CHARACTERISTICS OF FDI ENTERPRISES IN THANH HOA PROVINCE

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ABSTRACT
From the perspective of marketing, the investment business is the customer of the local. In this view, FDI enterprises with advantages regarding production scale, the potential of capital, technology, etc. will be big customers of localities. So understanding the characteristics of "target customers" to build and adjust policies attractive to them is a matter for local authorities need to be concerned. The article uses (1) secondary data to describe the characteristics of size, sector, and type of FDI enterprises; (2) 186 questionnaires to describe the characteristics of the managers/ owners of FDI enterprises as well as to test hypotheses about differences in characteristics of FDI enterprises investing in Thanh Hoa province. On that basis, the authors propose some proposals to attract investment of FDI enterprises in Thanh Hoa province.
Key words: *FDI enterprise; characteristic of FDI enterprise; Place marketing; Thanh Hoa province.*

INTRODUCTION[*]

Vietnam is considered a country with many advantages in attracting foreign direct investment (FDI). FDI enterprises are also increasingly contributing to the socio-economic development of Vietnam. Specifically, the share of foreign investment in total social investment always accounts for about 25%; Contributing over 20% to GDP; submitting the state budget for a high proportion of total state budget revenue and making up a large and growing share of total export turnover of. In the period of 2011-2016, annual registered FDI capital is always over 20 billion USD. In 2017, foreign directFDI into Vietnam reached 35.88 billion USD, up 44.4% over the same period of 2016 and the highest increase within ten years [1].

Thanh Hoa -North Central province - is ranked eighth in Vietnam in attracting investment. In recent years, Thanh Hoa has many policies to attract investment, especially foreign investment for local development. According to the Foreign Investment Agency (the Ministry of Planning and Investment) [1], in the first 6 months of 2017, total FDI capital including new registration, increasing capital, capital contribution and share purchase was 19.22 billion USD, up 54.8% over the same period in 2016, of which Thanh Hoa attracted the most foreign investment capital with total registered capital of 3.06 billion USD, accounting for 15.9% of national investment capital. Currently, There are 16 countries and territories investing into Thanh Hoa province, in which leading by Japan with 10 projects, total investment of Japan about 5.18 billion USD (total registered capital is 11.78 billion USD), accounting for 70% of the total registered capital; Followed by Taiwan, Korea, Kuwait, Singapore and other countries. Some major projects in Thanh Hoa province such as Nghi Son Refinery and Petrochemical LLC (9 billion USD) invested by Japan and Kuwait investors in joint venture with Vietnam Oil and Gas Group; Nghi Son Cement Corporation (622 million USD); Annora Vietnam Footwear Exports Factory (103.5 million USD); Nghi Son 2 Thermal Power Company of Marubeni-Japan and Kepo-Korea Electricity Group with 2.3 billion USD [3]. In general, FDI projects are basically implemented in accordance with the schedule stipulated in the investment certificate. The operating projects have played a very important role in economic restructuring and growth, job creation, budget collection, etc. However, the results of attracting FDI capital in Thanh Hoa are not

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commensurate with the potentials and advantages of the province. Facilities and Infrastructure system has not developed comprehensively, so it has not attracted many foreign investors, investment projects mainly focus on Nghi Son Economic Zone (EZ) and Industrial park (IP).

From the view point of marketing, the invested business are customers of the business [2], Therefore, it is necessary to define the characteristics of FDI enterprises investing in localities to have appropriate attracting policies.

METHODS

Up to December 2016, Thanh Hoa has 71 foreign investors [2]. The authors have conducted questionnaire to all 71 enterprises (100 percentages) to survey with both email and face-to-face survey. However, to ensure the scientific features, the author decides to implement three surveys for each enterprise. The respondents are the Chairman, the Vice Chairman (if any), the Executive director, the Deputy Director and the Head of the branch. So the overall survey is 213 votes (3 respondents for each enterprise). The number of questionnaires received after the survey was 197, then the authors eliminated the invalid questionnaires (lack of important information), collected 186 valid votes to run quantitative results. The authors used SPSS 20.0 software for summarizing Descriptive statistics data and verifying the hypotheses

To determine the difference in characteristics of FDI enterprises, the author examines the following hypotheses:

H_1: There is a significant difference in FDI decision in Thanh Hoa province according to types of enterprises

H_2: There is a significant difference in FDI decision in Thanh Hoa province according to the location of enterprises

H_3: There is a significant difference in FDI decision in Thanh Hoa province according to the gender of the investors.

H_4: There is a significant difference in FDI decision in Thanh Hoa province according to investors' qualification

H_5: There is a significant difference in FDI decision in Thanh Hoa province according to the owners' management experience.

RESULTS AND DISCUSSIONS

Profile of FDI enterprises in Thanh Hoa Province

According to Foreign Investment Agency (FIA) [1], Thanh Hoa is currently ranked 9 out of 63 provinces in Vietnam in terms of attracting FDI attracting FDI with 71 valid projects, total registered capital of $ 12.8 billion; The capital mainly focuses on the manufacturing industry with 52 projects with a total registered capital of 12.05 billion USD, accounting for 74% of the projects and 94.14% of the registered capital; Followed by the industries as agriculture, forestry, fisheries, retail, consultancy and service trade.

Country of the parent company

By 2017, there are 16 countries and territories investing in Thanh Hoa province, in which South Korea leads the list of projects (20 projects), Japan ranks second in number of projects but leads total investment capital (total registered capital is the US $ 11.78 billion, implemented capital is about the US $ 5.18 billion); Japan accounts for 70% of the total registered capital, followed by Taiwan, the United Kingdom, China and Singapore and other countries. Some big projects in Thanh Hoa province such as Nghi Son oil refinery (US $ 9 billion) by Kuwait - Japanese investors - joint venture with Vietnam Oil and Gas Group; Nghi Son Cement (US $ 622 million); Annora Vietnam footwear export factory (US $ 103.5 million); Nghi Son 2 Thermal Power of the Marubeni - Japan Joint Venture and Kepo Electricity Group - Korea (2.3 billion USD), etc [3].

Type of FDI enterprises

The majority of FDI projects in Thanh Hoa province are in the form of 100% foreign capital (53 projects, accounting for 74.65%). 25.35% of the remaining projects are joint ventures. However, the biggest joint ventures project is Nghi Son Petrochemical Project which was jointly invested by the four joint-venture: Japan, Kuwait, Saudi Arabia and Vietnam with the US $12.2 billion accounting for over 80% of total FDI in Thanh Hoa [4].

Table 1. *Type of FDI enterprises*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Joint ventures	47	25.3	25.3	25.3
	100% foreign capital	139	74.7	74.7	100.0
	Total	186	100.0	100.0	

Source: Research Results of the Authors)

Company size

The majority of FDI enterprises investing in Thanh Hoa are big projects (accounting for 59% of projects). These projects are creating jobs for over 100 thousand local workers and making a great contribution to local budgets.

Business field

Investment capital of FDI enterprises focused on manufacturing industry with 52 projects with total registered capital of 12.05 billion USD, accounting for 74% of projects and 94.14% registered capital; followed by agriculture, forestry, fisheries, retail, consultancy, and services.

Table 2. *Business field of FDI enterprises*

Business field	Number of projects	Percentage (%)
Agriculture, Forestry and Fishery	6	8.45
Heavy industry, Mining, Petrochemical	13	18.31
Processing	6	8.45
Manufacturing apparel and Leather shoes	30	42.25
Trading	4	5.63
Transportation services, Seaports	6	8.45
Other services	4	5.63
Others	2	2.81
Total	**71**	**100**

(Source: Author's summazy from Thanh Hoa Department of Planning and Investment)

Profile of managers/ owners of FDI enterprises in Thanh Hoa Province

Descriptive statistics from 186 questionnaires on the characteristics of managers/ owners of FDI enterprises are as follows:

Gender

The gender characteristics of the sample when conducting the survey revealed that the majority of investors and managers in FDI enterprises are male. Male respondents accounted for 83.9%, respectively 156 persons, with female respondents only 16.1%, corresponding to 30 persons. This reflects the fact that business owners often tend to hire men as managers in the business rather than women.

Qualification

Regarding qualification, all surveyed respondents had a graduate degree or above. Of those respondents, the graduate degree was 60.2% (112/ 186 persons); The number of respondents with postgraduate qualifications was also high at 39.8%, (74/ 186 persons).

Management experience

The characteristics of the management experience of the respondents show that most respondents have management experience from 5 to 10 years accounting for 46.8% (87 persons respectively); followed by respondents who have over ten years management experience with 33.6% (62 persons respectively). The respondents with management experience of fewer than five years only accounted for 19.9% (37 persons respectively). From the analysis results, we can see that most of the respondents have management experience, some respondents have management experience in multinational companies, some stuck with the company from the beginning.

Hypothesis testing results on

characteristics of FDI enterprises in Thanh Hoa province

Testing the significant difference in Type of FDI enterprises

For the type of FDI enterprises, there are currently two forms of joint-venture and 100% foreign capital; in order to test whether there are differences between types or not, the authors used Independent Samples test and T-Test. The results showed that Levene's test had Sig = 0.499> 0.05, indicating no difference between the two groups (joint-venture and 100% foreign capital) [5]. In the T-Test column, sig = 0.000 <0.05, concluding that there is a statistically significant difference between the respondents working in the joint-venture enterprises and the 100% foreign capital enterprises owned capital when making an investment decision [6]. It can be concluded that the enterprises with 100% foreign investment in Thanh Hoa are much more than the joint-venture enterprises.

Testing the significant difference according to the Location of enterprises

The author used Independent Samples test and T-Test. The results showed that Levene's test had Sig = 0.876> 0.05, indicating no difference between the two groups (inside and outside the Economics zone- EZs and Industry park-IPs). In the T-Test column, sig = 0.000 <0.05, concluding that there is a statistically significant difference between the investors inside EZs, IZs and outside ones when making an investment decision. And the average value of investors operating in the Economic Zone and Industrial Zone (mean = 4.37) and outside ones (mean = 3.54) are quite different. From this, it can be concluded that FDI enterprises tend to invest in Economic Zones and Industrial Park more than outside the EZs and IPs.

Testing the significant difference in the Investment Decision for Qualification

The results of one-way ANOVA on Table 5 show that Sig value = 0.137> 0.05, indicating that the variance between the options of the above qualitative variables is not different.

In Table 6, Sig. = 0.537> 0.05, we can conclude that there is no statistically significant difference in the influence level of Investment Decision of the respondents from the different qualification. Thus there is no meaningful difference in the investment decision according to qualification.

Testing the significant difference in investment decision according to Management experience

The characteristics of the management experience of the respondents are shown in Table 7, which shows that most respondents have management experience from 5 to 10 years accounting for 46.8% (87persons respectively); followed by respondents who have over 10 years management experience with 33.6% (62 persons respectively). The respondents with management experience of less than 5 years only accounted for 19.9% (37 persons respectively). From the analysis results we can see that most of the respondents have management experience, some respondents have management experience in multinational companies, some sticked with the company from the begining.

In Table 8, Testing the Variance Homogeneity of Variances, sig = 0.122> 5%, thus concluding that the variance between the groups was not significantly different and Qualified for ANOVA analysis.

Accordng to the results of ANOVA testing, Sig. = 0.000 <0.05, we conclude that there is a statistically significant difference in the influence level of investment decision of respondents from different management experience groups.

However, to know how the groups are different, we need to look over the next table. Post Hoc Tests Multiple Comparisons table, we will consider which value is less than 0.05 ie 5 percent. We see a value of 0.000, which is sig. When comparing investment decisions between two groups: Group 5-10 years, with group over 10 years. This suggests that in these three groups; only these two groups differed in their choice of investment decision. The remaining two groups are not different.

Descriptive statistics show that groups of investors with management experience of 5-10 years had a higher rate of investment in the locality than the other investors (mean = 4.06).

Table 3. *Testing the significant difference in Type of FDI enterprises*

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Y	Equal variances assumed	.576	.449	6.865	184	.000	.670	.098	.477	.862
	Equal variances not assumed			6.991	81.947	.000	.670	.096	.479	.861

(Source: Research Results of the Authors)

Table 4. *Testing the significant difference in Location of enterprises*

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Y	Equal variances assumed	.025	.876	10.228	184	.000	.827	.081	.667	.986
	Equal variances not assumed			10.108	115.527	.000	.827	.082	.665	.989

(Source: Research Results of the Authors)

Table 5. *Test of Homogeneity of Variances for Qualification groups*

Test of Homogeneity of Variances

Y

Levene Statistic	df1	df2	Sig.
2.226	1	184	.137

(Source: Research Results of the Authors)

Table 6. *ANOVA test for Variance Homogeneity of Qualification groups*

ANOVA

Y

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.161	1	.161	.383	.537
Within Groups	77.160	184	.419		
Total	77.320	185			

(Source: Research Results of the Authors)

Table 7. *Sample structure by Management experience*

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Under 5 years	37	19.9	19.9	19.9
	From 5-10 years	87	46.8	46.8	66.7
	Over 10 years	62	33.3	33.3	100.0
	Total	186	100.0	100.0	

Source: Results of the survey data analysis of the author

Table 8. *Test of Homogeneity of Variances for Management experience*

Test of Homogeneity of Variances			
Y			
Levene Statistic	df1	df2	Sig.
2.130	2	183	.122

(Source: Research Results of the Authors)

Table 9. *Testing the differences between Management experience groups*

Multiple Comparisons
Dependent Variable: Y
LSD

(I) Management Experience	(J) Management Experience	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	Upper Bound
Under 5 years	From 5 to 10 years	-.436*	.119	.000	-.67	-.20
	Over 10 years	.037	.126	.770	-.21	.29
From 5 to 10 years	Under 5 years	.436*	.119	.000	.20	.67
	Over 10 years	.473*	.101	.000	.27	.67
Over 10 years	Under 5 years	-.037	.126	.770	-.29	.21
	From 5 to 10 years	-.473*	.101	.000	-.67	-.27

*. The mean difference is significant at the 0.05 level.

(Source: Research Results of the Authors)

Testing the significant difference according to Gender

The used tool is the Independent Samples test and T-Test; The implementation method is testing whether or not the difference in investment decisions of male and female. Levene's test had Sig = 0.292> 0.05, indicating no difference in the variance between the two sex groups. Thus, it can be concluded that there is no difference between male and female when making the investment decision. Specifically, mean values for male (3.83) and female (3.73) are nearly equal.

In summary, based on the results of the above tests, it is possible to conclude that there is no difference in the investor's choice of investment in the locality according to their demographic characteristics: Gender, Qualification (H_3, H_5). However, the test results also confirmed that enterprises with 100% foreign capital (H1); Managers with 5-10 years of management experience (H_4) tend to invest more in Thanh Hoa; and FDI enterprises are also more likely to choose to invest in EZs, IPs than outside (H_2). The results of this testing are the basis for describing the characteristics of "target customers" as FDI enterprises invest in Thanh Hoa.

CONCLUSIONS AND RECOMMENDATIONS

Descriptive statistics results of FDI enterprises have described the characteristics of enterprises investing in Thanh Hoa province mainly in large-scale enterprises; business fields are manufacturing and processing followed by agriculture, forestry, fisheries, retailing, consultancy and Service Trading; and from countries such as Japan, Korea, Taiwan, the United Kingdom, China, and Singapore. These are the characteristics of the "target customers" to invest in Thanh Hoa Province.

xResults of descriptive statistics and H_1, H_2, H_3, H_4, H_5 testing showed that FDI enterprises investing in Thanh Hoa have different characteristics significantly. This result describes the characteristics of "target customers" investing in localities that are large-scale FDI enterprises; business fields of manufacturing, agro-forestry, fishery, retailing, consultancy and service trading; FDI enterprises mainly from Japan, Korea, Taiwan, the United Kingdom, China and Singapore; FDI enterprises with 100% foreign capital; FDI enterprises with the managers with management experience of 5-10 years. Identifying the right target audience will help local policy-makers define suitable policies to the enterprise characteristics as well as the target customers. Determining this, local policy-makers need to have long-term and targeted policies for potential investors that makes investment attraction more effective. FDI enterprises tend to be located in EZs, IPs rather than outside. This indicates that EZs and IZs will be a more attractive destination for foreign investors.

This is the characteristic of FDI enterprises investing in Thanh Hoa, so local policy makers should have investment policies for the right subject so that the efficiency of investment promotion will be higher.

Besides investment promotion "hit the target", Thanh Hoa province needs to focus on improving the factors in Place Marketing Mix that have most influence level to FDI attraction.

For POWER, it is necessary to improve the mechanisms and policies by improving the local investment environment and promoting the administrative procedures reform to meet the requirements of investors.

For PRODUCT, Thanh Hoa province needs to invest, renovate and upgrade the infrastructure to attract foreign investors. However, improving and upgrading infrastructure requires a lot of investment capital, thus in one hand the Authority of Thanh Hoa province should invest concentratively and step by step; in the other hands, the investment for infrastructure development must be synchronous, ahead and advanced.

For PLACE, Availability of resources (place) is third most important level to FDI attraction. Thanh Hoa province has many advantages in natural resources but lack of high-quality human resources. Therefore, it is necessary to focus on training human resources through vocational training; re-training managers, labors; develop and implement Human Resources Training Program to meet the needs and demands of the foreign investors.

For PROMOTION, to attract FDI effectively, it is necessary to improve the quality of investment promotion activities by developing and revising the project list calling for FDI; building a modern and advanced information system; promoting investment; applying IT in investment promotion, etc.

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TÓM TẮT

ĐẶC ĐIỂM CỦA CÁC DOANH NGHIỆP FDI TRÊN ĐỊA BÀN TỈNH THANH HÓA

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Theo quan điểm của marketing, các doanh nghiệp đầu tư chính là khách hàng của các địa phương. Theo quan điểm này, các doanh nghiệp FDI với những lợi thế về qui mô sản xuất, tiềm lực về vốn, công nghệ…sẽ là các khách hàng lớn của các địa phương. Vì vậy hiểu biết về các đặc tính của "khách hàng mục tiêu" để xây dựng và điều chỉnh các chính sách hấp dẫn họ là vấn đề mà chính quyền địa phương cần quan tâm. Bài viết sử dụng (1) số liệu thứ cấp để mô tả đặc điểm về qui mô, ngành nghề và loại hình của các doanh nghiệp FDI; (2) sử dụng 186 phiếu khảo sát để mô tả đặc điểm của các nhà quản lý/ chủ doanh nghiệp FDI cũng như kiểm định các giả thuyết về sự khác biệt về đặc điểm của các doanh nghiệp FDI đầu tư trên địa bàn tỉnh Thanh Hóa. Trên cơ sở đó các tác giả đưa ra một số đề xuất để thu hút đầu tư của các doanh nghiệp FDI vào tỉnh Thanh Hóa

Từ khóa: *Doanh nghiệp FDI, đặc điểm của doanh nghiệp FDI, Marketing địa phương, tỉnh Thanh Hóa*

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