

KARELIA UNIVERSITY OF APPLIED SCIENCES
Degree Program in International Business

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**EFFECTIVE OUTSOURCING OF FURNITURE PRODUCTION
FOR INTERNATIONAL COMPANIES IN VIETNAM**

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Title

Effective Outsourcing of Furniture Production for International Companies in Vietnam

Abstract

This thesis paper presents the research related to outsourcing services and analyzing the furniture industry in Vietnam particularly. The goal of this study is to provide foreign companies an overview of Vietnamese furniture industry and to figure out an effective solution to source furniture from Vietnam.

The theoretical part of the study gives basic frameworks of outsourcing including related concepts, forms of outsourcing, discussion about its pros and cons and possible processes from both internal and external firms' standpoints. Following are relevant analysis of Vietnamese furniture industry and essential networks to be concerned in Vietnam.

With applying a qualitative method, both secondary data including sources of books, articles, reports, websites and primary data relating to interviews and questionnaire surveys are collected in the study. In the empirical result, foreign firms may have deeper understanding of the Vietnam's sector and activities through surveyed companies. Based on interviewing and elaborating deeper furniture firms in Vietnam, foreign firms may find out important factors influencing on successful outsourcing in Vietnam and some desired suppliers to contact then.

Finally, Vietnam is a potential destination for international firms to outsource in furniture production. Some important factors and effective ways to operate in Vietnam are summarized in the conclusion as well. With positive outlook of Vietnamese furniture industry, it is advisable to conduct further and more specific studies for foreign companies who are interested in outsourcing furniture in Vietnam.

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1. INTRODUCTION

1.1 Background

As the world economy developing fast in the past 10 years, the furniture markets have opened up more and the furniture industry has become one of the most rapid growing industries in the world. It no longer restricts itself to produce a chair or a table but today it includes manufacturing a wide range of furniture, home furnishings and designed interiors. There is a boom time for the furniture industry but it is much more competitive than ever before.

Vietnam is one of winner in globalization especially the wood processing of Vietnam has been developing for over the recent decades. With an abundant and inexpensive labor supply, easy access to global shipping, sourcing of materials and the government's great incentive, Vietnam has achieved a significant progress in promoting the economy up to the higher level. The success of Vietnam is mainly based on outsourcing.

Outsourcing is not a new phenomenon and has been discussed since the beginning of the 20th century. With the crucial development of the economy so far, the global market forces companies to focus on their core business. The importance of outsourcing is widely growing in every industry when the demand of worldwide market is continually desirable. Companies found out that outsourcing helps to improve production efficiency, lower operational costs and thus increase profits. No exception, outsourcing in furniture production has also arisen as an important business tool to be successful, but how to use the outsourcing in the right way is a big question and necessary strategy that all companies need to consider carefully in advance.

1.2 Thesis objective

The thesis deals with outsourcing of furniture production by presenting the information of outsourcing services at large and analyzing the situation of furniture industry in Vietnam particularly. First of all, the aim of this study is to provide international furniture companies the overview of Vietnamese furniture industry and development of outsourcing activities in this country. Secondly, this study is to help international furniture company, who are interested in sourcing from Vietnam, go through further steps to find desired suppliers. By surveying large furniture companies in Vietnam, international companies may find potential partners through their provided information.

Finally yet importantly, the study is to figure out an effective solution for international furniture firms who tend to manufacture their products in Vietnam in the near future. By conducting interviews with two international furniture companies, one who has a great success when working in Vietnam and another has valuable experiences in outsourcing; international firms may find some suitable strategies and methods to outsource furniture in Vietnam.

1.3 Thesis outline

The author divided the study into two main parts: theoretical study and empirical study. In the theoretical part, chapter 2 gives sufficient frameworks of outsourcing, chapter 3 provides an overview of Vietnamese furniture industry with relevant analyses and possible networks to have a look when outsourcing in Vietnam.

In the empirical part, chapter 4 conducts the research methodology and chapter 5 presents the results. It indicates the research questions, method to answer those questions and consequently the findings of the research. Chapter 6 concludes the thesis with some recommendations for interested readers and further study. The thesis's structure is depicted visibly (Figure 1)

Chapter 1: Introduction	<ul style="list-style-type: none">• Background• Objective• Outline
Chapter 2: Outsourcing	<ul style="list-style-type: none">• Concepts• Forms of outsourcing• Modes of outsourcing• Pros and cons of outsourcing• Processes of outsourcing
Chapter 3: Analysis of furniture industry in Vietnam	<ul style="list-style-type: none">• Overview of furniture industry• SWOT analysis• Potential pitfalls• Cost analysis• Risk management• Networking
Chapter 4: Research method	<ul style="list-style-type: none">• Research questions• Methodology• Validity and reliability
Chapter 5: Empirical results	<ul style="list-style-type: none">• Interviewed companies• Surveyed information
Chapter 6: Conclusion	Conclusion and recommendations

Figure 1: Thesis's structure

2. OUTSOURCING

2.1 Concepts of Outsourcing

Nowadays, outsourcing is no longer a weird business term and it has become increasingly more crucial role in international business. Due to forceful globalization in recent decades, worldwide companies must use outsourcing as a key strategy in retaining their competitiveness.

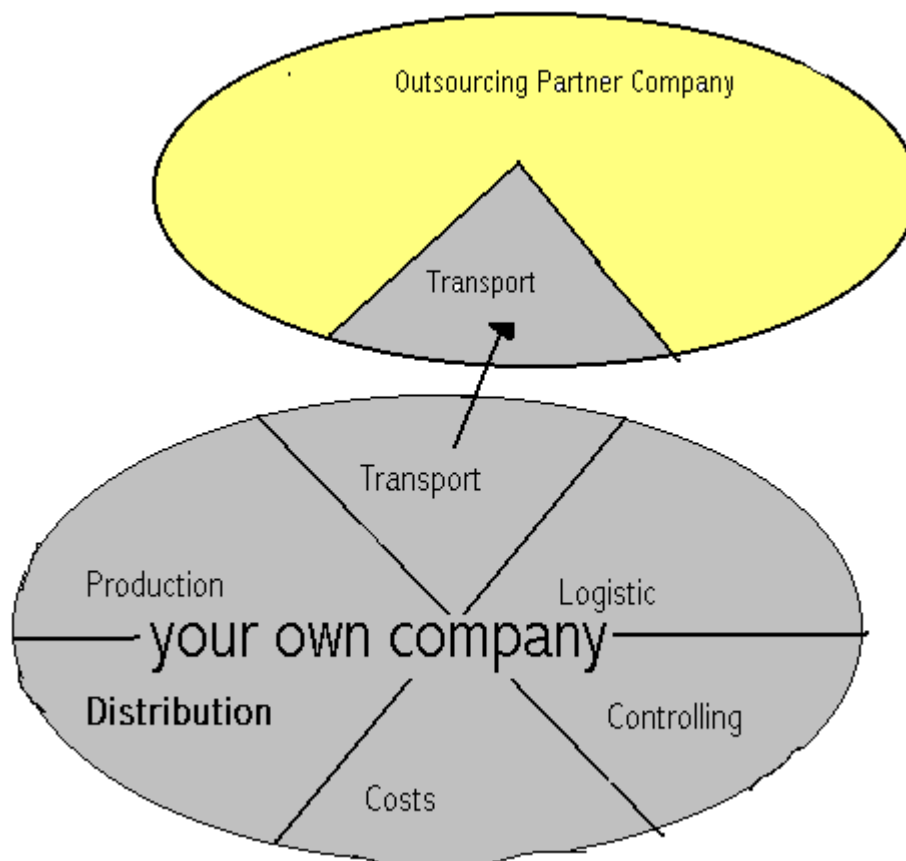


Figure 2: Outsourcing illustration (Muller- Dauppert 2005)

Many research works have given numerous definitions of outsourcing and actually, there is no strict concept of outsourcing. The definition has often been mentioned as different terms such as subcontracting, contracting- out or sourcing- out. Most definitions are truly closed but still some essential differences remain in each situation.

Table 1: Defintions of outsourcing (Beke 2008, 10)

1996	Aubert	Outsourcing is a make-or-buy decision
1999	Lankford and Parsa	The procurement of products or services form sources that are external to the organization
2000	Arnold	Outside resource using, hence taking advantage of outside resources
2004	Bhagwai	Definition of WTO: offshore trade at arm's length services, it is a trade phenomenon
2005	Kumar and Eickhoff	Contracting out in-house functions that companies do not do particularly well to outside firms that do

There are various experts' standpoints the author would like to review in this chapter. From a business administrative view, the definition given by Aubert (1996), who characterized outsourcing as a make-or-buy decision, deals with the issue if a firm should manufacture a component in-house or source from an external supplier. Other researchers defined outsourcing as the procurement and taking advantage of outside resources (Gilley & Rasheed 2000a; Arnold 2000; Beke 2008, 11). However, in recent years the definition has been refined "It is indicated that outsourcing is not just about procurement, but also rather about the conscious choice of procurement" (Kumar & Eickhoff 2005a; Beke 2008, 12). Hence, outsourcing is a deliberate choice of the outsourcing firms to find the most cost efficiency for them.

Alternatively, McIvor (2005a, 7) defined that outsourcing consists of the sourcing goods and services from external suppliers instead of previously producing internally. Outsourcing is linked to the switch of supply of products or services to external suppliers.

An internal firm often considers an external supplier as a specialist who can bring more competitiveness to the outsourced products rather than the company (Heywood 2001, 28). Gilley and Rasheed (2000, 765) make an interesting specification on this point by discerning substitution of an activity and abstention of an activity. The former indicates that an internal company has the capabilities to perform their task itself but it has not done the activity in-house but transfer it to an external part. If it would not be in the competencies of the company to produce the goods itself, outsourcing will be an indispensably good tool for management.

As a recap, the definition of outsourcing can be basically shortened by the author as *“An allocation of resources to an external supplier who can add more value to the outsourced products than a firm is able to manufacture itself in order to achieve the most competitive advantage.”*

After all, the outsourcing firm usually procures the product outside the firm because the supplier is more knowledgeable in expertise of some aspects and has a competitive edge in producing the specific components or products. The major advantages and disadvantages, caused through outsourcing, will be presented in the part 2.4

2.2 Forms of outsourcing

Outsourcing can be divided into three main models of work based on the range of outsourcing relationships and the scale of services. As the type of outsourcing relationship plays a crucial role in determining how much value it will deliver, it is worthwhile precisely understanding outsourcing types before deciding.

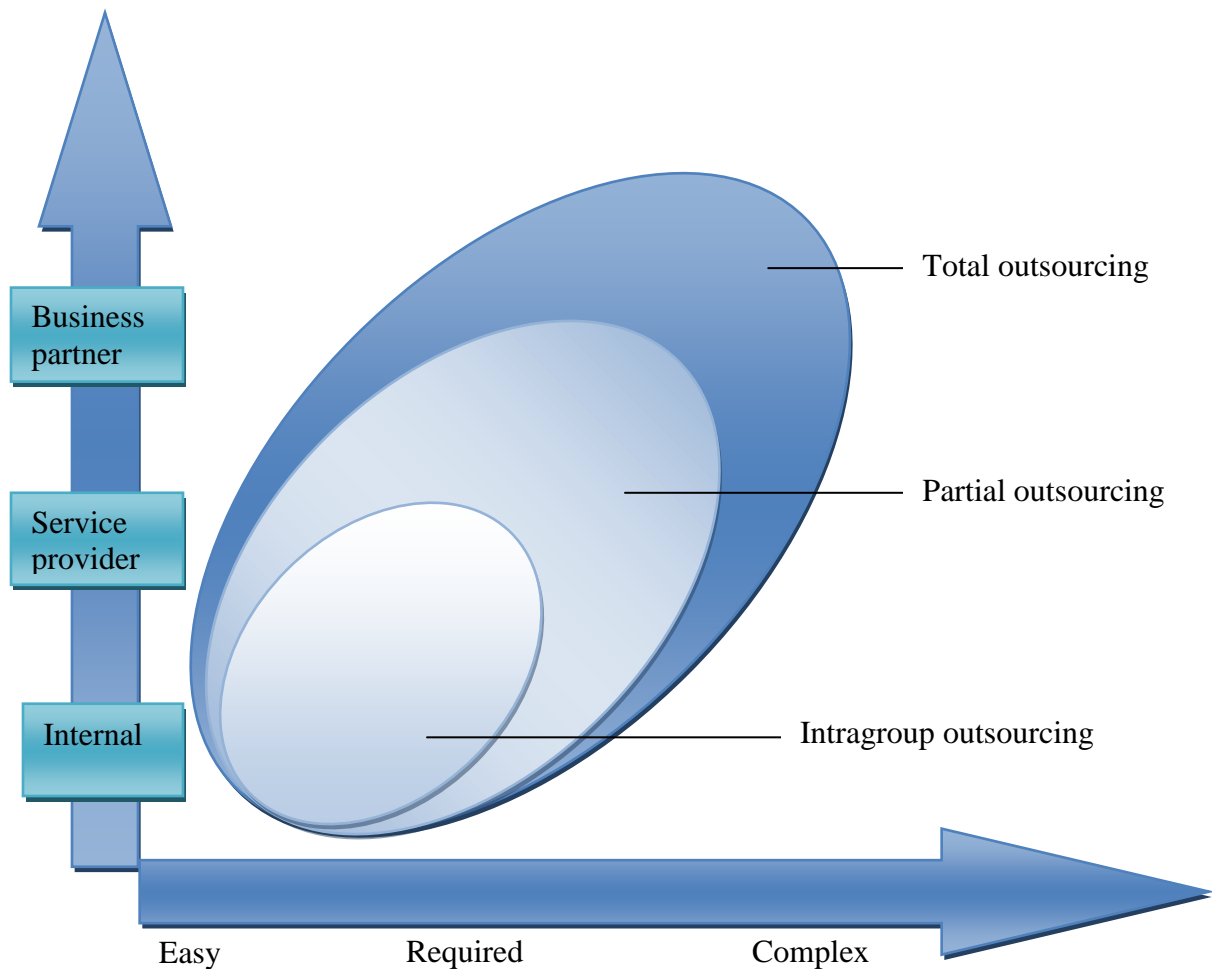


Figure 3: Types of outsourcing (Merl & Husa 2006, 21)

Co Outsourcing (Intragroup outsourcing): This type of outsourcing requires the outsourcing firm to plan and work together with the vendor in one operation. The development of the framework helps companies create successful collaborative outcome-based outsourcing agreements. Thus, companies and services providers become mutually committed to each other's success, creating a long-term win-win relationship based on achieving mutual determined goal (Vitasek & Manrodt 2012).

However, some agreements combine fees per transaction with a required version of value-based incentives. This mix of value exchange and commercial incentives creates agility and

opportunities for organizations to deliver value efficiencies instead of simply focusing on price (Vitasek & Manrodt et.al. 2012.)

Partial Outsourcing: It is one of the most commonly used outsourcing services in all the industries. An external services provider will render merely specific tasks. It composes of outsourcing of sub processes and parts, projects of whole process. The Third Party Logistics Providers (3PL) are typical roles to offer the services. 3PL provides their solutions and operations for each part of the case. 3PL operates the specific service for the customers.

It is safer strategy than total outsourcing given below. As it allows the company to keep sensitive and more dangerous parts of the process in the company so the risk will be lower. However, this type of strategy makes communication and control quite complicated and time-consuming because the customer needs to have a clear outlook of the future projects already.

Total Outsourcing: This form takes a large part of an enterprise activity over 80% of the project. For example, the logistics is transferred to another company. In this case, the external service provider takes over the staff, trucks, also hardware and software as well as contractual obligations from the enterprise. It is a risky strategy as the company does not control over the project and it often takes more time to mature properly. It will cost a lot if the project fails. On the other hand, the profits are much higher than other outsourcing strategies because the company has a good opportunity to propose a favorable price of the contract to the outsourcing contractor (Merl & Husa 2006). If the business goes smoothly, both parties will have a long- term relationship. It is advisable for experienced outsourcers with their trustworthy partners to use the strategy.

In this form, the Fourth Party Logistics Providers (4PL) has the most specific service of Outsourcing. 4PL has become logical alternatives for business process outsourcing by providing end-to-end services across multiple enterprises (Samar & Robert 2006). The 4PL company will take responsibility for the operations include plan, implementing, follow up and supervise and so on.

2.3 The modes of outsourcing

There is no research distinguishing much difference of outsourcing modes. According to the research of Accenture (2004a), there are two different modes, which make the distinction between core and non-core activities: transformational and conventional outsourcings

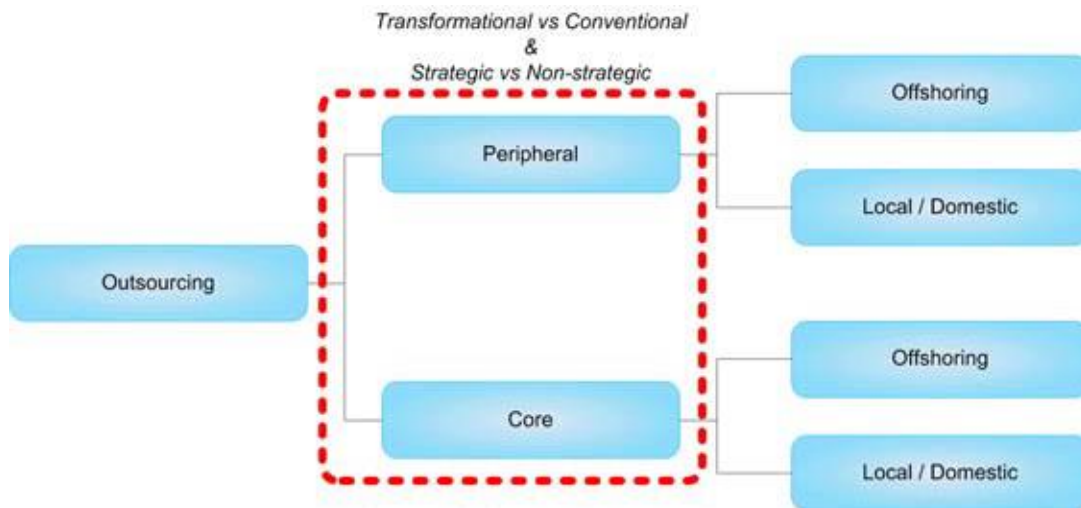


Figure 4: Modes of outsourcing (Beke 2008, 13)

Transformational outsourcing aims at bringing about rapid and sustainable improvements of a firm's performance. It mainly takes care of activities that are critical to the success of the business. It may refer to strategic outsourcing, which deals with outsourcing beyond core tasks. In order to create a strategic advantage over competitor, transformational outsourcing also focuses on functions that add significant value to the firm and use outsourcing as a strategic (Quélin & Duhamel 2003). It is designed to maximize incentives for both players to win or lose together because it allows each party to have specific capabilities and constraints.

Conventional outsourcing concentrates basically on cost reduction and small improvements (Accenture 2004b). It often outlines specific operational outcomes to be generated by the supplier in tactical terms, such as cost per transaction, cycle-time. It copes with non- strategic outsourcing beyond the peripheral tasks. Unlikely transformational outsourcing, conventional one is able to help the firm win while the suppliers lose as the contract often punished the suppliers for investment in new technologies, new facilities and so forth.

Remarkably, another often mentions mode of outsourcing is **offshoring** while some ones remain controversial to state that offshoring is different from outsourcing. In the sense of offshoring's definition, offshoring is a mode of outsourcing, which is a procurement of the product or service from an external supplier from abroad. It is, however, important to keep in mind that offshoring is not always a mode of outsourcing. For example, if a firm moves its production facility abroad and directly manage it so offshoring in this case is called (captive) offshoring but it is not a mode of outsourcing (Lewin & Peeters 2006).

2.4 Pros and cons of Outsourcing

Even though outsourcing has been existing as long as work specialization has appeared, it has been attracting a lot of arguments. Typically, companies have known to outsource those components or functions that are considered non-core business or those ones, which need specialized skills or facilities. While it provides a good picture of an one-side coin, most managers however need to cope with the possible shortcoming of the process as well as the company's core processes. It is also necessary to note that any element of outsourcing discussed below is not applicable and suitable for all outsourcing enterprises. It depends on the reasons for outsourcing, on the conceived way of the firm and situations.

2.4.1 Advantages of Outsourcing

According to Corbett (2004, 11), benefits of outsourcing are depicted in triangle shape order (Figure 5). The top reasons of outsourcing are saving cost, the improvements of the company performance, the access to world- class capabilities, accelerate benefits from reengineering, sharing risks, flexibility and free resources for other purposes (Deavers 1997).

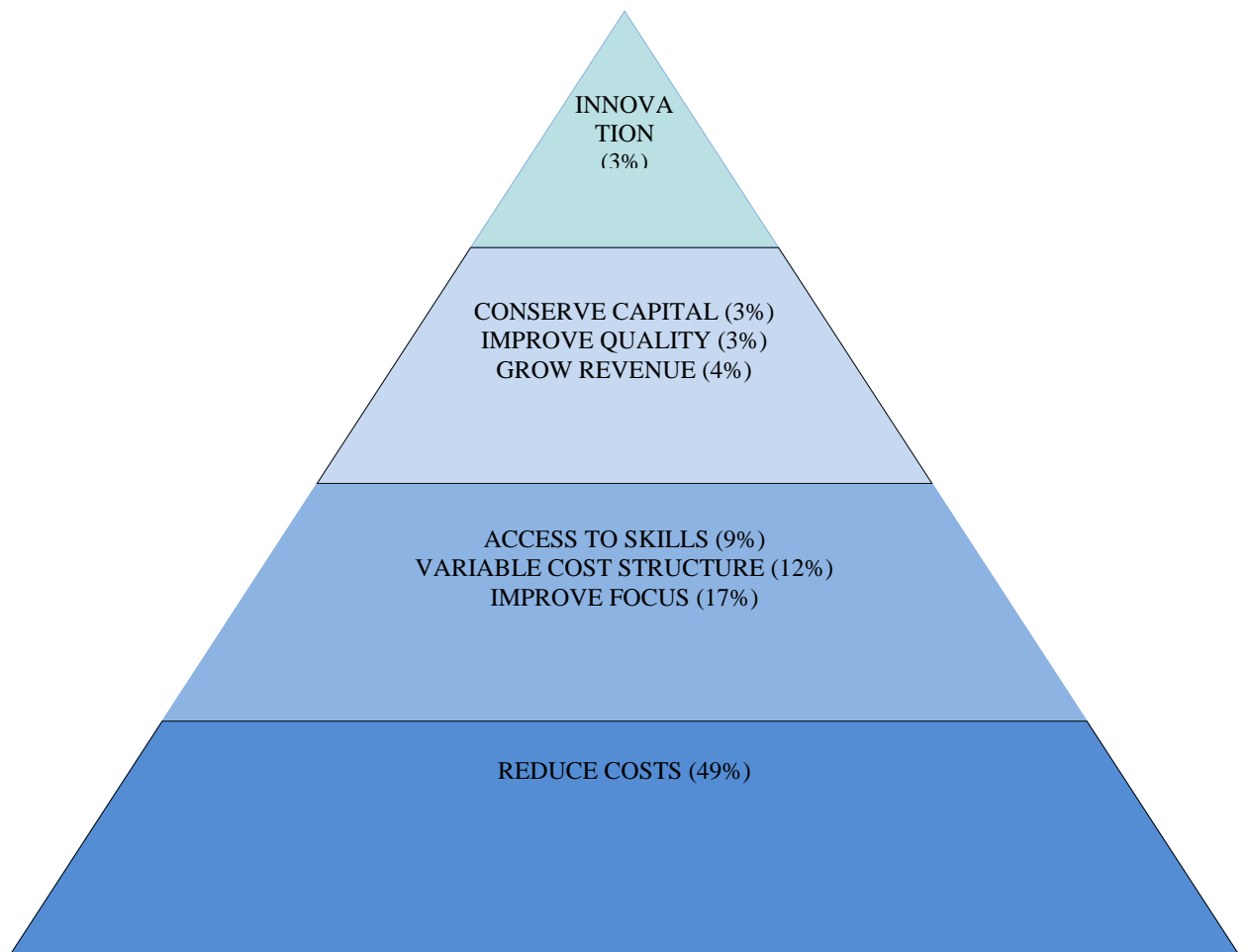


Figure 5: Benefits of outsourcing (Corbett 2004, 11)

Cost reduction

The most important characteristic of outsourcing has shown that outsourcing can help an outsourcing firm to reduce costs in the short financial period (Walker 2006). Outsourcing can help the firm save money on capital expenditure and operating expenditure such as investing in new factories, facilities, producing, marketing, launching and so on.

In the theory, firms focus on outsourcing for cost reasons because suppliers can deliver an outsourced products or service at a lower price even with added overheads and transaction costs (Kremic, Turkel & Walter 2006a). In reality, if the supplier can hire low-waged workers or buy large quantities of materials, then the costs can be reduced for the outsourcing customers. Nowadays, most external resources can be integrated effectively due to significantly segmented industries so firms find outsourcing better and cheaper than firms do it themselves despite of the negotiation and control costs.

Furthermore, investments into plants, facilities, technologies can be reduces as well. The reduced investment leads to lower break-even points caused through lower fixed costs. Therefore, outsourcing presents an attractive way to improve a firm's financial performance, especially in the short term (Bettis 1992; Gilley 2000.)

The company's core competencies improvement

By outsourcing an activity, the firm is able to pay much more attention at allocating resources to those tasks they do the best (Gilley 2000). Through outsourcing activities to external suppliers, the company can focus on their core competencies and the broader scale of business sections in order to gain the competitive advantages. Thus, the outsourcing firm can spend more time to take care of their core business (Willcocks 2006). Undeniably, for many companies, the main reason they are using outsourcing is the fact that different type of activities needs time and effort to conduct properly.

The literatures also discuss outsourcing as a strategy, particularly as it can improve business performance in various dimensions. Competitors mainly compete with a firm based on the firm's core competencies and flexibility (Wright 2001). Consequently, for resources integration, the firm should concentrate on core functions where the greatest impact will be

achieved (Kremic, Tukul & Walter 2006b). In the manufacturing context, one major source of competitive advantage is the integration of external partners among value chain instead of producing or assembling everything internally.

Possibility of flexibility

According to strategy-driven outsourcing, flexibility plays an important factor in a company's strategy, from both a scale perspective as well as scope of product perspective (Kremic, Tukul & Walter 2006c). Outsourcing can obtain the organization's flexibility since expertise suppliers are able to provide creative facilities with new technologies for components. A firm is not getting headache or biased to its own technology as it can choose to switch from suppliers (Enarsson 2008).

Moreover, Accenture (2004) states that outsourcing can avoid overload and increase innovative activities because it saves managerial time. Outsourcing companies can conduct and control the major and specialist activities internally to avoid any short-run affecting the production. Equally important, outsourcing become, in a short run, more dynamic and eager for changes to be able to face with new modifications enforced by fast changing economy. Therefore, by sharing risks with suppliers, outsourcing is one of vital strategy for one company decreasing uncertainties and reacting to changes in the market.

Access to specialized skills

Importantly, a positive aspect of outsourcing lies is the access to specialized knowledge of third parties (Quinn 1999). Any third party service provider is expert at the service they are providing and they will build up specialized skills in their niche area of operation as well. According to Bryce (1998), outsourcing gives the company a chance to access to world leading expertise, which is not available internally. Outsourcing does not only help to improve the quality of the outsourced activities but it may spillover knowledge from the supplier to the outsourcer as well (Kumar & Eickhoff 2005b). The company may have an opportunity to exploit the supplier's innovation, specialist capabilities. Hence, the company

can enhance their own performance without huge investments (Baden-Fuller, Targett & Hunt 2000).

2.4.2 Disadvantage of Outsourcing

Any coin has two sides and some certain disadvantages consisting of external and internal of natures also exist in outsourcing. Therefore, responsible people should be aware of outsourcing drawback to mitigate uncertainties.

Underestimation of additional costs

As previously mentioned, many companies often use outsourcing as a strategy to achieve cost reduction but this goal is hard to reach from time to time. Unlikely, the cost even increase due to underestimating several factors involved in the outsourcing processes. Some further costs could be experienced such as contract performance cost, communication cost, intangible and transition cost and so on.

Taking advantage of the low-wage labor in developing countries is one of the main and mostly controversial reasons for outsourcing (Bragg 2006a). It leads to problems and risks since those markets are far away from the place where the products are delivered and consumed. The longer distance is the higher expenses for communication when working with sub-contractor requires. Because it may need different suppliers at different locations assembling the products, instead of letting one supplier do it all for example. Moreover, the geographical distance may bring more problems regarding to extra logistical risks, time lags and monetary fluctuation risks (Gilley & Rasheed 2000c).

Loss of control

One argument given by Bucki (2013) states that outsourcing causes to high losses of information and control. The firm may have problems in communication and working supervising. The time-zone differences, for instance, may take the outsourcer into trouble

when internal firms work while external partners sleep for example. Worse, the firm may lose the leadership in business relations as the supplier might take over the leadership in the buyer's business relations.

Remarkably, firms may have to cope with the large risks of quality in terms of products, technical knowledge and personnel through outsourcing. Outsourcing makes it possible to offer the consumers a bigger variety of product. However, a disadvantage is that the suppliers do not assemble the products in a proper way because of misunderstanding of desired product or lack of supervisors, leading to end-customer complaints (Bragg 2006b). In many cases, the firm needs an in-house steering committee to oversee the work of the supplier. Another quality risk is loss of technical knowledge where the former company may lack part of its core technology or because the supplier is not able to adapt to new technologies. In the case of suddenly opening up new growth markets, the firm will then lack the necessary expertise because of their earlier made outsourcing decision (Prahalad & Hamel 1990).

Competitor access

In competitive business environment, its competitors follow any a firm's step. It is thus possible for its rivals to cooperate with the firm's suppliers and to take the major strategies. By outsourcing, the company often supports the supplier to expand their capabilities and technological know-how. Despite of the offered benefits for the vendors, it can be indirectly transferred better technologies or price to their competitors (Bryce 1998). In time, the supplier might work for both the firm and its competitor.

In some cases, outsourcing firms are worried that the supplier has gained that much knowledge, then it can produce the entire product itself and leapfrog the original outsourcer (i.e through vertical integration) (Kumar & Eickhoff 2005c). Choosing the wrong direction in outsourcing may widen the gaps between their business and market chance in future. Thus, the more a firm elaborates the benefits and drawback of outsourcing the less risk the company will deal with.

2.4 The processes

2.5.1 Internal company's viewpoint

An outsourcer needs to develop a precisely outsourcing plan and the steps in the process to ensure the firm in the management of the outsourcing relationship. Having a process framework provides an outsourcing firm a consistent view of the detail of the outsourcing engagement. Most of these existing models illustrate three or four seminal phases of the outsourcing process. Maskell, Petersen and Dick-Nielsen (2005) describe a process comprising six generic steps, starting from competence analysis and proceeding through assessment and approval contract negotiation, project transfer, and relationship management all the way to contract termination. Moreover, Zhu (2001) conclude that in addition to planning fourth steps and final phase should be added evaluation. Based on existing researches, Hätönen (2008) makes up of the following stages (Figure 6).

The first stage is **internal assessment** for outsourcing consisting of identifying the key competences and assessing the implication of the decomposition. Prahalad and Hamel (1994) suggest three identification criteria to assess: customer value, competitor differentiation and extendibility to evaluate. Firstly, the core competence is mainly referred to the firms' outcomes so it must contribute to customer-perceived value. Secondly, according to the competitor differentiation criterion, a core competence must be competitively unique and preferably hard to imitate. Thirdly, the competencies also present the ability of corporation to create and develop new products or services so they are not just in the eyes of a single business but also extendable to other businesses as well.

After the identification, companies are likely to rank their value-adding activities in the importance of its nature and levels (Maskell 2007). In order to avoid unconcerned and drawn-out outsourcing decision, decomposition assessment plays an important part in limiting the underestimation of non-core and core distinction in the actual business situation (Heikkilä & Cordon 2002a). This sub-process help a firm identify several reasons why the firm should keep some competences in house.

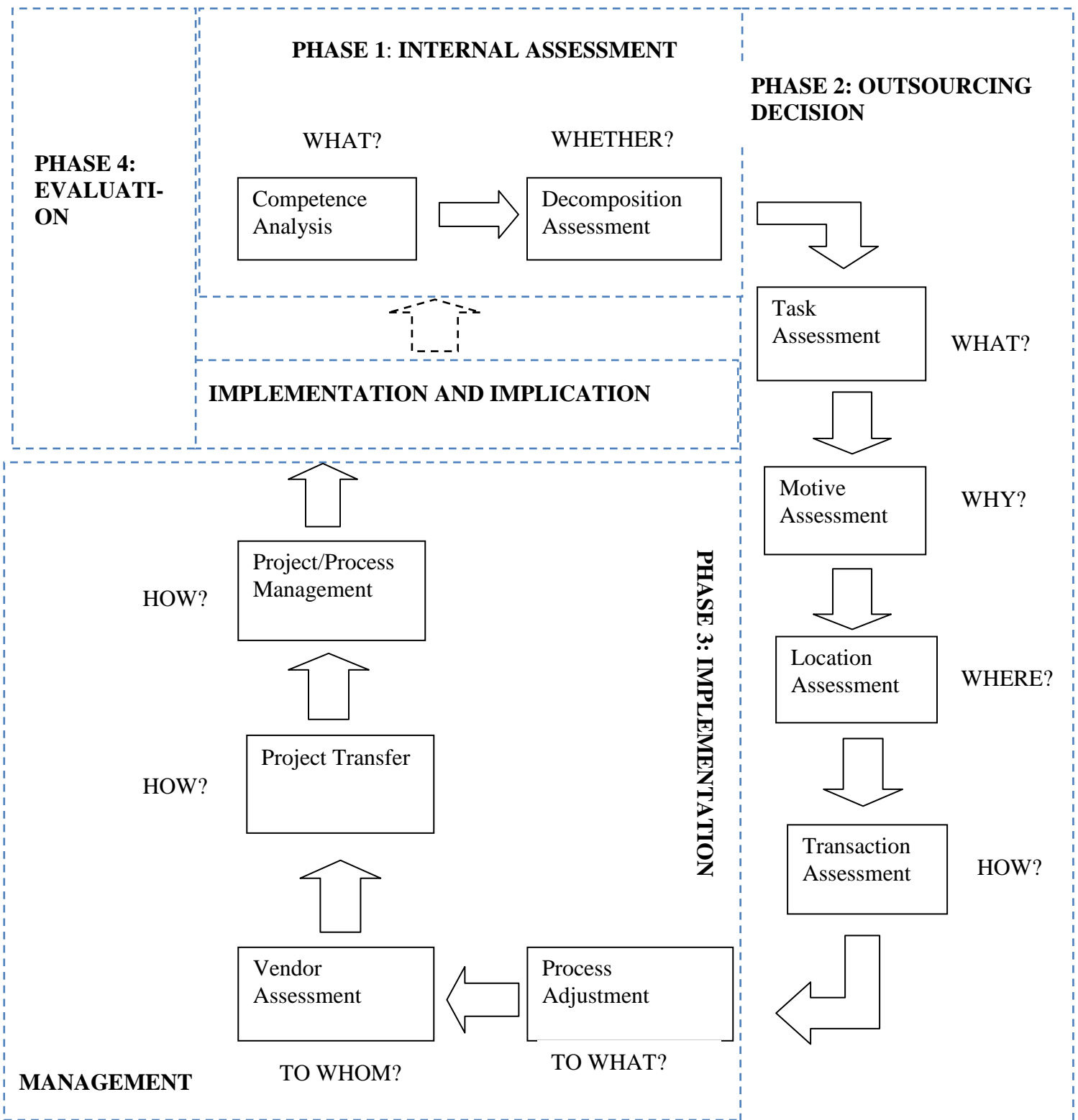


Figure 6: The process of outsourcing (Hätönen 2008)

The second phase in the process is the **outsourcing decision** entailing the assessment and conceptualization of the outsourcing task. It addressed the nature of the outsourcing task (What), the motives and performance objectives of the outsourcing process (Why), the target location (Where) and its characteristics (How). Although those questions are in different areas but they are highly interrelated.

The characteristics of the outsourcing object are considered as the key determinant not only in the initial make-or-buy decision, but also in next outsourced decision. (Williamson 1981). The categorization of different outsourcing objectives is related to their importance to overall operations. The more critical the outsourcing is to the company the more likely the company is to search to build a relationship with the supplier.

The company finds it profitable in some way itself before determining outsourcing as mentioned on the pros of outsourcing part. Heikkilä and Cordon (2002b) suggest that crucial determinants for outsourcing decision are cost savings, scarcity of capital, lack of knowledge, flexibility, speed and economies of scale.

The nature of the outsourcing activity has an impact on the choice of outsourcing location (Graf & Mudambi 2005a). Further, the benefits of outsourcing are also important influencers regarding to location and decomposition model (Farrell 2005). There are a number of factors influencing on outsourcing location decision such as internal factors (experiences, outsourcing objectives), external factors (stakeholder requirements), locational factors (infrastructure, country risk, governments) and situational factors or nature of the outsourced activities. It is important to keep in mind that how and the extent to which the actual work is divided between different locations depends on the situation.

The question of how to outsource regarding to the mode of governance, divestment and the overall model for decomposing the activity. Firstly, relating to governance mode, firms need to adapt both hard (contract-based) and soft (trust-based) governance mechanisms even though no exact model for managing relations exists (Barthelemy 2003). Asset specificity and knowledge intensity often increase the need for closer inter-organizational

cooperation. Secondly, task division often refers to two aspects of outsourcing process: where an activity is carried out and by whom. It is quite common practice nowadays for separate tasks to be undertaken in different locations. For example, in furniture case, metal table legs can be outsourced in China, yet at the same time, some wood processing for table faces may be carried out in Vietnam for instance. Thirdly, decomposition mode or the extent to which the firm outsources the functions or activities is considered as one physical distribution in outsourcing decision. Sanders (2007) find that the higher the level of selectiveness of outsourcing, the more management control of the activity the firm retains.

The management of outsourcing implementation is the third phase of outsourcing process. There are two distinct phases: pre-implementation and implementation. The first pre-implementation management task is process adjustment and lies in the process referred to as modularization. It reflects the degree to which their production processes are decomposed into smaller subsystems and activities. Outsourcing teams design and manage independently, but they combine all activities as a whole function (Baldwin & Clark 2000.) Managing product modularity must take account into knowledge and organizational coordination (Brusoni & Prencipe 2001). The second pre-implementation task is supplier assessment as the key to the success of an outsourcing strategy. There are some important criteria in selecting the outsourcing supplier including in order of importance, specific skills, reputation, price, geographic location, culture certification level, flexible contract terms, available resources and so forth. In general, the company needs to be able to measure the important characteristics and to evaluate the suppliers based on their specifications (Christensen 1997).

The next step of the outsourcing process is the implementation management consisting of two sub-steps: project/process transfer and process management. Transfer refers to the management task of actually moving production to the supplier. The second key task of this stage is the on-going management of the outsourced process. It is the task of management to extract the value while simultaneously managing the risk and it depends on what form of relationship between players. Different forms suit different types of outsourcing, driven by different motives, in different locations and transactional operational modes. Building a

good relationship with providers is one of the most important factors in outsourcing management success (Morgan 2003, 44).

The last phase of outsourcing process is **the evaluation** focusing on the performance and implications. In general, outsourcing performance is the degree to which the supplier meets or fulfills and the pre-agreed services levels (SLAs). Key performance indicators (KPIs) are often used to measure it in this area. Certainly, they should be based on the situation and different aspects related to the outsourcing decision. The implications of outsourcing often fall short of the pre-determined performance goals. For instance, Lane (2005) found that over one third of those aiming to achieve cost saving through outsourcing incurred additional, hidden costs related to the process. The appearance of hidden costs in the process is a result of the inadequate assessment of the total costs involved.

2.4.2 External company's viewpoint

The focus in this part is on the outsourcing process from the perspective of external firms or in the context of the suppliers' process in outsourcing activity. For vendors, the process is different and varied based on products or services and situation. The author depicts five possible phases for vendors in outsourcing activities (Figure 7)

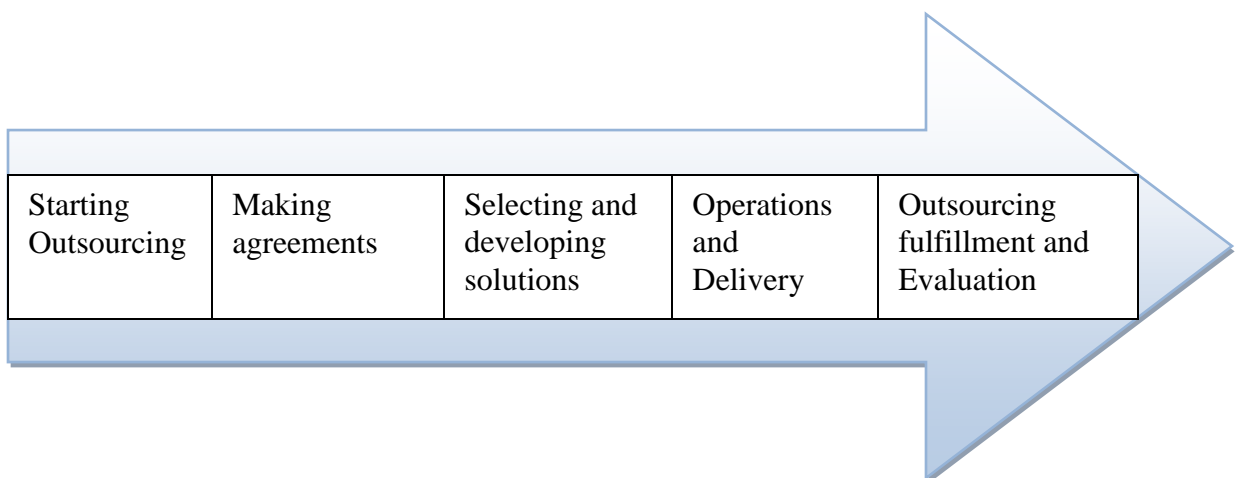


Figure 7: The process of outsourcing services

Firstly, **outsourcing starts** when an outsourcing firm keeps up with a supplier to discuss about outsourcing services. The outsourcing firm basically figures out and chooses suitable suppliers with their own goals and benefits, but suppliers can also attract their customers by contacting and building their relationship first. The evaluation of the cost and the analysis of the situation should be done in this stage before making the outsourcing decision among players.

The second stage of outsourcing activity for vendors is **agreements and targets**. Making agreements or signing contracts with customers is a potent step between outsourcing firms and suppliers. They both have to negotiate the specific prices, products and other detailed services, regulations and so on in the contract. It is important to note that the types of agreements base on the forms of outsourcing and may relate to third party if one firm uses that. The suppliers are responsible for operating due to the contract and the customers have to follow and supervise the operations.

Selecting and developing solutions is the third stage in the process, which helps the supplier achieve the better performance themselves. Depending on the specific requirement of products and services the supplier can figure out the solutions by manufacturing their own or sub-contracting with other suppliers for instance. Up to types of outsourcing, the outsourcing company can cooperate with the service provider to find out solutions. Thus, the supplier may provide the service differently by the situations of each company.

The fourth stage of the process is **operations and delivery**. Operating in the process requires different management-related challenges to undertake product-development activities. It may include purchasing, producing, transporting, warehousing. The supplier can buy raw materials from other companies or outsource some components from external firms. They are able to manufacture products themselves or sub-contract with other as mentioned in developing solution step above. All companies try to develop the logistics performance to improve their competitiveness in the market through transportation and warehousing mainly. Once again, based on different forms of outsourcing contracts, the supplier and the outsourcing firms may use various logistics service providers such as the third party logistics providers (3PL) and 4PL. In the cases, those logistics service providers

company will take the responsibility of control and manage all of those warehousing and distribution issues, so the company can just supervise the service provider and even follow the order online.

The last outsourcing process is **outsourcing fulfillment and evaluation**. After finishing all activities and the products are in the customers' hands, the assessment provides the performance implications, which remains one of the key issues in outsourcing success and in keeping last-long relationships with customers. The outsourcing firm will give a feedback so the supplier firm can evaluate itself the work of services. Both players will evaluate all the performances and it may have a great impact on their business in the future.

2.5 Functional strategies on outsourcing decision

In order to understand the way of how the company is conducting business to make the right decisions in in-house manufacturing or outsourcing, it is necessary to analyze the strategic impact of the company. As mentioned above, outsourcing is dealing with the procurement of products or services from third parties or resource allocation outside its plant. As an outsourcer's perspective, resource allocation is a strategic matter as it is part of a strategy (Walker 2006a). There are several strategic levels within a corporation as depicting below

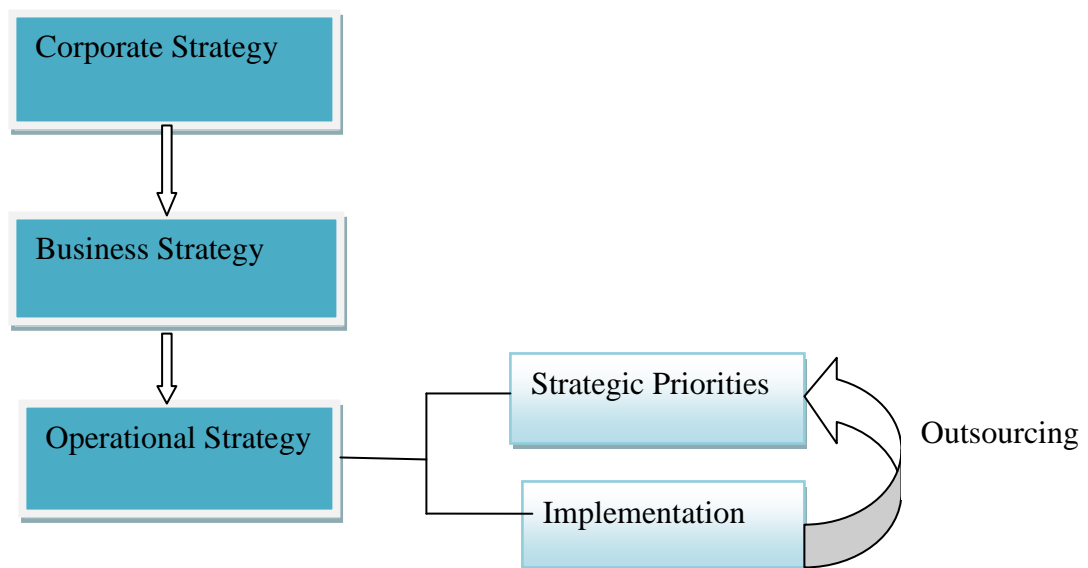


Figure 8: Functional strategy of outsourcing (Walker 2006)

At the highest level, there exists a corporate strategy directly formulating how success of the firm as a whole (Mitreanu 2006). This strategy is the direction of a corporation and the way in which its various business operations work together to achieve particular goals. It is the foundation of the business strategy, which is the formulated strategy on business unit level and find out the overall way to compete in the chosen market (Walker 2006b).

Grassmann (2004) stated that the business strategy is planning to deploy its resources within its environment to satisfy its long-term goals, and to organize itself to implement that strategy. In other words, the business strategy helps to allocate an organization's resources into a unique posture; and integrate major goals, policies and actions of the organization into a cohesive unit. It analyzes external environment of the firms regarding to the competitors, customers and supplier observation that affect the firm's performance and decisions.

The operational strategy consisting of two components: strategic priorities and implementation is the following level in which considers the day-to-day operational business. All subsequent operational or tactical planning and resource allocations are based on strategic priorities. It concentrates on the importance of operational activities ranks in order to reach the strategic goals such as cost-saving, product quality, innovation. Implementation is about the realization and translation of the strategic priorities into the day-to-day businesses. Therefore, implementation decides the allocation of resources in the specific and precise level where the outsourcing comes in.

For example, if the strategic priority of a furniture firm is cost, outsourcing to a specialized supplier can be a way of implementation that changes the allocation of the resources within the organization to cheaper-cost vendors. Eventually, outsourcing is an implementation-component of the operational strategy in that case. It is undeniable that the outsourcing decision arises at different levels and it is a deliberate choice of a corporation. The strategic decisions on outsourcing depend on various elements regarding to business objectives, perceived customer value, competitive advantages, resources and capabilities, potential pros and cons of outsourcing. In sum, outsourcing is an integral strategy of a firm in which is formed by many sub-strategies.

3. ANALYSIS OF FURNITURE INDUSTRY IN VIETNAM

3.1 Overview of furniture industry in Vietnam

Vietnam is a largely agricultural country with two-thirds of the workforce employed on the land. Since 1986, Vietnam has gradually shifted from centralized planned economy into a socialist-oriented market economy in implementation of industrialization, modernization of the country. With an open door and world integration policy, Vietnam has achieved a significant progress in developing the economy. “Vietnam has already achieved five of its ten original Millennium Development Goal targets and it is on the way to attain two more by 2015” (VIETRADE 2011). The table below presents some historical data for Vietnam’s economy overview in recent years

Table 2: Vietnam's basic economy data (The World Bank, General Statistics Office of Vietnam 2012)

	2006	2007	2008	2009	2010	2011	2012
GDP per capital (US\$)	731	843	1,070	1,130	1,224	1,408	1,596
<i>Agriculture</i>	198,676	232,188	326,505	339,990	407,647	558,284	638,773
<i>Industry and Construction</i>	404,344	4,756,830	590,075	662,119	814,065	1,020,408	1,199,359
<i>Service</i>	370,771	436,146	564,055	643,372	759,202	9,579,939	1,112,552
GDP growth %	8.44	8.23	8.46	6.18	6.4	7.34	6.1
Inflation Rate %	7.5	8.34	23.11	6.7	9.2	18.6	7

In the last 10 years, the Gross Domestic Product (GDP) has more than doubled and the economic structure has made a positive shift. Vietnam GDP Growth Rate averaged 6.21 %

from 2000 until 2013 reaching an all-time high of 8.46 % in December 2008 (General Statistics Offices of Vietnam 2013). In general, Vietnam economy has experienced ever rapid growth and become a leading agricultural exporter and served as an attractive destination for foreign investment in Southeast Asia (BBC 2013)

In particular, the furniture industry has played a significant role in promoting Vietnam to be an important exporter and a world-class trade volume. The sector has greatly contributed to the country's GDP. The Vietnamese furniture industry develops from a small industry to a major manufacturing with more than 2,500 furniture manufacturers and around 15% export-focused (VIETRADE 2012). Besides companies from the region like Singapore, China and Taiwan, there are also big Scandinavian companies active on the Vietnam market such as Scancom, IKEA and Scanasia. According to official statistics, there are over 1,300 wood processing and manufacturing factories with a total round wood capacity of 2 million cubic meters per year from the early 2000s. There are 374 state-owned factories sharing 31% processing capacity. The remainders are private-owned and foreign-owned (FDI) factories. In 2007, there were 1,500 registered medium- sized and big companies within the wood processing industry, 30% of these are State owned or joint stock companies, 60% privately owned while the remaining 10% are foreign owned companies (VIETRADE 2007.) Additionally, there are also thousands small woodworking manufactures that have not registered across Vietnam yet.

The Vietnam furniture industry has become a big global business. By 2005, furniture was the largest low-tech sector with a total global trade worth US\$ 97,185 billion, accounting for 0.948% of total commodities, and ranking 19th among biggest trading sector, exceeding apparel (ranking 20th) and footwear (ranking 31st). The global furniture trading volume has been increasing faster with 7.52% growth rate than that of apparel and footwear product with 6.71% and 2.86% respectively (UNCTAD 2007.)

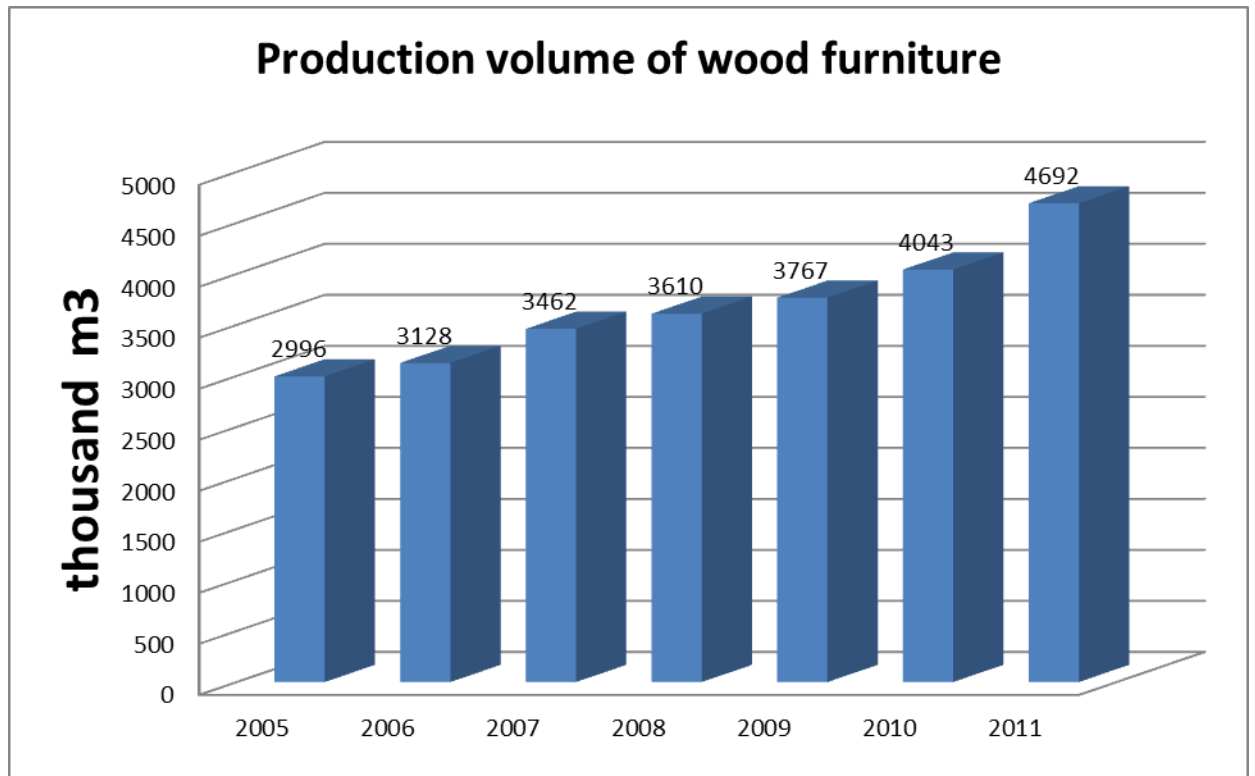


Figure 9: Average annual wood furniture production in Vietnam 2005-2011 (Vietnam Timber and Forest products Association 2012)

In the recent ten years, Vietnam's wood furniture industry has remarkably achieved in terms of scale and quality, in increasingly foreign investment. Export turnover reached US\$ 4.67 billion in 2012. Vietnam has become one of the world's top furniture exporters, holding 0.79% of the world's furniture market since 2005 (UNCTAD 2008).

However, regarding to production scale, in overall, it is relatively small and medium. A survey of the wood processing industry in Kontum and Daklak provinces show that the wood processing industry operated at only 69% and 57% of designed capacity respectively in 2010 (Dawson 2010). The companies, which employ less than 50 employees, are about 50% while companies employing more than 500 workers accounting for only 9% of the total furniture enterprises (Employment Structure 2010).

Nevertheless, the potential development of wooden furniture industry of Vietnam is very large because the recent export volume satisfied only 1% of the actual demand of the world

market (UNCTAD 2008). Currently remaining issues including the high rate of raw material import (about 1/3 compared to timber exports), a high wastage rate in processing, increasing exchange rate reduce the profitability of Vietnamese businesses.

Wood furniture producers mainly gather in three regions the Northern Red River delta provinces (Bac Ninh province), the Central highland provinces (Quy Nhon city) and the Southeast provinces (Binh Duong, Ho Chi Minh, Dong Nai industrial parks). These three main production areas notably distinguish from each other in their institutional context, their production scale, types of products and target markets. The industry produces four main types of products: exterior furniture, interior furniture and fine arts products. Firms in the Central highland and Southeast provinces produce western-style furniture mainly for the EU, UAS markets and a small minority in the domestic market while firms in the Northern provinces make home accents and traditional solid wood furniture for the domestic market as well as China, Japan, South Korea markets.

In the context of Outsourcing, stories about furniture companies outsourcing to Vietnam have appeared as frequently in the news. Due to a number of benefits of outsourcing in Vietnam, hundreds companies have been seeking actively companies in Vietnam for alternative producers or vendors. Certainly, price is not the only important factor for the outsourcers to knock on Vietnam's door. Remarkably, it is products' quality and prestigious businesses. Vietnam had been a long-time furniture exporter of the European Union, Japan, and the US recently. Vietnam has tried to promote the business relationship by complying with EU's regulations on material origin and environmental standards.

Vietnamese furniture industry has increasingly caught international companies' eyes. For instance, two large furniture producers are Kaiser and Grand Art Furniture, which are two large joint venture and Taiwanese owned factories located in the My Phuoc Industrial zone. The Kaiser facility is one of the largest furniture exporting companies anywhere in Asia exporting 30 forty-foot containers a day currently to the U.S. and according to management soon to target a daily export figure of 50 40-foot containers (Kaiser Company 2013).

The revenue of furniture enterprises in Binh Dinh province in 2008 as an example of emphasizing the reason for the recent outsourcing or investing in the furniture industry (Figure 10)

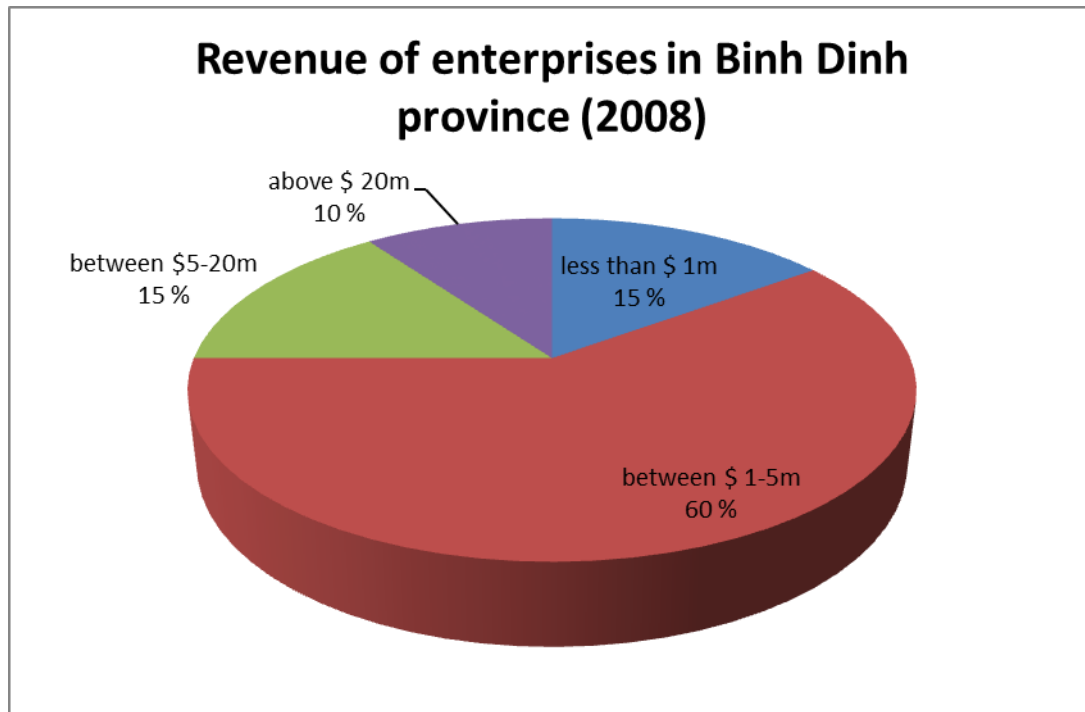


Figure 10: Revenue of enterprises in Binh Dinh Province in 2008 (Le Khac Coi 2008)

For the last few years, Ho Chi Minh City has held the HCMC International Furniture and Handicraft Fair and Exhibition (HCMC Expo) to further publicize the nation's thriving furniture industry. The event draws in both Vietnamese furniture manufacturers and potential international partners who look to locate their business in Vietnam. Many outsourcing contracts have been signed; many business relationships have been established through the exhibitions.

Export

Export value of Vietnam's wood and furniture industry has the highest growth rate for many years. In 1996, export value of the industry was only US\$ 61 million and reached nearly US\$ 0.5 billion in 2000. Within 7 years recently, the furniture industry has become one of the top export sectors of Vietnam (VIETRADE 2012)

According to given statistics, the export volume of Vietnamese furniture had been continuously increasing over the decade with an exception of the year 2009 due to the global economic recession. In the year 2008, because of the export value, the furniture industry of Vietnam became the fifth largest wood product exporter in the world after China, Malaysia, Indonesia and Thailand. In 2009, Vietnam found itself the second largest exporter of wooden goods in Southeast Asia (VIETRADE 2010.) In the year 2012, Vietnam set the target of export volume of 4.2 billion USD; however, it reached much higher than the targeted volume. (Figure 11)

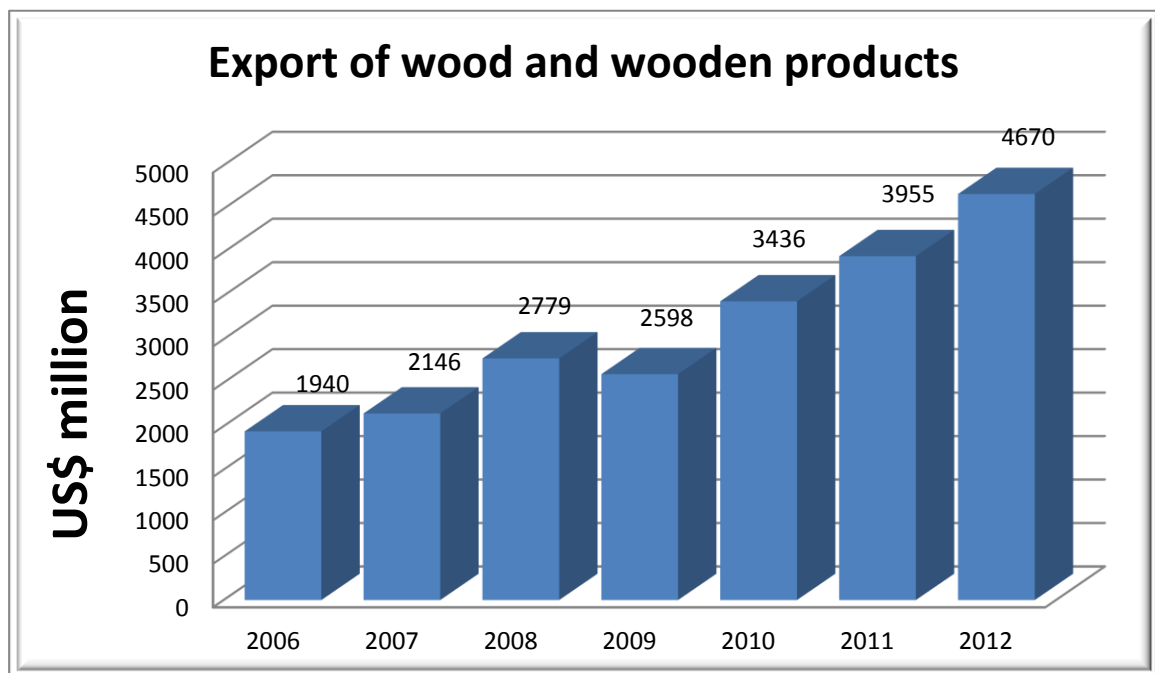


Figure 11: Export value of wooden products in US\$ million (General Statistics Offices of Vietnam 2013)

According to Vietnam Timber and Forest Product Association (Vietforest), Vietnam's furniture has exported to 120 countries all over the world. In 2007, after joining WTO, exporting to European countries (28 %), Japan (24%) and the US (20%) held the biggest market positions at that time (Vietforest 2008). In 2009 the rate between those markets were changed. Export wooden products into the US grew from USD 500,000 in 2006 to US\$1.1 billion, which accounts for over 42% of the country's export value of wood

processing industry. In 2012, the export to the US was 35%, followed by the EU 22% and Japan 17% (Figure 12). The remaining exports continued to increase to big markets like China, South Korea, Australia, and Canada and so on.

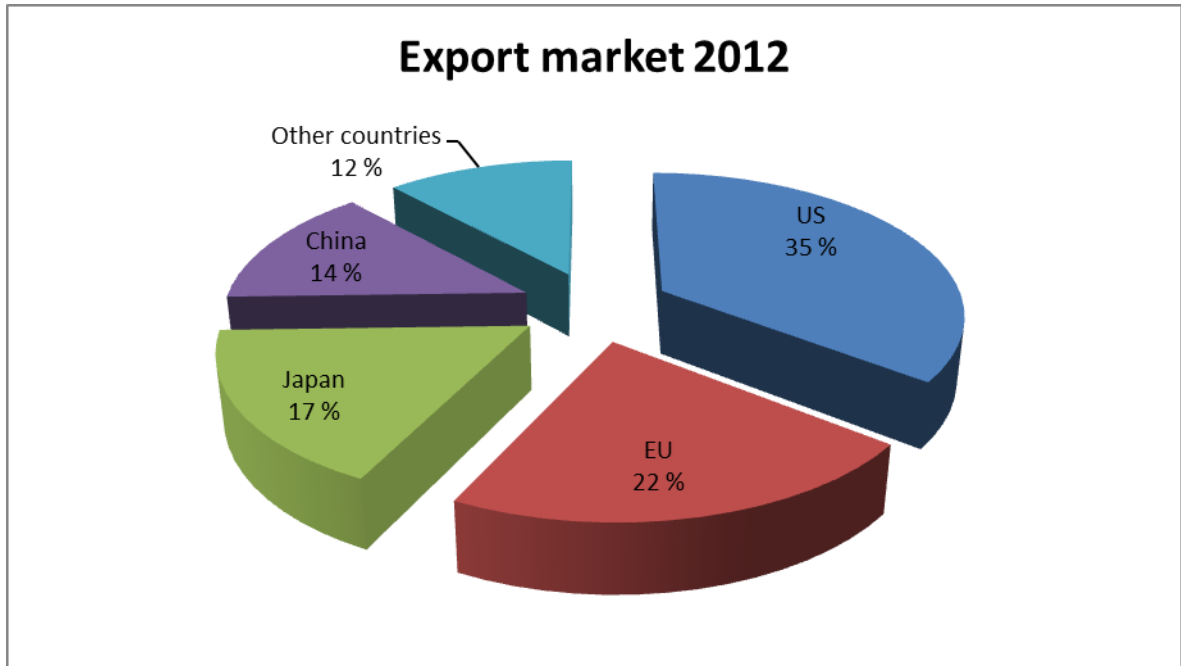


Figure 12: Vietnam's key export markets in 2012 (Vietnam Timber and Forest products Association 2013)

Import

Due to lack sources of wood material supply in Vietnam as well as the growing demand, most of wood materials are imported. Illegal logging as well as land clearing for housing and agriculture has limited Vietnam's resources of natural wood so Vietnam has led to strict government regulations on lumbering. In fact, Vietnam factories have to import around 75% of their furniture raw materials and components. Currently, producers import almost 2.5 million cubic meters of timber each year to meet domestic production demands. By 2020, Vietnam expects to export US\$ 8 billion worth of wooden furniture, which means that they will need 24 million cubic meters of wood and US\$ 4 billion to develop material areas (General Statistics Office of Vietnam 2013.) Because imported wood is comparatively more expensive than domestic wood, it usually leads to higher production costs.

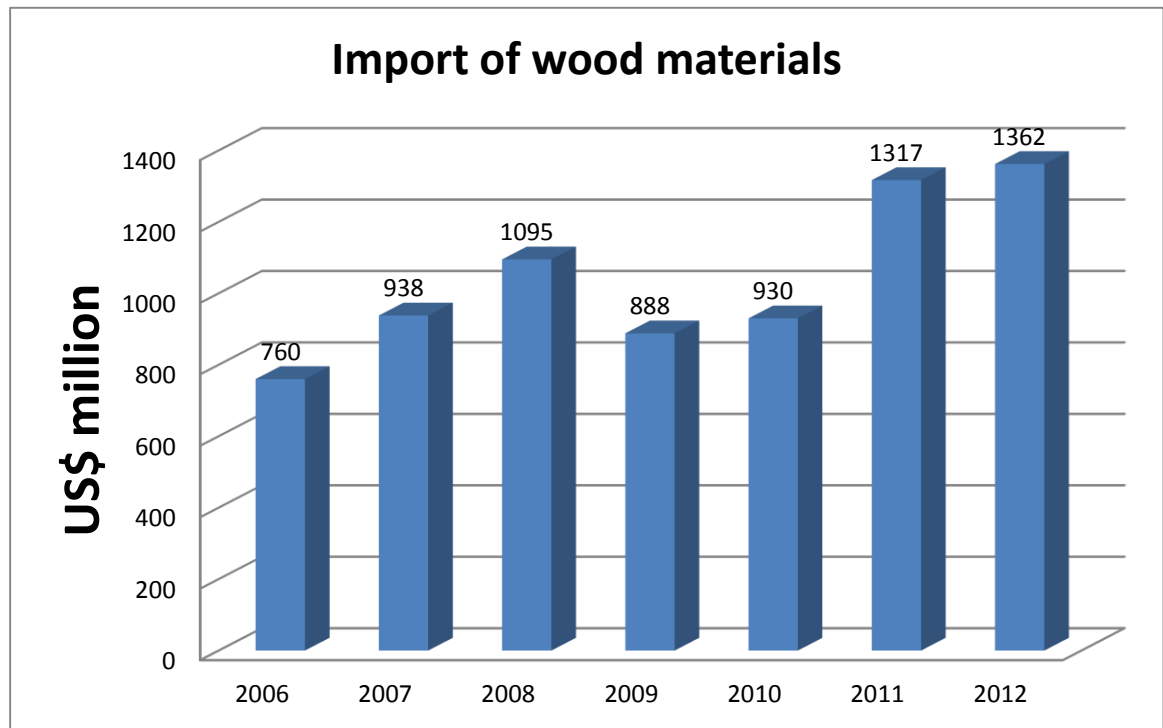


Figure 13: Import value of wood materials in US\$ million (General Statistics Office of Vietnam 2013)

3.2 SWOT analysis of furniture industry in Vietnam

The Vietnam furniture industry has rapidly developed over the decades. In addition to traditional market in the Asia Pacific, it has attracted great interest from markets such as USA and Europe. The attraction is much attributed to the low cost of products coming out of the nation as well as the huge improvement in quality. Low costs and improved quality can be considered as one of predominant strengths of Vietnam furniture industry but still existing a lot of weaknesses in the industry. Besides the opportunities, the industry also brings some threads to both domestic companies and outsourcers or investors. By provided information from VIETRADE and collected secondary data, the author briefly modifies SWOT analysis of the furniture industry. (Table 3)

Table 3: SWOT Analysis of Vietnamese furniture industry

Strengths	Weaknesses
<ul style="list-style-type: none"> • Plentiful labor with adaptable and low-wages • Excellent handicraft skills and wide range of materials • Attractive environment for FDI due to low costs and stable environment • Incentives development of furniture industry of the government • Recent joining WTO with an adequately predictable environment • Export oriented infrastructure with minimized ‘red tape’ • Convenient geographical location 	<ul style="list-style-type: none"> • Shortage of skilled workers • Under capacity in training facilities and infrastructure • Poor and outdated equipment • Lack of environmentally certified forests • Lack of adequate home produced supply of raw materials • Lack of trained and experienced marketing personnel • Weakness in design
Opportunities	Threads
<ul style="list-style-type: none"> • A ‘sunrise’ industry in SEA with higher national and international demand for furniture • Time for Vietnam newcomer to develop a presence in the market via design, quality, business culture • Presenting many chances for innovative manufacture, marketing, distribution due to IT age • The need to develop a material supply side in plantations and natural forests • The development of a strong furniture industry and creating potential jobs 	<ul style="list-style-type: none"> • Unprofitable or very marginal production long-term development of small firms and SMEs • A crisis needing immediate action to short-term development due to lack of skilled workers, personnel • Thread of FDI companies’ leave again to cheaper labor nations • Competitiveness of many marginal neighboring producers and wood material supplying countries

Strengths and opportunities

The biggest advantage of Vietnam furniture industry is abundance of flexible workforce with low-wages comparative to neighbor countries. For example, unskilled workers in Vietnam are typically paid US\$ 150 a month, compared to US\$300 paid in Southern China (Vietnamnet 2013). Vietnamese workers have a striving work ethic that makes international entrepreneurs exciting to invest in Vietnam. The country's political social stability and the great encouragement for the sustainable development of the furniture industry from the Government are also big advantages. Many foreign companies find the Vietnam furniture attractive by such attributes.

Although large- scale industrialization of furniture manufacturing is a significantly recent development, the furniture making has long tradition in Vietnam. Vietnam has a long history of stability from the 10th Century until the 19th Century, when arts and crafts had flourished and currently drawn upon for decoration and differentiation in the products (Office of Commercial Affairs 2010). The traditional furniture production area such as in Bac Ninh has enormous potentials for international markets. Further, under the French period, Vietnam enhanced the already developed arts and supported the production of Classic French and English styles, which help to adapt international markets easily.

Moreover, in the IT age creative exploitation of IT can ensure that Vietnam captures the maximum return possible for its producers and the country as a whole. It is an appropriate time for Vietnam to create its own business model for its furniture industry rather slavishly following former development patterns. Innovation in the production of panel and materials may help to reduce the dependency on import as well. The development of a strong furniture industry also has potential to create many jobs as the furniture industry focuses on the worldwide oriented-export.

Weaknesses and Threats

The basic challenge for the Vietnamese woodworking industry is to improve the product quality and hence the value added to products. Several issues are important for foreign companies to address when looking to invest in the industry. First, the issue is the shortage of raw material as mentioned above with around 75% of imported wood. High quality items often have to be imported although the ongoing developments within the metal industry in Vietnam might improve the supply for the furniture production in a few years.

Secondly, facilities and the machinery in use are often not fully up to date. The shortage of equipment has a bad impact on production efficiency as well as capacity. Thirdly, lack of exposure of senior management to international markets, financial training and the lack of trained designers, technical supervisors present a major threat to the medium term development of the industry.

Last but not least, the industry overall is producing relatively lowest price to large multinationals who brings large quantities of sales but with little margins. Therefore, the biggest threat to the long- term development of the Vietnamese furniture is unprofitable or only very marginal production for large multinationals. Consequently, it probably limits the future development of the enterprises engaged in this business. In addition, a high proportion of current exports is produced by FDI companies. Many of them have come to Vietnam to avail of low cost labor and flexible workforces. They will be tempted to leave again when cheaper labor countries offer good prices. However, it is also a big chance for the country to integrate international investors into the industry and encourage them to stay and develop in Vietnam.

3.3 Potential pitfalls for outsourcing companies in Vietnam

Although many of these attributes accrue to a good plan and well- managed outsourcing activities, many firms are naive about the commitment and discipline to reap outsourcing benefits. As the result, outsourcing will be easy to fail or engage in ‘back sourcing’ and outsourcing furniture in Vietnam particularly is not exceptional. Based on the threads

analysis of Vietnamese furniture industry, there are a certain number of pitfalls of the industry; the author would like to remind international outsourcers.

Mistaken thinking in managing the business relationship is the first trap of outsourcing to Vietnam. Once the outsourcing contract is signed, the outsourcer often believe that the responsibility and risks are shifted to the provider so they have very little to do. This is the biggest reason why first-time outsourcers go wrong. Remarkably, the business relationship in Vietnam is the most important factor to go further. Meeting with the provider occasionally, and reviewing performance and other information frequently are required. The management of an outsourcing relationship requires different skills than the management of the individuals. The majority of organizations operate in a casual style hoping that things will turn out as planned. However, as empirical reality, there are only a handful of organizations with dedicated teams and centers, which oversee outsourcing efforts. It is also important to note that building and active maintaining the relationship with partners in Vietnam is crucial to limit uncertainties.

The confused meaning of the baseline performance relating to cost- based and time-based performance can be seen as the second common pitfall in this case. The failure to provide a legitimate baseline during the deal's terms is one of the main reasons why the outsourcing relationship breaks down. Development of an accurate baseline for defining and pricing the so-called 'in scope' functions or people are not as easy as it sounds. Cost saving is one important rational for outsourcers to engage in outsourcing furniture in Vietnam but in some cases, it costs more than expected budget due to additional costs. In Vietnam, labor cost is low comparative to other neighbors but under-capacity of infrastructure and high import- raw material can increase the cost and create extra costs. Besides, the schedule risk in furniture outsourcing is another uncertainty in the ability of a project to deliver the end furniture products within a specified period. Vietnamese people appreciate punctual timetables but on national holidays as Tet holidays, they are likely to work less and many service providers in Vietnam loosen in operating.

The last trap presented in furniture outsourcing in Vietnam is **uptight management of intellectual property rights (IPR)**. IPR provides exclusivity over certain features of a

product, enabling the owner to prevent or stop others from commercially using them in the marketplace. This enables for both outsourcers and providers firms to control the use of their trademark and the innovative features of their products, thus strengthening their competitive position in furniture markets. However, Vietnam indeed has to face with lack of governance IP and the intellectual property violation still exist in furniture industry at particular (Vietnam-US Embassy 2012). Therefore, it is very critical to understand the IP environment in Vietnam furniture market while outsourcing firms are preparing an export plan and strategy in order to avoid some of the most common IP mistakes.

3.4 Cost analysis

Before the outsourcing firm determines to outsource a product or service from companies in Vietnam, certainly they have to make the cost analysis of the operation. Each firm has their own method or tool to analyze the costs and make the decision. Among those, a method adapted by Deloitte (2007) below may be a good calculation to help the firm analyze and evaluate some procurement costs

Purchasing cost or production cost abroad

+ Logistics:

- Inland freight in the production country
- International freight
- Inland freight in the home country
- Transfer charges
- Additional safety stock

+ Customs duties and fees:

- Duties
- Customs fees
- Harbor fees

+ Taxes:

- VAT and or import tax
- Tax incentives in the production country

+ Other costs:

- Cost of quality monitoring
- Cost of damage
- Supplier development and certification
- Cost due to exchange rate volatility

= **Total cost of procurement**

In terms of freight and transportation costs in Vietnam, shipping and forwarding companies either belongs to local or foreign companies. They offer various kinds of services, from customs declaration and clearance to hiring containers, chartering vessels, inland transportation. Freight in Vietnam is often higher in than other neighbor countries due to lower traffic density and poor seaport infrastructure. For example, shipping costs of one furniture ship from Vietnam to the USA is about two times higher than China's and a little more expensive than Indonesia's.

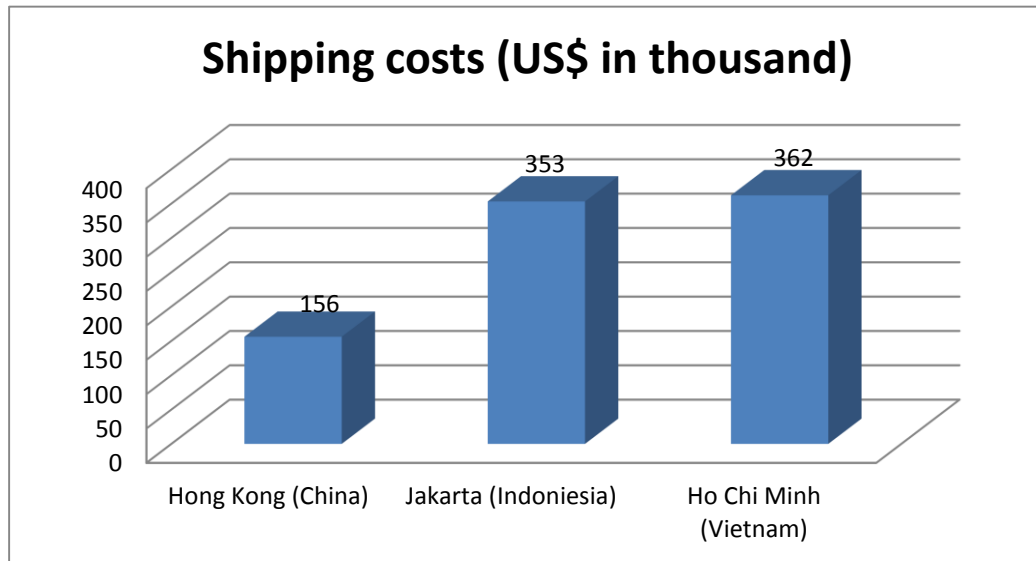


Figure 14: Transoceanic shipping cost comparison 2012 (Numbeo 2012)

Moreover, major shipping companies do not ship directly from Vietnam to far arrivals like the USA and EU countries. They have to transit in some big ports in HongKong, Singapore, Malaysia and so on. Therefore, the current shipping routes increases delivery time and costs as well. For instance,

Typical shipping schedule from Vietnam (Maersk 2011)

Departure:	Haiphong or Ho Chi Minh
Transshipment ports:	Tanjung Pelepas, Malaysia or Kaohsiung, Taiwan
Arrival:	Los Angeles, California
Duration:	17 – 35 days
Frequency of Departure:	Daily from Vietnam, weekly from transshipment port
Delay at Transshipment port:	7-13 days, average of 11 days

Infrastructure, especially the availability of suitable seaports, has become a major concern for the development of the furniture industry in several provinces. There is a trend towards moving processing factories from the Central Highlands provinces to the wood processing centers like Ho Chi Minh, Binh Duong and Binh Dinh. It may help to reduce the transportation cost to the port and increase the sourcing capacity of supporting accessories. The processing factories in the provinces are then just specialized in parts and accessories production for the final assembly factory in the wood-centered areas. Wood furniture manufacturers in Gia Lai is an example, they have to pay between US\$350 and US\$750 for a 40' container to Quy Nhon and Saigon port, respectively while the cost from Binh Duong to Saigon is just US\$200 (VIETRADE 2012).

3.5 Risk management

Risk management in outsourcing furniture has gained increasing importance in the last few years. There are various risks involved in outsourcing activity in any country from global risks to organizational risks. In furniture industry particularly, firms should concern of some predominant business risks when outsourcing in Vietnam

Financial risk management

Undeniably, before making outsourcing decision, outsourcers must define and baseline financial system maturity levels and the costs of moving forward including internal versus external cost analyses. Financial imperative and the matrices for evaluating organizational performance are important to the profitability and survivability of organizations. Financial

risk management discussed here focuses mainly on the country's economic risks and an exchange rate risk, which can have a bad impact on outsourcing firms.

In general, Vietnam has relatively stable macroeconomic conditions with moderate inflation 6.7% in June 2013 and significant increasing in foreign reserves. Economy expected to grow at a moderate rate of around 5.2 % during 2013 and 5.4 % in 2014 (The World Bank 2013). However, there are many downside risks in Vietnam. Slower growth may intensify demand for further loosening of monetary and fiscal policies with the risk of stocking inflationary pressures and reversing the recent gains in stability (The Vietnam's Recent Economic Development 2013) (Table 4).

Table 4: The exchange rate VND/US\$ and VND/EU (The World Bank 2013)

Exchange rate	2006	2007	2008	2009	2010	2011	2012
VND/US\$	16,054	16,114	16,977	17,941	18,932	20,828	20,500
VND/EU	19,172	20,805	23,569	26,474	25,849	26,711	27,250

Technical risk management

Importantly, the technology risk management plays a critical role in identifying the organization's technology support attributes. It also exposes potential risks related to the proposed outsourcing project technology and affects both outsourcers and vendors.

As mentioned in weaknesses of Vietnam furniture industry, the competitiveness of Vietnamese businesses in technology is still weak due to the low investment in using facilities and machinery. According to a survey conducted by the Danish International Development Agency and the Central Institute for Economic Management in Hanoi (2013), 8,000 businesses in Vietnam improve their technological applications; only 5%, use their available technologies. There are several companies specialized in this business but most of them are still in small scale (about 80%) and medium scale (20%) producing furniture with low technology equipment. Most of sophisticated machinery is imported either new or

secondhand. There is no exact data on the percentage of wood processing machines that are imported but it is likely that it is over 80% imported mainly from Japan, Taiwan, China, Italy and Germany.

The 2008 Audit of the Defence Budget (the Pappas Review) identified technical risk as the major cause of post-approval slippage and a significant cause of cost escalation. Improving technical risk management practices would help reduce schedule and cost escalation. Notably, a furniture outsourcing firm should accept technical risks in Vietnam only where there is significant capability benefit to do so, otherwise keeping the work in-house may be the best option.

Quality risk management

In outsourcing, it is important to analyze risks in term of quality regarding to the different strategies of outsourcing. According to ISO 9000, quality is defined as the end deliverable meeting customer requirements. Quality risk is considered as the inability of the end deliverable products or services to get customer satisfactions. Beyond advantages of outsourcing in improving product quality, outsourcing maybe easy to suffer from quality problems that will have negative affects to companies' benefits as well as reputation. Companies must carefully select, qualify, contract with and manage their outsourcing partners to ensure that quality does not deteriorate.

Regarding particularly to furniture industry in Vietnam, outdoor and indoor furniture produced for export by local companies is generally directed to the middle end markets. Furniture manufactured by FDI companies has better quality from imported wood. Nevertheless, a major issue of the industry relative to quality is the need of properly dried wood before it is produced into furniture. Inadequate kiln drying facilities makes Vietnamese furniture industry face with difficulties to reach customer requirements.

Teamwork risk management

When conducting outsourcing, two players work together as a team regardless of any types of outsourcing. In general, the more involved the outsourcer is with the project, the more smoothly the project will go. This is why it is important to have a designated contact within the firm, whose role is to communicate with the partner's manager and development teams. Most project problems happen due to infrequent or poor communication between the outsourcing firm and its vendor. One of the effective ways to reduce this risk and to catch issues early on is to initiate frequent communication with regular time specified for project reviews.

Differences in development methodology and working style within a team can occur in outsourcing between Western firms and Vietnam- Southeast Asia firms. Outsourcing firms would like both teams to unify the methodology in outsourcing products, and they often require their vendors to adopt their in-house method. Sometimes, they both surprisingly may have the same methods and procedures in handling the outsourcing project (Sathivek 2007, 70.) This is where teamwork and communication between the project and development team managers is critical. Thus, figuring out how flexible and scalable the vendor and its corporate culture and the country culture is necessary.

Culture and language barriers

Language and cultural factors play a huge part in influencing the way individuals interact with supervisors, perceive the important of group harmony and handle quality of outsourcing. As the result, they have a big effect on the overall quality of the end deliverable.

Vietnam has been deeply influenced by Confucianism originally from China for a thousand years so the Vietnamese culture complies with a number of certain rules such as allegiance to the family and country, reputation, love of learning and respect for others especially older people. Vietnamese consider many things in communication and conversation. People must think thoroughly before speaking and direct eye contact is important in communicating. Vietnamese culture is learning and shifting forward Western styles. Moreover, Vietnam has long been exposed to French, American, Japanese and Chinese

culture that makes it easier for them to execute multicultural outsourcing projects. However, there are still many differences between Vietnamese culture and other cultures, therefore understanding the culture and distinguishing the differences will help foreign firms pass over the barriers.

Vietnamese language uses the Latin alphabet introduced by the French colonizers and there are other minority languages as well. Vietnamese speaks in many dialects with different pronunciation in different regions across the country. Even though English is highly popular language in Vietnam but knowing some basic Vietnamese will help international firms work more effectively in Vietnam.

3.6 Networking in Vietnam

3.6.1 Trade Support Networks (TSN)

Typically, the TSN support brings together institutions that specialize in areas of Trade Information, Export Market Development and Export Promotion, Product Development including meeting international technical standards, Trade Finance, and/or Trade Logistics. Over the past 15 years, the range of trade support services has been expanded and the quality of services has been considerably improved.

In July 2000, the prime minister of Industry and Trade issued a decision on the establishment of the Trade Promotion Agency VIETRADE directly under the control of the Minister of Industry and Trade. It provides a wide spectrum of services to assist Vietnamese and foreign enterprises in their business development and expansion. There are a small number of public institutions mandated to deliver trade support services so far. The private organizations have actively participated recently but they are still very young and inexperienced. Here below are few specialized trade support institutions that furniture-outsourcing firms should have a look when operating in Vietnam.

Vietnam Association of Timber and Forest Products (VIFOREST)

VIFOREST was established on 8 May 2000, which is a volunteer non-government organization to gather and represent for business community. It is operating in the field of forestation, exploitation, processing, import-export and distribution of timber forest products. It aims at developing; protecting and supporting for various businesses to contribute to the social-economic development of the country based mutual benefits and equality (VIFOREST 2012.)

VIFOREST offers many training courses for wood processing companies nationwide, at the same time, organizes different trade promotion events for wood processing companies like participating in the international trade fairs.

Vietnam Chamber of Commerce and Industry (VCCI)

VCCI is a national organization that was found in 1995. The goal of VCCI is to protect and assist business enterprises, to contribute to the socio-economic development of Vietnam and to promote the commercial and technological cooperation between Vietnam and other countries. Every year VCCI organizes trade missions for craft exporters to foreign markets like Hong Kong, Japan, Germany and organizes exporters to participate in international trade fairs. VCCI has launched a trade portal VNemart in late 2002 to help build up a bridge between Vietnamese enterprises and the international business community via internet. VCCI has also offered marketing services, training (mainly business courses by university professors and managers), information provision, consulting services (management plan and financial analysis) and research (VCCI 2013.)

The project Consultative Committee (PPC) and Technical Working Groups (TWGs)

They were created and organized meetings quarterly by VIETRADE in Hanoi. TWGs consist of four groups: Product Development, Trade Information, Export Business Training, and Finance. Undeniably, the PCC and TWGs have well associated with their operation in reporting all projects' progresses and organized activities in each quarter.

Participants found the groups very useful as a networking and learning experience. The TWGs allowed them to vet out their issues and, in turn, bring them to the attention of the PCC to follow through the project operated in Vietnam. There are about 65 organizations (specialized agencies, product associations, local TPCs, private support service suppliers, and export enterprises) participate in each TWG (VIETRADE 2013.)

Vietnam Industry and Trade Information Center (VITIC)

VITIC is specialized in trade information what enterprises especially exporting firms need to know. VITIC's experts try to give trade and industry information of TSIs to serve the management of organizations and both national and international business communities. They help importers and exporters easily access important information and connect with reliable partners. However, because of the rapidly changing the delivery of pertinent trade information to exporting enterprises, its support is limited. Therefore, instead of depending totally on Information TSIs, interested firms should associate other organizations and joining in the activities run directly for exporting firms as well (Ministry of Industry and Trade 2013).

3.6.2 Other service networks

In Vietnam, there are some reliable quality control organizations operated independently such as SGS (Switzerland), Vinacontrol (Vietnam), OMIC (Japan), which are authorized by importers or outsourcers to make final inspections before shipping to customers. Those big organizations have been set up specialized departments for wood furniture industry. Many other private quality- checking firms have been established recently to inspect furniture industry as well.

In addition contacting directly to furniture manufacturing companies in Vietnam, outsourcing firms can work with Third Party companies. For example, AmCham member companies that can help international firms find potential manufacturers for desired products in Vietnam. Vietnam B2B offers completed supply chain management services,

customized to clients' needs. IFA Vietnam is the representative office of international furniture alliance in Ho Chi Minh City in Vietnam, which can help international firms in trading indoor and outdoor furniture in Vietnam. Alternatively, Living Richly International (LRI) is an international sourcing group, trading wood furniture and home accents from Vietnam and quality control team to inspect all good before shipping. It also offers consulting services for companies exploring business opportunities in Vietnam.

In terms of transportation services, different companies (state-owned, private or foreign companies) offer various services. There are hundreds of shipping companies and freight agencies in Vietnam, wood furniture can be shipped from Vietnam to any country in the world either by sea or by air, even by truck- load to neighboring countries like China, Laos and Cambodia. The shipping companies and freight agencies also provide handling services (both in Vietnam and upon arrival abroad). Professional packaging services are given in Vietnam as well.

Express carriers operating in Vietnam like DHL, UPS, FedEx, EMS, etc. facilitate the business transactions between Vietnamese exporters and foreign buyers. However, ocean and air- freight in Vietnam is more expensive than in China as mentioned in previous chapter. Expensive transportation fee is one of critical issue, which outsourcers should take into account.

3.6.3 Managing relationships in suppliers networks

On the behalf of Vietnam, VIETRADE has conducted some Project VIE/98/021 during period 2000- 2010 to strengthen Vietnam's trade promotion network and improve the quality of provided services. In Project VIE/98/021, capacity- building of TSIs in the network should be based on needs and priorities. Priorities are given to training overseas trade representatives in trade intelligence and market research. Depended on their true comparative advantages, TSIs specialize in their services and maintain synergy with other members of the network, for the ultimate benefit of exporters and importers. In short, Vietnam has tried the best to provide the best services and develop the whole trade

promotion network more efficiently. A part of success is up to foreign partners' managing the network relationship when they operate their business in Vietnam.

Managing supplier relationships between partners are crucial to reach the overall success (Morgan & Hunt 1994). The more resources allocate to the outsourcing non-core activities the more dependent and reliant the companies count on its partners. Nevertheless, many companies focus on short-term goals where price was the most important factor and the relationship is just considered as how much money they will have. However, it is very essential to note that supplier relationship management is a key role in achieving sustainable competitive advantage nowadays. International companies will find their trade strategies easier when building a network of suppliers and maintaining the relationships within the network. When outsourcing in an Asian country like Vietnam, it is even more important to pay much attention at managing the relationships.

Initially, foreign companies need to understand the Vietnamese culture to overcome unavoidable barriers. Some companies have lost their track when outsourcing in Vietnam due to lack of the acknowledgement of the culture issues. Country values vary from countries to countries so management practice that worked in one country may not work in another one despite of the similarities in cultures. Besides, it is worthwhile keeping in mind that reputation and face play an important role in Vietnam. Public criticism or expressing anger mood causes a loss of face and leads to burn the future business relationship. Therefore, participating in community events to understand the culture and will help foreign firms to work effectively with the Vietnamese community. Moreover, sharing their own cultures or in another word, intercultural adaptability and readiness for share is minimal the risk of failure.

In business environment, trust is very critical in establishing and maintaining successful networks in Vietnam. Vietnamese tends to gauge the closeness of the personal relationship and then behave accordingly. The initial meeting is viewed as an introductory meeting where people get to know each other. Vietnamese firms often have a meal with their partners while they are speaking about their business. When people pass a certain period of

getting to know each other, they can actually be more frank and honest with each other than before (Tuan & Napier 2000).

Regarding to communication and negotiation styles in Vietnam, it is highly appreciated to wait for Vietnamese counterpart to raise their business subject first. Many meetings are conducted in Vietnamese so ensuring to avoid any potential cross-cultural miscommunication, international firms need a translator. Vietnamese put a higher value on keeping their word than on contracts so international firms should prepare carefully to stand by their words. Vietnam, as a hierarchical and bureaucracy country, negotiations often move slowly so patience will be a necessary cross-cultural attribute. It is also important to speak to all stakeholders involving governmental officials in Vietnam. Companies must avoid disputes and ensure that the contracts are clear to all parties involved. It is advisable to get the consult of lawyers who understand deeply local laws as well as cultural issues.

As the recap, it is increasingly important that companies build strong and reliable relationships with their suppliers to gain more competitive advantages. It is undeniable to say that the outsourcing project will have to cope with risks of failure if international firms do not have good relationships within supplier networks in Vietnam particularly. Understanding the networks' nature and adapting the relationship call are considered as the foundation of the success in outsourcing in Vietnam.

3 RESEARCH METHOD

3.4 Research questions

In order to accomplish the main purposes of the study, the author identifies two main research questions corresponding to the study's research methods.

Research Question 1

Would Vietnam become a potential destination for foreign furniture firms to outsource?

To answer this question the author conducted questionnaire surveys of potential suppliers in Vietnam. Interested international companies may have some precise information of furniture companies in Vietnam. They will find how feasible and capable those furniture companies in Vietnam are in providing outsourcing services. International companies may find their suitable suppliers and make a consideration to contact them.

Research Question 2

How do international furniture firms effectively outsource from Vietnam?

For this question, the author interviewed experienced people to help international firms to figure out some main factors, which influence on the successful outsourcing furniture in Vietnam. Based on shared information of the interviews, international firms also know some important elements they need to take into consideration when planning to outsource furniture in Vietnam. Through this empirical research, interested international firms may explore the best solutions and strategies when outsourcing in Vietnam.

3.5 Methods

The method has an important role in connecting the theoretical framework with the empirical study. Two main research methods, which are qualitative and quantitative methods, are often taken into consideration in any scientific works. Quantitative research focuses more in counting features and constructing statistical models and figures to explain what is observed (Explorable 2011). Alternatively, qualitative research concentrates on gathering of mainly verbal data based on existing theory to gain in a deep view of a group of people and collect open-ended and emerging data (Creswell 2003, 179-182). Based on the objectives to analyze the Vietnamese furniture industry's structure, find out an effective solution and potential suppliers for foreign firms, the author used the qualitative research method including questionnaire and interview in this study

- Interviews: The author had a plan to interview with two international furniture companies. One company has been successfully running their furniture business in Vietnam, and another is Finnish Furniture Company who has a deep knowledge of furniture industry and outsourcing experiences in some Asian countries. The author was able to contact and to interview an office manager of Niemen Tehtaat Vietnam Ltd in Vietnam and a CEO of Futra Oy in Finland. The interview with Ms. Tuyet Nguyen, the manager of Niemen Tehtaat Vietnam Ltd helped to figure out some important factors influencing international firms when outsourcing or operating furniture firms in Vietnam. With worthwhile experiences and ideas of Mr Vesa Pelkonen, CEO of Futra Oy, the author had a better understand of the actual criteria that an international firm should focus on when they outsource in Asia. Through the interview, he also shared his own idea whether Vietnam would be a potential outsourcing market for Finnish furniture firms particularly.
- Questionnaire surveys: The author sent questionnaire surveys (**Appendix1**) to 35 large furniture companies in Vietnam, who have long known in producing good-quality furniture and good experiences working with international firms

for last 10 years. The questionnaire combines of 'Yes/No' questions, checkboxes questions and open-ended questions. The surveyed companies had opportunities to further introduce their firms and give the reasons to attract foreign firms as well. Before sending the questionnaire to the potential firms, the author asked some advices from her supervisor and some fellow Vietnamese student to make sure that the questions were clear and easy to understand. The questionnaire was sent in both English and Vietnamese versions. The questionnaire was conducted in forms of online survey (emails) and telephone survey. Based on provided information of respondents, interested international firms may find some potentially desired suppliers in Vietnam through their given profiles.

3.6 Validity and Reliability

In order to approve the quality of the study as well as the accuracy of provided findings, it is necessary for any researcher to measure research works. Validity and reliability are common methods in evaluating the study results. These interrelated measurements help to not only create the reliance of the readers but also find the reality and a clear picture of the research (William 2006). The research is not able to reach internal validity without reliability, and stronger internal validity leads to higher reliability (Yin 2003). Validity including internal validity and external validity provides the application from theory into the actual situation. Internal validity concerns an extent if the findings are matched and relevant with the reality. Therefore, the higher the internal validity the more valuable conclusions and recommendation of the thesis can be given. In this study, the author searched variety of sources mainly based on academic articles, writings to find a repetition for informed data on the report.

External validity involves generalizing from a study to other people and companies. It evaluates if the results of the particular study can be applied to other situations. In this study, the external validity may be quite high because international furniture companies can see precisely theoretical analysis and empirical results. Provided information and

experienced advice may be helpful for potential companies if they would consider outsourcing in Vietnam.

Undeniably, reliability is essential to measure if the finding is true and worthwhile trusting. Yin (2003) states that reliability is used to prevent the errors and biases in a study. In the thesis, by conducting a qualitative research method, it may be hard to evaluate the reliability due to uncertain respondents. However, the author represented gained information from questionnaire surveys to the report publicly. As mentioned in methodology, the survey questions were consulted by the supervisor and fellow students to make sure there is no misunderstanding in the research. Furthermore, two managers of well-known existing companies with detailed contact information undertook interviews so their shared ideas and experiences are worthwhile trusting.

4 EMPIRICAL RESULTS

5.1 Example of an international company outsourcing successfully in Vietnam

Regarding to successful international companies, which are either co-outsourcing or totally outsourcing in Vietnam, the author would like to introduce Niemen Tehtaat Vietnam Ltd as a typical example of effective outsourcing operation in Vietnam. The author had a chance to contact and interview with Ms. Tuyet Nguyen, the manager of the Company in Vietnam.

Originally, Niemen Tehtaat is the oldest Finnish family business and one of the largest furniture manufacturers in Finland. With 110-year experience in manufacturing quality goods and the long-time export business, Niemen Tehtaat has been active in the international business and become one of Finland's leading furniture companies. It started to outsource furniture in Vietnam through joint-venture business since 2004. The activities were out into a higher gear by setting up Niemen Tehtaat Vietnam Ltd in 2007.

The company has a production plant over 6,000 square meters in Binh Duong province and a sales office and showroom in the central of Ho Chi Minh City. Niemen Tehtaat Oy has long experienced in woodworking and this expertise is visible also in indoor as well as outdoor furniture. Recently, the company has paid much more attention at traditional Vietnamese handicraft accessories as a new collection skillfully made for both every day and decorative purposes. The company's main markets are Sweden, Russia, The Baltic countries and Japan. Thanks to Ms Tuyet for kindly answering the short online interview despite of different time zones and high season of the business.

How does your firm deal with the culture to succeed in Vietnam?

“The culture has a big effect on the way of thinking in doing business. Business relationships in Vietnam are relatively formal and take time to develop as Vietnamese like to get to know their foreign partners before cooperating. Negotiation may be quite lengthy and time consuming because Vietnamese want to consult the group and examine everything before determining to sign contracts. One thing is important to be aware of delivery during period before Tet holiday and after Tet holiday (the biggest holiday in Vietnam). All people want to go home earlier and stay home longer after the holiday so many services are interrupted and fewer workers for production during this time.

We try to find out differences of culture and all possible negative points affected by the culture. Based on those points, we will figure out the solution in advance to avoid as much as possible the risks”.

Based on your experience in Vietnam, how do products from Vietnam adapt Finnish markets or other EU markets in terms of quality, aesthetics?

“Our company bases on the requirement from Finnish customers to develop products in terms of quality and design. Furthermore, we also bases on information from the Internet to follow the trend as well as the requirement of customers for a new season”.

When planning outsourcing of furniture products in Vietnam, what do the foreign companies need to take into consideration?

“Before outsourcing or doing any business in Vietnam, foreign companies should carefully understand background of the partners if they are reliable or not. You should take facilities of the suppliers into account. Besides, quality of products and quantity capability are also very important”.

Which factors influence on successful outsourcing or running furniture business in Vietnam as your point of view?

“Good quality and good design are considered as the most important factors for your success. In Vietnam, designers are not much and their skills need to be trained forward Western customers’ desired products. Delivery time is another important factor to gain the competitive advantage. You should be careful delivery timetables and avoid delay time especially in some long holidays in Vietnam. Moreover, price is central in outsourcing competitive business environment nowadays so try to find reasonable prices with good quality is determined the success. One time again, background of the supplier and the good relationship with them are crucial for successful outsourcing”.

Could you please give me some experience or advanced strategies regarding to outsourcing production management, logistics management and HR management when operating in Vietnam?

In order to gain and maintain the great success for such a long time, Niemen Tehtaat has well manipulated their great strategies. Through the company’s website and the interview, the author summarizes some main advanced strategies

- Outsourcing operation management:

The Niemen Tehtaat Vietnam factory is located in Binh Duong Province. Thanks to automated production lines and computer-controlled machine tools, their furniture is of consistently high quality and our production flexible and competitive. The company also utilizes information technology in our other operations, which makes the business reliable and allows our customer service to be even better. The production capacity and other resources can be directed according to company needs.

Niemen Tehtaat is either manufacturing furniture by ourselves or outsource from other furniture companies in Vietnam. “Our operations are based on a network of subcontractors. In Vietnam, they have over 50 suppliers ranging from small workshops and larger factories”. Now, plastic poly-rattan summer furniture and local carpets and crafts are bought from Vietnam. “Finding trustworthy manufacturers, which produce high-quality goods, is not easy. Niemi emphasizes a long-term collaboration once a suitable business partner has been found. Long-term

business partnerships also help to develop quality and ensure that the partner is acting responsibly. We operate on such a small scale that it is easy to keep it under control. We meet with our partners regularly and come on location to see their operation. We believe that this way we can contribute to responsible business and respecting the employees”.

- **Advanced logistics management:**

Our logistics center and warehouse are located an hour’s drive from downtown Ho Chi Minh City that all shipments are checked carefully before shipping. “We mainly take care of storage and transport operations themselves, from buying the timber to shipping the products to customers. This ensures on-time delivery of the right products”. With smoothly functioning logistics, Niemen Tehtaat is confident to make customers satisfied. Besides, Niemen Tehtaat also gets a well long with transportation companies and Third Party logistics companies in Vietnam to ship large quantity products back to Finland or to the customers.

- **Personnel management:**

The Vietnamese subsidiary has around 20 employees in their administration and goods inspection, all of whom are local. Indirectly the company employs well over 100 people. The offices and showroom are in downtown Ho Chi Minh City have 10 employees. While dissolving cooperation and establishing their own company, Niemi noticed, that the legislation and business culture in Vietnam need to be known thoroughly in order to succeed. “You need to familiarize yourself with it completely. It is worth looking for help from true experts, who you can find, for example, in international accounting communities. You also need a professional and reliable staff, which can be creative in the complex bureaucracy.”

Importantly, ‘mere technology doesn’t bring success – design and marketing are essential, too’ said by our general director. Almost design and product developments are taken care of by designer Mikko Naskali and the Niemi team in Finland. Ms. Tuyet is the manager and also the local designer, who has an impeccable eye for style and interior design. Certainly, Niemen Tehtaat supposes

that the customer is a member of the design team. Cooperation guarantees furniture that fulfills the customer's wishes or furniture that sells, from the retailer's point of view.

Equally crucial, expertise and skilled workers are really respected at Niemen Tehtaat. Appropriate training guarantees the ability to adapt one's skills to modern production methods and even ensures a good working environment. Expert employees who have worked with us for a long time are the cornerstone of our success.

5.2 Example of a company in Finland experienced in outsourcing

Futra Ltd Oy is a small company, which import furniture from Asian countries mainly from China, Malaysia. The CEO, Vesa Pelkonen in Reijola, Joensuu, Finland, establishes it in 1995. The company is the main operating and production of high-quality furniture products and marketing. They have a wide selection of great, easy-to-use office chairs that are suitable for various types of home and office users.

The author felt honored to do her internship at the company and had an opportunity to interview with the CEO, Mr. Vesa Pelkonen. Through his experience in doing furniture business with Asian countries and his idea about Vietnamese furniture industry, the readers may have their own stand views if Vietnam is potential outsourcing market.

Speaking a bit of your business, how do you find new suppliers in Asia?

“We find new suppliers mainly through trade fairs or exhibitions held in Asia or in Europe. In those fairs, we will see ranges of products with quality standards and other related information. We will discuss directly with people involved and professionals to find out background of new suppliers as well as new products, new designs.”

How do you ensure the reliability of your suppliers?

“We have our own inspectors in Asian countries where we import furniture. They will be responsible for checking quality and quantity of product containers. However, it is important to keep in mind that we do not trust in them totally. I mean you should not send them money and just wait for products coming, you should contact with the exporting companies and inspectors frequently to make sure they deliver good products and on time.”

Have you heard any information about Vietnamese furniture industry? Based on your experience working with some Asian countries, what do you think about it?

“Yes. We have not worked with any company in Vietnam yet but we know some furniture businesses there. We have a Finnish friend, who has own furniture factory in Vietnam, has worked effectively in Vietnam. We know some Malaysians and Singapore have some factories in Vietnam as well and they have operated well so far.

As my opinion, labor cost is the biggest reason for foreign firms to pay attention at Vietnamese furniture. Besides, quality level is also relatively good comparing with other Asian countries like China, Malaysia or Thailand. Importantly, the accountability is rather higher than some other countries like Indonesia, Bangladesh because of a stable environment, no strike, and no religion conflict for example. Stability is very important for foreign business to settle down and ensure the business.”

Which factors influence on successful outsourcing in Asian countries and in Vietnam particularly as your point of view?

“There are many factors affecting on the overall success in outsourcing in Asia. Based on my experience working and communicating with Asian people, the most important factor is building a good relationship with Asian suppliers. Because of the culture, it influences a lot on the way of doing business. You must respect your counterparts and show your good attitudes when negotiating with them. You should not say bad things or disregard but you should try to find good things to support or get well along with your Asian partners.”

Which criteria for Vietnamese suppliers do you focus on if you source some components from Vietnam?

“Quality is the first important criteria we will focus on. We know that the quality standard is currently managed seriously and almost have the same level in Asian countries but it is better to not trust in them so much. In Asian countries, workers just do what they are told to do so they do not care much of quality and the quality will depend on the top managers. Therefore, foreign firms should be aware of the quality instead of focus on cheap prices.

Secondly, delivery time is another important criterion for the suppliers. They should have responsibility for what they commit to their customers. For example, if our supplier promises send a container in 45 days to our company but they miss their commitment more than one times because of some reasons, they will miss our trust and no contract will be continued.

Thirdly, flexibility is also crucial to work with suppliers. How to handle their mistakes and to solve their problems is an important question when the supplier makes errors regarding to products, delivery time and so on. We concern about how fast they can handle it as well.”

Do you think Vietnam would be a potential destination for foreign furniture firms to outsource?

“Yes, of course. Actually, Vietnam was already an emerging market for outsourcing furniture companies. As we can see, Chinese economy is going upward and consequently the price level is also higher than others so Vietnam may be a potential to attract more furniture business than ever before. However, it still depends on levels of products and companies.”

Have you thought that you will outsource some furniture from Vietnam in the future?

“Yes. Why not? Some of my friends are working with Vietnamese suppliers and even they build their own factory in Vietnam as well. They well manage to produce furniture in Vietnam so far.

However, the problem is that freight cost in Vietnam is still higher than other neighbor countries. I have to pay much attention to quality control and quantity as well. We have just small market so taking a small quantity of components from Vietnam with high transportation cost may not be so good idea at the moment. Anyway, we are keeping up with some potential suppliers in Vietnam and we will outsource if we find a suitable partners.”

5.3 Potential furniture manufacturers in Vietnam

Among 2,500 manufacturers including 1,800 big companies and SMEs, the author surveyed 35 large and reputed firms who have long known in Vietnamese furniture industry. It is not hard to find out the name of the companies in Vietnam nowadays through the Internet or the trade centers and embassies as well. However, with thousands of manufacturers in Vietnam, it takes a lot of time to carefully look for each company’s information. For example, the embassy will give interested firms such as a list of companies with basic profiles and those firms have to go through the websites to search interested information like productions, main markets and so on. By surveying some well-known and export-oriented companies in Vietnam, international companies may have a clearer picture of their potential suppliers. Certainly, many big companies that the authors could not contact with but those surveyed companies are reliable and experienced in working internationally.

Among surveyed companies in Vietnam, 21 respondents filled in the questionnaire surveys through emails and phone calls (**Appendix 2**). Hopefully, provided information gives some knowledge of furniture companies in Vietnam. Based on that information, international firms may have detailed profiles of some companies in Vietnam and probably find some networking contacts in the future.

5. CONCLUSION

The objective of this study is to help international companies understand Vietnamese furniture industry and to figure out whether Vietnam would be a potential market for outsourcing activities in the near future. Importantly, interested foreign companies will find out an effective solution and potential suppliers in Vietnam throughout deeper knowledge of Vietnamese furniture businesses and other detailed information.

In theoretical part, the author reviewed some basic framework of outsourcing including concepts, types, and processes, and discussed the pros and cons of outsourcing in general. Outsourcing furniture in Vietnam is definitely not weird for international companies all over the world. Vietnam furniture industry has considerably changed to adapt with outsourcing partners worldwide regarding to different forms and strategies in outsourcing. The processes of outsourcing vary from cases to cases but basically both Vietnamese firms or international firms flexibly adopt discussed steps as mentioned in process parts. Outsourcing in Vietnam has some pros as well as cons that international outsourcers should take into account. For example, the low-wage labor, stable environment, welcome policies from the government, convenient geographical location and so on brings big benefits to outsourcers. Currently, Vietnamese furniture industry is known as among the lowest labor cost in Asia with the same quality level, thus the total production price is rather cheaper than neighbor countries. It is the key competitive advantage of the country's sector. However, due to existing weaknesses of Vietnamese furniture industry such as poor infrastructure, facilities, lack of designers and so forth, international outsourcers have to cope with a lot of challenges as well. Reminding, the freight cost and transportation cost in Vietnam comparatively higher than other countries in Asia. It could be a biggest barrier for international outsourcing companies to come to Vietnam. Furthermore, furniture companies in Vietnam mainly import raw materials so it leads to use in high-end furniture. However, export of furniture in Vietnam has significant increased over two decades and contribute a big part in GDP. The furniture export has become a strategic importance of this

country so far even though they have to face with tons of difficulties in globally competitive business environment.

Through the interviews with the manager of one successful Finnish furniture company in Vietnam, and with the CEO of experienced outsourcing furniture company in Finland, it is confident to state that Vietnam is obviously potential and feasible country to outsource furniture. Vietnam may be ideal for companies who concentrate on low cost strategy and have enough resources. Therefore, interested companies should start to do further research and look for potential suppliers in Vietnam. Based on companies surveyed, international firms may potentially find their suitable suppliers in Vietnam in the near future.

It is important for international furniture firms to find out their own solution and strategy to operate effectively in Vietnam. By provided information regarding to Vietnam's sector, potential pitfalls, risks and networking mentioned in the theoretical part and short interviews with experienced managers, international companies may have their own plan and strategy to cope with those possible problems when outsourcing in Vietnam. Understanding the nature and the way of doing business in Vietnam, international companies will be able to manage their own networks and build a strong relationship in Vietnam. To find the right suppliers in different cases, it is advisable for interested firms to carry out further research in each particular company.

In conclusion, Vietnamese furniture industry has rapidly expanded in the stable environment. It is gradually improved and expected to attract more international firms in the near future. Outsourcing furniture in Vietnam is definitely a good choice for international firms to take into consideration. Companies can well manage the whole outsourcing project in Vietnam if initially they have deep understanding of the industry's nature, Vietnamese business environment. Besides an excellent outsourcing plan, they need to take care of building a good network and find a right supplier. Certainly, there is no exact advice or method for foreign firms to follow when outsourcing in Vietnam. It depends on each outsourcer as well as their vendor in each situation. Preparing a thorough strategies and competences to deal with possible risks will help foreign furniture firms successfully work in Vietnam.

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INTERVIEWS

- Nguyen Thi Tuyet, the manager of Niemen Tehtaat Ltd Vietnam, Ho Chi Minh City, Vietnam, online recorded 28/08/2013
- Vesa Pelkonen, the CEO of Futra Oy, Reijola, Finland, face-to-face recorded 29/08/2013

APPENDIX 1

QUESTIONNAIRE FOR FURNITURE COMPANIES IN VIETNAM

Purpose: The questionnaire is designed to have an overview of furniture enterprises operating in Vietnam. Based on your provided information, potential foreign furniture firms may get more accurate information on publication in Finland.

Please fill in the banks and mark on the box that best suits your answer:

1. General information

- Company name:
- Address:
Tel: _____ Email: _____
Website: _____ Fax: _____
- Year of establishment:
- Business form: State-owned Private (Ltd)
 Joint-stock Foreign-owned
- Number of employees:
In 2011: _____
In 2012: _____
- Raw material: Wood Rattan
 Bamboo Others, please specify: _____
- Main products: Indoor furniture Window and door
 Outdoor furniture Handicraft
 Flooring Other, please specify _____
- Does your company achieve any certificate?
ISO (9001, 9002) Yes No
FSC Yes No

CoC Yes No

Others, please specify:

- Does your company have its own brand name? No Yes

2. Role of export

- Export volume: Export

Ratio of $\frac{\text{Export}}{\text{Total production}}$ =

- Flexibility in exported products:

Own model Modified model Totally customers' specification

- Existing export to:

EU market Asian market US market Others, please specify:

- Target for future export:

EU market Asian market US market Others, please specify:

- Please give more details on those countries your company are doing business recently in terms of items, quantity:

Country	Item	Quantity

- Could you please give some reasons for foreign firms to outsource or export from your firms
- Other suggestions or recommendations for foreign companies to outsource in Vietnam

THANK YOU FOR YOUR COOPERATION!

APPENDIX 2

Company	Information
<p>1. AA Corporation</p> <p>15 Nguyen Duy Hieu st, Thao Dien Ward, District 2, Ho Chi Minh City</p> <p>Tel: 84-87442728 Fax: 84- 87442729 Email: info@aacorporation.com Web: www.aacorporation.com Contact: Mr. Nguyen Quoc Khanh General Director Brand name: Nha Xinh (Pretty House), AA Deco Certificate:</p> <ul style="list-style-type: none"> • ISO 9001 certified • COC certified to produce FSCTM certified products (License code FSC-C006935) 	<p>Business form: Limited Company</p> <p>Year of establishment: 1993</p> <p>Number of employees:</p> <ul style="list-style-type: none"> • Over 70 architects, engineers and designers • 3000 employees (over 50% are skilled workers) <p>Scope of business:</p> <ul style="list-style-type: none"> • Manufacturing indoor furniture for export and domestic market • Providing interior decoration design and fitting-out for luxurious hotels, resorts, office building, spas <p>Main products: occasional, bedroom sets, upholstered furniture, tables, chairs and specialty metal work, wood furniture</p> <p>Main markets:</p> <ul style="list-style-type: none"> • Domestic market: owned furniture supermarket system (2 in Hanoi, 2 in Ho Chi Minh and 1 in Binh Duong) • North America, Europe, the Middle East and Asia Pacific <p>Main attractive reasons: high quality, high flexibility, large quantity</p> <p>Production facility: 3 factories, the main factory is an 80,000m² of modern production facility</p>

<p>2. An Binh Joint Stock Company Block 2, An Binh Ward, Bien Hoa City, Dong Nai</p> <p>Tel: 84- 613836157 Fax: 84- 613836089 Email: anbimex@vnn.vn Contact: Mr. Nguyen Hoang Tuan Director Email: nhtuan.abimex@vinafor.com.vn Phone: 84- 613431256</p>	<p>Business form: Limited Company Year of establishment: 2004 Number of employees: 200 people Scope of business:</p> <ul style="list-style-type: none"> • Manufacturing indoor mainly from rubber wood and pine wood for export • Trading building materials <p>Main products: bookshelves, indoor furniture, wooden chairs, cabinet, wooden beds, wooden tables Main markets: Southern Vietnam, Taiwan, Japan, South Korea, the USA and indirect export to EU Main attractive reasons: competitive price, high quality, totally customers' desired models</p>
<p>3. Binh Dinh Import Export Joint Stock Company 1 Dong Da, Quy Nhon City, Binh Dinh Province</p> <p>Tel: 84-56827062 Fax: 84-56821052 Email: imexfurniture@vnn.vn Web: www.imexbinhdinh.com.vn Contact: Mr Nguyen Quang Huy, sale manager Phone: 84- 0914015977 Brand name: IMEXBINHDINH</p>	<p>Business form: Joint stock company Year of establishment: 1992 Number of employees: 1000 Scope of business:</p> <ul style="list-style-type: none"> • Manufacturing and exporting wooden products, agricultural products • Importing materials for industrial manufactures: steel, plastic, timber, machines for agriculture <p>Main products: tables, chair and other outdoor furniture mainly made from timber, rattan Main markets: EU, Australia, China, South Korea Main attractive reasons: high quality and</p>

	<p>quantity, high prestige to customers</p> <p>Production facility: 3 factories in Quy Nhon City</p> <p>Production capacity: 600 container 40'</p>
<p>4. Cat Lam Furniture Ltd</p> <p>156/1/2 Cong Hoa Street, Wad 12, Tan Binh District, Ho Chi Minh city</p> <p>Tel: 84-838112279</p> <p>Fax: 84-838112279</p> <p>Web: www.catlamfurniture.com.vn</p> <p>Contact: Mr. Tran Thanh Si, director</p> <p>Email: catlam@hcm.vnn.vn</p>	<p>Business form: Limited company</p> <p>Year of establishment: 2002</p> <p>Scope of business: producing and trading outdoor and indoor furniture to export overseas</p> <p>Main products: bamboo, rattan, wooden furniture, pottery, fabric, cushion, mattress</p> <p>Main markets: Germany, UK, US, France, Canada, Spain</p> <p>Main attractive reasons: high and diversified products, requested style, high quantity, delivery on time, competitive prices</p> <p>Production facilities: 2 factories in Binh Duong and Qui Nhon and cooperate with 20 partners factories</p> <p>Production capacity: 30-40 containers 40' / month</p>
<p>5. Cerubo Co., Ltd</p> <p>Binh Phuoc A, Binh Chanh Ward, Thuan An District, Binh Duong Province</p> <p>Tel: 84- 650788374</p> <p>Fax:84- 650788376</p> <p>Email: cerubo@hcm.vnn.vn</p> <p>Web: www.cerubo.com.vn</p> <p>Contact: Mr. To Minh Nhat, Import-export manager</p> <p>Phone: 0913799699</p> <p>Brand name: Imagine</p>	<p>Business form: Japanese owned company</p> <p>Year of establishment: 2001</p> <p>Number of employees: 1500</p> <p>Scope of business: Producing tables and chairs for export</p> <p>Main products: indoor furniture, arts and handicraft furniture and accessories</p> <p>Main markets: Asian markets especially Japan and Korea</p> <p>Main attractive reasons: high quality and quantity, high commitment, good services</p>

	<p>Production facility: one factory in Binh Duong Province with 14,000m²</p> <p>Production capacity: 550 container 40'</p>
<p>6. Dai Thanh Co., Ltd</p> <p>90 Tay Son st, Qui Nhon City, Binh Dinh Province</p> <p>Tel: 84- 56846839</p> <p>Fax: 84- 56847267</p> <p>Email: dathaco@dng.vnn.vn</p> <p>Web: www.daithanhfurniture.com</p> <p>Contact: Ms. Hoang Linh, Marketing manager</p>	<p>Business form: Limited company</p> <p>Year of establishment: 1997</p> <p>Number of employees: 2000</p> <p>Scope of business:</p> <ul style="list-style-type: none"> • Manufacturing indoor and outdoor furniture • Trading in different kinds of woods <p>Main products: tables, chairs, bed set, wardrobes, bench, sofa, tea trolley, ect mainly from woods</p> <p>Main markets: North America, EU</p> <p>Main attractive reasons: high quality and quantity, competitive price, high commitment</p> <p>Production capacity: 200 containers/ month</p>
<p>7. Duc Thanh Wood Processing Joint Stock Company</p> <p>21/6D Phan Huy Ich, Ward 14, Go Vap, Ho Chi Minh City</p> <p>Tel: 84- 835894287</p> <p>Fax: 84- 835894288</p> <p>Email: info@goducthanh.com</p> <p>Web: www.dtwoodvn.com</p> <p>Contact: Ms Le Thi Ngoc Tran, export sales</p> <p>Phone: 84- 839874694</p> <p>Email: tran@dtwoodvn.com</p>	<p>Business form: Joint stock company</p> <p>Year of establishment: 1991</p> <p>Number of employees: 1,050</p> <p>Scope of business: manufacturing indoor furniture</p> <p>Main products: kitchenware, household utensils, home furniture, children's wooden toys</p> <p>Main markets: the USA, Italy, Japan, Germany, Australia, South Africa</p> <p>Main attractive reasons: high quality, competitive price, delivery time on time</p>

<p>Brand name: DTWOOD, Winwintoy Certificate: ISO 9001, CE, CR</p>	<p>Production facility: a big factory in Binh Duong province with modern machinery Production capacity: over 100 containers/month</p>
<p>8. Hiep Long Co., Ltd Village 1B, An Phu Ward, Thuan An District, Binh Duong Province Tel: 84- 6503710012 Fax: 84- 6503710013 Email: hlfurniture@hcm.vnn.vn Web: www.hieplongfurniture.com Contact: Mr. Huynh Quang Thanh, director Email: sales@hieplongfurniture.com</p>	<p>Business form: Limited company Year of establishment: 1993 Number of employees: 450 Scope of business: producing and exporting indoor and outdoor furniture Main products: <ul style="list-style-type: none"> • Indoor furniture: tables, chairs, bedroom sers, kitchen cabinets, doors • Outdoor furniture: tables, chairs, sun loungers, tea trolleys, swing sets Main markets: the USA, EU, Japan and Korea Main attractive reasons: good quality, competitive price, good commitment Production facility: one factory with over 40,000 m² in Binh Duong Production capacity: 30 containers 40'/ month</p>
<p>9. Hieu Duc Forestry Processing Trading Co., Ltd 5th Fl, 52 Dong DU, Ben Nghe Ward, district 1, Ho Chi Minh City Tel: 84- 838275211 Fax: 84 838275217 Email: hieuducsaigon@vnn.vn Contact: Ms. Huynh Thi Giang Thanh, director</p>	<p>Business form: Limited company Year of establishment: 1998 Number of employees: 500 Turnover of 2012: Scope of business: manufacturing and exporting high quality furniture Main products: dining sets, office furniture, kitchen cabinets, bedroom sets, wardrobe Main markets: the USA, Japan, Thailand Main attractive reasons: good quality and prices, high commitment</p>

	<p>Production facility: a big factory in Binh Duong Province with modern machines</p> <p>Production capacity: 100 containers 40' / month</p>
<p>10. Hoang Phat Co. Ltd</p> <p>Phu Tai Industrial Zone, Tran Quang Dieu ward, Qui Nhon City, Binh Dinh</p> <p>Tel: 84- 090531279</p> <p>Web: www.hoangphatfurniture.com</p> <p>Contact: Mr. Harry Truong</p> <p>Phone: 84-904816403</p> <p>Gmail: vietshipping85</p> <p>Certificates:</p> <ul style="list-style-type: none"> • ISO 9001-2000 • FSC-CoC 	<p>Business form: Limited company</p> <p>Year of establishment: 1997</p> <p>Number of employees: 1000</p> <p>Scope of business: producing and exporting indoor, outdoor furniture, Lumber and Timber</p> <p>Main products: tables, chairs, benches</p> <p>Main markets: Germany, UK, US, Netherlands, Denmark, Taiwan, Canada, Australia, Japan</p> <p>Main attractive reasons: high quality, satisfaction of expecting profit, the most advanced technology, ensuring the delivery time, convenient location for exports, diversified materials, good reputation, high environmental responsibility</p> <p>Production facilities: two factories with 20,000m2 with advanced technologies</p> <p>Production capacity: 50 containers 40' / month</p>
<p>11. My Tai Furniture Company</p> <p>Phu Tai Industrial Zone, Qui Nhon city, Binh Dinh Province</p> <p>Tel: 84- 563841015</p> <p>Fax: 84- 563841970</p> <p>Email: reception@mytai.com.vn</p> <p>Web: www.mytaifurniture.com</p> <p>Contact: Mr. Le Duy Linh, director</p> <p>Certificate: ISO 9001, FSC- COC</p>	<p>Business form: Limited company</p> <p>Year of establishment: 1998</p> <p>Number of employees: 1000</p> <p>Scope of business:</p> <ul style="list-style-type: none"> • Manufacturing and exporting wood furniture • Resort business <p>Main products: patio furniture, garden</p>

	<p>furniture</p> <p>Main markets: the USA, EU, Japan</p> <p>Main attractive reasons: high quality and quantity, competitive prices, good prestige</p> <p>Production facility: 2 factories (one factory is 40,000m² for outdoor furniture, another is 20,000m² for indoor furniture)</p> <p>Production capacity: 750 containers 40’/ month</p>
<p>12. My Tran Furniture Co., Ltd</p> <p>360 Nguyen Thi Minh Khai st, District 3, Ho Chi Minh City</p> <p>Tel: 84- 838342909</p> <p>Fax: 84- 838343071</p> <p>Email: mytran@mytran.com.vn</p> <p>Web: www.mytran.com.vn</p> <p>Contact: Mr. Dinh Sy Tien, director</p>	<p>Business form: Limited company</p> <p>Years of establishment: 1995</p> <p>Number of employees: 500</p> <p>Scope of business:</p> <ul style="list-style-type: none"> • Manufacturing and exporting wooden furniture • Trading office furniture <p>Main products: home furniture and office furniture</p> <p>Main markets: Vietnam, the USA, EU, Australia</p> <p>Main attractive reasons: competitive prices, good commitment</p> <p>Production facility: 2 factories (one in Ho Chi Minh City and another in Hanoi)</p> <p>Production capacity: over 170 containers 40’/ year</p>
<p>13. Nguyen Thanh Furniture Co., Ltd</p> <p>Hamlet 2 DH St, Vinh Tan Ward, Tan Uyen district, Binh Duong province</p> <p>Tel: 84- 6503619601</p>	<p>Business form: Limited company</p> <p>Year of establishment: 2002</p> <p>Number of employees:</p> <p>Scope of business:</p> <ul style="list-style-type: none"> • Manufacturing and exporting indoor

<p>Fax: 84- 6503619600 Email: ntcfurniture@vnn.vn Web: www.ntcfurniture.vn Contact: Mr. Nguyen Thanh Binh, director</p>	<p>furniture</p> <ul style="list-style-type: none"> • Trading pine, teak, oak <p>Main products: bedroom furniture, kitchen furniture Main markets: Netherland, France, the USA, Spain Production capacity: 500 container 40’/ year</p>
<p>14. Phuoc Hung Co., Ltd Phu Tai Industrial Zone, Qui Nhon, Binh Dinh province Tel: 84- 56841010 Fax: 84 56841096 Email: ph@phuochung.com Web: www.phuochung.com Contact: Ms Truc Thanh, Brand name: PHUOC HUNG FURNITURE</p>	<p>Business form: Limited company Year of establishment: 1997 Number of employees: 1000 Scope of business: manufacturing and exporting outdoor furniture Main products: dining sets, sofas, seating, sun-lounges, deck tiles, sun shades Main markets: Western and Easter Europe Main attractive reasons: high quality and quantity, competitive prices, good delivery and services Production capacity: 600 containers 40’/ year</p>
<p>15. Global Furniture Solution Binh Phuoc B Hamlet, Binh Chanh Village, Thuan An district, Binh Duong Province Tel: 84-650712186 Fax: 84-650712188 Web: www.gfsvn.com Contact: Mr Huynh Van Hanh Email: gfs@gfsvn.com</p>	<p>Business form: Australian owned company Year of establishment: 2003 Number of employees: 630 Scope of business: manufacturing and exporting high quality furniture Main products: solid-timber bedroom, occasional dining room furniture and lounges Main markets: Australian, US, Japan Main attractive reasons: high quality, high-tech facilities, high production capacity, good services Production facilities:</p>

	<ul style="list-style-type: none"> • 150,000 square-foot plot of plant in Binh Duong • 90,000square-foot under-cover factory • 5,000 square-foot showroom and office • 3,000 square-foot staff canteen <p>Production capacity: 75 container 40' / month</p>
<p>16. Nguyen Man Iron Workshop Bay Mau Industrial Zone, Khanh Long Quarter, Tan Phuoc Khanh Town, Tan Uyen District, Binh Duong Province Tel: 84-937154526 Fax: 8438984060 Web: www.nguyenman.com.vn Contact: Julia Pham Email: julia.pham@nguyenman.com.vn</p>	<p>Business form: Limited company Year of establishment: 1997 Number of employees: 100 Scope of business: manufacturing indoor and outdoor metal furniture (carbon steel, stainless steel) Main products: rack, stand, shelf, basket, furniture leg, table and chair, fittings Main markets: Sweden, Germany, the US Main attractive reasons: high quality, competitive price, high prestige and commitment to customers, totally customers' desired models Production capacity:</p> <ul style="list-style-type: none"> • In 2011: 250,000 units • In 2012: 300,000 units
<p>17. Vinafor Saigon JCo 64 Truong Dinh Street, District 3, Ho Chi Minh City Tel: 84-839326375 Fax: 84-839325982 Web: www.vinafor.com.vn Contact: Mr Duong Duc Hoa</p>	<p>Business form: Joint Stock company Years of establishment: 1975 Number of employees: 2000 Scope of business:</p> <ul style="list-style-type: none"> • Manufacturing and trading indoor and outdoor furniture, timber, log • Construction consulting and design

<p>Email: vinaforsqn@hcm.vnn.vn</p> <p>Certificate:</p> <ul style="list-style-type: none"> • ISO 00273-2007-AQ-SNG-UKAS • FSC 2000 	<ul style="list-style-type: none"> • Authorized import/export and warehouse <p>Main products: wooden indoor and outdoor furniture</p> <p>Main markets: Vietnam, EU, the US, Dubai</p> <p>Main attractive reasons: high quality and quantity, good social responsibility and environmental responsibility, good services and commitment, good business relationships</p> <p>Production facilities: 3 plants with totally 120,000 m2 with advanced facilities</p> <p>Production capacity: 90 container 40' /month</p>
<p>18. Scansia Pacific Co.Ltd</p> <p>Lot 24-30, Street 1, Tan Tao industrial zone, Binh Tan district, Ho Chi Minh City</p> <p>Tel: 84-837507208</p> <p>Fax: 84-837507209</p> <p>Web: www.scansia.com.vn</p> <p>Contact: scansiapacific@scansiapacific.com</p>	<p>Business form: Joint stock company</p> <p>Year of establishment: 2001</p> <p>Number of employees: 1000</p> <p>Scope of business: manufacturing and exporting indoor and outdoor furniture made by wood, rattan, bamboo, metal</p> <p>Main products: wooden, bamboo and rattan tables and chairs</p> <p>Main markets: EU, Japan, The US, China, South Africa</p> <p>Main attractive reasons: high quality and quality, high warranty, good relationships with importers, high prestige</p> <p>Production facilities: 7 plants in Vietnam, 1 in Myanmar, 1 in Indonesia and 1 in Campuchia</p> <p>Production capacity: 85 containers 40' / month</p>
<p>19. Tan Phu Furniture Co. Ltd</p> <p>DT 746, Hoa Nhut Hamlet, tan Vinh Hiep</p>	<p>Business form: Joint stock company</p> <p>Year of establishment: 1990</p>

<p>ward, Tan Uyen district, Binh Duong province</p> <p>Tel: 84 6503631419</p> <p>Fax: 84-6503631420</p> <p>Web: www.tanphufurniture.com</p> <p>Contact: Mr Nhu Thuy Nguyen</p> <p>Phone: 84-0953249830</p>	<p>Number of employees: 400</p> <p>Scope of business: manufacturing and trading wooden indoor and outdoor furniture for office, home uses</p> <p>Main products: chair, table, cabinet, bookcases, beds</p> <p>Main markets: East Asia, the US, EU. Canada</p> <p>Main attractive reasons: stable quality, competitive prices, ability to handle all bid orders, high commitment</p> <p>Production facilities: 1 wood processing factory 23,000m2 with modern technology machinery</p> <p>Production capacity: 30 container 40' / month</p>
<p>20. Tai Anh Import and Export Co. Ltd</p> <p>Lot C3, Gian Khau Industrial Park, Gia Vien, Ninh Binh Province</p> <p>Tel: 84-303651595</p> <p>Fax: 84-303650350</p> <p>Web: www.tainanh.com</p> <p>Contact: Mr Tuan Anh, manager</p> <p>Email: tainanhfurniture@tainanh.com</p> <p>Certificate: ISO 9001:2008</p>	<p>Business form: Limited company</p> <p>Year of establishment: 1988</p> <p>Number of employees: 400</p> <p>Scope of business:</p> <ul style="list-style-type: none"> • Manufacturing wood furniture and constructions • Forest exploitation and wood importation • Investment in industrial park and tourism services <p>Main products: indoor and outdoor furniture made by wood, oak, quercus alba, beech, steel doors and windows</p> <p>Main markets: Japan, Korea, Hong Kong, Germany, Poland, US, Mexico</p> <p>Main attractive reasons: high quality uPVC, modern style and diversified designs, long and</p>

	<p>good relationships with foreign firms, Production facilities: 3,500 m² of factory with advanced production line Production capacity: 500 m³ products / month</p>
<p>21. Truong Lam Co. Ltd Phu Tai Industrial Zone, Qui Nhon, Binh Dinh Province Tel: 84-563741358 Fax: 84-563741837 Web: www.truonglam.com Contact: Mr Nguyen Thanh Son, trading manager Email: tnhhtruonglam@vnn.vn</p>	<p>Business form: Limited company Year of establishment: 1999 Number of employees: 900 Scope of business: processing, trading and exporting wooden indoor and outdoor furniture and wooden floorings Main products: furniture and flooring made by Eucalyptus, Keruing, Yellow Balau, Acasia, ect Main markets: Main attractive reasons: high quality, in-time delivery, reasonable price and best services, worldwide partners Production facilities: one factory 17,000 m² in Binh Dinh, another one 31,000m² in Gia Lai Province Production capacity: 300 containers 40' / month</p>