

Foreign subsidiary development of furniture industry in the context of global recession: case of Vietnam

Thesis submitted for s M.Sc. Degree in Forest Sciences and Business

University of Helsinki

Department of Forest Science

Helsinki, Finland, 2014

Ngoc Hoang



Tiedekunta/Osasto — Fakultet/Sektion — Faculty Faculty of Agriculture and Forestry		Laitos — Institution — Department Department of Forest Sciences	
Tekijä — Författare — Author Ngoc Hoang			
Työn nimi — Arbetets titel — Title Foreign subsidiary development of furniture industry in the context of global recession: case of Vietnam			
Oppiaine — Läroämne — Subject Forest Product Marketing			
Työn laji — Arbetets art — Level Master's Thesis		Aika — Datum — Month and year July, 2014	Sivumäärä — Sidoantal — 95 pages
Tiivistelmä — Referat — Abstract Wooden furniture industry is a traditional low-technology based and labor intensive industry (Kaplinsky & Readman, 2000), which is highly recommended for global outsourcing. Besides, the raising of “China plus one” manufacturing strategy made Southeast Asian countries became new investment destinations. In case of Vietnam, the largest exporter of wood products in Southeast Asian, wooden furniture industry is highly export-oriented with a fast growing rate especially since 2008 (MARD, 2012). While the global economic crisis in 2008 has a vital impact on the national economy, it is reported that the foreign subsidiaries in furniture industry in Vietnam have outstripped their local competitors (VNS, 2013). Despite the importance of foreign subsidiaries in Vietnam, there is lack of study regarding their competitive advantage and strategy. Investigating on how foreign subsidiaries respond to the external challenges is essential to support strategic knowledge on managing industry? Under the influence of market turbulence. This empirical study used qualitative data from interviews with eight managers of foreign furniture processing subsidiaries in Vietnam. Results indicated that under the influences of global downturn, managers have become more proactive and flexible in their strategic planning when facing with chaotic turbulence, which brings both opportunities and challenges. The study pointed out that the negative impact of global recession was passed through in later time in low-cost manufacturing countries and business risks could be minimized especially in companies with a strong pool of intangible resources (reputation, technology, innovation capability). Despite its complexity, recession was not completely seen a threat, yet the managers perceived it as external turbulence from which organizations can benefit but only if they choose the right strategic orientation.			
Avainsanat — Nyckelord — Keywords Furniture industry, foreign subsidiaries, Vietnam, economic crisis, Chaotics management			
Säilytyspaikka — Förvaringsställe — Where deposited Viiikki Science Library, University of Helsinki, Helsinki, Finland			
Muita tietoja — Övriga uppgifter — Further information			

List of Tables

- Table 1: FDI registered during the period 1988 – 2010 in Vietnam
- Table 2: Industrial gross output of foreign invested sector in furniture and other wood products (percentage compared at constant 1994 prices)
- Table 3: The conceptual framework of natural resource based view
- Table 4: Normal versus new normality economies
- Table 5: The implementation of interview protocol
- Table 6: Companies' profiles
- Table 7: Participants' profiles
- Table 8: Pros and Cons of Conservative Strategy
- Table 9: Pros and Cons of Proactive Strategy
- Table 10: Summary of participant responses according to the questionnaire

List of Figures

- Figure 1: Flowchart of forest products in Vietnam
- Figure 2: positioning furniture industry in Vietnam in global chain
- Figure 3: Export turnover in timber and timber products in Vietnam 2008 – 2010
- Figure 4: Outdoor and indoor furniture clusters in Vietnam
- Figure 5: Inter-connected of furniture enterprises in Vietnam
- Figure 6: A model of organizational response to threat
- Figure 7: Model of procreative response in marketing in a recession and relation to hypotheses
- Figure 8: Traditional Two-Playbook Approach vs. Chaotics Approach
- Figure 9: Theoretical framework of the study

ACKNOWLEDGEMENT

Foremost, I would like to express my gratitude to Professor Anne Toppinen at Department of Forest Science, University of Helsinki; as my study line professor and major supervisor. Her knowledge, inspiration and supervision that have been provided is fundamental to this thesis work. I also wish to thank Mr. Sami Berghäll, Mr. Wang Lei at University of Helsinki who has inspired me for this research topic. Their essential advices have encouraged me to complete this work with greater confidence. I also wish to deliver my appreciation to Metsäteollisuustuotteiden vientikaupan edistämissäätiö for funding my data collection trip. It is truly an honor of being supported and working with all nice university lecturers and staffs.

Besides, I would love to dedicate my sincere appreciation to Mr. Panu Niemi, General Director of Niemen Tehtaat Oy, and Mr. Chu Quan Anh, whose knowledge and the given opportunities, have all become the precious experiences and treasures of my life.

Deepest appreciation to my family and friends for their resolute supports, and to Mr. Hu Haiyang, whose support and encouragement is always nearby.

Thanks / Kiitos / Tack / Cảm ơn / 谢谢!

Ngoc Hoang

August. 2014

Helsinki, Finland

ABBREVIATIONS

BCC	Business Cooperate Contract
BES	Business Enterprise Sustainable
BOT	Build Operate Transfer Contract
BTO	Build-Transfer-Operate Contract
BT	Build-Transfer Contract
DIY	Do It Yourself
FDI	Foreign Direct Investment
FIA	Foreign Investment Agency of Vietnam
FLEGT	Forest Law Enforcement, Governance and Trade
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GFTN	Global Forest & Trade Network
GSO	General Statistic Office of Vietnam
HCMC	Ho Chi Minh City
IMF	International Monetary Fund
JV	Join stock Venture
MARD	Ministry of Agriculture and Rural Development
MOIT	Ministry of Industry and Trade of the Socialist Republic of Vietnam
SMEs	Small and Medium Enterprises
TFT	Tropical Forest Trust
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations industrial development organization
VOV	Voice of Vietnam
WO	Whole owned
WTO	World Trade Organization

Table of Contents

List of Tables	3
List of Figures	3
ACKNOWLEDGEMENT	4
ABBREVIATIONS	5
1. INTRODUCTION	8
1.1 Background.....	8
1.2 Aim and research questions	10
1.3 Outline of the research	10
2. Current state of furniture industry and foreign subsidiaries in Vietnam.....	13
2.1 Furniture industry in Vietnam in global value chain	13
2.2 The development of the furniture industry in Vietnam under the influence of global recession.....	16
2.3 Foreign subsidiaries in furniture industry in Vietnam	20
2.3.1 Current situation of foreign investment in Vietnam	20
2.3.2 Foreign subsidiaries in furniture industry	24
3. Theoretical background	26
3.1 Resources based view (RBV)	26
3.2 Competitive advantage and Business Enterprise Sustainability (BES)	28
3.3 Global recession and firms response theories	29
3.3.1 Impacts from global recession, Turbulence and the “New Normality”	29
3.3.2 Conservative response	32
3.3.3 Proactive response	34
3.3.4 The “Chaotics approach”	36
3.4 Theoretical framework.....	38
4. Research methodology.....	40
4.1 Qualitative research	40
4.2 Data collection	41
4.3 Data analysis.....	43
4.4 Validity and Reliability.....	45
5. Results.....	47
5.1 Participants profile.....	47
5.2 An overview of market changes in furniture industry in Vietnam from 2008.....	49
5.2.1 Market changes in 2008 – 2010.....	49

5.2.2 Market changes from 2011 onward	53
5.3 Foreign subsidiaries strategies under the influence of global recession	60
5.3.1 Strategic orientation	60
5.3.2 What have the companies done?	64
5.3.3 Foreign subsidiaries competitive advantage in Vietnam	68
5.4 Managers' perspective for future opportunities and challenges	72
6. Discussion and Conclusion	77
6.1 Summary of the main findings.....	77
6.3 Limitations and further research	82
6.4 Conclusion	83
REFERENCES	85
APPENDIX.....	94

1. INTRODUCTION

1.1 Background

For several years, the multinational corporate expansion and establishment of foreign subsidiaries have had a strong influence in international business, because of the increasingly globalizing economy (Michael. et al., 1998). The shifts occurring in terms of supply chain, investment activities and labor costs are becoming a concern for manufacturing industries. The shifts have encouraged enterprises from the high-income countries to have more investments and they continue to transfer their labor-intensive activities to those developing countries with much lower income and cheaper labor force (Kaplinsky, 1998). In turn, the increasing existence of foreign subsidiaries has activated the business capabilities development of local suppliers concerning the technology and information transfer (UNCTAD, 2006). Furniture industry is a traditionally low technology and labor intensive industry (Kaplinsky & Readman, 2000), which has been also included in the increasing tendency of global outsourcing of multinational corporations; thus, the emerging expansion of furniture industry has become an opportunity for developing countries.

In the case of Vietnam, furniture industry is highly export-oriented. Of the total value, 80% comes from exported products. In 2010, the value of exported wooden products from Vietnam was about 3.2 billion USD, making Vietnam, after Malaysia, the second largest exporter of wood processing industry in Southeast Asia (MARD, 2010). Furthermore, in the first ten months of 2012, Vietnam became the largest exporter in Southeast Asia after reaching 4 billion USD in wood and wood product export revenue (MARD, 2012) in which furniture accounted around 80% of the total revenue as well as capacity. Concerning the industrial structure, there are more than 3,400 wood processing enterprises. The number of joint venture and FDI enterprises is 450 companies. These are mainly large and medium sized and accounted for 14% of the total number of enterprises (Nguyen & Tran, 2011). Foreign subsidiaries in wooden furniture industry are considered as an important knowledge and technology transfer channel in Vietnam.

Recently, the global economic crisis starting in 2008 has had a vital impact on the industry in Vietnam, which includes market shrinking, higher inflation, price decrease and other business difficulties. However, year 2012 and the beginning of 2013 marked a brighter spot for wood products exported from Vietnam. In 2012, the export of wood products increased 19%, compared to 2011 with 4.5 billion USD in terms of turnover. In the first nine months of 2013, turnover of wood products exported reached 2.6 billion USD, thus Vietnam kept being the top wood product exporter in Southeast Asia and the second in whole of Asia, after China (VOV, 2013). Even though there were several organizational declines among the firms, it has been reported that FDI origin enterprises have outstripped the local companies during the recession period. According to Vietnamese Timber and Forest Product Association (VIFORES), in 2013, foreign owned enterprises increased their exported revenue amount up to 64% of total export capacity in Vietnam (VNS, 2013). It has been considered that the local producers are losing their foreign competitors in their local market. The phenomenon has raised concerns about how foreign subsidiaries could overcome the external threats and improve their competencies compared to their local competitors. However, there is lack of studies concerning the analysis of differences in competitive advantage as well as operational strategies in foreign subsidiaries in Vietnam during the recession time.

Under the influence of global recession, previous research has proposed that firms choose either to be conservative, for instance cutting their budget (O'Malley et al., 2011), implementing "restriction in information processing and constriction of control" (Staw et al., 1981), or to be more proactive such as motivating greater organizational innovativeness (Uzkurt et al. 2012), or to utilize opportunities to get over other weak competitors (Srinivasan et al., 2005). It is also suggested that the root of firm's competitive advantage after recession is generated even before the recession is over (Panwar et al., 2012). Conceptually, Kotler and Caslione also provided a model of Chaotics Management System concerning business strategies in new environmental context with "heightened turbulence" nowadays (Kotler & Caslione, 2009). Based on the mentioned context of furniture industry in Vietnam and in applying related business theories, this empirical study will investigate how foreign subsidiaries have responded to the reverse business environmental conditions in order to maintain and improve their competitive advantages.

1.2 Aim and research questions

Despite the growing importance of foreign subsidiaries in furniture industry in Vietnam, the operational strategies of foreign subsidiaries have not received proper attention, especially under the context of recent economic crisis. Motivated by the above phenomenon, this study focuses on filling these gaps by providing insights regarding how to maintain the sustainable competitive advantages of foreign subsidiaries' operations in Vietnam through the global downturn. This study aims to examine the current state of business performance and to bring forward management experiences during economic downturn as well as managerial perspectives concerning future scenarios of foreign subsidiaries in wood processing industry. More specifically, as furniture accounted the majority among the products in wood processing industry in Vietnam, this study focuses on the subsidiaries that are specializing in furniture production.

To obtain the aims of the research, three research questions are proposed as given below:

- What is the perceived role of the different factors affecting companies' business activities during and after the recession?
- What is managers' preferable choice comparing conservative and proactive strategic response during the recession in Vietnamese wood furniture industry?
- What are the prospects for future opportunities and challenges in wood furniture industry in Vietnam?

1.3 Outline of the research

This paper comprises empirical study with qualitative approach applying analysis of interview data from managers of foreign subsidiaries in Vietnam. The thesis is divided into seven chapters in order to fulfill the aim of proposed topic.

Chapter 1 introduces the background information concerning the research topic, aims and questions. Besides, the first chapter provides a brief guideline for thesis structure.

Chapter 2 exposes current position of furniture industry in Vietnam in global value chain, its context under the influence of global recession, and the expanding foreign investment and foreign subsidiaries in the industry. In this chapter, a capture of general picture of the macro environment of furniture industry in Vietnam is presented as a state-of-art for the study.

Chapter 3 reviews the relevant business theories from literature supporting the research approach implementation, which include theories concerning organizational response to external threats, resource-based view and sustainable competitive advantage. Firstly, resource-based view of the firm focuses on firms' internal strategic resources to obtain sustainable competitive advantage. Secondly, there is a review of how economic crisis threatens organization's performance as well as an introduction of the New Normality concept. Under that context, threat-rigidity theory and prospect theory are recalled regarding relevant literatures about firms' reactions in adverse environmental conditions: to be conservative or to be proactive. Furthermore, the introduction of Chaotics Management System model provides an up-to-date point of view concerning the mentioned business theories. The theoretical framework of this study is briefly illustrated in the end of this chapter.

Chapter 4 provides research methodology employed to answer the proposed three research questions. The chapter includes the choice of qualitative research approach, description of research design, interview protocol, data analysis methods and possible tactics ensuring validity and reliability in the implementation phase.

Chapter 5 presents the results of data analysis based on the interviews with targeted managers. The chapter narrates managers' insights and experiences in business management specifically under the influence of global recession.

Chapter 6 captures and analyzes managers' and staffs' perspectives concerning their current strategies and expected future changes in furniture industry in Vietnam in the

summary of research findings. This chapter concludes the topic based on the re-evaluation of proposed research questions. In addition, the final chapter also provides research limitations and ideas for future research.

2. Current state of furniture industry and foreign subsidiaries in Vietnam

2.1 Furniture industry in Vietnam in global value chain

The Socialist Republic of Vietnam (henceforth, Vietnam) is a Southeast Asian country with a population of 90 million in 2013. The total area of Vietnam is approximately 331,210 square kilometers, which include about 16.2 million hectares of forestland (Nguyen & Tran, 2011). Recently, the Vietnamese GDP has grown in a stable way, with an optimistic projected growth averaging 6.9% in the period 2014 – 2016 (EY, 2013). With respect to international trading activities, Vietnam has been well-known as an emerging economy, growing rapidly and maintaining its relatively strong economic growth despite the global recession. For example, in 2009 and 2010, the annual GDP growth rate in Vietnam reached 6.3% and 5.3%, whereas the U.S GDP growth was -2.6% and 2.7% in the same period (MARD, 2011).

Furniture is among the fastest developing branches of industries in Vietnam. It plays an important role in the national plan to increase the value of forests and forest products. Indeed, furniture industry is currently on the top eight largest export components in national economy that includes several supplementary industries such as raw materials, chemical, hardware as well as a complicated supply chain system. Generally, the wood products market in Vietnam represents an uninterrupted flow of import and export products as shown below in Figure 1:

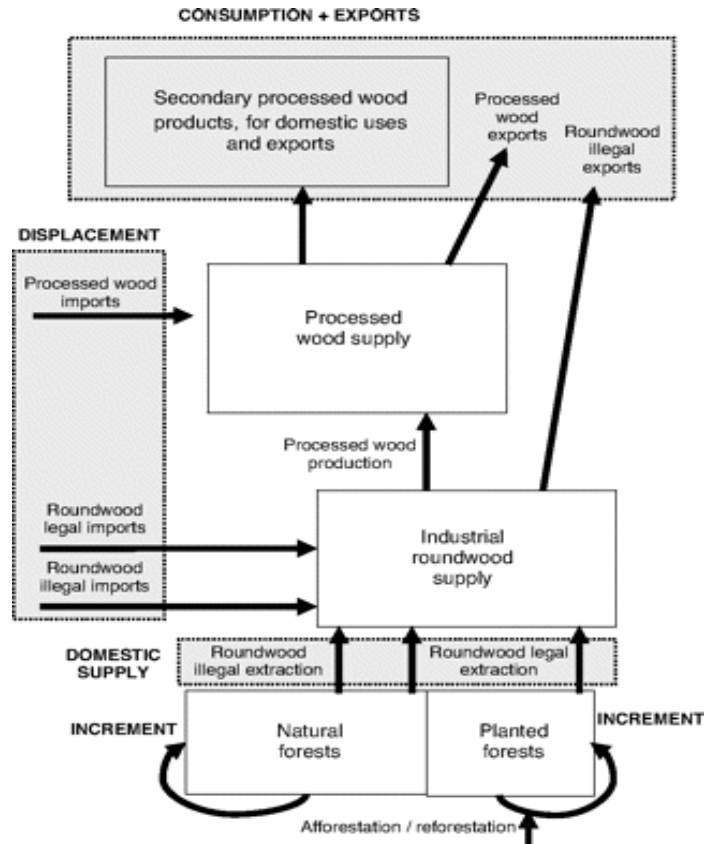


Figure 1 : Flowchart of forest products in Vietnam

Source: Proceedings of the National Academy of Science of the United States of America (2009)

As the Figure 1 illustrates, the raw material input of the forest sector in Vietnam originates from either domestic or imported sources, which are processed and consumed as value-added products. The majority of raw material is imported while the remaining sources are either domestic natural forests or planted forests. The outputs of the wood processing industry in Vietnam are highly diversified ranging from sawn timber and pulp to direct consumable products, such as decoration products and wooden furniture. The major secondary processed wood product in Vietnam is furniture.

Vietnam's wood processing industry depends highly on the use of imported materials from several sources. The main reasons of this situation are firstly, fast growing wood processing industries but non-corresponding growth rate of plantation forests and lack

of natural forests; secondly, furniture industry is export-oriented but has limited certified raw material supply and known sources from domestic compliance with international standards (Nguyen & Tran, 2011). Regarding legality verification, environmental certification is one of the most concerns of Vietnam manufacturers because of their exported-orientation. All major export markets (US, EU, Japan) are environmental conscious consumers who always require the proof that products originated from reliable, legal and certified sources. The scarcity and high cost of import certified timber has motivated local enterprises expanding more certified forest area. In fact, many enterprises have adopted the tracing systems such as FSC, Tropical Forest Trust (TFT), the Global Forest & Trade Network (GFTN) and are in process of investing in FLEGT VPA. Regarding VPA status, Vietnam is in the negotiating stage with EU started from November 2010 (FLEGT VN, 2014). Besides, concerning the sub-materials such as adhesive, coating and furniture hardware, there is a lack of supporting industrial systems; thus the major source for sub-materials is also from abroad (MARD, 2013).

Concerning the industrial network, most Vietnamese manufacturers have not established a direct distribution channel to end-users in their export markets, but they have distributed their products through exporting agents, trading representatives, wholesalers, to name a few forms of subsidiaries they have used. They specialize in manufacturing activities following the design and inquiries from their customers (Hanh, 2008). In other words, Vietnam is an importer of raw materials, an active manufacturer, and an exporter of value-add products. Based on the current structure of furniture industry in Vietnam, local furniture companies have positioned in the simple global value chain (Kaplinsky & Morris, 2001) as a primary production stage while the design and marketing stage are mostly from the foreign partner as illustrated in the figure 2 below.

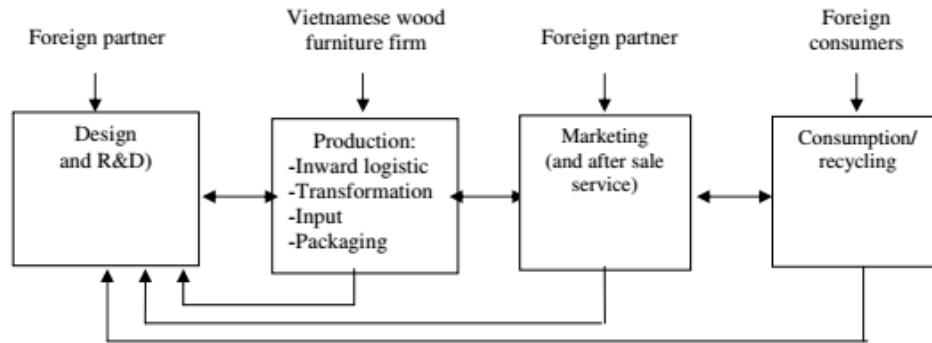


Figure 2: Positioning furniture industry of Vietnam in global value chain
(applied from Kaplinsky & Morris 2001)

According to Figure 2, most Vietnamese furniture manufacturers operate based on their foreign partner offers and designs. In other word, there is lack of brand recognition in Vietnamese furniture companies. However, furniture industry in Vietnam is catching up the marketing function in global value chain (Hanh, 2009). More value-add service such as marketing and design could enable not only a premium price but also better reputation for manufacturers. Especially for furniture manufacturers in Vietnam, functional upgrading is a crucial process in which low value products are shifting to high value product in order to enhance the competitiveness in international wood product market (Wan et al., 2014).

2.2 The development of the furniture industry in Vietnam under the influence of global recession

In the current decade, the furniture industry in Vietnam has reached remarkable achievements in many different aspects: growth in production, export turnover, and an increase in foreign investment. Vietnam has eventually become a familiar supplier for wood products in the global market with increasing value and volume year by year. In 2010, the value of exported timber and timber products reached 3.4 billion USD. This is fifteen times higher than in 2000. The new records in exported timber products have continued in the past three years (MOIT, 2013), as the figure 3 below shows:

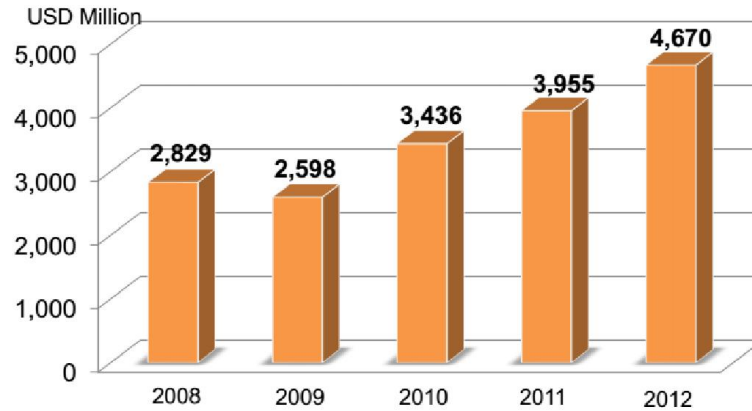


Figure 3: Export turnover in timber and timber products in Vietnam 2008 – 2012

Source: MOIT (2013)

In international furniture trade, the development of the furniture industry in Vietnam has reached a medium-high growth rate since 2009. In 2012, Vietnamese furniture industry ranked sixth in the world and second in the Southeast Asian region in terms of export turnover. According to Vietnamese Customs Office, the export turnover in the first six months of 2013 reached 2.45 million USD. This was a 12.2% increase compared to the same period in 2012.

Since 2010, Vietnamese timber products have been exported to over 120 countries all over the world. The four main export markets are the United States, China, EU and Japan. Those markets accounted for 80% of the total exported value. There was an expansion to other markets beside those traditional markets such as China, the United Kingdom, Canada, Malaysia and Hong Kong. The Vietnamese Government focused on expanding exports to the new markets such as Russia, India, Central Asia and Eastern Europe (Nhat, 2010). This action protected the industry from the downturn in traditional markets caused by the economic crisis. In the beginning of 2013, there was an increasing demand from the United States, South Korea, Japan and China, while the United States remained the largest market for Vietnamese manufacturers.

In terms of volume as well as value, furniture, as mentioned is the majority, and accounted approximately for 80% of Vietnam’s exported wooden products. The remaining 20% were shared by plywood, sawn wood, logs, molding and joinery, veneer, other panels and products. In the past, outdoor furniture used to be the main product segment; however, the target products were changed to more valuable indoor products with more complex production techniques such as bedroom furniture, kitchen furniture, living room furniture and children’s furniture. Geographically, the clusters of outdoor furniture manufacturers are located in the center of Vietnam, in the Binh Dinh, Da Nang and the Central Highland regions, whereas those for indoor furniture are located in the Southern regions, such as Binh Duong, Dong Nai, Ho Chi Minh City (To & Canby, 2011). Besides, there is a small amount of traditional furniture manufacturers in the Northern part of Vietnam which contributed around 10% of national productivity. This research focuses on the outdoor and indoor furniture manufacturers, in which segments the cluster distribution is presented in Figure 4 below:

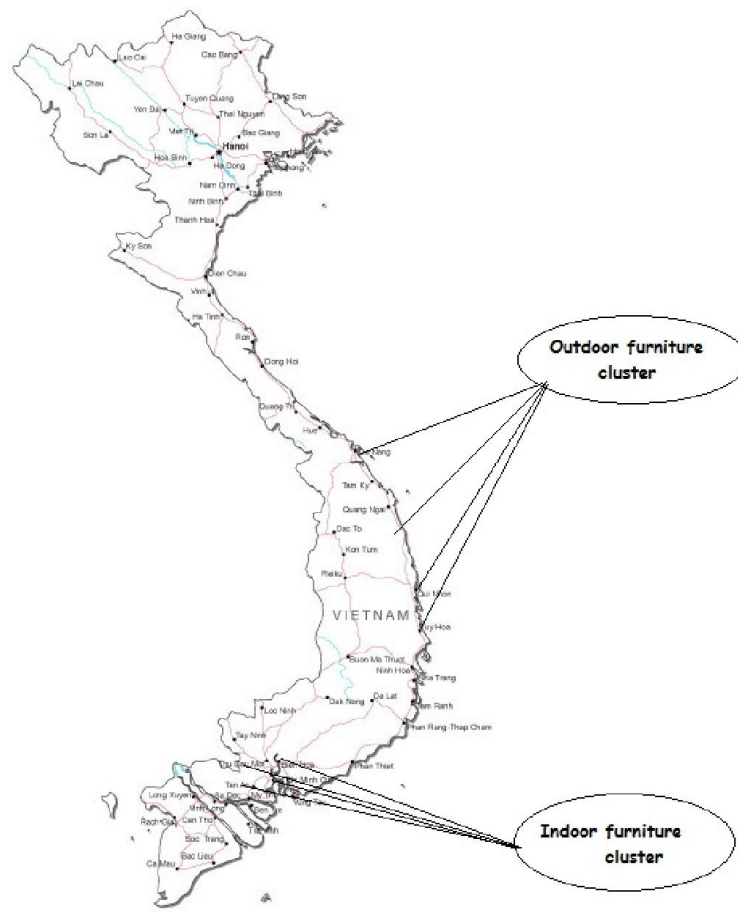


Figure 4: Outdoor and indoor furniture clusters in Vietnam

At present, manufacturing technology used in furniture industry in Vietnam has improved although there is still a big gap compared with the developed countries in the same industry. Most equipment and machinery for furniture industry in Vietnam has been imported from China or Taiwan due to their lower cost. There is just a small proportion of them that has been purchased from Germany, Italy and Japan which have been well-known as the major suppliers for the most modern furniture making machineries all over the world. Moreover, the duration of using equipment and machinery is in general longer in Vietnam. For instance, most of local manufacturers in Kon Tum and Dak Lak, Binh Dinh provinces have been using the same machinery from 6 to 15 years already (Dawson, 2010).

Regarding entrepreneurship and labor force, there are about 3,400 furniture enterprises in Vietnam with more than 300,000 employees. Currently, around 28% of wooden products manufacturers in Vietnam are exported-oriented which accounted around 80% of the total turnover of the industry. Most of them are in small and medium sized companies, 93% of which are privately-owned and 5% are stated owned. Small enterprises are plants that have paid-up capital below 30,000 USD annually while medium enterprises are from 30.000 to 150,000 USD annually and large enterprises are above 150,000 USD. In 2009, among furniture enterprises, 46% are super small, 49% are small, 1.7% is medium, and 2.5% are large-scale (GSO, 2011). Especially, the number of the joint venture and FDI enterprises is 450 companies, mainly large and medium sized and accounted for 14% of the total enterprises (Nguyen & Tran, 2011). The inter-connected structure between furniture enterprises has been illustrated in Figure 5 as below:

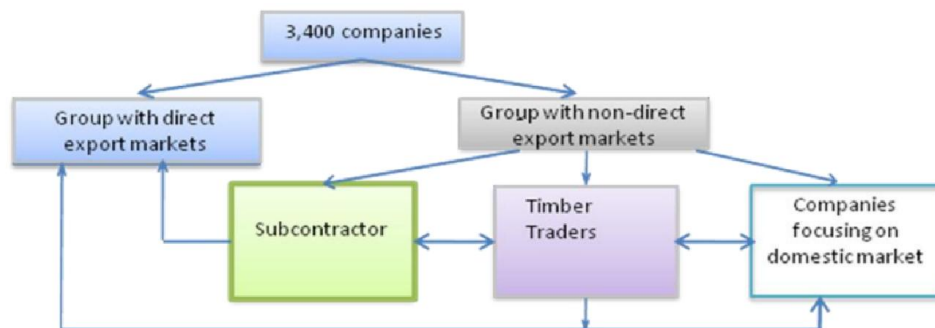


Figure 5: Inter-connected structure of furniture enterprises in Vietnam

Source: To & Canby, 2011

Under the influences of global economics crisis, those small and medium sized enterprises (SMEs) are vulnerable and more at risk due to their lower capacity, ability to procure competitively raw material and to exhibit financial control and ability to reach international market quality requirements. The years 2011 and 2012 have marked for several SMEs a state of bankruptcy. Only larger companies with stable financial foundation and resources have been able to capture the business opportunities and survive in the fierce situation.

The bankruptcy of many established furniture enterprises during the recession period reflects several weaknesses of the industry in Vietnam including the underdeveloped state of infrastructure, weak supply chain structure and inefficient national policy framework. Moreover, Vietnamese agency MARD is warning about the lack of supportive system' and technology for furniture industry, which causes losses for wood production in Vietnam worth of hundreds million USD annually. At present, manufactures mainly import accessories, which accounted for 30 – 40% of product value, because there is no industrial plant or system specializing in furniture accessories in Vietnam (MARD, 2013).

2.3 Foreign subsidiaries in furniture industry in Vietnam

2.3.1 Current situation of foreign investment in Vietnam

Since the enforcement of Foreign Investment Law in 1988, foreign direct investment flow in Vietnam has obtained a significant growth rate (FIA, 2012). From 1988 to the end of 2010, the registered capital of FDI reached 132.56 million USD with 13,533 total licensed foreign investment projects as illustrated in table 1 below:

Table 1: FDI registered during the period 1988 – 2010 in Vietnam

Period	Project Number (new license)	Registered Capital (billion USD)
1988-1990	211	1,6
1991-1996	1.781	27,83
1997-2000	1.352	16,09
2001-2005	3.935	20,72
2006-2010	5.411	132,58

Source: FIA (2012)

According to table 1, the first wave of foreign investment in Vietnam started from 1988 to 1996, after the rigorous economic reform program “Doi Moi” in 1986 and the launch of Foreign Investment Law. After 1996, the growth rate of FDI in Vietnam dropped because of severe impacts particularly from Asian economic crisis. However, the investment activity has overcome the dark time shortly thanks to government’s efforts in activating international relation and trade such as the revision of domestic law including the Enterprise Law and Common Investment Law (2004), the new Law on Investment (2006), the signing of United States-Vietnam Bilateral Trade Agreement (2001), the accession into WTO (2007) and other international trading agreements. Indeed, compared with foreign investment in furniture industry in Malaysia, another competitor in the same region, the cheap labor force and better investment policy in Vietnam are making the country more attractive to the foreign investors (Ratnasingam & Ioras, 2009). Therefore, the second wave of FDI inflows in Vietnam ranging from 2000 to 2010 reached a remarkable growth which tripled investment as compared to the same phrase of 1991 – 2000 despite of the economic downturn since 2008.

Recently, the raising of “China plus one strategy” (FTI Consulting, Inc., 2013) has made Vietnam and other Southeast Asian countries to become new investment destinations for many multinational corporations. For several decades, China has been well known as an investment hot spot due to the cheap labor and enormous domestic market with GDP value of 8.227 billion USD 2012 (World Bank, 2014a). China attracted 111.7 billion USD of foreign investment in 2012 and was ranked as the top

destination for foreign investments worldwide (PwC, 2013). However, the “booming economy” also leads to several social and economic issues such as maturing economy, raising wages and disappearing FDI tax incentives (FTI Consulting, Inc., 2013). Furthermore, most multinational companies are strongly concerned about the bad reputation of the quality of products made in China (Ming, 2013). Thus, multinational corporations investing in China are trying to spread their investment around the region that is suggested to bring several benefits such as better cost control, risk diversification and new market access (FTI Consulting, Inc., 2013). This phenomenon explains partly the increase of investment inflows to Vietnam despite the severity of financial crisis. Indeed, in 2013, foreign direct investing (FDI) inflow in Vietnam exceeded the full-year target already within the eight first months of the year, which marked that for the two consecutive years that Vietnam reached its FDI inflow target after missing it in 2010 and 2011 (FIA, 2013). However, there is an increasing concern that the cheap labor force is no long a competitive advantage of furniture industry in Vietnam due to the increasing inflation rate, living expenses and the emerging of other lower income countries (Hanh, 2008).

The distribution of FDI inflows in Vietnam covers diversity industries such as manufacturing and processing, real estate business, information and communication, art and entertainment, agriculture – forestry – fishery, education and training, etc. According to Foreign Investment Agency data about accumulation projects till valid the end of 2012, the four sectors which have attracted most FDI inflows in term of total registered investment capital are manufacturing and processing, real estate business, accommodation and food service, and construction. Particularly, manufacturing and processing sector accounts for more than 50% in terms of both number of projects and investment value. It is also reported that some sectors obtained a significant FDI inflows recently including banks, property and infrastructure (FIA, 2013).

The percentage of FDI in GDP of Vietnam reached its peak at 7.2% in 2009 (World Bank, 2014). In 2011, the foreign investment in Vietnam reached 7.4 billion USD (EY, 2013), accounted for 5.5% of GDP (World Bank, 2014c). There are investors from more than one hundred countries investing in Vietnam. However, a major amount of FDI

inflow in Vietnam has originated from other Asian countries such as Japan, Taiwan, Singapore and South Korea, which are also the four top investment partners in Vietnam (FIA, 2013). Starting from 2001, the investment inflow from the United States has also increased significantly and has since then been on the top ten investment partners. Besides, it is reported that the European countries as a whole have invested about 10% of total investment project value.

According to PwC report (2011) concerning business environment in Vietnam, to support and encourage in flow of FDI in Vietnam, the Government has established and revised the Law of Enterprises concerning the establishment of foreign entity in Vietnam. Foreign companies who wish to present their business in Vietnam could choose to establish either 100% foreign-owned enterprises, joint venture companies or use other contractual forms. The first two forms including foreign owned enterprises and joint venture companies allowed the foreign investors to establish a legal entity in which the form of Joint Venture Company included Limited Liability Company or Joint Stock Company. Meanwhile, a contractual agreement between foreign investors and at least one domestic party, which included Business Cooperate Contract (BCC), Build Operate Transfer Contract (BOT), Build-Transfer-Operate Contract (BTO) and Build-Transfer Contract (BT), would not establish any legal entity. Otherwise, a foreign investor can use other vehicles such as branch or representative office. The most popular forms of foreign investment in Vietnam are 100% foreign investment and joint-venture investment between foreign investors and at least one domestic investor (PwC, 2011). The choice of those two entry mode are considered as critical issue for multinational companies to expanse their business activities in an emerging country. A study of Zhang et al (2014) regarding forest industry in China has pointed out that the choice of entry mode is impacted by several components including cultural and geographical distance, corporate investment period and the factors related to spatial concentration of local forest industry.

2.3.2 Foreign subsidiaries in furniture industry

Two major factors have made furniture industry in Vietnam to become a new destination for foreign investments. Firstly, as mentioned, due to the significant growth rate in China – the main global manufacturer, its labor cost has increased constantly, particularly in the eastern coast in which are the most of furniture enterprises in China are located. For instance, in 2010, the average GDP per person in China was around 7,400 USD compared with 3,100 USD in Vietnam (Roos et al., 2011). In addition, as mentioned before, with its unique geographical position, Vietnam has become a part of “China plus one strategy” (FTI Consulting, Inc., 2013) in which many multinational companies focus their efforts to spreading cooperation in Southeast Asia. Secondly, the increase of corporate responsibility awareness and high skill level of Vietnamese workers brought competitive advantages of the industry (MARD, 2012). In the last decade, Vietnamese furniture industry reached a significant development in capacity and quality of products as well as in materializing export opportunities due to the expanding awareness of international standards, forestry certificates and other environmental requirements.

One significant characteristic of Vietnam furniture enterprises is that since the booming of furniture industry, there are many export-oriented enterprises which have some forms of foreign investment from Taiwan, Korea, Europe and US, obtaining 40% of total export turnover (Nguyen & Tran, 2011). On one hand, those enterprises have been motivated by the modernization and mechanization of the industry and this sector strongly attracts foreign direct investment. Therefore, FDI originated enterprises play an important role of expanding the awareness of technology or human resources training. In contrast with local factories with under developed technology, a large number of foreign factories established in Vietnam is equipped with new machinery and latest equipment. Concept of FDI origin enterprise is considered as an important technology and know-how transfer channel in Vietnam. On the other hand, several concerns exist that most of economic benefits are primarily flowing into foreign companies. Indeed, during the recession period, the Vietnamese Customs agency reported that the FDI wood exporters have outstripped the local companies. The index

of industrial gross output of foreign invested sector (at constant 1994 prices) in furniture and other wood products is shown in table 2.

Table 2: Industrial gross output of foreign invested sector in furniture and other wood products (percentages at constant 1994 prices)

Year	2005	2008	2009	2010	2011 (estimated)
Manufacture of wood and of products of wood and cork (%)	96,4	79,0	105,5	134,2	119,6
Manufacture of furniture (%)	154,8	109,1	95,2	140,4	125,4

Source: GSO, 2011

According to Vietnamese Timber and Forest Product Association (VIFORES), in 2013, FDI activities increased the exported amount up to around 64% of total export capacity in Vietnam. Due to the strong financial support and established supply chain systems, the FDI originated firms in Vietnam gain a surprisingly positive development during the recession period while the local companies are still suffering from the shortage of cash flow, raw material, lack of human resources and technology. In other words, the local producers seems to be losing competitive advantage against their foreign competitors in their own yard (VIROFES, 2013), which calls for studying phenomenon in more detail.

3. Theoretical background

3.1 Resources based view (RBV)

Resource-based view of strategic management (RBV) has been introduced by Penrose (1959) as being the inside-out perspective of firm as a “pool of resources” attributing to its competitive advantage. Later on, the theory has been further developed by several researchers such as Wernerfelt (1984), Barney (1991, 1995) and Grant (1991). Resource-based view is based on two assumptions including firstly, the heterogeneous base of firms’ resources and internal capabilities, and secondly, their distinctiveness to encourage firms’ competitive advantage via resource immobility.

The RBV theory points that firms’ competitiveness even in the same industry varies based on a firm’s resources and capabilities (Barney, 1991). According to Zahra and Das (1993), a firm’s strategic resources included tangible resources such as human, physical and financial components and intangible resources such as reputation, innovations and knowledge. For wood products industry, in a case study of Finnish large and medium sawmills, the business success of case sawmills was strongly impacted by four intangible resources including personnel, collaboration, technological know-how and reputation and services and two tangible resources including raw material and geographic location (Lähtinen et al.,2009) . A firm could create competitive advantage among its competitors by utilizing its strategic resources since “the value of a resource depends not on its existence but on its utilization” (Johnson et al., 2003). Concerning the nature of strategic resources, Barney (1991) proposed four characteristics of resources and capabilities to obtain sustained competitive advantage: Valuable, Rare, Imperfectly imitable and Non substitutable (so-called VRIN).

Furthermore, as an extension of resource-based view theory, Teece et al. (1997) have introduced dynamic capability view to emphasize the necessary of resources to firstly, adopt to business context and secondly, adapt to the dynamic environmental conditions in order to maintain a firm’s sustained competitive advantages. In other words, dynamic capabilities reflect firms’ adaptability responding to rapidly changing business environment. Meanwhile, another extension of theory is natural resource-based view

(Hart, 1995) connecting the firm's resources operation with natural environment as the conceptual framework as Table 3 below:

A Natural-Resource-Based View: Conceptual Framework

Strategic Capability	Environmental Driving Force	Key Resource	Competitive Advantage
Pollution Prevention	Minimize emissions, effluents, & waste	Continuous improvement	Lower costs
Product Stewardship	Minimize life-cycle cost of products	Stakeholder integration	Preempt competitors
Sustainable Development	Minimize environmental burden of firm growth and development	Shared vision	Future position

Table 3: The conceptual framework of natural resource based view

Source: Hart, 1995

According to Hart (1995), in order to obtain sustained competitive advantage, firms need to develop interconnected strategies including pollution prevention, product stewardship and sustainable development. Natural resource-based view benefits companies with a special attention in the use of limited resource through environmental practices. Indeed, there is a strong interconnection between natural resource based view and forestry industry due to its dependent in natural resource which is, in this case, forest.

Despite of several critics of the ambiguity of the resource-based view, it is perceived useful as a normative tool to explore firms' international activities (Knudsen and Madsen 2002). This study examines the source of foreign subsidiaries' competitive advantage and their capability to improve business performance through their internal resources under the perception of RBV in the context of furniture manufacturing in Vietnam

3.2 Competitive advantage and Business Enterprise Sustainability (BES)

The concept of “Sustainable competitive advantage” was used by Porter (1985) in his book “Competitive Advantage” concerning to different business strategies that firm can process. However, Porter did not provide any concrete definition of sustainable competitive advantage in his study. Later on, Barney (1991) mentioned sustained competitive advantages in his description of the characteristics of firm’s strategic resources as a circumstance in which firm “is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and these other firms are unable to duplicate the benefits of this strategy”. It is considered that sustained competitive advantage could be reached when a firm exploited its VRIN resources (Barney, 1995). In this case, sustained competitive advantage has an equilibrium property due to the ability of competitive duplication from other competitors (Barney, 1991). In other words, due to the dynamic business environment, a source of competitive advantage could be no longer valuable or completely change. Therefore, firms should keep investing new sustainable competitive advantages

Recently, Kotler and Caslione (2009) have provided a concept of Business Enterprise Sustainability (BES) which is consider as the eventually goal of organizations’ strategy, especially under the influences of recession or turbulence. It is said that: *“Business enterprise sustainability aims for a comprehensive strategy to maximize the underlying value of companies in the extended long term, while optimizing company performance and value in the short and medium term – but never compromise long-term value”* (Kotler & Caslione, 2009).

The concept of BES emphasizes how to keep the balance of strategic plan in order to ensure short- and middle-term benefits and long-term sustainability. Indeed, the practical goal of every enterprise in the new normality is its longevity which is being affected by a number of several internal and external factors. In turbulence period, firms are under pressure of holding its short-term interest without harming the long-run performance, which often leads to a dilemma situation for the top managers. For instance, companies conducting “cutting budget” strategies are likely to have major

constraints to future development such as losing market share, losing talented employees, out-of-date technology, to name a few negative consequences they might have. Moreover, Kotler and Caslione (2009) also listed out three critical elements regarding the achievement of BES including well-maintained assets, innovative products and services and firms' reputation.

3.3 Global recession and firms response theories

3.3.1 Impacts from global recession, Turbulence and the “New Normality”

Additionally, economic downturn has brought environmental uncertainties that might cause several problems concerning the significant reduction of market munificence and threaten all firms' survival (Latham, 2009). According to IMF's report, the economic downturn in 2008, which is closely associated with financial issues, has tended to spread widely across different countries, and to be eventually more severe, longer lasting and to be ultimately considered as the deepest downturn since World War II (IMF 2009) even if it was considered as to be officially over in 2010 (Huffington Post Staff, 2010).

In one way or another, the downturn has generated several negative impacts to business performance such as lower availability of liquidity, less frequent purchasing activities among customers, decreasing level of profits, increasing layoffs, etc. Severe liquidity problems in the firms were generated from economic collapse and wave of bankruptcy since the booming of the crisis in 2008. Indeed, the financial disruption has caused the tightened lending standards, sharp falling in equity markets and this consequently has affected seriously both the developed and emerging economies under the spreading of globalization and industry internationalization (IMF, 2009). As a result, the industrial production and purchasing power has decreased quickly causing the bankruptcy. More and more companies have conducted layoffs and ultimately cutting budget activities while facing the reduction in product demand and limited financial flexibility (Olson, 2010).

Besides, consumer behavior has changed significantly during the recession in response to the lower availability of liquidity and higher economic uncertainty. Consumers spend less, save more, tighten their personal spending budgets and become more sensitive to price changes (Pearce et al., 2006). The three most common customer reactions to crises have been to move toward lower priced products and brands, to reduce or postpone discretionary purchasing and to cut back on their driving and buying from suppliers in a closer distance (Kotler & Caslione, 2009). The shift in consumer behavior, indeed, has influenced industrial and business customers that would intensify pressure to the upstream organizations such as manufacturers, suppliers and other financial institutions.

Above is the brief generalization concerning impacts from global economic crisis since 2008 providing a capture of business turbulence. According to QFinance Dictionary (2009) and under the general management point of view, turbulence is the sudden changes affecting performance which is unpredictable and might come from either external or internal business environments. Moreover, it also mentioned that due to the dramatic changes in technology and globalization, the late 20th century was mentioned as an example for a turbulent environment for business (QFinance – The Ultimate Resource, 2009). Earlier, market turbulence has been included in environmental turbulence to business activities in different previous studies in which it has been described as the capturing of heterogeneity and variability from the markets as well as firms' capability of how to response accordingly (Han et al., 1998). In 2007, publishing of Alan Greenspan's book revealed several major economic issues and events over the half decade. Even though there was no specific definition for turbulence, this book provided a great amount of evidence of economic disturbances which is now so-called "a new age of turbulence" (Greenspan, 2007).

Kotler and Caslione (2009) expanded the concept of turbulence to marketing and business in a broader scale under the context of the "normal economy" and the "new normality economy". In the normal economy, there were also certain levels of turbulence in both macro and micro levels with up and down business cycles. Uncertainties and environmental disturbances happened with predictable cycles and the economy had returned to its normal condition shortly. On the other hand, Kotler and

Caslione (2009) named the new normality economy with heightened turbulence to be highly unpredictable and with injured and disrupted business performance in a significant level. According to these authors, the new normality economy brings in both substantial risks and tremendous opportunities for the business environment in which companies and organization cannot avoid inherent turbulence. Therefore, they have to make choices to face the new situations, overcome the difficulties and leverage the opportunities. Table 4 below illustrates the contrasts between the context of normal economy and new normality economy in general management point of view.

Table 4: Differences between Normal versus new normality economies

Feature	Normal Economy	New Normality Economy
Economic Cycles	Predictable	Absent
Upturns/Booms	Definable (Avg. 7 years)	Unpredictable, Erratic
Downturns/Recessions	Definable (Avg. 10 months)	Unpredictable, Erratic
Potential impact of issues	Low	High
Overall investment profile	Expansive, Broad	Cautions, Focused
Market risk tolerance	Acceptance	Avoidance
Customer Attitudes	Confident	Insecure
Customer Preferences	Steady, Evolving	Apprehensive, flight to safety

Source: Kotler & Caslione (2009)

According to table 4, there is a significant difference between New Normality Economy and Normal Economy regarding the time frame (economic cycles, upturns and downturns) and influential level. Furthermore, there are changes in managerial attitude (investment profile and risk tolerance) as well as customer behavior (attitudes and preferences) which are both likely more skeptical and conservative.

Overall, turbulence from recession period has restrained organizations' performance in many aspects in either short-term benefits or long-term future. Recession period has also been recognized as a turning point for firms to solidify companies in the difficult environmental conditions. Organization response reflects its perception about

environmental changes as either a threat or an opportunity. A firm's ability to maintain or develop competitive advantage after recession determines its long-term achievements (Panwar et al., 2012). Business theories have studied firms' responses to threats from environmental decline under the influences of environmental downturn through many different cases and have proposed two traditional opposite tendencies: either to be rigidly or to be innovative (McKinley et al., 2013). Moreover, another new proposal is the chaotic approach (Kotler & Caslione, 2009), which introduced "Chaotics Management System" as a strategic framework responding to possible environmental uncertainty. The Chaotics approach focused on investing an innovative strategy which combine different tactics from both conservative and proactive approach helping the firm survive and rebound after the recession time.

3.3.2 Conservative response

According to threat-rigidity theory (Staw, 1981), under the pressure of threats and environmental changes on organizational level of analysis, several organizations choose to conduct between three different responses: (1) restriction on information process, (2) constriction of control or (3) conservation of resources, which are considered making firms less flexible but more solid. The restriction on information process is a reduction of information channels or attention scope; the constriction of control is a situation that the power of managing and decision making has been concentrated on a higher level of management while the conservation of resources means tightening the available organizational resources through cost cutting and efforts to ensure the operational efficiency as illustrated in Figure 6.

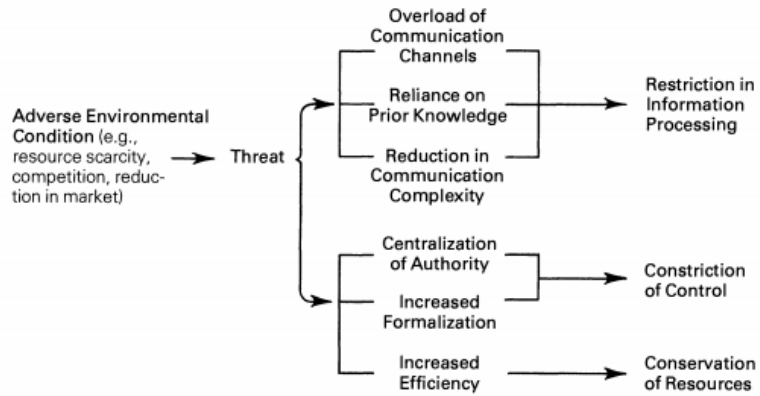


Figure 6: A model of organizational response to threat

Source: Staw, 1981

The Figure 5 shows how the adverse environmental condition including resource scarcity, intensive competition, reduction of market demand, and so on, influence the operational process of organization, thus resulting in the rigidly reactions which lead to the limitation to the potential for introduction of new products or services. Through implementing of rigidity strategy, firms can avoid risks from conducting innovation and strategic changes that fail to encourage business performance and cost efficiency. In fact, there are fewer innovation activities and investments in the recession period than during the whole business cycle (Geroski and Walters, 1995).

Generated by the threat-rigidity thesis, the “negative relationship between organizational decline and innovation” continues to be investigated in both theoretical and empirical studies in the last decades (Cameron et al.’s 1987, D’Aveni, 1989). More recently, researchers have argued that in response to low firm performance, the identified patterns of firms’ executives are likely to reduce the possibility of strategic change and consequently, they may adhere too early to their current strategies (McDonald & Westphal, 2003), and consequently firms experiencing poor business performance keep investing in innovation manifested by a lower survival capability (Latham S.F., Braun M. (2009). In other words, Reeves and Deimler (2009) called it as “hibernating” reaction including conserving and reducing activities on firm operation. Meanwhile, Kitching et al. (2009) named this concept as “retrenchment strategies”

considering the decision of cutting operating cost and divestment of non-core assets to conserve the its cash flow which is enable firms to adapt to difficult situation, especially in short-term. Thus, these studies have indicated that under some circumstances, managers could overcome poor business performance and risk avoidance by applying rigidity.

However, recent studies have also criticized that such strategies of cutting budget would harm both firms' short-term benefits and long-term viability. Even though most firms' response to threats are prone to be more conservative, it is considered that such "survival strategies" are not a warrantee for future sustainable competitive development (Panwar et al., 2012). In the proposed list of most common management mistakes when facing turbulence, words concerning "cutting budgets" is being nominated almost in all the statements (Kotler & Caslione, 2009).

3.3.3 Proactive response

On another hand, Williamson and Zeng (2009) have emphasized that firms should perceive recession as an opportunity. Regarding the other competing theory that organizational decline stimulates innovation (McKinley, 2014), there is then a greater amount of articles generated from prospect theory (Kahneman & Tversky, 1979).

According to prospect theory (Kahneman & Tversky, 1979), from the perspective of individual decision-making process under risks, it has proposed that individual has loss aversion that leads him/her to risk-seeking for recovering from loss situation and to avoiding the possibility of loss after gains. The concept of "risk-seeking" has inspired researchers for further study in decisions in loss context, in particular managerial implications. Wehrung (1989) indicated that managers operating a poor performance unit would become risk seekers. Similarly, a research about risk taking in a dynamic investment simulation (Seo et al., 2010) implies that an individual makes more risky choices after experiencing losses and vice versa, attempts to avoid risk after experiencing gains. Under the unpleasant conditions, prospect theory insisted that

mangers' tendency to be more risk-seeking which might encourage establishing new product, service, production process or business practices. This innovative response to threats could help firms adapting to the changing environment and obtaining a better competitive position (Uzkurt et al. 2012).

In relation with business-to-business markets, the model of Srinivasan et al. (2005) has emphasized on the role of marketing that firm could take advantage of recession by conducting proactive marketing activities through emphasizing three factors: strategic emphasis on marketing, entrepreneurial orientation and availability of slack resources. Furthermore, the authors have proposed that recession is an opportunity for firms to overcome their weak competitors. The framework for proactive marketing response is illustrated as Figure 7 below:

R. Srinivasan et al. / Intern. J. of Research in Marketing 22 (2005) 109–125

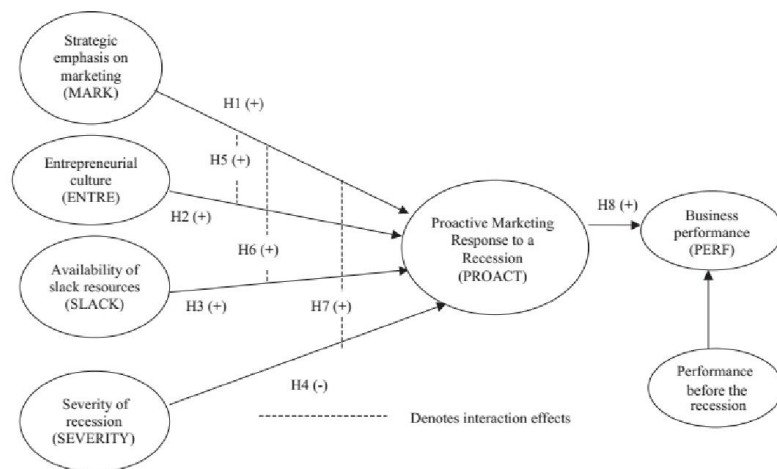


Figure 7: Model of proactive response in marketing in a recession and relation to hypotheses

Source: Srinivasan et al. (2005)

In this research orientation, the strategic emphasis on marketing proposes that marketing activities can generate price-premiums and improve performance; the entrepreneurial culture is orientated by the willingness of taking-risks and change is

perceived as a way to obtain competitive advantage from the top managers; and availability of slack resources is illustrating firm's ability to manage its underutilized resources (Srinivasan et al., 2005). Meanwhile, there is definitely a negative relationship between severity of recession and the efficiency of proactive marketing response (Srinivasan et al., 2005). The authors have also insist that the investment in marketing activities could help to improve business performance during recession. The firm perceived recession as an opportunity, thus firm could develop an "offensive response" to capitalize on the recession: it proposed the programs which help to obtain value from their marketing activities. Indeed, marketing strategy is considered to have a strong impact to firms' performance and resistant during economic downturn, especially for manufacturing companies (Pearce et al, 2006).

3.3.4 The "Chaotics approach"

Furthermore, there are some theories which have proposed that firms are different in terms of how they perceive the turbulence as an opportunity or as a threat and how they response according to their perception. In fact, the result of firms' response varies and highly ambiguous in different industries or even in different firms in the same sector (Kitching et al., 2009). In certain circumstances, managers could reinforce their companies and gain competitive advantages via conducting new product development, or developing innovative processes or business systems (Uzkurt et al. 2012). Meanwhile, failed innovations could drain out firms' resources and besides, the add-on adverse conditions could impair firms' resistance to decline (Mc.Kinley et al, 2013).

The name "ambidextrous strategy" was mentioned in a study concerning "Business strategies and performance during difficult economic conditions" (Kitching et al., 2009) which is based on the combination both retrenchment and proactive behavior. The concept of ambidexterity has also discussed in several empirical studies (Geroski and Gregg, 1997; Pearce and Michael, 1997; He and Wong, 2004; Raisch and Birkinshaw, 2008) in which the companies' responses varies in a wide range of activities such as cost-cutting, reduction of production, market diversification, product innovation, etc. In other words, the long-run competitive advantage could be reached only if firms

conduct simultaneously cost-cutting actions in some certain business units or operations and investing in certain aspects to gain new competitive advantages.

Generated from the similar idea combined with the current context, Kotler and Caslione (2009) proposed a Chaotics approach coping with the new normality economy instead of the traditional two-playbook. The two-playbook approach (see Figure 9) presents the traditional strategies as well as execution plans towards turbulence in up market and down market including risk avoidance and conservative response, which have shown their efficiency throughout normal economy. However, they argue that firms should reduce their reliance on the traditional approach, which could have restricted firms' capability in the turbulence period. At the same time, Chaotics approach provided new insights adapting to the context of new normality economy in which unpredictable and erratic turbulence happened in the ways that even the top and experienced managers could not forecast. Chaotics approach focused on investing new strategic behaviors that are not only diminishing the weaknesses but also capturing new opportunities. The differences between those two approaches are illustrated as Figure 8 shown to consist of three steps: approaching, confronting and emerging from turbulence which are equivalent to three periods of time: pre-recession, recession and post-recession.

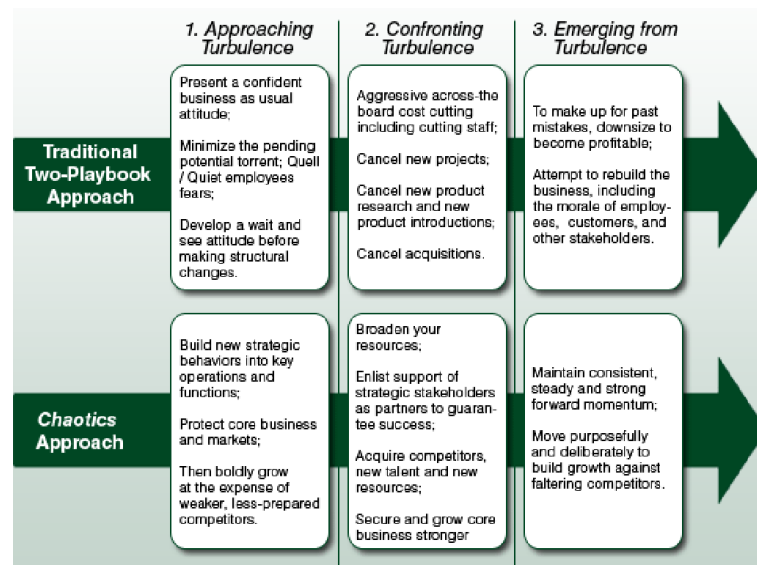


Figure 8: Traditional Two-Playbook Approach vs. Chaotics Approach

Source: Kotler & Caslione (2009)

In relation with the Chaotics approach, the Kotler and Caslione (2009) also proposed a Chaotics management system under the management point of view, which outlined the business strategic plans in order to manage risks and opportunities facing turbulence. The system emphasized three core business characteristics: responsiveness, robustness and resilience that could help firms steadily “capitalize” the turbulence environment. Consequently, responsiveness is the ability of quickly adapt to the external stimuli, robustness is the ability of resisting turbulence with minimum damage and resilience is the ability of rebound after being depressive by the downturn conditions.

Taken as a whole, the Chaotics approach has provided organizations a new insight and model to access and thrive under the influences of disturbance from recession period. It is suggested as an alert approach to protect the company and advances the benefits from turbulence effects. In fact, the Chaotics approach tends to be more widely recognized while its three core elements are mentioned in different studies such as the success of medium sized companies (Simon, 2009), the development of SMEs (Safin, 2013) and the alert approach in early recognition system (Janusz, 2011), to name some of those. Due to the heterogeneity of each organization, the approach does not provide a specific strategic plan, yet a strategic framework that can be customized and get adapted to specific internal and external conditions (Kotler & Caslione, 2009).

3.4 Theoretical framework

The theoretical framework for this study has been developed based on the proposed research questions which are including three parts: organizational context, strategic orientation and action plan and the final outcome.

In relation to the organizational context, this study aims to explore how foreign subsidiaries response to threats in order to obtain business enterprise sustainability through two perspectives: firstly, exploiting the turbulence emerging from the dynamic business environment (or the New Normality economy) and secondly, benefiting from firms’ capabilities and resources based on resource-based view. The new normality

affects all firms in the industry due to their interdependence while resource-based view differentiates firms' adaptability through utilizing their unique resources and capabilities.

The second part of theoretical framework composes of firms' strategic orientation and practical action plans, the theories concerning firms' response to the reverse environmental conditions created a platform for the second research question: a firm could choose the rigidly strategy, innovation strategy or combine both of those into a Chaotics approach. Firm's performance in their management system varies based on their perceived concept of recession and their chosen strategic behavior thus plans.

The last part is the outcome of firms' strategic plan. As described in chapter three, the final goal of each enterprise is to ensure the business enterprise sustainability, in other words, the longevity of organization under the influences of global recession.

Therefore, the theoretical framework of this study was illustrated as below in Figure 9:

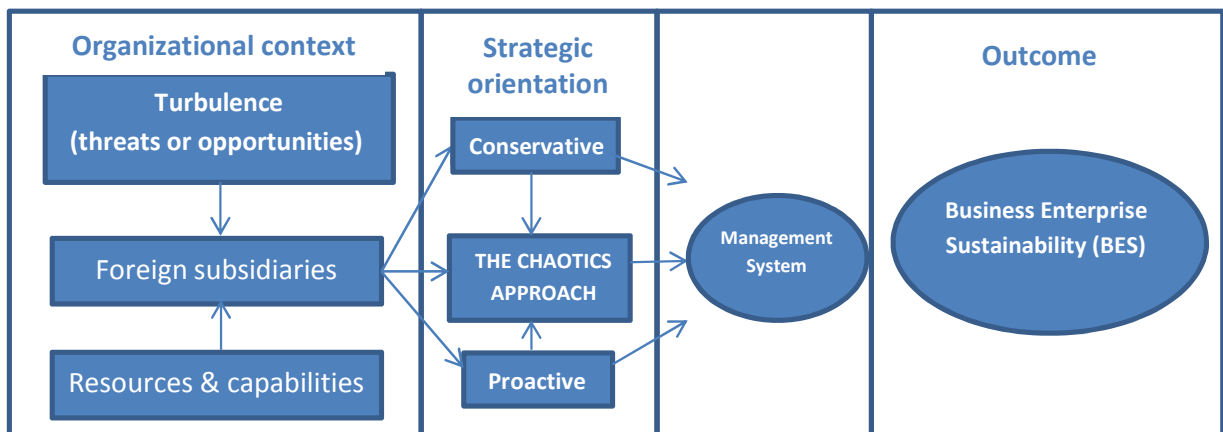


Figure 9: Theoretical framework of the study

4. Research methodology

4.1 Qualitative research

Qualitative research methodology is a complementary approach to quantitative research preferring research methodology that is not derived from statistical numbers or quantifications (Strauss and Corbin, 1998). It often used to answer the questions “How” or “What” where the researcher can focus on individual understanding, interpretation and observation (Ghauri et al., 2005). Furthermore, in recent years, qualitative research has been perceived as an appropriate approach in business and management research (Bryman & Bell, 2007).

To address the research questions, this research proposes with the choice of qualitative research method based on the fact that experiences are complicated and cannot be reflected properly in the quantitative approach. Besides, there are several elements making qualitative research method to be the most appropriate approach for this study. Firstly, it provides more in-depth detail under the different perspectives of individual experience since one of the primary purpose of this research is to understand how managers make meaning of their decisions and improve the outcomes for their business performance. Secondly, it can be applied for a limited sample of these study objects or cases in which participants can express their own understanding of the business context, their own perception and decision making process.

This research has applied in-depth interview approach in order to collect data from individual’s attitudes, perspective and experiences underneath his or her stories. The approach, through interviewing people, focused on lived and imaginary critical incidents with both sides: positive and negative. The event based narrative inquiry technique is a form of qualitative analysis focused on respondents’ experiences. According to Helkkula et al (2012), the narrative approach allows interviewees to “generate innovative ideas” and “out-of-box” thinking which has been successfully applied in business research to investigate the interviewees’ point of view. It is suggested that the individual’s critical experience could lead to adapt strategies or processes to the new situations (Webster & Mertova, 2007). Nevertheless, the responses,

which are in fact stories, are more complex than just a collection of multiple choices and the participants are more active to respond in their own words and can affect the tendency of the interview. Based on the narrative analysis, data for this research has been achieved by personal interviewing with semi-structured questionnaire.

4.2 Data collection

As mentioned, the primary data for this research is collected through interviews. According to research's objectives, the target objects for this study are foreign furniture companies in Vietnam. The chosen companies would be both similar and diverse enough for comparison and generalization, thus a sampling framework is provided to ensure the sample quality. Firstly, the firms are foreign subsidiaries operating in furniture industry in Vietnam including whole-owned and joint venture companies. Secondly, due to focusing on the organizational response to difficult conditions, the firms should have established their equity in Vietnam before the recession period in 2008. In fact, several companies participating in the research were highlighted for their long-term operation in Vietnam that could provide valuable and insightful aspects for the proposed questions. Majority of participating companies are located in Ho Chi Minh City and Binh Duong Province where, as mentioned, are the manufacturing clusters of furniture industry in Vietnam.

It is crucial that the interviewees are the right persons who are directly involved in company strategic planning process since it can increase the quality and validity of the answer. In most cases, the interviewees included the foreign directors and the local staffs working in different department such as sales & marketing, purchasing and product manufacturing, who can provide their insight knowledge of current situation of business, their experiences of environmental changes and organizational responses and their assumption of what made the threats of sustainable competitive advantage in the future. The primary data was recorded during the interview process with the agreement of interviewees. Besides, there were some notes being taken which helped the interviewer following the discussion and capturing respondents' original behaviors which could not be reflected properly in voice recorder.

The data has been collected through either face-to-face interviews or Skype interviews from January to March 2014 in Vietnam and Finland based on the guided interview protocol. Interview form has been chosen based on the convenience of interviewees. Eight interviews have been carried out by the author who is native Vietnamese speaker. In those cases, two face to face interviews with local managers are conducted in Vietnam; two face to face interviews with foreign managers are managed in Finland while the remaining four interviews are internet-based interview via Skype with foreign managers. Each interview ranges for around 45 to 60 minutes in duration.

The interview questionnaire enclosed in the Appendix has been developed according to the research questions and the practical conditions in furniture industry in Vietnam. In the questionnaire, there are ten questions consisted two parts including a brief introduction of interviewees and the discussion part about three issues. Firstly, managers were asked about the difficulties from external environment before and during the recession period and how the business environment has changed during that period of time. Secondly, the discussion continued with firms' reaction throughout the recession period and how they maintained existed advantages and achieved innovations. The last question aimed to obtain the future prospects regarding challenges and opportunities for foreign subsidiaries in furniture industry in Vietnam. The implementation of interview protocol has been illustrated in the table below:

Table 4: The implementation of interview protocol

Interview structure	Questionnaires	Research questions
Introduction	1. Company's background information	Interviewees' background/demographic information
	2. Interviewee's background information	
Discussion	3, 4, 5. Description of business development during the period 2008 – 2010, 2010 – 2013. How the business environment have changed	1. What are the different factors affecting companies' business activities before, during and after recession?
	6. Cultural differences	
	7. Firms' competitive advantage	
	8. Firms' strategy orientation. Pros and Cons	2. What is managers' preferable choice compared between conservative and proactive response during the recession in Vietnam furniture industry?
	9. Competitive advantage of foreign subsidiaries in general	
	10. Future prospects, others	3. What are their prospects for future opportunities and challenges in furniture industry in Vietnam?

4.3 Data analysis

Data analysis in qualitative research is an interpretive process in order to make sense of the obtained data including two major purposes: understanding interviewees' perspectives and answering research questions. This study followed Creswell six steps for data analysis in qualitative research.

Firstly, obtained data has been organized and prepared for analytical process. It is a very first step of interpretive process in which the participants' responses have been recorded and transcribed. Some of the transcripts have been translated into English because the interview has been conducted in Vietnamese. One possible problem in this stage is the misinterpretations of words which can lead to misunderstanding. Therefore, a transcribed paper has been sent to the respondents after the discussion for final

inspection before the data is used for analysis. This helps the author keeping track of all the data as well as the reliability of the obtained information.

Secondly, the text data has been read through over and over again. It is used to identify the common phenomenon, general ideas as well as the main themes in the obtained responses. Thus, the raw data can be managed into concepts and information with high complexity can be simplified.

Thirdly, as parts of data organizing stage, coding and categorizing aims to identify and classify the concepts to coherent categories which can be used for further interpretation and analysis. This research applies data-driven coding by reading through the data and starting to sort through the word transcripts. The author names the similar information under a term or a label which can be an abbreviation or a short phrase conquering the main idea of that piece of information. Coding is the basis of grouping ideas into categories according to their attributes or properties.

Fourthly, the codes have been used to generate a description for each interviewee, theme and category. Especially, these themes are considered as the major findings or answers for research questions which provides multi-dimensions across different cases (companies) of obtained data.

Fifthly, themes have been displayed with different channels including narrative passage, tables, figures that are ensuring the clarity and interactive effects with audience. Themes are also presented in discussion part as the summary of research findings.

Finally, the focus of analytical process is to examine relationship within the categories and to interpret data meaning. In fact, there are both similarities and differences among respondents. This step allows the author to connect individual insights and obtain the

hidden linkages between those stories which will be presented in a model illustrating the causal relationship between categories.

4.4 Validity and Reliability

In qualitative research, it is believed that the concepts of validity and reliability are different compared to those in quantitative research. There are two trends concerning these concepts. Firstly, the exclusive trend emphasized the different paradigm between quantitative and qualitative research which required new words to imply validity in qualitative research (Lincoln, 1989). Secondly, the inclusive trend argued that acceptance of credibility in qualitative research can only be reached based on the maintaining of language in quantitative research. Following the inclusive trend, Creswell (2009) has argued that validity in qualitative research is how researchers conducted the appropriate procedures in order to ensure the accuracy of the findings; and reliability of qualitative research is the consistent between the researcher's approaches toward other researchers. Researchers also proposed tactical strategies to ensure validity and reliability (Gibbs 2008, Creswell 2009). Besides, it has been said that the validity and reliability of qualitative research "depends on the ability and effort of the researchers" (Golafshani, 2003). Therefore, certain procedures have been developed to institute the validity and reliability of this research according to the analytical process.

Regarding validity, there are three considerable issues. Firstly, interviewees' willingness of providing relevant information plays a significant role in data' validity. In order to minimize the negative impact and increase the quality and reliability of interview process, efforts have been given to enhance the survey distribution and to encourage interviewees participating in the survey. Interviewer had special attention on building concrete contacts with interviewees before the interviews happened. Furthermore, interviewer tried avoiding sensitive questions concerning companies' confidential information by having peers' and experts' review on interview protocol and conducting pilot interviews before the formal interviews. Several verbal adjustments have been made in the questionnaires to ensure that the questions does not

imply in any inclusive information. Moreover, more efforts have been made in order to build concrete personal confidence between the interviewers and interviewees that could help creating a suitable environment for the interviews. Secondly, overlapping coding and categorizing are potential threats in analytical process which might cause the loss of information even the misleading of results. Codes and categories have been examined by experts' cross-checking and special attention in responses with synonyms words. Thirdly, special attention has been drawn avoiding researcher self-awareness and self-reflection. In this case, the author has tried to keep the consistency and coherence with the obtained information by using direct quotes and avoiding inadequate definition and innuendo.

In relation with reliability, language barriers have received a special attention. As mentioned, data collection process has been conducted in two languages (English or Vietnamese) based on the interviewees' nationalities or requests. The translated data has been sent to the interviewees for their review, feedback and even correction before officially being used in the analytical process. Interviewees also received an audio file regarding their whole interview for references. Besides, respondents' backgrounds or personal characters also impact data's reliability, for instance, differences in social demographic elements, working history or personal experiences in furniture industry and international business. Therefore, purposive samplings as well as interviewees' backgrounds have been applied in data collection stage in order to capture the relevant information for analytical process.

5. Results

5.1 Participants profile

The first section of the interview questionnaire aims to describe the background of interviewees. The participant profiles have been collected in order to develop a background information data including two parts: company background information and interviewees' background information. The data can help to support analysis process of how the background impacted different experiences and perspectives among the participants.

Related to company background, eight companies in the sample are different in size and origin. One company is from USA, two companies are from Korea and Taiwan while the remaining are from Europe including UK, Germany, Denmark, Belgium and Finland. Participating companies have been coded as FS1 to FS8 as shown in Table 5 below. All participating companies have been operating in Vietnam at least seven years (from 2008). Some companies have more than ten years' experience in Vietnam. Furthermore, seven among eight companies are 100% wholly-owned (WO) companies while there is only one UK company which is joint stock venture. In addition, there is a common feature of almost all of 100% WO companies in this research. There are five among seven 100% whole own companies used to be joint stock ventures when they are first established in Vietnam. A common reason has been given among those companies that it was the easiest approach to penetrate in Vietnamese market at that moment. Their entry process can be described in three steps. Firstly, foreign company establishes a joint stock venture business with a local enterprise that owns better knowledge about the local market including policy, culture and business network. Secondly, the Mother Company could eventually "learn at work" and accumulate practical business experience in Vietnam. At last, the foreign subsidiary could even buy the whole business in Vietnam or establish a WO subsidiary.

Table 6: Company profiles

ID	Head quarter	Year of Establishment in Vietnam	Ownership
FS1	Germany	2007	100%WO
FS2	UK	2001	JSV
FS3	Korea	2008	100%WO
FS4	Denmark	2005	100%WO
FS5	Belgium	2005	100%WO
FS6	Finland	2006	100%WO
FS7	USA	2007	100%WO
FS8	Taiwan	2003	100%WO

In addition, interviewees' background information, including position, nationality, years of working experience in Vietnam and working history, was collected. The interviewees' information has been also coded according to their companies. Therefore, both interviewees and companies share the same codes as shown in Table 6 below.

As mentioned in the data collection, selected interviewees, who are holding position in management level in foreign subsidiaries, have at least six year experiences in furniture industry in Vietnam. The years of working experience vary among the interviewees between six to fifteen years. Meanwhile, four interviewees are Vietnamese with years of experience in working in furniture industry in foreign subsidiaries in Vietnam were counted.

Table 7: Participants' profiles

ID	Positions	Gender	Nationality	Years of Experiences in Vietnam
FS1	Vice Director	Female	Vietnamese	10
FS2	Deputy General Director	Male	British	15
FS3	Representative Office Manager	Female	Korean	6
FS4	Sales & Marketing Manager	Female	Vietnamese	8
FS5	Director	Male	Belgian	10
FS6	Managing Director	Male	Finnish	10
FS7	Industrial Manager	Male	Vietnamese	8
FS8	Sales & Marketing Manager	Male	Vietnamese	9

5.2 An overview of market changes in furniture industry in Vietnam from 2008

5.2.1 Market changes in 2008 – 2010

Between 2008 and 2010, there were several changes in the furniture industry in Vietnam. Since the foreign subsidiaries directly participate in manufacturing and exporting, they can feel the impact of global recession faster and more directly than the other parts of furniture industry. Interestingly, despite the negative effects of the economic crisis, most of interviewees at foreign subsidiaries in Vietnam argued that their business in Vietnam has succeeded quite well. They implied that the market changes did not severely impact their business in Vietnam, yet just a part of the business cycle. According to the interviews, there are three most remarkable issues including

shrinking demand, increasing input costs and changing input materials, and burden of demonstrating raw material legality via certifications. Shrinking demand was mentioned as the most significant changes in this period of time.

A. Shrinking demand

Surprisingly, according to most interviewees, even though global economic crisis started in 2008, significant changes in furniture industry in Vietnam did not appear until in late of 2009 and peaked up in the 2010. Some of the participating companies were impacted by the global recession in different levels. In relation with the transition of market from 2008 to 2010, interviewee FS2 stated this in more details:

“We have had a good year in 2008: many orders, high profits. Things started to change in the middle of 2009. Customers ordered less and became more sensitive with price”

Then in 2009 export markets shrunk, especially in Europe. As mentioned, Europe has always been one of the largest export markets for furniture industry in Vietnam (MARD, 2012), thus the decrease in demand in Europe market had a strong impact in furniture production in Vietnam. Some interviewees also mentioned this in their responses as the following quotes demonstrate:

“There was a significant drop in European markets in 2009”

“The pressure from economic crisis exposed from 2009. Some of our customers reduced their orders dramatically. They wanted fewer products and cheaper prices”

However, even though there was shrinking demand in the export markets, some companies stated that their business was relatively stable in Vietnam. Interviewee FS6 said the following concerning their business performance during that period of time:

“In 2008 – 2009, the economy went down, in Finland and all over the world. But we didn’t have dramatic change in our business in Vietnam. It was quite stable, actually”

Indeed, other interviewees shared the same statements concerning the impact of shrinking demand to their production activities in Vietnam. They argued that despite the decrease in demand of traditional products in their traditional exported markets, foreign subsidiaries in Vietnam are able to confront the situation with more offers either in new product lines or new target markets. More information concerning foreign subsidiaries’ strategies will be presented in the section 5.3.

B. Product lines: Price range and materials

There were changes in customer inquiries from 2008 to 2010. These changes focused particularly on price range which is fluctuated several times during this period. Interviewee from company FS 4 discussed about their changes as below:

“In 2008, our company received orders with higher level of price range. Then, the target price was gradually decreased”

In relation to this situation, the interviewee FS4 explained that his company received high value orders as the continuation of company’s success in high value raw materials in 2007. However, the situation changed in the beginning of 2009 when customers become more interested in other types of timber with more reasonable prices. It also happened the same with company FS7 in this research. An interviewee from this company said:

“Fine furniture is used to be our major product line. But we have switched into products with cheaper and more reasonable price range.”

It is considered that most of furniture companies in Vietnam have adjusted their target products during the recession time. A foreign subsidiary coding FS3 in this research

has got a chance to develop new product line made of poly rattan materials by accident when their customers required them to try, on the following quote show:

“More importantly, our business has changed from wooden outdoor furniture to poly rattan. And that was very important because the market of wooden outdoor furniture went down and at the same time, poly rattan went up”

Besides, more details related with changes in customers’ inquiry were mentioned in the interviews. In most cases, customers demanded a wider range of options in relation to raw materials which varied from high, medium and to cheap value. The manufacturers needed to purchase a wider range of timber and other accessories to satisfy their customers’ inquiry. Interviewee IF5 listed out the changes in raw material as follows:

“Before 2009, our most favorable materials were solid hardwood, such as, oak, ask, teak, so on. After 2009, customers were more interested in wood-based panel ... or other cheaper solid wood, such as, rubber wood, acacia...”

In fact, the changes in input material required an updating of purchasing strategy as well as spatial preservation for material storage, not to mention the financial aspects. These changes generated problems for the manufacturers concerning investigating and purchasing input materials for production. For example, as interviewee F3 points out:

“In 2009, rubber wood raised up as a new trend. From 2010, acacia has replaced rubber wood. It changes dramatically and brings several problems for our preserved materials”

C. Legality verification and use of certifications

Three among eight interviewees mentioned the importance of raw material legality verification and use of certifications in Vietnam. More and more local factories in Vietnam gave special attention to legal related issues including licensing and certified

wood products. Indeed, this is the result from the Vietnamese Government's efforts for the implication of the 2008 US amendment to the Lacey Act and European Union Forest Law Enforcement, Governance and Trade (FLEGT) process. Even though Vietnam is at the negotiating stage, the process of signing VPA is considered as a strong encouragement for local manufacturers investigating in forestry certifications (FLEGT, 2014). Moreover, due to the increasing awareness of sustainable forest management and forest certification, customers have become more sensitive to certification issues, which currently, play a vital role in purchasing decision, as the following quote illustrates:

“Since 2008, customers have emphasized the important of certificate for wooden furniture which has changed the furniture industry in Vietnam. Of course, as a subsidiary of a European company, we have a better preparation in legality and certifications”

However, most of foreign subsidiaries in Vietnam have not been affected by this issues. Legality verification and use of certification is a highlight of foreign subsidiaries for several reasons. Firstly, many foreign subsidiaries in Vietnam come from EU and US, the home of the most popular forestry certifications nowadays. Secondly, most foreign subsidiaries hold a strong foundation and experience regarding international business in forestry industry. Due to the advantages in knowledge and awareness concerning timber legality and forest certification, almost all foreign subsidiaries are a step ahead of their local competitors, as a quote shows:

“Sustainable forest management related certificates were our first priorities since we established our business in Vietnam. When our local competitors started to get acquainted to certifications and struggled in these issues, we were already ready”

5.2.2 Market changes from 2011 onward

From 2011 onwards, along with the slowly recovering of global economy, there has been several changes in the furniture industry in Vietnam. They can be either positive

or negative changes in foreign subsidiaries' aspects, including a recovery of demand, product specifications, inflation, production expense and local manufacturers' competitive ability.

A. A recovery of demand

Market demand has been eventually recovered since 2011. For foreign subsidiaries in Vietnam, their customers have returned after the economic crisis:

“In this period of time, our orders increased. Our revenue has eventually recovered and even become better than those before recession period”

In fact, as illustrated in background information, furniture production in Vietnam has reached remarkable achievements after those gloomy years under the influences of economic crisis (VOV, 2013). In 2013, the demand in US has recovered and increased 16% compared with the year 2012 (TNS, 2014). Even though the revenue level was still incomparable to the peak period before 2008, it was gradually growing up:

“We have got quite many achievements since 2011. The annual revenue keeps growing”

Besides the recovery of traditional export markets, some interviewees mentioned that their efforts in investigating new markets brought positive results. Especially, most companies have widened their target markets to other countries in the same regions or other emerging markets. Interviewee FS7 listed out some new businesses as follows:

“We got new orders from India, Singapore and Korea. Of course, they are not huge orders. But who knows? It is just a beginning”

B. Product specifications

Concerning product specification, there was continually an increasing tendency of changing raw material, product designs and demand in different product lines. More and more alternative materials have been used besides traditional solid wood. Interviewees listed out some particular materials from 2011 onward such as rubber wood, acacia combined with wood based panels:

“The proportion of using wood based panels are increasing these days. They are cheaper, lighter and acceptable quality”

Moreover, product designs have been adjusted into “multi-purpose furniture”. Most of interviewees shared the idea that after the recession period, their customers preferred more DIY and all-in-a-box products which are smaller, more convenience and cheaper. In addition, the products should be integrated with functions, as one interviewee said:

“Customers prefer simpler design with multiple purposes.”

Indeed, these statements are reflecting the current situation of furniture industry in Vietnam regarding the functional upgrading that most furniture manufactures in Vietnam are upgrading to design and marketing stage in the global value chain (Hanh, 2008). Besides, during the recession period, several manufacturers have made changes in their production lines shifting from outdoor to indoor products. They have got more orders for indoor furniture which is considered as higher value and requiring more complicated production technology. Interviewee FS4 mentioned this as follows:

“Demand for outdoor furniture has reduced dramatically since the recession. Our major product lines have changed to indoor furniture.”

Furthermore, customer demand has become more complex and includes now multiple aspects. Most interviewees shared the same statement concerning customers’ inquiry that it is no longer exclusively about product quality. To be more specific, a wider

variety of services with higher standards are normally demanded, interviewee FS2 pointed out:

“Quality is no longer the most important thing which our customers are looking for. It is also about consultant service, delivery time... For us, the most important thing are the conformity between us and our customers”

C. Inflation and increasing input costs

Inflation has always been a remarkable issue in emerging countries. In Vietnam, the inflation rate has been increasing year by year despite the Government efforts to avoid it. This is one of the main reasons causing the increase in production cost in Vietnam. According to World Bank (2014b), from 2008 to 2010, the inflation rate in Vietnam kept increasing and reached the peak at 18.7% in 2011. Fortunately, due to Government effort, the inflation rate in 2013 was 6.6% which is the lowest record in a decade (World Bank, 2014b). Regarding the fluctuation of inflation rate from 2008, interviewee FS7 said:

“The inflation rate in Vietnam has been increasing remarkably since 2008. It also explained why our production cost is increasing”

At the same time, the exchange rate between Vietnam Dong and other foreign currencies keeps weakening which generates a relatively advantage for foreign companies operating in Vietnam:

“The exchange rate between Euro and VND is strengthen every year. It seems like we have got some advantages in this case.”

Besides the increasing inflation and fluctuating exchange rate, the increasing production costs have become the most severe concern for managers in foreign subsidiaries in Vietnam in recent years. Despite Government’s effort in curbing the

inflation rate, it is still high in Southeast Asian region, especially the inflation rate in Vietnam reached its peak at 18.13% in 2011 (ASEANstats, 2013). Of course, the increasing inflation rate is one of the reasons of increasing production costs. Furthermore, the production cost includes not only raw materials but also labor cost, supplementary materials, energy cost and other variable costs. As interviewee FS1 said:

“Production cost has never stopped increasing. Expense for raw materials has increased our overall production cost. In addition, Vietnamese labor cost is not very cheap anymore.”

In fact, cheap labor is not a sustained competitive advantage due to the involvement of other emerging economy in international business (Hanh, 2008). Besides, the increasing inflation rate also leads to increasing production cost. More details concerning the material cost has been revealed in interviewee FS3 quote:

“For instance, the price of rubber wood, one of our major materials, has risen about 50% compared with 2009. Expense for packages and coating have also risen about 10 – 20%”

Besides the high cost of timber, the underdeveloped stage of supporting industries has also caused the increasing in input expenses. Most furniture manufacturers in Vietnam strongly depend on imported supplementary materials such as fittings, glass, metal frames which accounts for a noticeable amount of production cost. The situation is illustrated by an interviewee:

“The imported price for hardware is always high. And sometimes we even cannot import the exact fitting as our customers’ inquiry”

However, despite the scrupulosity for increasing production costs, most interviewees were optimistic concerning their financial control in their business in Vietnam. Due to

their long term experience in international furniture industry and a strong financial background, managers in foreign subsidiaries could follow the market change much better than the local manufacturers. They shared the same statement that the increasing expense can be conspicuous in every emerging country, as indicated below:

“Well, from 2008, the price of almost everything in Vietnam has been increasing: timber, gasoline, electricity and our labor costs. But they are still under control, we have already foreseen and prepared for this situation. It is just the normal process in emerging country”

D. Decline of local manufacturers

Despite the 4% interest rate subsidy from Vietnamese Government from April until the end of 2009 in order to prevent the falling down of local enterprises, there are hundreds of bankruptcies in furniture industry in Vietnam. Interviewee FS3 elaborated more about this issue:

“The majority of local manufacturers are small and medium size companies. Because of lower liquidity, lack of experience in external disturbances from global markets, they are quite fragile under the pressure of recession. There are hundreds of local factories that have bankrupted these years in which some factories have been bought by us – the foreign companies”

In fact, most of local manufacturers in Vietnam has been struggling with financial issues since the recession started (VNS, 2013). Lack of liquidity is the main reason caused difficulties in purchasing input materials, which dramatically narrowed down their production capability. Eventually, local manufacturers could not afford the expense for production activities which caused late deliveries and failure orders. Manager IF4 concluded on this as follows:

“The enterprise debt has dragged them down”

In addition, financial issues are not the only reason for the corruption of Vietnamese manufacturers. Interviewee IF8 mentioned other factors that might cause the failures and bankruptcy of many local manufacturers:

“The local manufacturers are lacking of financial liquidity, reputations as well as international experts which all lead to their bankruptcy. And that’s is our opportunities to penetrate the markets”

Interviewee FS2 made a comparison between the recession periods with “natural selection process”:

“This recession is just like a test or a kind of natural selection process. Weak factories were eventually wiped out. Just the one who is strong enough will survive”

E. The improvements of local survivals

As mentioned, under the impact of global economic crisis, survival of companies must lie in certain aspects ensuring not only the short term benefits but also the long term performance. Therefore, local manufacturers, who can withstand the external turbulences, have obtained valuable experiences and strengthened themselves with stronger competitive advantages:

“Of course, the producers in Vietnam are more experiences to work with export markets and so on. I would say that all suppliers are more familiar with the expectations of foreign companies”

Furthermore, most interviewees agreed that the global recession has reconstructed the entrepreneurship in furniture industry in Vietnam in which most small and very small companies were bankrupted and those with proper strategy and strong foundation

survived. In fact, after the recession time, besides the bankruptcy of small and very small companies, there are more merge and acquisitions activities in medium and Vietnamese furniture manufacturers (MOIT, 2013) which might enable the surviving companies to have stronger foundation for the post-recession competition with foreign subsidiaries operating in Vietnam.

5.3 Foreign subsidiaries strategies under the influence of global recession

5.3.1 Strategic orientation

All of the interviewees were concerned very much about the strategies during this period of turbulent times. According to the responses, there is no absolute single approach for strategic implementation in this case due the differences in enterprises' strategies as well as managers' abilities. Interviewee FS6 said:

“Many books say that when the economy goes down, we need to invest a lot in order to be strong when it starts to go up. But on the other hand, you'll never know when it will go up. What will happen, if you invest a lot and then there will no better time?”

The above statement supports Kotler and Caslione (2009)'s assumption that the dependence of an extreme strategic orientation could limit firm's flexibility and capability. At the same time, interviewees also stated that it is difficult to choose just only one of the proposed strategies:

“But it is difficult to say which one is the best: cut down all the cost or to suffer and invest”

In evaluating each strategy, the participant managers pointed out quite similar ideas concerning both the advantages and disadvantages of the two mentioned strategies. On one hand, concerning the conservative approach, managers pointed out four advantages and four disadvantages as illustrated in Table 8 below:

Table 8: Pros and Cons of Conservative Strategy

Conservative	
Pros	Cons
<ul style="list-style-type: none"> _ To maintain resources and assets _ To avoid risks of loss _ To be in control of company's activities _ An opportunity to re-construct the organization by eliminating its "fat" 	<ul style="list-style-type: none"> _ Low or even no revenue during recession period _ To be passive is not a good managerial implementation. _ "What if the recession lasting longer than we expected?" _ To limit ourselves and loss opportunities

There are apparently low risks but also lower returns in conservative strategies. Managers considered that lower expenses is an advantage. They can maintain their resources and assets while waiting for the appropriate time to rebound, for example:

"Saving expense is the way to maintain company's resources because we will never know whether our strategies works in the turbulence period. Things can be changed out of our expectations."

More importantly, managers do not face the risks of losses which are usually associated with more adventurous strategies. In addition, rigidity of reaction is considered as more stable than proactive approach, thus managers can hold better authority with their business activities despite of the dramatically changes from external environment:

"In my opinion, we have to have a firm control of our business in this time. Mistakes might cost much more losses than normal time"

Cutting budgets in various aspects is also an opportunity for managers to re-construct their organization in which they can figure out which functions are not properly operating, which functions needs to be eliminated and which functions needs to be supported. Besides, implementation of conservative strategies also received some doubts from the participating managers and most of managers raised a similar question:

“What if the recession is lasting longer than we expect?”

Indeed, managers shared the same concern that conservative strategy is not an ideal approach for long-term strategy since managers need to scarify the organization’s benefits for long time, which might limit their capability and create lost opportunities:

“Well, what if your organization get used to the “hibernate status” during the recession time. You will miss the opportunities which are always hidden behind the risks”

On another hand, managers also provided their opinion concerning the advantages and disadvantages of proactive approach which are shown in Table 9 below.

Table 9: Pros and Cons of Proactive Strategy

Proactive	
Pros	Cons
<ul style="list-style-type: none"> _ To discover new resources, reach for new customers _ To be more flexible _ To be different _ To catch the hidden opportunities that other companies do not figure out. 	<ul style="list-style-type: none"> _ Failure of investments in recession period cost much more than in normal period _ High costs, high risks _ High uncertainty of economic rebound scenarios

Most of participating managers said the proactive strategy could strongly encourage organizations to seek for new competitive advantages and use resources which are usually neglected during the normal time. Furthermore, an effective proactive strategy can help the organization responded quickly with the changing environment. Company can strengthen and differentiated their image compared to the competitors within the same industry, as the following quote shows:

“I think that being proactive keeps the company’s image alive in our customers’ eyes”

In addition, the most important feature of proactive strategy is that company is able to more quickly bounce back when opportunities come while company following the “hibernate” strategy might be less sensitive and incapable to catch the chances. Managers insisted that being proactive could remind and alarm the organizations, as the following quote shows:

“Opportunities are just for the one who is ready to catch it”

Besides the advantages, some disadvantages of proactive approach were also pointed out. Investing in recession period is considered as the adventurous choice with high potential risks. Managers also insisted that the cost of failure in this sensitive time is more much higher than in the normal period.

“Sometimes we cannot imagine how serious the failures can be in this period. Some mistakes can even sink the whole boat”

Moreover, even though the economic situation is recovering, many economist are still skeptical whether there is another global recession waiting to boom in the near future. The skeptical scenarios about future economy also effected managers’ strategic planning process. Therefore, some managers in this research have taken it as a disadvantage of proactive approach when the outcome scenarios is still unidentified.

5.3.2 What have the companies done?

Along with the strategic orientation, the research investigated in the actual business activities which have been conducted in the participating companies. According to the interviewees, there is a hybrid combination between conservative and proactive activities. The three most focused activities are cutting budgets, intensifying business relationships with customers and conducting innovation through “rethink – redesign” activities.

A. Cutting budget

As mentioned, cutting budgets is the most obvious business activity in relation with conservative approach which has been used commonly when firm is facing the external turbulence (Kotler & Caslione, 2009). In fact, many managers managed this tactic well in their organization during the recession time. However, these “cutting budget” activities have been perceived with positive attitude as interviewee FS2 commented:

“For me, it is better to be called “a lower cost solution”. We did not cutting budget for good. We reduced which meant to be reduced”

Indeed, according to the managers, conservative approach were not perceived as a rigidity reaction, yet a defense solution. Most of cut-off related decisions have been considered with specially attention ensuring that they would not impact the efficiency of general business performance. Instead of the traditional cut-off activities including employees’ salary and personnel, most of participating companied chose other channels. Managers in foreign subsidiaries in Vietnam are appreciating their current employees, which are considered as their current competitive advantages, compared with their local competitors. For instance, interviewee FS8 listed out:

“We reduced expense in celebration, business trips, etc.... Saving time is the most positive way for saving our resource. We did cutting budget, yet our staffs’ salary. There is abundant labor source in Vietnam but there are hundreds companies as well.

Not to mention that it is quite difficult to find a qualified personnel in furniture industry here. And we know we own a very good team.”

Other managers also share the same statement of combining between saving their personnel during the recession time and actively reducing unnecessary and inefficient activities in their organization. For example, interviewee FS1 said:

“We have conducted several approaches to reduce our expense “positively”. I mean, we do not emphasized on cutting staffs or salary, yet on other channels. For instance, we reduce the fixed costs by reducing warehouse products, postponed our office expanding plans...”

B. Intensify business relationship

All interviewees shared the more or less same statement that maintaining existing customers is one of the core competency of every company in the recession period. Several different activities concerning customer satisfaction have been proposed during the interviewees. Firstly, price is the most direct issue impacting the transaction. Since customers were more price sensitive (Pearce et al., 2006), most companies have tried to make their products more valuable than simpler products in the same price level. For instance, interviewee FS3 said:

“We did more and above our customers’ expectation, which made us stand out among their suppliers. Same price but better service, for example”

Other before and after sales services including consultancy, on time delivery and product assurance were perceived with more attention which can add premium to the products. Interviewee FS2 and FS7 mentioned those factors as shown below:

“We ensure customer satisfactory by different approaches such as on time delivery, offering materials with cheaper price and similar quality, better payment method.”

“Supply chain is crucial for our strategy since our products will be shipped to Europe or US. Special attention have paid to avoid delayed delivery”

Some other companies focused on building alliance relationship with their customers which raised their business relationship into a higher cooperation level. Here, foreign companies can support their customers in different aspects such as providing special offers, small quantities or consultant service. Therefore, the foreign subsidiaries in Vietnam can get some empathy as well as the encouragement from their customers. Interviewee IF5 commented:

“We have developed much closer alliances, I mean, my company and customers, because we understand their difficulties as much as what we have been through. Therefore, we offer them better price, accept smaller orders and consult for better products.”

Even though a majority of customers spend less in recession time, the cost of acquiring new customer is considered more much more expensive than retaining the existed one. Therefore, customer retention is a crucial element of marketing strategy (Ahmad & Buttle, 2001). According to interviewee FS3, maintaining existing customer is an efficient method to reduce marketing expense:

“The first thing came to my mind when recession came is how to keep the loyalty of customers. During recent five years, we have tried our best to maintain our reputation among existed customers. It is also how we saved our budget. Expense on maintaining current customers is much less than getting the new one in the recession period.”

C. “Rethink – redesign” strategy

The changes in lower amount of customer inquiry and intensive competition during the recession time have encouraged the manufacturers to change in order to get adapt with

the dynamic situation. Almost all the interviewees mentioned “investing” and “innovation” in their responses focusing on marketing and new product development.

“Well, investing in marketing and product development seem to be a better choice than bankrupting for us. But there is something new in this time and age about investing. It is not just simply developing new temporary or fashionable products but setting a new mindset about marketing strategy including several elements such as product design, material, logistics, business network...”

Managers in this research emphasized on how they adjusted their business activities in order to adapt with the new environmental conditions. Instead of targeting the top sales record, most of managers have made cautious decisions ensuring the balance between their production capability and customers’ purchasing power. Interviewee FS8 said:

“Our statement for the whole last five years was just one word – rethink... Instead of chasing big customer and high value orders, we selected customers and orders which were most suitable for our production capability”

Interviewed managers insisted that investment activities during recession time are crucial provided that the manager estimates his capability correctly according to his or her company’s resources. Meanwhile, investments with high risks were not offered. Thus, the managers can obtain certain achievement without risking the whole business. Interviewee FS2 stated:

“Efforts on investments always pay back! In condition that we have made wise choices. I mean investments are crucial but we have to conduct them with conscious and under control. We do not do high risk investments, such as expanding our company size twice, or buying fancy showroom and catalog to attract new customers”

Besides, companies also focused on the improvement of product design. Especially, there were significant changes in customers' taste during the recession period. Besides, as mentioned, furniture industry in Vietnam is moving forward in the design and marketing stage along the global value chain (Hanh, 2009). Therefore, many foreign subsidiaries have inherited the design function from the parent company and well-developed it in Vietnam in which up-to-date design could be enable earlier for customers compared with their local competitors. Thus, besides re-targeting customers, foreign subsidiaries in Vietnam also encouraged product development with latest design and functions from their target markets as an interviewee confirmed:

“Up-to-date product designs are also our core elements. Furniture also needs to be fashionable, sometimes”

5.3.3 Foreign subsidiaries competitive advantage in Vietnam

In this research, managers of foreign subsidiaries in Vietnam were asked about their companies' competitive advantage compared with the local manufacturers. There are four particular sources of competitive advantages mentioned: developing brand and company reputation, gaining experiences in international business, developing business network and using financial support from their Mother Company.

A. Building Brands and Company reputation

All companies in this research have developed their firm brand name in their home country. Therefore, the subsidiaries in Vietnam can inherit the brand name as well as benefit from good company reputation. Due to the uncertainty of recession period, customers are extremely vigilant and sensitive in order to maintain the lowest risk purchase which made branding to be crucial with manufacturers. Customers want to cooperate with those manufacturers who are reputable and capable to confirm the credibility and warrant the quality of their products and services. Meanwhile, most of local manufacturers in Vietnam have not directly exported to their target markets, yet through trading companies or other foreign representative offices. Interviewee FS4 said:

“Brand is one of the most valuable assets what we have, compared to the local manufacturers. Branding closely connected with company’s longevity. A manufacturer without brand is just little bit more than a provider of contract. Most of local manufacturers just focus on production, but they forget that before customers order something, they need to know who we are first”

According to the interviews, good reputation tightens the business relationship between manufacturers and customers. Having a reliable brand name helps the organization in obtaining customer loyalty and even attracting new customers. Director from company FS6 simply explained the importance of maintaining the healthy brand name among its customers as follows:

“They (customers) know who they call, when there is a problem.”

Furthermore, managers mentioned that companies need to give especially attention to maintaining and developing their brand name. Branding is a long-run process which requires substantial efforts from the organization. Interviewee FS8 insisted on this issue:

“Brands cannot be built in just a fair show. We are somehow “lucky” to inherit the brand name and reputation from our mother company. But we still need to try our best to promote our reputation.”

B. International business experience

Another competitive advantage of foreign subsidiaries is their experience in international business. As mentioned, furniture industry in Vietnam has just burst since the beginning of 2000 even though furniture production is one of the traditional industry there. Local manufacturers have to learn and accumulate experiences by themselves and from each other. Despite the abundance of labor force in production department, there is lack of business employees with international business experiences within

Vietnamese manufacturers, especially possessing marketing experience. Interviewee FS6 clarified this point in his interview as follows:

“Our strong point is that we are very familiar with exporting, so we know how to work with foreign customers. And we know how to do marketing.”

Indeed, other interviewees shared the same opinion concerning the lack of sales and marketing experience for foreign markets in Vietnamese manufacturers. Meanwhile, almost all foreign subsidiaries held a strong background in sales and marketing activities in variety markets. Furthermore, interviewee FS1 also insisted that foreign subsidiaries owned experienced teams specialized in design and product development, which allows the parent company to actively catch new market trends:

“We know how to sale to them. And more important thing is that we know what the buyers want to have. Mostly the design.”

C. Business network management

Besides experiences, foreign subsidiaries in Vietnam are managing a widespread business network with either local suppliers or international customers. It is considered that their business network retrieves from their reputation and experiences in international business. While local manufacturers are struggling in the recession period, foreign companies in Vietnam have managed to strengthen their business relations, as interviewee FS4 described:

“During that period, our supplier network has increased a lot. We have many suppliers and our supplier know us as a reliable company so that we pay in time”

As mentioned in the quote, foreign subsidiaries have gained the loyalty and confidence from their stakeholders. Moreover, the close connection between subsidiaries in Vietnam and the mother company was mentioned as a supportive channel for

developing their activities, especially when problems happened. Interviewee FS6 confirmed:

“We have our organization in Finland, and we have our organization in Vietnam. So, we can do lots of work here and we know all our customers very well here.... And if there are any problems, we can easily solve there.... We have good connections between Vietnam and Finland”

Furthermore, some interviewees insisted the important of the knowledge regarding customers’ decision making process. Most of foreign subsidiaries in Vietnam have long-term experience in international business with in-depth understanding and practice in marketing and customer relationship management while Vietnamese manufactures are mainly at the production stage in global value chain (Hanh, 2008). Therefore, managers can provide their customers different offers and commitments covering different aspects such as payment, delivery and quality control which can raise customers’ confident and satisfaction for their organization. Interviewees FS2 and FS5 elaborated in their interviews as shown below:

“The key is to know your customers. Who they are. What they think”

D. Solid financial background

Most of the interviewees agreed that many local manufacturers have severe problems regarding the access to short-run finance. Local manufacturers have to face the escalation of interest rate and the acceleration of inflation in Vietnam. As mentioned in the changes of furniture industry in Vietnam during the recession time, many of local manufacturers have been dragged down due to the financial issues such as lack of short term cash flow and increase in enterprise debt (VNS, 2013). In contrast, foreign subsidiaries are usually more proactive in their financial issues which allows them to offer more favorable payment methods for their customers and suppliers, as interviewee FS8 said:

“We have a strong financial background compared to the local one. I believe the interest rate in Vietnam is their nightmare”

Especially, in the recession period, most companies, including manufacturers, suppliers and customers, suffered several financial difficulties; thus, the purchasing priority could belong to those with better reputation and more favorable payment methods. Interviewee FS6 explained further concerning how proactive in financial issues allowed foreign subsidiaries to gain competency compared with the local manufacturers as below:

“Somehow I feel that delays in payments are quite common in Vietnam. But we mainly pay in time. Also very important that we have very good reputation in Vietnam. They respect that and I know that they have a bit lack of cash to buy all material. But it’s also a problem for us because we also have our customers. They demand long payment time... So, it is a bit unfair for us, but of course, on the other hand, not all companies can offer that but we can.”

5.4 Managers’ perspective for future opportunities and challenges

There are many opportunities and challenges in furniture industry in Vietnam. Interestingly, all interviewees in this research pointed out several similar points of view which reflected a high level of consistency under the managers’ perspective. The opportunities were including the improvement in technology and production facilities, the improvement of skills of labor force, quality control and the potential of domestic market. Meanwhile, challenges in furniture industry in Vietnam are labor force, the lack of supplementary industries and the inferior level of technology.

Opportunities

Managers from foreign subsidiaries found room for improvement regarding manufacturing facilities in Vietnam during these years which created better conditions

for foreign investment as well as local manufacturing initiatives. Interviewee FS1 stated in his interview:

“Infrastructure and production facilities in Vietnam have been improving quite much since we first established our business here. So does the labor force.”

Technology improvement is also a part of infrastructure and improvement of production facilities. Initially, furniture industry in Vietnam was developing based on very basic technology and low rate of mechanization. However, in recent years, many local manufacturers have invested more in technology and automatized production lines which encourages the cooperation and attracts more investments from multinational corporations. In long term perspective, interviewee FS4 insisted the development of technology and mechanization is crucial for foreign subsidiaries’ strategy in Vietnam:

“Rapid technology renewal in Vietnam will help very much for our long term strategy for developing business here”

As mentioned above, availability of good quality labor force is also an improvement in furniture industry. Due to several years of accumulating exporting experience, the labor force in many factories is well-trained to improve their knowledge in production skills and product quality following international standards. Especially, the white-collar labors in Vietnam have reached a significant improvement in several aspects, as interviewee FS5 said:

“We have better and better team in our office every year. The young generations in Vietnam have better study conditions and they are eager to expose themselves. Better English skills and international business knowledge. Humble and hardworking...”

Besides, managers in this research perceived positive attitudes concerning the quality control in furniture industry in Vietnam as compared with their neighboring country, China. Even though Vietnam is incomparable with China regarding scale of production, price range and product diversity, foreign subsidiaries still can be confident with the quality in Vietnam, as the following quote shows:

“Vietnam cannot compete China with price. But it can offer better reputation in product quality and more stable business environment. ”

Furthermore, some managers in this research showed their interest in finding customers in domestic market in Vietnam. During long time operating in Vietnam, managers in foreign subsidiaries found that Vietnamese people are becoming more interested in products with foreign brands, as interviewee FS7 said:

“Vietnamese people have a great interest in products with foreign brand name. They also like products “made in Vietnam, yet for export purpose. They are supposed that those products are better quality.”

As an emerging country, there is ample potential for consumption demand in Vietnam regarding commodity products including furniture. Indeed, it is reported that 80% of domestic furniture product in Vietnam is originated from China, Malaysia and Thailand (ITA, 2014). The remaining domestic product is made by either small scale local manufacturers or craft villages. Furthermore, most domestic products are varying from low and average value originated from China while the higher value products are from European countries such as Italy (ITA, 2014). Therefore, the domestic furniture product is considered as a potential niche market for foreign subsidiaries in Vietnam

Challenges

The very first challenge in furniture industry in Vietnam is related with the skills and the stability of the labor force. As most of labor in furniture factories in Vietnam are from rural areas where the average educational level is not high. Therefore, it takes quite much time for training and coaching workers to get used to the production lines and machinery tasks. Besides, a remarkable part of workers are seasonal workers who usually go to industrial area to work during the period of non-season agriculture activities and come back when agricultural season starts. This phenomenon has caused problems concerning human resource management in production sites. Interviewee F3 concluded as follows:

“There is a lack of skilled labors in furniture industry in Vietnam, not to mention the stability of the labor force.”

Besides, the lack of supplementary materials was mentioned as the most concern of foreign subsidiaries in Vietnam currently. Even though manufacturers in Vietnam can find around 80% of input material in domestic markets, the supplementary industries are underdeveloped, especially fittings and hardware production. Most of domestic fittings product is either not qualified or too expensive compared to those imported from China. Moreover, a large amount of supplementary materials is imported from other countries such as China and Taiwan which contributes particularly in the increase of production cost. Therefore, furniture industry need to solve or at least improve materials related issues in the near future ensuring the comprehensive development of furniture industry in Vietnam. Interviewee FS6 and FS8 insisted the need of developing supplementary industry cluster in Vietnam as follows:

“The problem in Vietnam at the moment is that there are many fittings and materials which we need to buy from China. You don’t have importers in Vietnam or you don’t have all products there. Like fitting, glass, or poly-wood.”

“Several raw materials and hardware are even higher prices than neighbor countries, in this case, we can say: China”

Lastly, managers also consider challenges regarding technology development in Vietnam. Although there were quite many improvements in production technology in Vietnam, it is still relatively in a lower position compared with other furniture manufacturing countries in the same region such as China and Taiwan. The rate of mechanization, automation and synchronization is particularly low in most of production sites in Vietnam. Even though factories with foreign investments are almost always equipped with modern and up-to-date machines and technology, managers expected for more improvements which could provide them better facilities conditions for wider development in the near future, as the following quote shows:

“Also in Vietnam, the industry should be more automatized. People need to understand computers and technology and many things. So, that is the challenge: the skilled workers for the industry.”

Taken as a whole, referring back to the aims of this study about operational strategy of foreign subsidiaries in Vietnam during the recession time, interviewees in this study emphasized in a dynamic strategy combining both conservative and proactive activities. Besides, interviewees also provided an inside out point of view regarding the competitive advantage of foreign subsidiaries in Vietnam which has enable them to outstrip the local manufactures. The summary of participants’ responses is presented as the following Table 10

Table 10: Summary of participant responses according to the questionnaire

Issue	Response
Market changes in 2008 – 2010	Shrinking demand Product lines: Price range and materials Legality verification and use of certifications
Market changes from 2010 onward	Recovery in demand Product specifications Inflation and increasing input costs Bankruptcy of local manufacturers The improvement of local survivals
Strategy orientation	Hybrid strategy combining both conservative and proactive approach
Action plan	Cutting budgets Intensifying business relationship with customers Conducting innovation through “rethink – redesign” activities.
Opportunities in furniture industry in Vietnam	Improvement in infrastructure, production facilities and technology Availability of good quality labor force Improvement in quality control The potential of domestic market
Challenges in furniture industry in Vietnam	Skills and the stability of the labor force Lack of supplementary industries Lower level of technology development compared with other countries in the same region

6. Discussion and Conclusion

6.1 Summary of the main findings

Compared with a previous study regarding the functional upgrading activities in furniture industry in Vietnam (Hanh, 2008), in this study, the industry were viewed under the perspective of foreign subsidiaries in Vietnam. However, there are several

similarities in findings especially regarding to the obsolescence of cheap labor force in Vietnam and the moving forward to design and service stage along the global value chain. Besides, while Hanh (2008) focused on how functional upgrading benefits manufacturers in developing countries with premium value, this study investigated how foreign subsidiaries utilize and combine the local business condition, their pool of resource and support from the parent company to achieve competitive advantage in developing countries.

Referring back to the research questions, this study aimed to answer three main themes as follows:

1) What are the different factors affecting companies' business activities during and after the recession?

As mentioned in the theoretical background, global recession has caused heightened turbulences (Kotler & Caslione, 2009) and environment uncertainties (Latham, 2009) which are considered as either opportunities or challenges for business performance. In this research, managers in foreign subsidiaries in Vietnam have been interviewed about the external changes effecting their business performance from 2008 until now which includes two sub-periods: within deep recession period from 2008 to 2010, and post-recession period after 2010. Most managers stated that their businesses were impacted clearly by the economic crisis around the year 2009 which is one year after the recession was considered to start in 2008. Apparently, shrinking demand is the most severe effect derived from the economic crisis from 2008 to 2010. Also as a consequence of economic crisis, customers are today more sensitive to price and more interested in buying cheaper products (Pearce et al., 2006). At the same time, in wood industries, the development of raw material legality and certifications has spread the influences all over the world which has made customers more environmental conscious. Even though foreign subsidiaries are familiar with legality verification and use of certification, these have caused difficulties for local manufacturers due to their lack of experience in international furniture industry. Therefore, legal verification and certification have become a core competency for foreign subsidiaries in Vietnam at that moment.

Meanwhile, there are changes after the year 2010 as side-effects from the deep recession period, for instance, increasing production costs, inflation and the bankruptcy of many local manufacturers. Especially, some managers shared the same statement that recession is a part of natural selection process in business where only the healthier organization will survive. During the post-recession period, customer's requirements have kept changing in many aspects including materials, designs and product functioning. Under the influence of global downturn, all companies were impacted in many different ways and at different levels. Many interviewees stated that their business in Vietnam is quite stable and not impacted significantly by the global crisis while other managers reported a certain amount of reduction in demand and performance. Most the foreign subsidiaries could adapt and cope well with the turbulence from economic downturn whereas the local manufacturing has poorly suffered.

According to the responses, it is obvious that the global downturn has also indirect influence on furniture industry in Vietnam in which the negative effects appeared at a later time (approximately one year later than in the US) and did not significantly impact business performance of foreign subsidiaries in Vietnam.

2) What is managers' preferable choice comparing between conservative and proactive responses during the recession in Vietnamese furniture industry?

It is crucial to mention that a company, which could survive from the economic downturn by maintaining and developing their competitive advantage, benefits with long term achievements (Panwar et al., 2012). Managers in foreign subsidiaries also discussed about the strategic orientation and their actual reaction responding to the global crisis. According to the literature, there are three theoretical trends regarding organizational responses in turbulence period: rigidity (Staw, 1981), proactive (Srinivasan et al., 2005) and Chaotics approach (Kotler & Caslione, 2009). In addition to addressing their strategic orientation, managers in this study have pointed out the advantages and disadvantages of the first two strategic approaches as well as described what were included in their particular tactics in order to get through the recession period.

Interestingly, the interviews revealed that all managers in foreign subsidiaries in Vietnam have tried to build their responses to the market turbulence through combining conservative and proactive approaches in their actual action plans instead of leaning heavily on any one of those. Thus, referring to the most recent theory – Chaotics approach by Kotler and Caslione (2009) about how organization should respond in the “New Normality”, managers recognized the importance of having a balanced mixed strategy of conservative and proactive approaches through the recession period. The dependence on one certain strategic might be however problematic under the pressures of external turbulence.

Similarly with rigidity approach (Staw, 1981) and how to response while facing constraints in customer demand and financial flexibility (Olson, 2010), many companies applied reducing production costs and cutting-off insufficient product lines. Meanwhile, several aspects from proactive approach were managed at the same time for better financial development. Especially, marketing activities are considered as one of the core tactic as mentioned in the theory by Pearce et al (2006). The three most popular tactics applied in foreign subsidiaries in Vietnam that were mentioned are to reserve company’s resources, intensify marketing and business contacts and invest in innovations. Managers resisted the temptation of cutting prices and budget through different channels including increasing working efficiency and providing customer with add-value offers and solution consultant. These channels might result in improved customers’ satisfaction and loyalty. More importantly, recession time has given foreign subsidiaries time to review and investigate in other potential fields which has been neglected during the normal time. For instance, most of companies in the research have switched or added into their production profile new materials which could offer their customers more reasonable prices and acceptable quality. As a consequence of recession period, strategic re-construction and improvement has to be conducted.

Referring back to RBV theory by Barney (1991) about sources of competitive advantage, foreign subsidiaries in Vietnam, indeed, differentiated themselves by the better “pool of resource”. Regarding the competitive advantage of foreign subsidiaries in Vietnam compared with the local manufacturers, four mentioned elements are mostly

intangible assets: brand and reputation, experiences in international business, business network and liquidity access. According to RBV (Barney, 1991), a firm's strategic resources consist of tangible and intangible assets in which intangible assets include reputation, innovations and knowledge. Indeed, as mentioned, intangible resources including management expertise, personnel knowhow, collaboration, organizational culture, technological knowhow and reputation and service, have been identified by Lahinen et al. (2009) in a study regarding Finnish sawmills' competitive advantage. Similarly, the results of this research also implied that intangible assets play a crucial role in the time of turbulence. In this case, they made foreign subsidiaries in Vietnam different from the conventional manufacturers. Organization's ability to manage intangible assets decides whether they can maintain their competitive advantages throughout the recession period. Besides, the access of financial support is also one of the key competences of foreign subsidiaries in Vietnam. Short term cash flow is vital for every organization, especially in recession time. While local manufacturers' access to cash suffered under the pressure of customers, suppliers and employers, foreign subsidiaries had better cash flow management ensuring their liability as well as investment capability.

3) What are the prospects for future opportunities and challenges in wood furniture industry in Vietnam?

Overall, interviewed managers were quite optimistic about the prospect for business environment in Vietnam. It is the result of Government's effort on encouraging FDI, technology development and the abundant labor resources in Vietnam. Indeed, the improvement in skilled labor force and corporate responsible awareness are currently the competitive advantage in furniture industry in Vietnam (MARD, 2012). Furthermore, as an emerging country the population of 91 million (EY, 2013), Vietnam is not only the destination for investments in manufacturing but also an attractive target for commodity products; thus, several foreign subsidiaries recognized a promising market here beside their traditional export markets.

On the other hand, managers noticed some latent issues concerning long-term development of furniture industry in Vietnam. Despite the improvement of technology and skilled labor force in Vietnam, these factors are still inferior in comparison with their competitors in the same regions (EY, 2013). The lack of supplementary industries, including packaging, hardware and fitting industry, is considered as a vital disadvantage of Vietnam furniture industry in a way that the manufacturers need to search for suppliers in different countries to fulfill customers' requirements. This might cause either late delivery or quality control problems which might severely impact company's reputation and customer loyalty. Combined with the literature, while the cheap labor force is no longer a competitive advantage in Vietnam (Hanh, 2008), in order to obtain sustained competitive advantage and premium value (Kaplinsky & Morris, 2001, Wan et al., 2014), furniture manufacturers in Vietnam need to invest in functional upgrading process and add-value activities such as after sale service, design and marketing.

6.3 Limitations and further research

This research attempts to enhance the understanding of organizational responses to external turbulence, especially focused on foreign subsidiaries in furniture industry in an emerging country context. The qualitative research method with in-depth interview approach aimed to obtain managerial experience in wood processing industry in Vietnam regarding how foreign subsidiaries can overcome the external threats and outstrip their local competitors during the recession period. Within this research, methodological limitations may occur in the interview distribution and data collection process. Under the level of Master's thesis with the limitation of time and financial support, the quantity of interviews was limited to eight managers and directors in foreign subsidiaries, which can be considered as a low number compared with the total amount of foreign subsidiaries in furniture industry in Vietnam. In addition, almost all participating companies in this research are located in the southern part of Vietnam (Ho Chi Minh City and Binh Duong) which is a particular subset of furniture production cluster in Vietnam, yet the representatives of all foreign subsidiaries in furniture industry there. Furthermore, this research did not take into consideration of the operating scale of participating companies which could cause the differences in companies' resources and strategic approach.

Nevertheless, the results of this study can be used in supporting the gaps from empirical point of view regarding organizational responses with external turbulence, especially for developing strategic plans for foreign subsidiaries in furniture industry in emerging countries. As to the limitations of this study, additional studies are needed. One example for further research in this area could be to widen the scale of research distribution to other emerging countries specialized in furniture production such as Thailand, Indonesia and Malaysia. Besides, the competitiveness and operational strategy of foreign subsidiaries in furniture industry Vietnam can be investigated also from the view of different aspects including how cultural distance and geographic distance could impact their choice of entry mode and penetrating strategy (see Zhang et al, 2014). In addition, due to the fact that furniture industry in Vietnam is highly depend on imported materials, a study investigating purchasing model and supply chain management in foreign subsidiaries in Vietnam might bring forward an interesting point of view regarding the sustainable development of furniture industry in Vietnam

6.4 Conclusion

Global recession has highlighted the importance of strategic orientation in business operation. Even though the very first and traditional approach in recession time has always been “to be conservative”, the impact of recession is hard to forecast in both scale and length, especially under the context of globalization and the development of technology and information transfer. Therefore, managers have become more proactive and flexible in their strategic planning. This study provides some empirical perspective from the management level in foreign subsidiaries in furniture industry in Vietnam, and furthermore, in the context of emerging countries. At the same time, this study improved the knowledge of competitiveness and operational strategy in foreign subsidiaries in Vietnam, specialized in furniture industry. The results fill a gap since the use of in-depth interviews and discussion regarding how business strategies has changed from 2008 has not been demonstrated much until now. At a theoretical level, the research framework in this study presented a general picture of organizational strategic orientation under the influences of both inside out perspective (resource-based view) and outside in perspective (external turbulence).

Based on the main theoretical framework including RBV and organizational response, the research aimed to enhance the practical tactics operated of foreign furniture subsidiaries in Vietnam. The findings of the study have indicated that business performance is indeed variable in different organizations, especially under the recession time. There is no particular strategy guaranteeing organization' success; instead organization should flexibly enhance their strategic planning based on their own organizational conditions and resources, as well as based on their choice of strategic orientation. The study has also demonstrated the importance of how to keep the balance between conservative and proactive approaches reflected in business management in furniture industry. Despite its complexity, recession was not completely seen as a threat, yet that managers perceived it as external turbulence from which organizations can benefit only if they choose the right strategic orientation. More importantly, the study has pointed out that the negative impacts of global recession are being generated at a later time in manufacturing countries and could be minimized especially in companies with strong intangible resources.

In the context of furniture industry in Vietnam, most of foreign subsidiaries have until now harvested a fruitful result after recession period. The reasons has been pointed out in this research to be due to combination between their own competitive advantages and the use of suitable strategic orientation. Managers recognized the need of conducting a variety of approaches to maintain their positions, instead of engaging with the traditional cutting-budget solutions in recession period. In addition, the study also showed the importance of intangible resources (reputation, technology, innovation capability) in developing competitive advantages in furniture industry in Vietnam. In the near future, managers in foreign subsidiaries in Vietnam still insisted the potential of furniture industry with the improvement of local infrastructure, technology, labor force as well as the potential domestic market. Some challenges that were listed included the lack of supplementary industries and the inferior of labor force and technology compared to its regional competitors.

REFERENCES

- Ahmad, R., & Buttle, F. (2001). Customer retention: a potentially potent marketing management strategy. *Journal of strategic marketing*, 9(1), 29-45.
- ASEANstats - The ASEAN Secretariat, (2013). Success in curbing inflation - highlight of Vietnam. Available at: <http://www.tradingeconomics.com/vietnam/inflation-cpi>. (Cited 20.05.2014)
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management* 17(1):99-120.
- Barney, J. (1995). Looking inside for competitive advantage. *Academy of Management Executive* 9(4):49-61.
- Barney, J. (2001). Is the resource-based “view” a useful perspective for strategic management research? Yes. *Academy of Management Review* 26(1):41-56.
- Bryman, A. & Bell, E. (2007). *Business Research Methods*, 2nd ed., Oxford: Oxford University Press.
- Cameron, K. S., Kim, M. U., & Whetten, D. A. (1987). Organizational effects of decline and turbulence. *Administrative Science Quarterly*, 32: 222-240
- Creswell, J. (2009). *Research design: Qualitative, quantitative, and mixed methods approaches*. SAGE Publications, Incorporated.
- D’Aveni, R. A. (1989). The aftermath of organizational decline: A longitudinal study of the strategic and managerial characteristics of declining firms. *Academy of Management Journal*, 32: 577-605
- Day, G. S. (1984). *Strategic market planning: The pursuit of competitive advantage* (p. 3). St-Paul, Minnesota: West Publishing Company.
- Ernst & Young. (2013). *Global forest products, paper and packaging report. Reaching out — opportunities in the new rapid-growth markets*. 36-39.

- Forest Law Enforcement, Governance and Trade (FLEGT) Vietnam. (2014). Voluntary Partnership Agreement status in Vietnam – Available at: <http://www.euflegt.efi.int/vietnam> (Cited 10.06.2014)
- FTI Consulting, Inc. (2013). China plus One. FTI Journal - Available at: <http://ftijournal.com/article/china-plus-one#sthash.hc9kNFgH.dpuf> (Cited 12.04.2014)
- Foreign Investment Agency (FIA) – Vietnam Ministry of Planning and Investment. (2013). Vietnam FDI monthly data source – Available at: <http://fia.mpi.gov.vn/News.aspx?ctl=newsdetail&p=2.39&aID=1550> (Cited 12.04.2014)
- Foreign Investment Law in Vietnam. (2000). Available at: [http://www.vietnamlaws.com/freelaws/LFIIna12Nov96\(aa9Jun00\)\[I1\].pdf](http://www.vietnamlaws.com/freelaws/LFIIna12Nov96(aa9Jun00)[I1].pdf) (Cited 02.03.2014)
- Geroski, P. A., & Walters, C. F. (1995). Innovative activity over the business cycle. *The Economic Journal*, 916-928.
- Ghuri, P. N., & Grønhaug, K. (2005). *Research methods in business studies: A practical guide*. Pearson Education.
- Gibbs, G. R. (2008). *Analyzing qualitative data*. Sage.
- Golafshani, N. (2003). Understanding reliability and validity in qualitative research. *The qualitative report*, 8(4), 597-607.
- Han, J. K., Kim, N., & Srivastava, R. K. (1998). Market orientation and organizational performance: is innovation a missing link? *The Journal of marketing*, 30-45.
- Hanh, P. T. S. (2008). *Functional upgrading, relational capability and export performance of Vietnamese wood furniture producers* (Doctoral dissertation, Copenhagen Business School, Institut for Interkulturel Kommunikation og Ledelse/Department of Intercultural Communication and Management).
- Hart, S. L. (1995). A natural resource-based view of the firm. *Academy of Management Review* 20(4): 986-1014

He, Z.-L. & Wong, P.-K. (2004) 'Exploration vs. Exploitation: An Empirical Test of the Ambidexterity Hypothesis', *Organization Science*, 15, 4, 481-494.

Helkkula, A., Kelleher, C., Pihlström, M. (2012), "Practices and experiences: challenges and opportunities for value research", *Journal of Service Management*, Vol. 23 Iss: 4 pp. 554 – 570

International Monetary Fund (IMF). (2009). *World Economic Outlook: Crisis and Recovery, Summary Version*. Chap.2, pp: 97-130. Available online at: <http://www.imf.org/external/pubs/ft/weo/2009/01/pdf/text.pdf> (Cited 12.04.2014)

Italian Trade Agency (ITA). (2014). Sector note on wood and furniture in Vietnam. Available at: <http://www.ice.gov.it/paes/asia/vietnam/upload/198/Sector%20note%20on%20wood%20and%20furniture%20in%20Vietnam%20-%20June%202014.pdf> (Cited 12.06.2014)

Janusz, B. (2011). The concept of creating and operating early recognition system. Business and non-profit organizations facing increased competition and growing customers' demands, *Wyższa Szkoła Biznesu – National Louis University, Nowy Sącz*, pp. 22-38.

Kaplinsky, R. (1998). Globalization, industrialization and sustainable growth: the pursuit of the nth rent (No. 365). Institute of Development Studies, University of Sussex.

Kaplinsky, R., & Morris, M. (2001). *A handbook for value chain research* (Vol. 113). Ottawa: IDRC.

Kaplinsky, R., & Readman, J. (2000). Globalization and upgrading: what can (and cannot) be learnt from international trade statistics in the wood furniture sector?. mimeo, Brighton, Centre for Research in Innovation Management, University of Brighton and Institute of Development Studies, University of Sussex.

Kitching, J., Blackburn, R., Smallbone, D., Dixon, S. (2009). Business strategies and performance during difficult economic conditions. Project Report. Available at: <http://universalrg.org/FullText/2012081.pdf> (Cited 12.03.2014).

Knudsen, T & Madsen, T.K. (2002). Export strategy: a dynamic capabilities perspective, *Scandinavian Journal of Management* Vol. 18, pp. 475–502.

Kotler, P., & Caslione, J. A. (2009). *Chaotics: The business of managing and marketing in the age of turbulence*. AMACOM Div American Mgmt Assn.

Lähtinen, K., Toppinen, A., Leskinen, P. & Haara, A. (2009). Resource usage decisions and business success: A case study of Finnish large- and medium-sized sawmills. *Journal of Forest Products Business Research* 6: 1–18.

Latham, S. (2009). Contrasting Strategic Response to Economic Recession in Start-Up versus Established Software Firms. *Journal of Small Business Management*, 47: 180–201. doi: 10.1111/j.1540-627X.2009.00267.x

Latham S.F. & Braun M. (2009). Managerial risk, innovation, and organizational decline. *Journal of Management*, 35 (2), pp. 258-281.

Lincoln, Y. S. (1989). *Fourth generation evaluation*. Sage.

Liston-Heyes, C., Ceton, G. (2009). An investigation of real versus perceived CSP in S&P-500 firms. *Journal of Business Ethics*, 89 (2009), pp. 283–296

Ming, H. (2013). Why "Made In China" Is Still Synonymous With Low Quality. Available at: <http://www.worldcrunch.com/default/why-quot-made-in-china-quot-is-still-synonymous-with-low-quality/manufacturers-made-in-china-environment-ethics-profit/c0s13295/#.U9toxfmSyFk> (Cited 12.06.2014)

Ministry of Agriculture and Rural Development (MARD). (2010). Timber exports surge in major markets. Available at: http://www.agroviet.gov.vn/en/Pages/news_detail.aspx?NewsId=512&Page=2 (Cited 02.03.2014)

Ministry of Agriculture and Rural Development (MARD). (2012). Vietnam - the largest wood exporter in Southeast Asia. Available at: http://www.agroviet.gov.vn/en/Pages/news_detail.aspx?NewsId=881 (Cited 02.03.2014)

Ministry of Agriculture and Rural Development (MARD). (2013). Vietnam is lack of supportive technology for furniture industry. Available at:

http://www.agroviet.gov.vn/en/Pages/news_detail.aspx?NewsId=1023&Page=1
(Cited 02.03.2014)

McDonald, M., & Westphal, J. D. (2003). Getting by with the advice of their friends: CEOs' advice networks and firms' strategic responses to poor performance. *Administrative Science Quarterly*, 48: 1-32.

McKinley, W., Latham, S., & Braun, M. (2014). Organizational decline and innovation: turnarounds and downward spirals. *Academy of Management Review*, 39(1), 88-110.

McKinley, W. (1993). Organizational decline and adaptation: theoretical controversies. *Organization Science*. 4(1):1-9.

Miller, K. D., & Bromiley, P. (1990). Strategic risk and corporate performance: An analysis of alternative risk measures. *Academy of Management Journal*, 33: 756-779.

Ministry of Industry and Trade of the Socialist Republic of Vietnam – MOIT. (2013). Statistical Report. Available at:

<http://www.moit.gov.vn/vn/Pages/Chuyende.aspx?Machuyende=TK> (Cited 02.03.2014)

Munich Personal RePEc Archive – MPRA. (2007). Foreign direct investment in Vietnam: An overview and analysis the determinants of spatial distribution across provinces

Nguyen, T.Q. & Tran, H.N. (2011). How Vietnam is prepared to meet legal requirements of timber export markets: 1-19. Available at: <http://www.tropenbos.org/file.php/548/how-vietnam-is-prepared-meet-legal-requirements-timber-export-markets-web.pdf>. (Cited 02.03.2014)

O'Malley, L., V. Story, and V. O'Sullivan. (2011). Marketing in a recession: retrench or invest? *Journal of Strategic Marketing*. 19(3):285-310.

Orlitzky, M., Schmidt, F. L., Rynes, S.L. (2003). Corporate social and financial performance. A meta-analysis. *Organization Studies*, 24 (3) pp. 403–441

Olson, E. G. (2010). Supply chain opportunity in an uncertain economic recovery. *Supply Chain Management International Journal*. 15(6):488–492

Panwar, R., Vlosky, R. and Hansen, E. (2012) Gaining Competitive Advantage in the New Normal. *Forest Products Journal*: 2012, Vol. 62, No. 6, pp. 420-428.

Pearce II, J. A., & Michael, S. C. (1997). Marketing strategies that make entrepreneurial firms recession-resistant. *Journal of Business Venturing*, 12(4), 301-314. GSO – General Statistics Office of Vietnam. *Statistic Year Book* (2011). Industry: 434 – 437

Pearce II, John A., and Steven C. Michael. (2006). "Strategies to prevent economic recessions from causing business failure." *Business Horizons* 49. 3:201-209.

Porter, Michael E., (1985). "Competitive Advantage". Ch. 1, pp 11-15. The Free Press. New York.

PwC – PricewaterhouseCoopers. (2011). *Doing Business in Vietnam*. Available at: http://www.pwc.com/en_VN/vn/publications/2012/assets/PwC-HSBC_Guide_to_doing_business_in_Vietnam.pdf (Cited 02.04.2014)

PwC - PricewaterhouseCoopers. (2013). *China Development Forum survey report. Choosing China: Insights from multinationals on the investment environment*. Available at: <http://preview.thenewsmarket.com/Previews/PWC/DocumentAssets/279068.pdf> (Cited 12.04.2014)

Raisch, S. & Birkinshaw, J. (2008) 'Organizational Ambidexterity: Antecedents, Outcomes, and Moderators', *Journal of Management*, 34, 3, 375-409.

Ratnasingam, J. & Ioras, F. (2009). Foreign direct investment (FDI), added value and environmental-friendly practices in furniture manufacturing: the case of Malaysia and Vietnam. *International Forestry Review*, 11(4), 464-474.

Reeves, M. & M. S. Deimler. (2009). Strategies for winning in the current and post-recession environment. *Strategy Leadership* 37(6):10–17.

Roos, J., Barber, V. & Eastin, I. (2011). *The Vietnamese Forest Market*. CINTRAFOR News (Center in International Trade in Forest Products).

Safin, K. (2013). Change and continuity in the management of small and medium enterprises. *Studies and Monographs* No. 48, 137.

Srinivasan, R., A. Rangaswamy, and G.L. Lilien. (2005). Turning adversity into advantage: does proactive marketing during a recession pay off? *International Journal of Research in Marketing*. 22(2):109-125

Simonet, D. (2012). Entry modes of European firms in Vietnam. *EMAJ: Emerging Markets Journal*, 2(2), 9-16.

Simon, H. (2009). *Hidden champions of the twenty-first century* (p. 2009). Berlin: Springer.

Staw, B. M., L.E. Sandelands, and J.E. Dutton. (1981). Threat-rigidity effects in organizational behavior: a multilevel analysis. *Administrative Science Quarterly*. 26:501-524.

Strauss, A., & Corbin, J. (1988). *The basics of qualitative research: Techniques and procedures for developing grounded theory*. (2nd edition.). Thousand Oaks, CA: Sage
Teece, D., G. Pisano, and A. Shuen. 1997. Dynamic capabilities and strategic management. *Strategic Management Journal* 18(7):509-533.

TNS – Thanh Nien News. (2014). Industry association sanguine about furniture, wood exports. Available at: <http://www.thanhniennews.com/business/industry-association-sanguine-about-furniture-wood-exports-24222.html> (Cited 12.04.2014)

To, X.P. & Canby, K. (2011). *Vietnam: Overview of Forest Governance and Trade*. Forest Trend for FLEGT Asia Regional Programme.

UNCTAD – United Nations Conference on Trade and Development (2006). *World Investment Report. FDI from developing transition economies: implications for development*. Available at: http://unctad.org/en/docs/wir2006ch5_en.pdf (Cited 12.04.2014)

UNIDO - United Nations industrial development organization. (2003). *The global wood furniture value chain: what prospects for upgrading by Developing Countries?* Available at:
http://www.unido.org/fileadmin/user_media/Publications/Pub_free/Global_wood_furniture_value_chain.pdf (Cited 12.04.2014)

Uzkurt, C., R. Kumar, H.S. Kimzan, and H. Sert. (2012). The impact of environmental uncertainty dimensions on organizational innovativeness: an empirical study on SMEs. *International Journal of Innovation Management*. 16(2):23.

VNS – Vietnam News. (2013). FDI wood exporters outstrip lagging domestic companies. Available at: <http://vietnamnews.vn/economy/246292/fdi-wood-exporters-outstrip-lagging-domestic-companies.html> (Cited 02.03.2014)

VOV – The Voice of Vietnam. (2013). Timber exports in 2013. Available at: <http://english.vov.vn/Economy/Timber-exports-in-2013/260122.vov> (Cited 02.03.2014)

Wan M., Lähtinen K., Toppinen A. (2014). Strategic transformation in the value-added wood products companies: Case study evidence from China. Forthcoming in *International Journal of Emerging Markets*, 10(4).

World Commission on Environment and Development – WCED. (1987). *Our common future* (Vol. 383). Oxford: Oxford University Press.

Webster, L., & Mertova, P. (2007). *Using narrative inquiry as a research method: An introduction to using critical event narrative analysis in research on learning and teaching*. Routledge.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic management journal*, 5(2), 171-180.

Wehrung, D. A. (1989). Risk taking over gains and losses: A study of oil executives. *Annals of Operations Research*, 19: 115-139.

Williamson, P.J. & Zeng, M. (2009) 'Value-for-money Strategies for Recessionary Times', *Harvard Business Review*, 87, 3, 66-74.

World Bank. (2014a). GDP Data. Available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD> (Cited 12.06.2014)

World Bank. (2014b). Inflation rate Data. Available at: <http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG> (Cited 12.06.2014)

World Bank. (2014c). FDI Data. Available at:

<http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS> (Cited 12.06.2014)

Zhang, Y., Luo, W., & Toppinen, A. (2014). Determinants of equity-based entry mode choice in the forest sector: the case of China. *Scandinavian Journal of Forest Research*, (just-accepted), 1-31.

APPENDIX

Theme Based Interview Questionnaire: Furniture manufacturers in Vietnam

1. Company's background information

- Company name:
- Head quarter address:
- Company establishment and development:
- Type of products:
- Type of ownership:

2. Interviewee's background information

- Name of interviewee:
- Job title and responsibility:
- Work history in the company:
- would move this "culture" to Q6

3. Please describe your business development during the period 2008 – 2010. Which was the main driver from external environment at that time?

4. Please describe your business development during the period 2011 – 2013. Which was the main driver from external environment at that time?

5. In your opinion, how did business environment in Vietnam change between the two periods? Has it significantly affected your company business activities and network in Vietnam? How?

6. What kind of cultural differences do you see between Mother Company and its subsidiaries in Vietnam?

7. What makes your company different to others in the same business at that moment? How did your company remain its competitiveness during the recession?

8. Several organizations conducted cut-off strategies when facing market turbulence while some others invested more to obtain new competitive advantage. How do you think about those choices? What could be the pros and cons for each type of strategies? Which one would seem closer to your company?

9. Overall when comparing to the local manufacturers, which elements or business functions have made foreign subsidiaries to be more competitive in Vietnam? For examples: HR, technology, business network, etc.

10. What do you think about the potential opportunities and challenges in the near future in furniture industry in Vietnam? For examples: changes of export policy, supplementary industries (hardware, packaging, etc.), supply chain, need for environmental sustainability etc.

Is there anything else that you would like to add?