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Vietnam's IT Industry: Striving for Stronger Growth

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One of the important



Factors in stimulating the development of the information and Technology (IT) industry in Vietnam is investment. Although the growth rate of the industry over the past time has been quite high, with the total revenues of estimated US\$3.6 billion in 2007, specialists and managers said that the figure does not match its potential. This is also the confirmation made at the conference "Vietnam's IT Industry in New Investment Trend" held by the Ministry of Information and Communications recently in Hanoi.

Encouraging results

Deputy Prime Minister Nguyen Thien Nhan said that the government of Vietnam has initially identified that the IT industry has a great potential and has strived to bring it to become a key economic sector in the country with the highest growth rate compared with other economic sectors. Thanks to the great attention from the government, with favourable mechanisms and policies, and investment incentives for development, along with the great effort of enterprises, the IT industry in Vietnam has increasingly nourished and affirmed its position in the economy.

With this result, the Minister of Information and Communications Le Doan Hop said the IT industry over the past time has witnessed a rapid growth rate, average at 25 per cent in the period of 2002-2007, with the total revenues of the industry of US\$3.6 billion in 2007, including US\$3 billion in hardware sales, US\$498 million in software sales and US\$180 million in digital content industry. Another notable result is that Vietnam has been ranked among the 20 most attractive countries in outsourced software and services worldwide. As a result, more and more giant IT groups and corporations in the world have boosted investment and business cooperation in Vietnam.

According to preliminary statistics, Vietnam had licensed 332 foreign-invested projects with a total investment capital of US\$2 billion in IT sector between 1995 and January of 2008. In which, the year of 2007 saw the most projects which accounted for 32 per cent of the total investment projects. IT industrial parks have played an important role in encouraging and attracting investment into the IT industry, which helps improve the national image and trademark. Vietnam now has five software parks, some of which have proved successful at first, especially industrial parks in Ho Chi Minh City, Hanoi and Da Nang. Quang Trung Software Park, after more than seven years of operation and development, has attracted nearly 100 enterprises with their revenues of over US\$40 million in 2007. Saigon Software Technology Centre (SSP) has attracted nearly 30 enterprises with total of 500 employees. Ho Chi Minh City Hi-Tech Park, after six years of operation, has drawn 34 projects with total registered capital of over US\$1.6.

Thanks to the policies and development direction of the government of Vietnam, the situation of human resource shortage and the training of IT manpower in the industry have been improved, which has helped meet partly the demand for the quantity and quality of the IT workforce. Since 2000 until now, the number of IT training units has increased significantly. Universities and colleges have also conducted training programmes with bachelor degree in computer science, information technology, electronic technology – telecommunications and computing applications. Vocational high schools are training professional technicians on computer science, computer engineering, electronics and telecommunications. Professional training scale has increased rapidly. Dr. Le Hoang Minh, Director of the Vietnam Institute of Software and Digital Content Industry under the Ministry of Information and Communications, said that the number of IT graduates trained every year

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completely meet the demand for domestic recruitment and part of the demand of foreign-invested companies in Vietnam.

Untapped potentials

According to the statistics on the revenues of the industry mentioned above, it can be seen that the IT industry is now focusing more on such activities as computer assembling, hardware business and provision of Internet services. According to PhD. Dr. John Vu, an academican of the Software Engineering Institute, Carnegie Mellon University, cum chief engineer of the IT Centre of Boeing Group, these fields have not high stability due to the competition from well-managed enterprises such as Lenovo, IBM, DellHe said it would be better and more advantageous if the Vietnam's IT industry focuses on service industry such as software and service outsourcing in the management process (Business process outsourcing) and media storage outsourcing, which can make profits as well as creating more employment opportunities rather than the product industry as currently.

John Vu also said both India and China are currently affected by the serious shortage of hi-tech manpower, and they are trying to solve the problem by training a large number of IT officials en masse. This is resulting in the decrease in the quality of IT human resources. This is a good opportunity for Vietnam to compete with them by providing highly skilled human resource through serious vocational training and education programmes. At the same time, IT enterprises need to strengthen their business scale as the small business scale and manpower of not strong enough will hinder their integration.

In addition to weaknesses in the scale, Vietnamese IT enterprises have also paid little attention to the cooperation and alliance. All successful IT companies have partners operating in the fields of beyond their abilities. For example, Nortel, a U.S.-based leading IT group, has set up alliances with two strong partners, IBM and Microsoft, to provide integrated telecom solutions (UC) in Vietnam. Nortel joined hands with IBM to develop UC solutions, while it combined with Microsoft to carry out a sales campaign.

Therefore, establishing coalition with other partners in other fields and creating alliances operating in certain fields is very necessary to help enterprises affirm their position in the market as well as the confidence of customers. According to PhD. Dr. John Vu, Vietnamese enterprises should assign other firms to provide them with services outside their main services. This will create a great strength in this current market with severe competition.

The Minister of Information and Communications Le Doan Hop said in the trend of globalisation, the rapid development of information and technology has been accelerating the demand for IT products in the world market. The shortage of IT human resources in the world has helped enhance the trend of moving investments into the field of software and services outsourcing in countries in the world. This is a great opportunity for the IT industry of Vietnam, especially the field of software and service outsourcing and export to develop.

Nguyen Thoa



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