FINDING THE SUSTAINABLE SUCCESS FACTORS TO INVEST IN VIETNAM GARMENT INDUSTRY

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Abstract - As the globalization of industries, more and more Taiwan companies invest in other countries. Following by the new south bound policy form Taiwan government, Vietnam is become the one of the most popular investing places for Taiwan business. Through the Foreign Direct Investment (FDI) in Vietnam, lots of Taiwanese companies invest the garment industry. However, to find the key sustainable success factors of invest are become an important issue for those companies. This research applies Analytic Hierarchy Process (AHP), to discovery the factors among those companies. Based on interview by many specialists and analysis by AHP, this study proposes 3 main configurations, 20 major factors and 19 factors in details. The results indicate that the most important configuration is the Taiwan enterprises itself, and the most important factor is the enterprise management ability. The results can help companies referring the proper sustainable success factors when investing in Vietnam.

Index Terms - Foreign Direct Investment, Analytic Hierarchy Process.

I. INTRODUCTION

Garment Industry is an important basic industry of Taiwan's economy. However, because of the internationalization era, the rapid development of Taiwan's economy gradually improves the costs of the material and basic production, so the garment industry has moved to other countries.

At that time, Vietnam began to develop economically and encouraged foreign investment with advantages of a large labor force, abundance of natural resources and low labor costs. Hence, many garment manufactures from foreign countries including Taiwan invested in Vietnam. Since then, Vietnam's garment industry has developed rapidly. Especially in 2015, Vietnam's textile and garment industry was the largest export industry. Due to many Taiwanese companies investing in the garment industry, when considering investing in this business what are the key sustainable success factors?

Based on motivation, purpose and the sustainable key success factors of Taiwanese outward Foreign direct investment (FDI) in the past, this study explore and sort out the key factors when Taiwanese companies consider to invest in the local country. After interviews and questionnaires completed by Taiwanese companies who invest in the Vietnamese garment industry, we used the Analytic Hierarchy Process (AHP) method to analysis and find out the key sustainable success factors of the Taiwanese outward FDI. This study hopes that Taiwan companies can use these factors as a reference when considering investing in Vietnam. Review theory and research of the relevant foreign direct investment, this study found out that outward FDI in fact meant that the manufacturers move their own abilities and resources including products, human capital, management skills, knowledge and technology etc. to set up a company in oversea country, from that they produce and sale products, and they can take advantages of the resources and preferential policies of the host country to decrease production costs. Moreover, when an enterprise invests in an overseas country, it becomes a multinational company. Therefore, there are many factors that affect foreign direct investment, but most of these factors can be divided into three types: the first are the factors that affect the willingness to invest directly in an overseas country, the second are the factors that make enterprise success in FDI, the third are the factors that have the characteristics of the two factors described above. These factors may come from external investment operation (mostly from: the investment environment of the host country and home country) or the ability and the status of companies (background). Hung and Chiang [1] express that the factors affect foreign direct investment includes: the economic environment of the mother country, the overall environment of the local country and the impacts between the preferential policies of enterprise and foreign direct investment flows of the host country. In addition, Chiang [2] considered that there is a positive impact among the economic environment of mother country, the overall environment of the local country and the impact between the preferential policies of enterprise and foreign direct investment flows of the host country. Yoo et al [3] provide a method to balance project financing and mezzanine project finance to reduce the risk of overseas investment. The resultant data will serve as an effective method to increase net cash flow in overseas steel-plant project investments. Park [4] examined the effect among the foreign direct investment human capital and human capital interactions of research and development had robustness as variables and had positive influences on Gross Domestic Product (GDP) in the short and long run.

The key sustainable success factors are if the companies in the industry's activities are in different times, they got different competitive advantages. These competitive advantages allow companies to catch future opportunities, prevent the threats of environment, maintain the enterprise competitive advantages and increase its performance.

Therefore, from the research and literature related investment discussed above, this study suggests that the key sustainable success factors of Taiwan companies in Vietnam are the factors that Taiwan enterprise consider when investing FDI and preferential factors which effect on FDI (so factors which summarized above also is the key sustainable success factors of investment). These factors are helping Taiwan companies invest in Vietnam and obtain the most benefits and the purpose of investment.

Many research methods were used to find key success of investment, but most often are the AHP, Analysis Network Process (ANP). This study suggests that the AHP is more suitable to choose structural factors, so we use Analytic Hierarchy Process method as research method of this study.

II. RESEARCH METHOD

In 2006, Lin compared the AHP and ANP in the research of evaluating the results of e-business. Because the AHP is based on hierarchy to analyze complex problems it is more suitable for analyzing industrial factors. Therefore, the study selected AHP as the research method.In accordance with the previous investments, and to better understand the key factors of good decision-making which was Taiwanes invest in the garment industry in Vietnam, this study design AHP framework includes four levels.

Collecting literatures about the factors that effect to the outward FDI of Taiwan companies in Vietnam, in March 2018 interviewing and issuing questionnaire to 8 specialists (including Taiwan companies who invested early on in Vietnam garment industry, Taiwan large-scale companies and Taiwan companies who had investment experience, the responders are the managers who had relative experience. At last, sort out the key sustainable success factors that effect to the outward FDI of Taiwan companies in Vietnam. Overall hierarchy evaluation structure is shown in Figure 1 Based on AHP framework in the third chapter to design AHP questionnaire [5], the questionnaire divided into four parts, the first part is a description of the questionnaire structure and guidelines, the second part is based on “the table of relative important scale” method to design questionnaire. 3 main configurations, 20 major factors and 19 factors (these factors are from the first part and interview experts) are used to carry out pair-wise comparisons, ratio scale is used as measurement scales of comparison matrix, scales divide to 5 items: Equally important, slightly important, quite important, very important and absolutely important separately, and more 4 intensive scales between 2 items, total are 9 scales as 1-9 of proportion separately. The third part is place to write other proposed indicators or other comments. The fourth part is personal information. There were 55 questionnaires distributed and 32 samples were returned, 3 questionnaires were incomplete or invalid, a final 30 questionnaires were valid to be analyzed. The respondents are managers of Taiwan subsidiary companies in Vietnam.

III. RESULTS ANALYSIS

1. Overall dimensions Analysis

The results showed that among three main dimensions of the level assessment framework, "Taiwan enterprises capabilities " dimensions is the most important dimension which affect Taiwan companies’ foreign direct investment in Vietnam, followed by "Vietnam Investment environment "and" Taiwan's investment environment "dimension (shown as in Table 1). When starting to invest in Vietnam garment industry, Taiwan enterprise must have their competitive advantages to join in Vietnam investment environment.

Table 1 The second hierarchy weights comparison

The second hierarchy dimensions	weights	Sequence
Taiwan investment environment	0.111	3
Vietnam investment environment	0.255	2
Taiwan enterprises capabilities	0.634	1
	λ max = 3.081; C.I. = 0.041; C.R. = 0.07	

2. The result of analyzing each dimensions

In the “Taiwan investment environment” dimension, the main reasons of Taiwan enterprise when considering outward investment are “the strategy of Taiwan government encourage to invest in Vietnam”, “The import and export flows of Taiwan and local country is high” (Table 4). most attractive of “Vietnam investment environments” are “Political stability and Security”, “Low labor costs”, “Vietnam Dong depreciation”, “Geographic proximity”, and “The local government's preferential policies” (Table 4). In addition, most reliable abilities of Taiwan parent companies that provide to a subsidiary company in Vietnam are “business management”, “choosing exactly investment strategy”, “Using the existing proprietary production technology”, “Raw materials are mainly from the parent company” and “Satisfying the demand of foreign customers" (Table 2)

Table 2 The third hierarchy weights comparison

Taiwan's investment environment dimension	Weights	sequences
Plentiful resources and low production costs	0.163	4
The NT continues appreciating and the price go high	0.225	3
The import and export flows of Taiwan and local country are high	0.293	2
The strategy of Taiwan government encourage to invest in Vietnam	0.319	1
	λ max = 4.07 ; C.I. = 0.023 ; C.R. = 0.026	
Vietnam investment environment dimension	Weights	Sequences
Low labor costs	0.192	2
Easy to hire factory	0.056	8
The local government's preferential policies	0.111	5
The potential development of local market is high and rapidly growth.	0.07	7
Political stability and Security	0.197	1
Similarity in custom and culture	0.076	6
Geographic proximity	0.132	4
Vietnam Dong depreciation	0.167	3
	λ max = 8.448 ; C.I. = 0.064 ; C.R. = 0.044	
Taiwan enterprise itself dimension	Weights	Sequences
Go well with Taiwanese upstream, middle and downstream manufacturers go to invest the local country	0.068	7
Satisfying the demand of foreign customers.	0.087	5
Understanding the law of Taiwan and host country	0.069	6
Disposal of idle equipment	0.065	8
Raw materials are mainly from the parent company	0.103	4
Using the existing proprietary production technology	0.131	3
Choose exactly investment strategy	0.202	2
Business management capabilities	0.275	1
	λ max = 8.537 ; C.I. = 0.077 ; C.R. = 0.054	

In Taiwan enterprise's view, Vietnam labor's quality is high, and the important factor of Vietnam's government's preferential policies are "ASEAN Plus One", "Support the development of infrastructure" and "Tax incentives" (Table 3). Results also are shown that the most important factor is "choosing the right time to do FDI", most of Taiwan enterprise invested in Vietnam garment industry in the 2000s- before the time Vietnam join in WTO (Table 3). Besides, they suggest that before investing in Vietnam, Taiwan companies should accumulate management ability, and the most important abilities of business management are "operation management", "research and development", "human resource management", "marketing management" and "financial management" (Table 3).

Table 3 The fourth hierarchy weights comparison

Low labor costs	Weights	sequences
Large labor force,	0.147	3
Low wage costs	0.295	2
The labor's quality is high	0.558	1
	λ max = 3.051 ; C.I. = 0.026 ; C.R. = 0.044	
The local government's preferential policies	Weights	sequences
Unlimited investment policies	0.074	5
Get investment encouragement	0.111	4
Tax incentives for investment	0.118	3
ASEAN Plus One	0.357	1
Support the development of infrastructure	0.339	2

	λ max = 5.225 ; C.I. = 0.056 ; C.R. = 0.05	
Choose exactly investment strategy	Weights	sequences
Choosing suitable investment place	0.290	2
Choosing the suitable investment model	0.265	3
Choosing the suitable FDI time	0.445	1
	λ max = 3.003 ; C.I. = 0.002 ; C.R. = 0.003	
Business management capabilities	Weights	sequences
Internationalization experience	0.033	8
Interpersonal networking capabilities	0.049	7
The ability of using policy	0.063	6
Financial management	0.120	5
Marketing management	0.135	4
Human resource management	0.150	3
Operation management	0.264	1
R&D	0.185	2
	λ max = 8.447 ; C.I. = 0.064 ; C.R. = 0.045	

3. The overall results of each dimension

Analyzing the weights of overall factor, this study found out the important sequence of each factors as: using the existing proprietary production technology, raw materials are mainly from the parent company, choosing the right time to do FDI, satisfying the demand of foreign customers, Political stability and security, operation management, understanding the law of Taiwan and host country, go well with Taiwanese high, middle, low manufacturers go to invest the local country, Vietnam Dong depreciation, disposal of idle equipment, choosing the suitable investment place, the strategy of Taiwan government encourage to invest in Vietnam, geographic proximity and choosing the right investment model, the import and export flows of Taiwan and local country is high, "R&D", labor's quality is high, human resource management, the NT continued increase and the price goes high, marketing management, financial management, similarity in custom and culture, plenty of capital and low borrowing costs and the potential development of local market is high and rapidly growth, support the development of infrastructure, personal networks, large labor force and internationalization experience, getting investment incentives and tax incentives, liberal investment policy were shown as Table 4.

CONCLUSIONS

In conclusion, this study found that the key sustainable success factors of Taiwanese enterprise in Vietnam garment industry includes 15 factors: "capability in business management", "choosing exactly investment strategy", "using the existing proprietary production technology", "raw materials mainly procured from the parent company", "satisfying overseas customer's requirement", "Political stability and security in Vietnam", "Low labor costs", "understanding with the law of Taiwan and host country", "Go well with Taiwanese high, middle, low manufacturers aim to invest in the local country", "Vietnam Dong depreciation", "Disposal of idle equipment", "the strategy of Taiwan government encourage to invest in Vietnam", "Geographic proximity", "The import and export flows of Taiwan and local country is high", " The local government's preferential policies"

The right time to investment in Vietnam garment industry is the 2000s, before Vietnam join in WTO, and the suitable investment places are the industrial zones of Ho Chi Minh and Dong Nai Province, the suitable investment model is Wholly Foreign-Owned Enterprise model because most of investment capital is from their capital. Although the infrastructure of Vietnam is not as good as China, Taiwan and ASEAN countries, but Taiwan companies always believe and hope that Vietnam government improve in the future. This study determines the key success factor of FDI to Vietnam garment industry from decision making method, and provides Taiwan enterprise an important reference.

For Taiwanese companies, this study provides encouragement and effective key to success, and we hope that Taiwan companies investing in the Vietnamese garment industry will use it as reference. Garment products do not vary much, most manufacturers mainly compete on price, and most of Taiwan enterprise's subsidiary companies in Vietnam are mainly export production. Because of decreasing the fee of transportation and avoiding delaying delivery time and reducing the time of orders, most of Taiwanese companies build up manufacture near Vietnamese Harbors, to avoid compromising their business investment. This study suggests that garment investor should analysis and compare the industrial zone of every part of Vietnam and the industrial zone in Ho Chi Minh City and Dong Nai, and select their place of investment carefully. Moreover, during the investment time in Vietnam Taiwan enterprise should get good relationship with the labor union in order to

avoid conflict with employees and causing strike.
For Vietnam Government, Government should boost export garment products:

Most of Taiwanese companies investing in the Garment industry in Vietnam mainly exported products abroad, and the life circle of garment production is short. Because of satisfying customer's requirement, manufactures try to shorten the time, therefore this study suggests that the Vietnamese Government should improve and simplify the formalities such as administration, export management, tax…, and so on.

The reasons of foreign enterprise investing overseas are to decrease the price of doing business, management, production. Among of the outsourcing price of Vietnam garment production, raw material is about 10-20%, and most of raw materials in Vietnam is imported from overseas nations (80%). This study suggests that the Vietnamese government should build up a garment's material Center and develop garment's raw material production.
Transportation cost and the fees of import-export are about 6-8% in the price of Vietnam garment products, and that fee in East South Asia nations is quite good. However, the fees from Vietnam to Malaysia, Singapore, Thailand is still high, therefore, to attract foreign investment, Vietnam government should issue attractive policies to make infrastructure develop rapidly.

Because the garment industry is a labor-intensive industry, so most of the Taiwanese garment companies have invested in the Southeast Asia and mainland China. When interviewing and questionnaire checking, this study found that many Taiwanese garment industries have several subsidiary companies in Southeast Asia and mainland China. This study suggests that future scholars can research the investment status in countries of Taiwanese garment industry and find the critical investment sustainable success factors of Taiwan's garment industry in countries.

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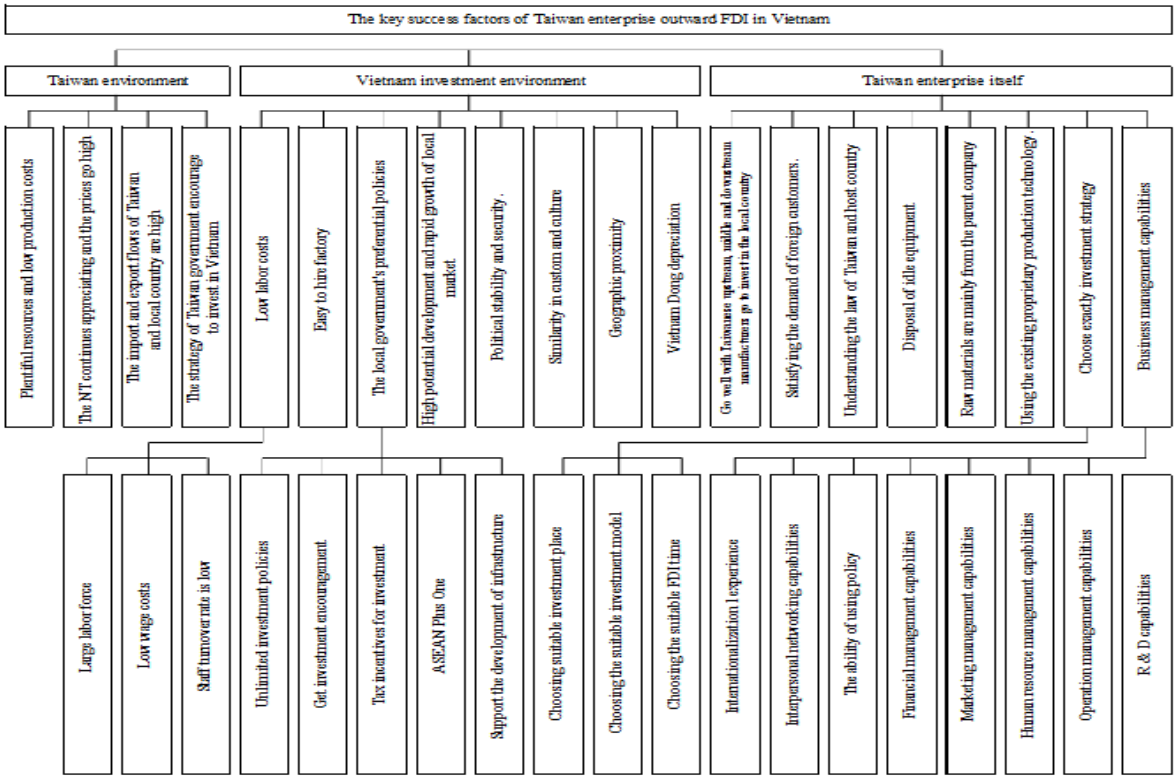


Figure 1. Dimensions affect Taiwan enterprise outward FDI in Vietnam

Table 4 Overall Weights and Sequence of All Factors

Dimension	weights	factor	Weight of factor	Detail factor	Weight of Detail factor	Weight of overall hierarchy	overall sequence
Taiwan's investment environment	0.111	Plentiful resources and low production costs	0.163			0.018	23
		The NT continues appreciating and the price go high	0.225			0.025	19
		The import and export flows of Taiwan and local country are high	0.293			0.033	15
		the strategy of Taiwan government encourage to invest in Vietnam	0.319			0.035	12
Vietnam investment environment	0.255	Low labor costs	0.192	large labor force	0.147	0.007	31
				low wage costs	0.295	0.014	25
				The labor's quality is high	0.558	0.027	17
		Easy to hire factory	0.056			0.014	25
		The local government's preferential policies	0.111	Unlimited investment policies	0.075	0.002	35
				get investment encouragement	0.111	0.003	33
				tax incentives for investment	0.118	0.003	33
				ASEAN Plus One	0.357	0.01	28
				Support the development of infrastructure	0.339	0.01	28
		The potential development of local market is high and rapidly growth.	0.07			0.018	23
		Political stability and Security	0.197			0.05	5
		Similarity in custom and culture	0.076			0.019	22
		Geographic proximity	0.132			0.034	13
		Vietnam Dong depreciation	0.166			0.042	9
Taiwan enterprise itself	0.634	Go well with Taiwanese upstream, middle and downstream manufacturers go to invest the local country	0.068			0.043	8
		Satisfying the demand of foreign customers.	0.087			0.055	4
		Understanding the law of Taiwan and host country	0.069			0.044	7
		Disposal of idle equipment	0.065			0.041	10
		Raw materials are mainly from the parent company	0.103			0.065	2
		Using the existing proprietary production technology	0.131			0.083	1

		Choose exactly investment strategy	0.202	Choosing suitable investment place	0.29	0.037	11
				Choosing the suitable investment model	0.265	0.034	13
				Choosing the suitable FDI time	0.445	0.057	3
		Business management capabilities	0.275	Internationalization experience	0.033	0.006	32
				Interpersonal networking capabilities	0.049	0.009	30
				the ability of using policy	0.063	0.011	27
				Financial management	0.12	0.021	21
				Marketing management	0.135	0.024	20
				Human resource management	0.151	0.026	18
				Operation management	0.264	0.046	6
				R&D	0.185	0.032	16
C.R.H. = 0.044							

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