

Guest CEO Editorial



Dr. Nguyen Huu Le
Chairman, TMA

Dr. Nguyen Huu Le has been working with the IT/Telecom industry for many years in Australia, Canada, U.K., Japan, and has been a pioneer in the development of the software industry in Vietnam. Having spent 22 years with Nortel, he was mostly involved in R&D Globalization and Externalization programs, where one of his most important contributions was the recognition and utilization of the skilled human resources from the Asia Pacific region, including Japan, China, Vietnam, and India. He left Nortel as the Director of Global R&D Planning in 2000 to become the President and CEO of Paragon Asia Pacific, managing their development centers in Vietnam and India. Since joining TMA in 2001, he also serves as the Chief Marketing Officer to promote TMA, and as the Chief Mentor, to help build the foundation for the company based on the best practices in the industry. Under his leadership, TMA has become the leading software outsourcing company in Vietnam. Dr. Le is also recognized as a pioneer in promoting the Vietnam software industry to the outside world.

Potential customers have begun considering Vietnam as a top of mind option for outsourcing or as alternative to India and China. To capitalize on this, Vietnam needs to develop one of its greatest assets, the human resources pool.



Tholons:

What are the inherent capabilities of Vietnam in the outsourcing space? Is it emerging to be a center of excellence within IT or BPO or both? What key markets are being serviced from Vietnam?

Dr. Nguyen Huu Le:

2007 is predicted to be a great year for the Vietnam outsourcing industry. With full membership in the WTO, Vietnam has attracted a lot of foreign investment. The stock market too has been very active. Vietnam today, has become more visible.

Vietnamese students are very good at mathematics, apart from being hard-working, creative, industrious, and willing to learn and hence a good IT talent pool. Many of the IT graduates are also fluent in English, while a small percentage is French speaking.

Given the large supply of young and talented people, Vietnam is today known for IT outsourcing. However with the increasing supply of English speaking graduates, BPO is fast picking up. Currently, Vietnam caters primarily to the North American and Japanese markets.

Tholons: What is the government doing to promote Vietnam in being a key destination for outsourcing?

Dr. Nguyen Huu Le: The government has recognized software outsourcing as a strategic industry and is providing supportive measures by setting up software parks, and providing the basic infrastructure. The government has helped a lot in promoting Vietnam as a destination for outsourcing. In Ho Chi Minh City, for example, the Quang Trung Software City (QTSC), established over 6 years ago, has now attracted about 75 software companies, with over 7500 employees. Around 90% of these companies are engaged in outsourcing, with 65% of them being foreign-owned.

The government has also helped improve the quantity and quality of IT education. Vietnam is still in a very good position, where supply exceeds demand. Vietnam is now graduating about 20,000 IT university students annually (with a 4-5 years bachelor degree), and about 10,000 IT college graduates (with a 2-3 year diplomas). Though these numbers are modest when compared to India or China, the supply will continue to exceed demand for many years to come as these numbers are growing at more than 30% a year.

Tholons: How easy or difficult is it to scale up operations in Vietnam? How good is the quality of resources in comparison to other offshore locations like India?

Dr. Nguyen Huu Le: As the supply versus demand situation continues in favor of supply, Vietnam software companies can readily scale up. For example, TMA received more than 4,000 applicants in the last 12 months, of which only the top 10% were recruited, with the next 30-40% qualified, if needed. We can therefore scale up to 1000 people in 6 months, allowing for some training time. The average quality of resources is better than India and China (Demand-Supply crunch resulting in lower quality resources in these countries).

Tholons: What drives clients to set up centers in Vietnam and what are the challenges that Vietnam is facing today, preventing it from growing to become a leader in outsourcing?

Dr. Nguyen Huu Le: The key advantages Vietnam has to offer for customers wanting to set up centers are :

- Good talent pool
- 30K IT graduates a year, growing at 30% a year
- Supply will continue to exceed demand for many years
- Competitive Costs: 50% of India and China
- Low Attrition: Less than 10%
- Strong government support for the software industry
- One of the most stable and secure economies

The only challenge Vietnam is facing today is full fluency in verbal English communication, though this can be overcome with some additional in house training.

Tholons: Are we seeing outsourcing to penetrate to other cities beyond Ho Chi Minh City and Hanoi?

Dr. Nguyen Huu Le: Currently, most outsourcing activity (both IT and BPO) is based in Ho Chi Minh City and Hanoi. BPO is emerging and other centers like Danang are attracting customers. However HCMC and Hanoi still account for over 90% of the outsourcing revenues. With increasing demand and industry maturing, newer destinations will emerge as seen in India and China.

Tholons: Do we see consolidation (through M&A) amongst service providers to be a growth strategy in Vietnam?

Dr. Nguyen Huu Le: Vietnam providers are mature and have a long history in Product Engineering and IT. There is ample supply of skilled resources in Vietnam to meet the demand in IT. With the Vietnam economy on an uptick and Global Sourcing looking at additional avenues, Vietnam is well placed to attract and address client demand. Growth will be fueled by both organic and inorganic growth. Smaller acquisitions that add specific delivery capability would be attractive in addition to businesses that have long term sustained client contracts.

M&A in client markets in Product Engineering, testing, game development etc. may be a good growth strategy for Vietnamese firms. BPO is very nascent and may benefit from a client side acquisition the most.

Tholons: What are your views on the future of outsourcing in Vietnam?

Dr. Nguyen Huu Le: The future of outsourcing to Vietnam is very good and it will continue to grow at the rate of 40% or more every year. Vietnam can certainly stand to benefit from the increase in outsourcing demand, and with the desire of potential customers to look beyond India and China. Service providers such as TMA, having an established track record, will facilitate such growth. With an average growth rate of 50% a year and a customer list including Nortel, Alcatel-Lucent, and Juniper Networks, TMA will celebrate its 10th anniversary this year. Our belief for the future is strong enough for us to invest in a new facility in QTSC that can accommodate over 3000 people.