also revealed that “issues worthy of attention and consideration to Taiwanese firms investing in Vietnam, including their poor image in environmental protection, CSR and treatment of employees, are areas that Taiwanese firms should address and improve on” (TAEF, 2019).

Problems faced by Taiwanese firms in Vietnam

According to data compiled from the Department of Investment Services under the Ministry of Economic Affairs (Taiwan) and the Taiwan External Trade Development Council (TAITRA) Global Trade Source website, and from interviews with Taiwanese firms in Vietnam, the issues faced by Taiwanese firms in Vietnam are attributable to external factors (e.g. channels of communication with the local government and the social climate in Vietnam) and internal factors (e.g. factory operations and employee management) (As Table 1). Owing to the absence of formal diplomatic ties between Taiwan and Vietnam, Taiwanese firms in Vietnam have to establish and maintain direct communication with the local government on most occasions. However, their communication with the local government has not been as smooth as other countries with diplomatic ties with Vietnam, despite receiving assistance from Taiwan’s representative office in Vietnam due to the absence of public power on its part. With investment expectations greatly impacted by the local government’s cumbersome and volatile laws and regulations, the presence of administrative bureaucracy, and communication channels being less smooth than expected, the long-standing state-business relations built by Taiwanese firms have played a considerably vital role. Meanwhile, company operations and internal management are more of a flexibility challenge that tests the capabilities of Taiwanese firms.

Regarding social climate, with the formation of their own clusters due to their national character and the size and characteristics of the industries they invest in, Taiwanese firms have made less efforts to connect and integrate with local communities and firms in Vietnam. Therefore, Taiwanese firms also find difficult it to allay environmental protests using community

power when they encounter one. Conversely, their Japanese or South Korean counterparts mostly adopt a group approach, where midstream and downstream companies are led to make investments abroad, build closely connected industrial clusters and living circles, and maintain considerable communication with the local government and community through various public and private events. Therefore, they are better able to handle environmental protests properly when they encounter one. Meanwhile, aside from issues related to property rights to land during factory construction, employee recruitment and training, and rising production costs, employees' fight for benefits and promotion opportunities owing to rising labour awareness is a factor that influences internal management. Further, a shortage of international marketing and business management personnel in company operations have led to difficulties in business expansion and transformation.

Table 1 Problems faced by Taiwanese firms in Vietnam

Government efficiency	1. Cumbersome and volatile laws and regulations and inefficient administration 2. Lack of communication channels
Social climate	1. Lack of integration with local Vietnamese firms due to the formation of their own clusters among Taiwanese firms 2. Rising environmental awareness 3. Fear of being implicated in anti-China protests across Vietnam
Factory operation	1. Vague property rights to land in industrial areas 2. Labour shortages in key areas 3. Rising production costs 4. Lack of technical and professional personnel
Employee management	1. Issues related to employee education, training, management, benefits, and promotion 2. Growing awareness among workers
Business management	1. Lack of international marketing and business management personnel 2. Issues related to business transformation

Source: Department of Investment Services under the Ministry of Economic Affairs (Taiwan) and interviews with Taiwanese firms

Taiwanese firms' wish list of assistance from the government

From the interviews conducted with Taiwanese firms and relevant secondary data compiled from various sources, Taiwanese firms' wish list of assistance from the government or relevant units can be broadly classified into the following categories (refer Table 2):

Policies and organisation

Taiwanese firms hope that the government can provide them with a comprehensible New Southbound Policy content and incentive measures, along with available resources and

application channels. Business owners reveal that, despite including many items in the policy, each business is assigned to a specific unit, leading to the absence of a unified contact point. Consequently, Taiwanese firms in Vietnam do not know which resources and channels are available, thereby making it even more difficult for them to obtain specific assistance.

Public authority and business opportunities

In the absence of diplomatic ties between Taiwan and Vietnam, Taiwanese firms should hold negotiations with the Vietnamese government with the help of the Council of Taiwanese Chambers of Commerce in Vietnam (CTCVN). However, due to its limited role as a private organisation, the CTCVN hopes to establish regular channels of communication and exchange opinions with official and semi-official organisations (e.g. the Taipei Economic and Cultural Office in Vietnam and the Taiwan Trade Centre Representative Office in Ho Chi Minh City). For example, TAITRA organises joint meetings with the Japan External Trade Organization and the Korea Trade Investment Promotion Agency to exchange opinions and establish cooperation in various areas (e.g. trade promotion events; meetings, incentives, conferences and exhibitions (MICE); and talent training). Hence, they recommended that the same mechanism is established between Taiwan and Vietnam as a semi-official channel of communication to bolster public-private cooperation.

In addition to their own efforts, Taiwanese firms mostly acquire business opportunities in Vietnam through a wide array of business events organised by the government. However, the owners of these firms revealed that many of these events are currently held in “Taiwan as the primary venue,” with only a handful of such events actually occurring in Vietnam. Therefore, they hope that more in-person events (e.g. exhibition delegations and business conferences), as well as online business events, can be held to expand access to business opportunities. Furthermore, they recommended that these events should not be organised by the government and relevant associations only. They also hope that the CTCVN, its regional chapters, or Taiwanese firms in Vietnam can apply for budgets and resources to expand international business opportunities.

Technology, transformation, and talent training

During the early years, Taiwanese firms in Vietnam mostly targeted the country’s low production costs, raw materials, and post-processing export market. After years of operation in Vietnam, some of their technologies require upgrading. Further, they themselves are also in need of ideas and capabilities to transform their businesses. Hence, they hope that relevant government agencies can assist them in technology transfer to facilitate business

transformation. Talent shortages in the ASEAN market are the primary reason that contributes to the difficulty in penetrating into the Vietnamese market. The owners of these firms explain that, while Taiwan has long favoured advanced countries (including Europe, the U.S., and Japan) in its national education and talent development initiatives, Taiwan has also actively trained a relatively high number of Vietnamese talents when compared to those from other countries (e.g. Indonesia and Thailand) in line with the recent roll-out of the New Southbound Policy. Nevertheless, these talents remain inadequate to meet the needs of Taiwanese firms in Vietnam. With the exception of in-depth training for first- and second-year participants in the New Southbound Talent Development Programme commissioned by the Bureau of Foreign Trade under the Ministry of Economic Affairs (Taiwan) to TAITRA, the rest of the programme has only been effective in language training. Meanwhile, bolstering training in other areas (e.g. history, culture, society, and business practices) remain necessary. In addition to conducting training on language and related knowledge in Taiwan, they also recommended sending talents to Vietnam for internship. The training programme can show the desired results only when talents are sent to Vietnamese or Taiwanese firms, or even other organisations in Vietnam (e.g. the CTCVN and the Taiwan Trade Centre Representative Office in Ho Chi Minh City) if those firms are not available, for internship. Moreover, the owners of these firms shared their hope that government resources can be used for long-term planning to help the CTCVN and its regional chapters organise training and practical courses to train international marketing and management talents to keep up with the times.

Table 2 Taiwanese firms' wish list of assistance from the government

Policies and organisation	<ol style="list-style-type: none"> 1. Learn about resources and channels available under the New Southbound Policy 2. Bolster collaboration between the government, local associations, and trade promotion agencies and the relevant units in Vietnam to invigorate channels of communication with Taiwanese firms
Public power	Establish and maintain a smooth relationship between Taiwan and Vietnam with the help of Taiwan's representative office in Vietnam, various associations, and relevant organisations
Business opportunities	Provide subsidies and opportunities to organise MICE and trade promotion events in Taiwan and ASEAN countries
Technology and transformation	<ol style="list-style-type: none"> 1. Provide assistance and guidance to enhance technological and digital business capabilities 2. Assist Taiwanese firms in business transformation (i.e. industrial, technology, and digital transformation)
Talent training	<ol style="list-style-type: none"> 1. Assist in enrolling and training talents under the New Southbound Policy 2. Assist in training senior executives and management talents

Source: Department of Investment Services under the Ministry of Economic Affairs (Taiwan),

TAITRA Global Trade Source and interviews with Taiwanese firms

ANALYSIS OF THE CASE OF TAIWANESE FIRMS IN VIETNAM

Taiwanese firms are used to going it alone in terms of trading and investing abroad. However, with rapid advances in information technology in addition to changes in international situations, a prerequisite for gaining operational benefits is how to carry out vertical integration and horizontal division of labour and to build a shared platform has become. In terms of efficiency and effectiveness, Taiwanese firms have not only built clusters in various industries (e.g. textile, garment, footwear, automotive and motorcycle parts, and electronic components), but also set up professional trade service companies specialising in investments, taxation, and exports to deal with general affairs (other than production, sales, and marketing).

This case study covers three Taiwanese firms in Vietnam, namely Company A in the trade service industry, Company B in the audio parts and components industry, and Company C in the food industry. These firms were visited to learn about their investment objectives and strategies, the problems they face, and their wish list of assistance from the government. Then, this study evaluates the effectiveness of the investments made by these three firms in terms of “strategy,” “cost,” “organisational culture,” “efficiency,” “education, training and management,” and “brand image.” Finally, this study analyses the strengths of these firms in three areas—“product leadership,” “operational excellence,” and “customer relations.”(As Table 3,4,5)

Company A

The motivation for establishing this firm stems from the fact that most Taiwanese firms in Vietnam must spend a large amount of time and effort on administrative matters (e.g. taxation, customs clearance, and transportation), thereby affecting sales and production time and efficiency, business performance, and profit opportunities. Company A’s appeal lies in the idea that “our customers only need to focus on production and sales while we take care of the rest.” That is, Company A aims to establish a “one-stop service” mechanism so that business owners can entrust Company A to handle trivial matters, other than marketing on their behalf. Having gained a strong foothold in Vietnam for many years, Company A has seven affiliates in various business areas, including industrial area management, port, transportation, and security services, as well as accounting and taxation. These seven affiliates include STV, a Singapore-based company that primarily engages in management and sales for APSTP Taiwan Industrial Park in Vietnam, a port customs declaration and transportation company, an environmental company, a security company, an accounting firm, a real estate company, and a workforce agency.

Its method of operation makes Company A different from other intermediary service companies, where each affiliate under Company A can directly participate in its operation. Specifically, Company A is responsible for coordinating and overseeing a case while work is

divided between partner companies for execution. Its aim is to maximise efficiency and effectiveness using its flat organisational structure. With a young management team at the helm, Company A is more flexible and malleable in terms of language and culture, enabling them to serve Taiwanese firms effectively.

In terms of hardware, Company A owns the right to operate four port terminals, while its environmental company is not only the largest and most well-equipped environmental company in three provinces (i.e. Binh Duong, Dong Nai, and Vung Tau) but also the only company in South Vietnam with a license for legal toxic waste and domestic waste landfills. Additionally, its security company is one of the 15 excellent security firms recommended by Vietnam's Ministry of Public Security, beating over 1,000 security firms across the country.

In terms of networking, a trusting relationship already is established with the local government and relevant organisations in Vietnam over the years. However, Company A continues to find Vietnamese laws and regulations cumbersome, Vietnamese administration inefficient, and communication with government departments time-consuming. Regarding employee management and welfare, Company A continues to face a shortage of international marketing personnel. Further, internal and external issues have slowed down the pace of transformation at Company A, which is also one of the reasons why it is difficult for Company A to establish a stronger foothold in the Vietnamese market.

Table 3 Company A's investment objectives and strategies in Vietnam and the problems it faces

Firm	Industry	Location	Objective	Strategy
Company A	Business services and consulting	Vietnam	Provide all-round commerce and trade services, other than production and sales, in Vietnam	<ol style="list-style-type: none"> 1. Build a one-stop service system to assist Taiwanese firms in various practical operation services, including leasing, transportation, and customs clearance 2. Enable manufacturers to focus on production and sales, and leave the rest to Company A 3. Effectively utilise local resources and contacts to help Taiwanese firms establish communication with local political and business figures
Problems faced by Company A	<ol style="list-style-type: none"> 1. Cumbersome laws and regulations, low administrative efficiency, and lengthy communication with government departments 2. Employee management and welfare 3. Lack of international marketing talents 4. Business transformation issues 			

Company B

Company B's motivation for investing in Vietnam is to seek lower production costs and proximity to customers or source raw materials. It mainly engages in the manufacture of

speaker parts and components, including magnetic poles, magnetic rings, and aluminium vibration plates, for internationally renowned audio brands (e.g. Panasonic, Pioneer, Harman, Philips, Foster, Tanoy, and Boss). Despite achieving considerable success and filling a range of niches at present, Company B faces substantial challenges and obstacles (e.g. cumbersome laws and regulations, administrative efficiency, employee training, and management and environmental issues).

In 1997, Company B shifted its mature production lines to Vietnam for “cost reduction.” Later, it built a factory in Shanghai to serve “customers in close proximity” in 2003, while Taiwan serves as its base for manufacturing high value-added products. Owing to the aforesaid strategy, Company B is currently the world’s largest manufacturer of magnetic poles and rings for speakers, with its global market share of up to 10%. Company B recalled that, in the early years when the U.S. imposed trade restrictions on Vietnam, the products it manufactured in Vietnam were primarily exported to Europe due to the continent’s preferential tax concessions on imports from Vietnam and a relatively high acceptance of products made in the country. The customers of its Shanghai factory are mainly long-term customers with factories in the local area. However, some of the products manufactured in this factory are also exported to the U.S. and Japan.

The following is Company B’s main strategy: to set up its operational headquarters in Taiwan to integrate procurement, order taking, finance, R&D, and operations management; conduct regular audits of its overseas and domestic operations; and keep track of the production status of each factory for deployment in due course. In an effort to meet the characteristics of the U.S. consumer market, Company B ships the products it manufactures in Vietnam to Taiwan for simple processing before exporting them to the U.S. with consolidated containers. However, it faces a multitude of problems (including expected decline in competitiveness and profitability) due to rising production costs and volatile exchange rates. Another issue is scheduling challenges for imported parts from Mainland China due to changes in production, sales, and supply chains. Furthermore, the management and welfare of local employees make it difficult for Company B to bolster its operations and engage in business transformation. All these problems have to be properly addressed by the firm.

Table 4 Company B’s investment objectives and strategies in Vietnam and the problems it faces

Firm	Industry	Location	Objective	Strategy
Company B	Metal processing	Vietnam	1. Seek lower production costs 2. Serve customers in close proximity	1. Set up its operational headquarters in Taiwan, with its overseas locations primarily serving as its production bases, to effectively reduce production costs 2. Manufacture mature products overseas to elevate the level of Taiwan-made products

	3. Product market segmentation	3. Take advantage of tax concessions to expand into the European market and create segmentation between the European and Taiwanese markets
Problems faced by Company B	1. Rising production costs and volatile exchange rates 2. Inadequate continuity of China's supply chain 3. Employee welfare and management 4. Environmental protection and business transformation	

Table 4...

Source: Department of Investment Services under the Ministry of Economic Affairs (Taiwan), TAITRA Global Trade Source and interviews with Taiwanese firms

Company C

Initially started out as a monosodium glutamate (MSG) manufacturer, Company C has currently expanded its investment into other businesses, including instant noodles, prepared foods, sports drinks, and carbonated beverages. Its main investment objective in Vietnam is to respond to international trends and market requirements. Having established its R&D and strategic centre in Taiwan, Company C began setting up overseas production bases in Vietnam and Mainland China to search for raw materials and lower production costs. In 1991, it opted to build a factory in Vietnam mainly due to the country's double advantage on the "market" and "production" perspectives. From the market perspective, Vietnam not only serves as one of the primary international markets for its products, but it can also be used to penetrate into the Mainland Chinese market or the Southeast Asian market from Phuoc Thai Port in Vietnam via maritime transportation, thereby streamlining transportation time and costs. From the production perspective, as the MSG production process requires a number of basic conditions to be met, Vietnam is able to meet many of these conditions. These conditions include a dedicated port for transporting molasses and post-fermentation semi-finished products, low cost and adequate supply of raw materials, specialised fermentation technology, and waste treatment capacity.

In terms of production technology, Company C has an advantage in product manufacturing owing to the fermentation technology it has developed and accumulated through its production processes in Taiwan. This is able to serve as the most solid backing for its overseas production bases. According to its internationalisation plan, Company C engages in R&D not only on its own but also through technical collaboration or strategic alliance with local and foreign research institutes and organisations (e.g. from Japan, Academia Sinica; and the Industrial Technology Research Institute; Kyowa Hakko Kogyo Co., Ltd.; and Takeda Pharmaceutical Co., Ltd.; from France, Orsan S.A.) with the intention to regularly boost its technological advantage.

Company C also proactively engages in local social welfare activities in Vietnam. These activities include helping poor local farmers build houses and giving gifts to villagers during Lunar New Year and other festivals. It also offers students scholarships to gain Vietnamese

employees' recognition of its corporate culture. To actively expand into the ASEAN market, Company C has set up a dedicated unit for overseas development, which also requires input from young Taiwanese who have a good understanding of the ASEAN region. However, employee management and welfare, talent training, and environmental protection are problems that have to be properly addressed by Company C.

Table 5 Company C's investment objectives and strategies in Vietnam and the problems it faces

Firm	Industry	Location	Objective	Strategy
Company C	Food	Vietnam	1. Acquire raw materials 2. Carry out production in close proximity to raw materials	1. Carry out manufacturing in close proximity to raw material production sites, in line with relevant food technology and market development, to gain market dominance and expand into ASEAN and overseas markets 2. Build co-generation plants and private international ports to reduce costs and maintain control 3. Invest in MSG-related industries to enhance internal integration and production efficiency 4. Strengthen engagement in local social welfare activities
Problems faced by Company C	1. Cumbersome and volatile local laws and regulations and low administrative efficiency 2. Rising costs 3. Employee management, welfare, and retention 4. Training for professionals 5. Environmental protection and pollution			

Source: Department of Investment Services under the Ministry of Economic Affairs (Taiwan), TAITRA Global Trade Source and interviews with Taiwanese firms

This section sums up the effectiveness of investments made by the 3 firms in Vietnam. In terms of strategy, Company A has both established a trade and tax service platform for Taiwanese firms in Vietnam to meet their needs and assisted them in streamlining cumbersome operations, other than production and sales. Meanwhile, Companies B and C have built production bases and opened up international channels using favourable resources. In terms of cost, these three firms share something in common; that is, all of them have built relevant facilities to streamline and simplify their production processes and operation methods. For instance, Companies A and C have built or leased their own facilities (e.g. power plants and port terminals), enabling them to substantially reduce operating costs and maximise cost-effectiveness and benefits.

Regarding organisational culture, these three firms are also found to have built an organisational platform to expand their services or operations with their organisational capabilities. Company A has established a trade service platform to connect Taiwanese firms, enhance

cohesion among them, and expand their capabilities, whereas Company B, whose operational headquarters is located in Taiwan, has built an information platform to plan and coordinate local and overseas businesses. Meanwhile, Company C, whose R&D and strategic centre is located in Taiwan, has integrated both the Taiwanese and Vietnamese markets to expand its international market territory. However, owing to their national character, size, and level of engagement in local communities, Taiwanese firms find it difficult to replicate the model adopted by large Japanese and South Korean firms (i.e. transferring their organisational structure, operating procedures, work spirit and attitude, and culture to local firms in Vietnam). Hence, most Taiwanese firms continue to focus on building a sound organisational structure internally and encounter difficulties in instilling the Taiwanese corporate culture. Therefore, cohesion among employees and recognition of their firms among local communities are affected (See Table 6).

From the efficiency perspective, the main objective of these three firms to invest in Vietnam is to establish operating procedures to streamline production processes and reduce costs. The one-stop service business model for serving customers developed by Company A both cuts down cumbersome processes and streamlines administrative operations internally and provides customers with highly efficient services and reduces unnecessary operating processes. Company B concentrates on segmenting production sites by value-added products to achieve optimal production efficiency and increase benefits. Meanwhile, Company C enhances internal integration and streamlines production by setting up operations in close proximity to raw materials and investing in affiliated industries.

Regarding employee training and management, the common internal problem faced by these three firms is also a key factor that influences internal costs and harmony. Most Taiwanese investments in the early years were mainly labour-intensive industries that require low-skilled or unskilled workers. Hence, Companies B and C only had to provide workers with simple training on the knowledge and skills required for production processes. Further, factory management was less sophisticated due to low levels of education among workers and relatively simple factory operations. Meanwhile, factories could also run smoothly despite insufficient delegation of authority. However, as technology advances and education become universal, failure to conduct effective training for transformation could give rise to technological upgrading and management issues. Furthermore, hidden internal problems arise in the topic of “benefits and promotion.” During the early years, employees in these three firms were only seeking job opportunities and showed no specific dissatisfaction or demands. As the external environment changes, on-the-job training and re-education for both employees and managers turn out to be major issues in ensuring smooth internal operations. In the era where the Internet is ubiquitous, employees can easily gather abundant information and are able to make

comparisons and demands that satisfy their own interests in terms of company management and benefits. Meanwhile, some changes must be made to the methods of managing new generations of Vietnamese employees. Taiwanese firms can break away from the traditional hierarchical management model by setting up new systems and establishing mutual trust. They can also delegate authority to first-line managers using the management by adopting objective methods, which offer employees autonomy without being involved into work details and use target achievement as the only evaluation criterion.

In terms of brand image, the most important part of a firm's sustainability is whether it fulfils CSR, in addition to establishing a high-quality product brand and enhancing its overall corporate image. These three firms are either professional service companies or highly profitable companies. Company A has created a professional services brand image. Its mission is to enable customers to only "focus on production and sales while we take care of the rest," which is built on excellent and thoughtful customer services. Company B's image stems from the fact that it is the brand of the world's largest manufacturer of forged parts for audio speakers, representing the image of product leadership. Company C, whose products are among the leading brands in the industry, also demonstrate an image of product leadership, while its long-standing involvement in charities plays a role in enhancing its corporate image. Nevertheless, both Company B and Company C should step up efforts to implement environmental protection and pollution control measures to restore their corporate image (See Table 7).

Table 6 Analysis of the operations of the Taiwanese firms interviewed in this study (1)

Firm	Strategy	Cost	Organisational culture
Company A	<ol style="list-style-type: none"> 1. Provide Taiwanese firms in Vietnam with all types of commerce and trade services, other than production and sales 2. Develop industrial area management capabilities through various types of facilities, such as ports, transportation, security and accounting, as well as integrated services 3. Establish relationships with the local government and related firms to facilitate service to Taiwanese firms 	<ol style="list-style-type: none"> 1. Build an integrated service system to reduce operating costs 2. Assist Taiwanese firms in dealing with various businesses to simplify operations and legal procedures, enhance efficiency and reduce operating costs 	<ol style="list-style-type: none"> 1. Build a one-stop service system to provide Taiwanese firms with various kinds of services including leasing, transportation and customs clearance 2. Facilitate communication between Taiwanese firms and local political and business figures via a business services and consulting firm
Company B	<ol style="list-style-type: none"> 1. Transfer mature Taiwanese products to be made in Vietnam to elevate the level of Taiwan-made products 2. Take advantage of tax concessions in Europe to 	<ol style="list-style-type: none"> 1. Set up factories in Vietnam to seek lower production costs 2. Mass-produce low-cost products to generate profits from high-volume, low-variety production 	<ol style="list-style-type: none"> 1. Set up its operational headquarters in Taiwan to integrate procurement, order taking, finance, R&D and operations management

Firm	Strategy	Cost	Organisational culture
	penetrate into the European market and expand overseas markets 3. Carry out product segmentation to gain market advantage		2. Set up an integrated information platform to keep track of the production status of domestic and overseas factories for deployment in due course
Company C	1. Establish operations in close proximity to raw material production sites to seek lower production costs 2. Build port terminals to facilitate transportation and expand into the ASEAN and overseas markets 3. Invest in affiliated industries to expand its business territory and acquire the right to discourse on products	1. Build co-generation plants to reduce production costs 2. Build private international ports to facilitate convenient and economical transportation with reduced transportation time and costs	1. Set up its R&D and strategic centre in Taiwan to integrate production in Vietnam with the Mainland Chinese market and expand its business territory 2. Diversify its businesses to develop into an international holding company

Table 7 Analysis of the operations of the Taiwanese firms interviewed in this study (2)

Firm	Efficiency	Education, training and management	Brand image
Company A	1. Establish a "one-stop service agency" model to streamline its own administrative processes and those of other Taiwanese firms that hire its services, including exports, customs clearance, and taxation	1. Enhance employee training and management, and attach importance to employee welfare 2. Train international marketing and management talents	1. Create a professional services brand image, whose mission is to enable customers to only "focus on production and sales while we take care of the rest" 2. Establish the image of being the best service provider for Taiwanese firms
Company B	1. Segment product processes to manufacture different value-added products at different factories 2. Streamline production processes to increase benefits	1. Enhance employee training and management, and attach importance to employee welfare 2. Raise employees' awareness of environmental protection and pollution	1. Establish a "high value-added brand" image 2. Create the brand of the world's largest manufacturer of forged parts for audio speakers 3. Keep a watchful eye on environmental issues not to affect its image
Company C	1. Stay in close proximity to raw material production sites, and streamline production processes in line with relevant food technology 2. Invest in affiliated industries to enhance internal integration and production efficiency 3. Engage in local activities to strengthen regional connections	1. Enhance professional training for employees and employee management, as well as pay attention to employee welfare and promotion channels 2. Bolster cohesion among employees to reduce employee turnover 3. Raise employees' awareness of environmental protection and pollution	1. Establish itself as a leading brand in the industry with its Vietnam factory as the MSG factory with the largest production capacity in the world 2. Engage in local social welfare initiatives to fulfil CSR and enhance corporate image 3. Discharge wastewater, which tarnished its existing corporate image

Source: Department of Investment Services under the Ministry of Economic Affairs (Taiwan), Taiwan Trade Centre Representative Office in Ho Chi Minh City and TAITRA Global Trade

Source

Furthermore, the following observations can be made when discussing the attributes of these three firms from three aspects—“product leadership,” “customer relations,” and “operational excellence” (where ©©© and © represent “Excellent” and “Good,” respectively) (As Table 8). In the area of “product leadership,” Company A, a trade service company, is perhaps the only company that serves Taiwanese firms in Vietnam. However, there are still a considerable number of similar companies in Vietnam. Due to its focus on Taiwanese firms in Vietnam, Company A may not be able to reach the level of a product leader. Hence, it is given a “Good” rating. Meanwhile, Company C, which possesses the advantages of traditional industries in terms of production and marketing strategies, is relatively less innovative despite its professional technology and R&D capabilities and its position as a leading brand in the industry. Thus, Company C is also given a “Good” rating in this respect. Conversely, Company B, the world’s largest manufacturer of magnetic poles and rings for loudspeakers with a 10% global market share, possesses relatively strong innovation capabilities and brand power. Therefore, Company B is given an “Excellent” rating in this area.

In the area of “operational excellence,” Company A, whose strength lies in the establishment of a “one-stop service system,” has built a considerable service network that connects related businesses internally, as well as Taiwanese firms and local firms externally. Conversely, Company B can utilise supply chains in Taiwan, Vietnam, and Mainland China, which is regarded as a strategy that firms must achieve in general. Therefore, both Companies A and B are given a “Good” rating in this area. Meanwhile, Company C has not only established its own supply chain from raw materials to finished goods in Vietnam but also invests in industrial clusters extended from affiliated industries. Moreover, Company C has gained a dominant position in the market by building co-generation plants and international ports. All these points have highlighted Company C’s high level of operational excellence. Therefore, Company C is given an “Excellent” rating in this area.

In terms of “customer relations,” Company A, which considers “service” as its most important product and a complete customer relationship as the foundation of its profitability, possesses multifaceted customer data and service systems that firms have in general. Therefore, Company A is given an “Excellent” rating. Specifically, Company B and Company C, apart from managing customers related to their own businesses, primarily focus on business ties with related firms and organisations. However, both companies should strengthen customer relations due to their past involvement in various issues, such as environmental protection and pollution in the surrounding environment. Hence, both Companies B and C are given a “Good” rating in this area.

Table 8 Analysis of product leadership, operational excellence, and customer relations among the Taiwanese firms in this study

Firm	Product leadership	Operational excellence	Customer relations
Company A	©	©	©©©
Company B	©©©	©	©
Company C	©	©©©	©

CONCLUSIONS AND RECOMMENDATIONS

Vietnam can become the preferred investment destination among the markets targeted under the New Southbound Policy

Taiwan encounters great difficulties in joining regional economic organisations due to its unique international status. To pursue sustainability and diversify market risks, Taiwanese firms should invest in countries with relative investment advantage and membership in regional economic organisations to gain a competitive edge. Vietnam, whose population is close to a hundred million people, is one such country with an abundance of demographic dividends, natural resources, and market potential. As a politically stable country in the ASEAN region, Vietnam both offers favourable investment incentives and holds membership in the highest number of regional economic organisations. It is also the earliest and most important investment destination for Taiwanese firms in the ASEAN region. Taiwanese firms have a long-standing history and successful experience in investments and networking. In addition to maintaining relatively good state-business relations in Vietnam, relevant government agencies are recommended to provide Taiwanese firms with specific incentives and subsidies to enhance the effectiveness of their investments and thus effectively expand the influence of the New Southbound Policy. Specifically, talent acquisition, training, management, and business transformation are all on Taiwanese firms' wish list of assistance from the government and relevant units. The government are also recommended to establish and maintain close ties between ministries, public and private sectors, and relevant industry associations, as well as to enhance the coordination and execution capabilities of all units when implementing the New Southbound Policy to better realise the overall effectiveness of this policy (Yang, 2017).

Establishing flexible state-business relations

Due to Taiwan's unique international position, Taiwanese firms have developed considerable resilience in the business world. Aside from industry and business capabilities, they possess a generous personality of "being kind to people" and "seeking peaceful coexistence," along with high resilience in pursuit of survival. However, a firm's sustainability requires competitive advantages in terms of products, strategies, brands, and personality traits.

It also relies, to some extent, on “ties” to establish state-business relations. Japanese and South Korean conglomerates emphasise on “blood ties,” “education ties,” and “kinship ties.” The “benefit ties” constituted by these three forces (or “three ties”) above forms an unbreakable community in the life of a firm. Most Taiwanese firms that invest in Vietnam, a country that has no diplomatic ties with Taiwan, also do not possess these “three ties.” Therefore, they have to build their own contact network, and this depends on how strong the foothold they have established in the local market. While Vietnamese people love to make new friends, they rarely build business relationships with people whom they do not know. As interpersonal relationship is essential when doing business in Vietnam, the so-called “circle of relationships” is a channel that Taiwanese firms must engage in and utilise when doing business in Vietnam (Chiu, 2014).

The first step towards establishing flexible state-business relations is to invest in “people-oriented” training and nurture qualified expatriates. During the early years when Taiwanese firms mainly invested in labour-intensive industries, expatriates were primarily in charge of factory and personnel management. However, the then preferred destinations for Taiwanese expatriates were developed countries (e.g. Europe, the U.S., and Japan). Hence, it was difficult to find Taiwanese expatriates who were willing to work in Southeast Asia. To meet the needs of overseas companies, Taiwanese expatriates were often sent to this region on short notice after reaching a certain level of proficiency in the local language. Consequently, a multitude of implementation and management issues arise at these overseas companies and thus affected their operational performance. The same situation was also encountered by expatriates working for these three firms. The expatriate assignment model adopted by Japanese and South Korean firms often involves a cycle comprising a series of stages in the following order: screening, training, assignment, retraining, reassignment, retraining, reassignment, and so forth. This cycle is repeated between the assigned location and parent company. Consequently, this model helps expatriates develop solid and abundant capabilities and build contact networks, enabling firms to maximise efficiency and effectiveness. Hence, Taiwanese firms are recommended to adopt the expatriate assignment model developed by Japanese and South Korean firms. In this model, training and assignments can first be implemented at the grassroots level so that expatriates can play the role of a lubricant between headquarters and the assigned company in the local area when establishing flexible state-business relations. For example, expatriates at Company A should possess the traits required to serve customers and adhere to the culture of team harmony. Rewarding these expatriates for achieving the strategic directions of the tasks assigned to them can help Company A gain a differentiated competitive advantage. Meanwhile, the scientific spirit of technological innovation emphasised among expatriates at Company B can also easily drive its advantage in

organisational culture. For expatriates at Company C, cost-efficiency can add value to the ability of local staff teams to upgrade themselves. Therefore, Company C should take a prudent approach when setting up a sound welfare, promotion, and expatriate assignment system.

Employee training and management, welfare and promotion, and talent training

A questionnaire survey was conducted by the Taiwan-Asia Exchange Foundation among senior executives in Vietnamese firms with the obligation to engage in exchanges with Taiwanese firms (Nguyen, 2018). The survey indicates that these senior executives had a relatively poor impression of Taiwan in the following areas—“providing secure channels of promotion for employees” and “improving employee welfare.” The results of interviews with the Taiwanese firms in this study also indicate that Taiwanese firms are relatively confident in their production processes, as well as market development and marketing strategies. However, they should exert more effort into employee training and management, employee welfare and promotion, and talent training.

Employee training and management

Apart from encountering obstacles in seeking technical talents, employee training and management is the top problem faced by Taiwanese firms in Vietnam when in operation. While the Vietnamese government trains their own technical personnel based on the needs of industries in the country, the industries that Taiwanese firms invest in often require high-level technologies. Consequently, they have to train their own technical personnel. The following are the key questions here. Will the employees they have trained remain loyal to them in the era of employment at will? Will they jump ship in droves upon completion of training? These questions create doubts among Taiwanese firms about whether to train employees in new technologies and cause difficulties in technology upgrading among Taiwanese firms. They also often streamline the use of expatriates as they mostly hire local employees for positions other than person in charge and senior executives. In general, there is inadequate delegation of authority to first-line managers at Taiwanese firms. This case affects operation processes and performance and results in management performance issues. Meanwhile, there is also the problem of senior executives directly giving directions to low-level workers for efficiency. This causes middle and first-line managers to be idle and lose the power to direct workflows, thereby triggering an “interruption” in the firm’s chain of command. Hence, in addition to uncovering suitable first-line managers, senior executives must fulfil the responsibility of “delegation of authority.” When employees discover that their supervisors have considerable authority to engage with superiors and external parties and are able to seek more benefits for subordinates,

their morale will be boosted significantly. Further, they will look up to their supervisors, thereby creating a positive cycle. Therefore, firms should delegate authority to first-line managers and must provide them with the necessary resources, information, and support to ensure smooth and successful execution of duties and responsibilities (Kanter, 1979).

In terms of management, Taiwanese firms often adopt the Taiwanese mindset, logic, and leadership style. Despite coming from the Orient, both Vietnamese and Taiwanese people have different cultures and customs while experiencing different states of their countries. Therefore, Taiwanese firms should do as the locals do. In addition to learning about Vietnam's national character, culture, and customs, Taiwanese firms should refrain from enforcing foreign management methods to avoid triggering a backlash from local employees. Moreover, it is necessary to be respectful to employees. Due to the universalisation of education and the emergence of social consciousness in Vietnam, Vietnamese employees are no longer bounded by skills and concepts in blue-collar jobs. They need fair treatment, respect, and friendly management. Firms will be able to achieve the best out of Vietnamese employees if they fully understand these changes and manage these employees as their customers. Specifically, Company A, whose strategic direction focuses on customer relations, derives its differentiated advantage from the quality of services provided to customers, as well as service atmosphere. Company B, whose strategic advantage stems from technological innovation, gains its differentiated advantage from respect for employees' technological innovation. Meanwhile, for Company C that focuses on cost and operational efficiency, respecting employees' spirit of efficiency is an important part of its organisational culture. By turning resistance arising from labour issues into support, Company C can achieve more with less.

Welfare and promotion

Since Taiwanese firms in Vietnam mainly invest in industries that produce meagre profits due to their labour-intensive nature, Taiwanese firms contribute less to employee welfare compared to their Japanese and South Korean counterparts. Hence, Vietnamese employees perceive that the benefits provided to them are inferior to those of others. Contribution to employee welfare is tied to the profitability of a firm's operations. Thus, firms must be transparent by letting employees know the status of their operations and profitability and convincing them to ride out the tough times together. However, there is undoubtedly a need to establish a "fair welfare system" to prevent a clearly visible gap between expatriates and local employees. This could lead to unfairness and opposition among local employees if such a situation is not addressed properly.

Multinational firms adopt a grade-based salary system. Although salary and benefits do not differ much between expatriates and local employees, expatriates are given additional benefits, such as outstation allowance and housing subsidy. As most Japanese companies encourage expatriates to bring their family together to their assigned location, expatriates are provided with dormitories, living allowance, and education subsidy so that they can work with peace of mind. Expatriates also enjoy greater promotion opportunities than non-expatriates. Multinational firms refrain from reducing expatriate benefits to conciliate local employees' emotions. This is because doing so will greatly reduce employees' willingness to work overseas and plunge these firms into a situation where they are unable to send employees on overseas assignments. If expatriates are not offered better treatment and promotion opportunities, many elites would rather stay in their home country than work abroad. Consequently, these firms will be forced to send less competent employees overseas to manage their operations abroad. Further, these less competent employees will not only be unable to help ensure smooth operations in overseas companies but may also cause problems within these companies due to their capabilities or personality traits. In the worst-case scenario, the image of these companies is even affected. Therefore, firms must be careful when establishing a sound welfare, promotion, and expatriate assignment system.

Some multinational firms take specific measures to integrate various benefits into the lives of individual employees and their families. For instance, Japanese firms set up childcare centres within their factories to look after their employees' children so that their employees can concentrate on work with peace of mind. Some also invite their employees' family members to run employee cafeterias in their factories to provide meals for all employees while creating employment opportunities. Moreover, Japanese firms open laundry shops and gymnasiums to provide their employees with various facilities for free or at affordable prices, in addition to creating job opportunities for some of their employees' family members. This becomes an alternative form of benefits that can be enjoyed by employees. These measures can not only reduce the burden of local employees and bolster cohesion among them but also address retirement issues among older employees over the long run. This is because they can be referred to these facilities and continue working. Specifically, the three firms interviewed in this study may find it difficult to match the bar set by multinational firms due to their smaller size. However, they can gradually keep up with multinational firms by providing subsidies to show care for employees.

After running their businesses in local areas for 20–30 years, it is vital that foreign-funded firms carry out solid training programmes to provide local employees the opportunity to be promoted to middle or senior management and ensure that they have a long-term vision.

However, bottlenecks may also arise even when local employees are promoted to the top level. Some Japanese firms adopt the strategy of encouraging and helping local employees who are senior executives to lead their own team after careful planning and evaluation (often for less important production lines). Here, the parent company and a team jointly establish a new company wherein they own 51% and 49% stake, respectively. This new company will not only receive orders from the parent company but can also accept orders from other companies. Consequently, the owners of this company, who are also local employees in the parent company, ensure that their company runs smoothly and grow with the parent company. This strategy provides local employees hope, helps them develop a vision, and enhance cohesion among them, which affects the parent company's growth and can expand the parent company's business territory and enhance its competitiveness. For instance, Company A can outsource low-end and clerical work to companies owned by local employees, while Companies B and C can outsource low-end production lines to new companies founded by local employees to address employee promotion issues.

Talent training

As Taiwan favours Europe, the U.S., and Japan in the education field, it is only recently that Taiwanese firms began training Southeast Asian talents. However, there seems to be a shortage of such talents as well. If a manager or an associate who does not have an in-depth understanding of the local language, customs and culture, and unique business practices is sent to run operations in Vietnam amid a shortage of talents, then gaps in business development could arise. Consequently, the quality of decision-making is affected, and this eventually caused large losses. Regarding training expatriates, Japanese and South Korean firms require expatriates to not only pass skill and aptitude tests but also fully understand the local language, culture, living habits, and unique business practices, as well as work from the bottom up. As mentioned in the previous section, an employee is first sent to the Ho Chi Minh company to serve as a business specialist for a specific term (often three years without extension) before returning to work in his home country. After honing his skills at home, he is once again sent to the Hanoi company to serve as a section chief for another term before returning to work at other business units in his home country. After repeating this cycle for a few times, the employee is then sent to the Ho Chi Minh company to assume the position of President. That is, the employee has acquired skills, experience, and contacts throughout these cycles. He has also gained an in-depth understanding of the local culture and locals' national character, enabling him to effectively manage local employees. Most importantly, most of the local salespeople and contacts he knew during his days as a business specialist should have gained promotion to

managerial positions many years later, barring any unforeseen circumstances. By the time he assumes the position of President, he will be engaging in top-level conversations with these contacts, which can help him solve many problems at hand.

Managers at some multinational firms even believe that it is the government's responsibility to nurture international business talents, and they put the blame on the government for talent shortages. This scenario causes a considerable gap in communicating overseas assignment and values to employees, which consequently has a great impact on business performance. The most important aspect about talents is that, be it corporate talents or civil servants, the development of "character" should take precedence over everything else (not just knowledge and capabilities). This is because a person with academic qualifications do not necessarily have knowledge and a knowledgeable person does not necessarily have character. According to a group of business owners, some people possess strong capabilities and have a wide range of contacts. However, they are not promoted because of "character problems." People without character may not be able to help maintain smooth operations at overseas companies, may cause problems within these companies due to their limited capabilities or personality traits, or may even affect the image of these companies in the worst-case scenario. Therefore, in terms of talent acquisition and training, the presence of "character" in a talent should be the key issue for a company's success.

Actively participate in social welfare activities and give importance to environmental protection

Fulfilling CSR has become a universal value and also a top priority for business leaders worldwide. Although job opportunities are provided for the host country, multinational firms may cause ecological destruction or environmental pollution. Amid growing public opinion and environmental awareness, being able to fulfil CSR has become a fundamental prerequisite for the sustainability of multinational firms. For example, illegal dumping of harmful waste in Vietnam by Vedan and Formosa Plastics' steel plant in 2009 and 2016 have led to protests from local residents, which consequently had a substantial impact on the image of these firms. To address this situation, these firms can not only immediately strengthen efforts to address environmental protection and wastewater issues but also actively engage in meaningful social welfare activities in the location where these factories are located and the related regions. In addition, the talents they have nurtured over the years can also play a role in facilitating flexible communication and coordination to minimise damage caused by these incidents. Taiwanese firms must realise this when investing in countries that have no diplomatic ties with Taiwan. Hence, Companies B and C are recommended to integrate CSR into their operations strategies

so that both firms and society can rely on each other to exert the greatest social influence and achieve mutually beneficial outcomes (Porter & Kramer, 2006).

During the early years of investing in Vietnam, Taiwanese firms might be willing but lack the ability to engage in social welfare activities in the local area as their primary goal was to ensure smooth operation and maintain survival. In that era, Taiwanese firms in Vietnam mainly engaged in the purchase of raw materials or the import and processing of semi-finished goods. Owing to a lack of contact and communication with local communities, excluding the relevant government departments, opportunities for Taiwanese firms in Vietnam to participate in regional social welfare activities were less. However, these firms began affecting the local natural ecosystems as their size grew. Therefore, engaging in social welfare activities in the local area is a necessary means for maintaining the continuity of their operations in the local area.

Regarding environmental protection, Company A does not have any problem in this respect. Conversely, Companies B and C must pay serious attention to the problem of waste dumping and pass the environmental impact assessment process to avoid damaging their image due to their involvement in the metal and food industries. These three firms can collaborate with the local government, non-governmental organizations, or agencies near their factories on various initiatives. Examples of these initiatives include participating in road adoption, assisting the local police and fire departments in sponsoring various activities, and supporting charity events for the disadvantaged groups. These not only demonstrate their fulfilment of CSR but also bring different opportunities, innovation, and competitive advantage to these firms (Porter & Kramer, 2006). For instance, Company C's active participation in local social welfare activities has not only enhance its reputation but also soothed and improved its relationships with the local government, other organisations, and local residents. This is regarded as the best approach in this respect. Specifically, these firms can organise "community health care" activities periodically in collaboration with local hospitals and invite doctors and nurses to provide voluntary outpatient services and basic medical services. It is also recommended that these firms organise "Taiwan-Vietnam social welfare and cultural exchange" events with the local government to promote cultural exchanges between Taiwan and Vietnam for these firms and indirectly establish channels of two-way communication and collaboration between the Taiwanese and Vietnamese governments.

Scope for further studies

Human resource is one of the cornerstones for successfully organizational management. It is only through humanity-oriented management that the highest level of business performance can be achieved. From this perspective, the key question for further research suggestion is how

to design the corporate vision with the passions of the employees so that front-line employees can be given the freedom to exercise their intuitive judgment on processes of work, and enjoy the work satisfaction. Therefore, creating an environment and discipline that can stimulate employees' enthusiasm for work is a research topic deserved further efforts.

REFERENCES

- Chiu, S.M. (2014). Targeting Vietnam's Market: Opportunities and Strategies Expansion Strategies, Feb. 2014, Taitra Research Report, 60-71.
- Huang, F. J. (2008). Discussion on the Motives and Patterns of Small and Medium-Sized Enterprises' Outbound Investment-Taking Taiwanese Investment in Vietnam as an Example. *Taiwan Economic Research Monthly*, 31(10), 77-85.
- Hwang, D.-Y. (2008). Retrospect and Prospect of the Southward Policy Achievement. *Outlook and Explore* (6-12), 42-60.
- Kanter, R. M. (1979). Business Communication - Power Failure in Management Circuits *Harvard Business Review*. July 1979, 65-75.
- Lai, C.-C. (2005). South Head or West Head? Investment Options-Case of Taiwanese Enterprise in Vietnam *Hsuan Chuang Humanities Journal*, (5), 117-146.
- Lai, C.-C. (2006). A Political and Economic Analysis of the Investment of Taiwan's Manufacturing Sector: The Selection in China or Taiwan. *Outlook and Exploration*, (4-11), 58-72.
- Lichun, H. (1991). Research on Taiwan's foreign Investment Policy (176), *RDEC* (176), 56-63.
- New Southbound Policy, <https://newsouthboundpolicy.trade.gov.tw/> Aug, 2016.
- Nguyen, T. H. (2019). Discussion on the Development Model of Taiwan Company Investment in Vietnam. Master thesis, Southern Taiwan University of Science and Technology, 2019,1-73.
- Nguyen, V. K. (2018). Determinants for Taiwan's R&Ds Investment into Vietnam: An Updated Survey from Vietnam Nationwide P.49-50, *Taiwan Journal of WTO Studies*, (30), 43-68.
- Porter, M. E. & Kramer, R. (2006). Strategy & Society, The Link Between Competitive Advantage and Corporate Social Responsibility, *HBR* 78-92.
- Soong, J.-J., & Lan, C. Y.-H. (2021). The Development Between the New Southward Policy and Regional Economic Integration: Taiwan's Strategy and Opportunity, *Review of Global Politics* (74), 33-54.
- Taiwan-Asia Exchange Foundation (TAEF) (2019). The Image of Taiwan and Taiwanese Business in Vietnam. TAEF Research Series 001, 4-20.
- Tan, S. (2021). More than 70% of the Manufacturers Are Very New to the South to First Select the Vietnamese Industry and Commerce. *Commercial Times*, 1-1.
- Xu, Z., & Li, M. (2018). Implementation Achievements and Future Prospects of Taiwan's New Southbound Policy. *Economic Prospects*, *Economic Outlook Bimonthly*, 10-18.
- Yang, A. H. (2017). Revising Taiwan's New Southbound Policy: Agenda, Networks and Challenges, *Issues and Studies*, (56-1), 123-143.
- Yinghua, G. (2009). Vietnam's Investment Environment and Taiwan Businessmen's Investment Layout Strategy in Vietnam. *Economic Outlook Bimonthly*, (122), 5661.