Denmark trades in quality and know-how

New opportunities for business cooperation as Vietnam continues to change.

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Focus Denmark –
special edition on Vietnam

I am proud and honoured to take part in the celebration of the 40 year anniversary of diplomatic relations between Vietnam and Denmark. On the 25th of November 1971 our two countries established diplomatic relations, and Denmark thus became one of the first countries to do so.

Today we benefit from 40 years of diplomatic relations; many Vietnamese choose to visit or live in Denmark and vice-versa, and researchers and public institutions exchange experiences and best practices while forward-looking and energetic business people are exploring new ways to expand commercial relations between our two countries.

As new minister for Trade and Investment, I am very pleased that Vietnam is one of the first countries I visit. This gives me the opportunity to see first-hand the rapid transformation taking place in the country and to assess the vast potential for further collaboration between Vietnam and Denmark. Over the last 40 years, Vietnam has gone through an impressive process of economic progress and social development. Today, Vietnam is part of the "Next Eleven" countries with promising outlooks for investment and future growth.

A visit to Vietnam is also a visit to Asia - a region that is a strategic priority for the Danish Government. Vietnam is one of the key engines of the Asian economy, but at the same time Vietnam is at a crossroad of its economic development. If two decades of consistent growth rates of around 7% and sustainable development are to be continued, considerable investments must be made in fields such as energy efficiency and high-tech clean technology, education and infrastructure. These are all areas where Denmark has strong competencies and relevant experience.

As we move “from aid to trade” the bond between our people develops into a new partnership, gradually scaling down Danish development assistance and increasing commercial and other relations between our two countries. Today over 125 Danish companies are represented in Vietnam and they, as well as other Danish companies, are eager to expand and deepen the commercial relations even more.

I strongly believe that the relations between our countries contain unprecedented opportunities for investment, trade, innovation and access to green growth. The Danish Government and I look forward to working with our friends and partners in Vietnam and in Denmark in advancing our collaboration into a new partnership for the 21st century.

This special edition of Focus Denmark will outline the many opportunities for deepening and benefitting from the special Vietnamese - Danish partnership established 40 years ago.

Pia Olsen Dyhr
Minister for Trade and Investment
Growth opportunities in Vietnam

Vietnam is undergoing rapid development and change. For many years the country has been a popular outsourcing destination, due to low salaries and an industrious population. Today there is also a demand for high tech, innovation and knowledge. Meanwhile the middle class is swelling in numbers, and new patterns of consumption are appearing.

Vietnam and Denmark have worked together for 40 years and Danish Ambassador, John Nielsen, sees great opportunities ahead: “Development assistance will be phased out by the end of 2015, after two decades where Denmark has made significant contributions to Vietnam meeting the 2015 goals. In the commercial field the cooperation has so far been concentrated in low-wage sectors such as the garment-and textile and furniture industries. However, the Vietnamese government is expressing a wish to attract more high tech, innovation and knowledge. Meanwhile the middle class is swelling in numbers, and new patterns of consumption are appearing.

The Ambassador explains that the Vietnamese government is very interested in establishing a Strategic Partnership with Denmark within “green growth” sectors, such as waste- and wastewater management, renewable energy and climate change adaptation. If Vietnam is to continue its impressive economic growth, huge investments will be needed in these areas. Vietnam sees Denmark as one of the leading countries within Green Growth, in that sense Danish competencies match very well with Vietnam’s needs.”

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“The out phasing of development cooperation will have a strong focus on Green Growth and employment. At the same time we will put great effort into strengthening commercial cooperation in these areas, where the competition is expected to be tough in the years ahead,” promises John Nielsen. Vietnam also has a growing collaborative interest in education. Vietnam is facing great challenges in adjusting its outdated educational system to changes that are continuously taking place during the transition to a market economy. Foreign companies, including many Danish ones, are looking for well-educated staff, especially at management level. But Vietnam lags behind in this area and it will take many years to catch up. Denmark has a number of educational institutions with competences within business, management and vocational training. Niels Brock Business College has led the way by establishing cooperation with the Foreign Trade University on a purely commercial basis.

**A changing society**

Vietnam is a society undergoing rapid change in many areas. The gradual introduction of market economy has led to the development of a middle class in the main cities, with new patterns of consumption. People are increasingly willing to pay more for quality food, quality design and quality lifestyles. Other areas are seeing less rapid development however. Vietnam is still a single party state, and politically there are subjects where we are not always in agreement. We won’t find agreement tomorrow, but we have continuous dialogue with the Vietnamese government on human rights and corruption, says John Nielsen and looks to other softer values of society: "Cultural collaboration has become an important cornerstone in the relations between our two countries. The interchange of performers and artists has also provided the Vietnamese audience with access to diverse expressions of art and culture. Together with Danish artists, Vietnamese artists have gained a presence in the public space.”

**Looking ahead**

"Vietnam is increasingly becoming a regional player in Asia, particularly in relation to China, with which Vietnam shares a long history. Vietnam has over the last couple of years been very proactive in building alliances with many countries including the US, Russia, within the ASEAN and with a number of EU countries.

Concerning the midterm economic outlook, John Nielsen is optimistic: “Looking 5-10 years ahead, there is no doubt that in the commercial area Vietnam will continue to be an interesting outsourcing nation, while the growth of the domestic market will open new opportunities. The fact alone that wages today are 30-40 percent of what they are in eastern China makes Vietnam an attractive alternative,” John Nielsen notes.

"Vietnam is currently experiencing a number of macroeconomic challenges including high inflation, but even conservative estimates indicate that Vietnam will see economic growth of 6-7.5 percent over the next five years. Danish companies need to seize a share of that growth and be quick about it. The competition will be tough judging by the speed of action that other countries are showing.

"Vietnam and the Vietnamese market are undergoing rapid changes, and demand is growing in areas where Danish companies have core competences, such as green technology, food, education, oil and gas. We need to understand and exploit these opportunities now" the Ambassador stresses.
A rising dragon

With high growth rates, Vietnam has now achieved middle-income status. But in order to make the leap to an industrialized country, many challenges still face the nation.

By Anna Pia Huditoff

Over the last decade Vietnam’s economy has grown 7-9% a year, which is among the highest recorded growth rates in the world. Recent years have been turbulent however; growth has slowed due to the financial crisis and is constrained further by increased interest rates and rising inflation. 2010 saw growth rates of 6.8% and 2011 is not expected to be significantly different.

The achievement of greater economic prosperity has been on a steady climb since the government started the free-market Doi Moi reforms in 1986. Vietnam has capitalized on its gradual integration into the global economic system, transforming itself into a more market-oriented economy. It remains a dynamic and developing market where a key goal is to remain competitive in international trade and investment.

An important step in the development of a dynamic market was World Trade Organization membership in 2007. The agreement obliged Vietnam to lower import tariffs and welcome foreign investments. Certain sectors have been partly protected during an interim period, but from 2012 respectively 2014 all sectors of the economy must welcome foreign goods, services and investments on an equal footing with local companies and investors. Today, Vietnam is generally ahead of its obligations with WTO. Vietnam has free-trade agreements with the ASEAN-group and several countries, and a Vietnam-EU Free Trade Agreement will be negotiated. Together with a seat in the United Nations Security Council in 2008-2009, these agreements have made Vietnam a highly engaged member of the international community.

Challenges
Significant challenges do lie ahead. Experience suggests that the leap from middle-income to industrialized status is far more challenging than the move from low-income to middle-income country. To avoid falling into the middle-income trap, Vietnam must overcome a series of grave obstacles. Chief among them is to build strong institutions and to focus on the quality of growth. Reducing poverty and establishing a system for income distribution and social security is a central element of this. Vietnam needs to remain competitive in the most important export sectors by modernizing production and rationalizing production processes. Vietnam must also continue to strengthen its human resource base by investing in education.

Reform of the judicial and public sectors and intensifying the battle against corruption are critical aspects, not only to the population of Vietnam, but also to ensure that the country remains an attractive partner for foreign investors.

Continued investments to improve the country’s infrastructure remain vital. Increased energy efficiency is an absolute necessity, and investments are required to reduce waste in production, housing etc. Similar attention should be paid to the environment, which has suffered during many years of focus on economic growth.

The coming years
With a GDP of 1160 USD per person, an increasing number of Vietnam’s 87 million people can afford consumer products of higher quality, and there is a steadily growing demand especially in and around the major cities.

Market barriers still exist, but they are mostly barriers due to capacity problems; international business and language skills are lacking particularly in the provinces, and bureaucratic delays are still prevailing. But low labour costs continue to attract foreign investors, and the labour force is generally quick and willing to learn.

More than half of Vietnam’s population is less than 30 years old, making it one of the youngest countries in the world. This young population will be driving the development agenda in the years to come. Their eyes will be on accelerating domestic growth in the context of greater involvement in global trade and international integration as stressed in the Government’s Socio Economic Development Plan 2011-2015.
Vietnam is learning by doing

Pham Thi Loan, a prominent business leader, sees food processing and green energy as profitable fields for Danish-Vietnamese cooperation, and advises Danish business people on how to understand business in Vietnam.

By Uyen Ly

- One suggestion for Danes who want to do business in Vietnam is that they should give their local partners some time to adapt to the new business style. Why? Because it is only in the last few decades that Vietnam has opened its market, and so Vietnamese enterprises are new to the world, explains Pham Thi Loan. She is the CEO of Viet A, an innovative Vietnamese electrical equipment manufacturer combining high technology and modern management.

- Most Vietnamese enterprises are still small in size with modest financial resources, human resources, and management skills. And many company leaders have no academic background and are self-taught. It is difficult to start a big cooperation from a small foundation, and that is why Vietnamese enterprises need more time to adapt to working with foreign partners, says Loan. She continues:

- The world is now becoming "flat" thanks to the IT era. Vietnam can take advantage of this and develop faster, but it also leads to uncertainties and high risks. During the transition period, it is difficult to avoid corruption, and that is possibly why some Danish companies hesitate to do business in Vietnam. There are also differences of approach: Vietnamese business people tend to form impressions of others based on what they look like, while Danes focus on informality and getting straight to the point.

- I think Vietnam is trying its best to create a good environment for investors. Foreign investors can trust Vietnamese policies.

Food Processing and green energy production

In which sectors do you think Denmark has competencies of particular interest for Vietnam, and what are the sectors where you anticipate more Danish engagement in the future?

- Denmark is very strong in hi-tech and know-how, especially in processing technology. Carlsberg is a successful example of a Danish brewery in Vietnam. I also know that many Danish companies are working very well on processing forestry, agricultural and fishery products, says Loan.

- Vietnam can provide high-quality raw materials but lacks processing know-how. I think there could be potential in working together in the processing sector. Vietnam is also endowed with rich natural energy resources because it has a long coastline, so there could be good opportunities to produce green energy together.

Pham Thi Loan also sees other fruitful possibilities for cooperation between Denmark and Vietnam. With more than 2,000 employees, her company Viet A places special focus on modern management and human resources, so CSR is of natural interest to them. Loan is also President of Hanoi Association of Entrepreneur Women. The association works closely with the Embassy of Denmark in a project that aims to improve CSR awareness among female managers, as well as improving the working and living conditions of female workers in the industrial zones.

Future cooperation

Vietnam has become a middle income country. In the long run, the development assistance Denmark gives to Vietnam will be phased out. What is your opinion on this?

- It is very natural. Vietnam cannot take free gifts forever. It is the same in human relationships. One should only get help when one is suffering from poverty or lacking in knowledge. When people become strong enough, they should stand on their own feet. Vietnam should prepare and start to build sustainable partnerships, which can be beneficial for both Vietnam and its partners. At that stage, Denmark could continue supporting Vietnam by providing loans at a special interest rate or creating joint ventures or sharing relevant experiences with Vietnam. By sharing and exchanging experiences, I think Denmark could even learn from Vietnam. So far, no business model has been found that can be called the best in the world, so lessons can be learned from everywhere.

Based on your own experiences, what are the ways of successful negotiation for both Danes and Vietnamese?

Firstly, both Danes and Vietnamese should be open and honest with each other. I always talk to our business partners about my company’s advantages and disadvantages and let them decide. Secondly, both sides should share the same goals and commit strongly to each other to achieve those goals. At the beginning of the partnership, if necessary, both sides should even step back a little in order to maintain common goals. Different business cultures may lead to different ways of completing the mission, and business partners should make sure they agree with each other about the most important issues.

I believe that once the two countries understand each other, the Danes will discover that the Vietnamese are good people to do business with.
Denmark trades in quality and know-how

By Anna Pia Hudtoff

There are more than 120 Danish affiliated companies in Vietnam now with more on the way. These companies bring capacity building, high quality and technological know-how to the table.

Danish companies are looking for an alternative or supplement to their activities in China, the so-called "China + 1" strategy. Opportunities for Danish investors exist in almost all sectors of the economy. Local productions of industrial goods and intermediate products that can contribute to capacity building in the Vietnamese industry are very high on the government’s list of priorities.

International market leaders among Danish businesses include companies producing medical equipment, pharmaceutical products, enzymes, cement making machines, wind turbines, pumps, thermostats, water purification equipment, toys, draught beer fittings and much more. Service industries within IT, communications and electronics are also among the most important Danish export industries.

Many Danes have a firm policy against corruption and build companies that offer their employees clear working conditions, fair wages and safe work environments.

The Danish export successes include so-called environmental technology. They have developed from a positive domestic attitude towards environmental improvement: Democratic decisions and priorities in the Danish parliament have given way to the growth of high-technology industries. In the field of environmental technology, Denmark was one of the first countries in the world to implement a national Environmental Protection Act. Now, the experience of almost 25 years is exported, and companies working with environmental technology look likely to become some of the most important export industries. Danish power-stations and wind turbines are technologically the most efficient in the world. Within other environmental technologies as well, Danish expertise is used all over the world to protect the environment.

Pushing the technological frontier, Danish companies from several different industries are able to claim that their factories and plants are among Vietnam’s most modern and environmentally friendly in their field. One Danish company producing in Vietnam notes that the efficiency in their factory is almost 3 times higher than the Vietnamese average. The company finds that this high output is due to modern management, state-of-the-art machinery and systematic training of staff.

The high-tech production and efficient production processes practised by Danish companies are often accompanied by quality in work relations as well.

The skills behind technology

Know-how naturally, is based on knowledge. Denmark places great emphasis on free and equal access to education. 96% of young Danish people complete a secondary education program and 43% complete a higher education. Danes embrace the idea of life-long learning as a response to the constantly changing challenges of international competition and cooperation. Danish companies demand ever higher and more internationalized qualifications from their workforce.

All Danish universities cooperate with educational institutions around the world. This network actively promotes the intercultural exchange of values and ideas and provides Danish students with a global profile and a good knowledge of English.

Denmark is particularly noted for producing highly skilled technicians and engineers. But all sectors of the educational system promote good business understanding, international insight and independent thought in students.
Support for business partnerships

Denmark offers several venues of support for business cooperation between Danish and Vietnamese companies.

The Commercial Section in Hanoi and the Economic and the Commercial Office in Ho Chi Minh City promote trade and investment between Denmark and Vietnam. The commercial staff assists Danish exporters and investors in their business activities in Vietnam. The commercial staff also provides information to Vietnamese companies looking for Danish business associates or suppliers, and we provide support for Danish businesses that take an interest in the market in Laos. The charge for commercial services is DKK 815 per hour.

The Export Start Growth package provided by the Trade Council offers assistance to Danish small and medium-sized companies looking to internationalize their business activities in Asian markets. The package is a government subsidized service offering companies 50 hours of commercial assistance provided by the Embassy’s commercial section with a 65% discount on the hourly fee. Each company can apply for a total of 6 Export Start Growth packages, and up to 3 packages in the same market.

Vitus Vækst offers Danish companies a fast-track route to penetrating emerging markets, and is the latest addition to the series of internationalization tools made available by the Trade Council. The program is targeted at companies with annual revenues of maximum DKK 150 million, 5-150 employees and experience in export markets. An experienced commercial counsellor from the target market will assist the companies with developing the export and sales strategy as well as in the execution phase. Vitus Vækst is a government subsidized program provided by the Embassy’s commercial section offering companies a 65% discount on the hourly fee.

Collective Export Promotion services offered by the Trade Council can be applied for by industry associations or consultancies working with export promotion. The purpose is to provide Danish companies with more in-depth knowledge about the market opportunities, the terms of trade and to help them generate contacts with potential collaboration partners in a selected country. Collective Export Promotion is a subsidized service allowing for a lower price for the companies participating in the export promotion activities.

The Danida Business Partnerships Programme supports projects within the CleanTech sector that promote green growth in Vietnam. The program encourages Danish and Vietnamese companies to establish long-term, sustainable, and commercially viable partnerships. Vietnamese companies benefit through transfer of Danish know-how and technology, and Danish companies gain access to new markets and production opportunities. Since 1997 more than 67 million US Dollars have been spent to facilitate more than a 150 Danish-Vietnamese partnerships in different sectors.

The Mixed Credit Programme offers interest free or low interest loans for development projects that aim to reduce poverty, improve living standards, and contribute to economic growth in Vietnam. The programme helps mobilise funds for projects that are financially “non-viable” and could not be carried out without support. 25 projects have already benefited from this programme.

IFU, the Industrialisation Fund for Developing Countries, offers risk capital and advice to Danish businesses investing in countries like Vietnam. IFU does not provide aid or business subsidies but co-invests with Danish businesses in private-sector projects. In Vietnam, IFU is involved in various projects such as Viking Vietnam’s production of rainwear and work wear, Sunmark’s production of solar panels, Reproflex Vietnam’s graphic design and Scancom’s furniture production.

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There’s money to be made from treating both staff and the environment with respect – also known as Corporate Social Responsibility (CSR). Danish companies show the way in Vietnam.

**CSR as a business strategy**

By Poul Kjar

Good salaries, investment in the working environment, training, environmental technology and fringe benefits. It sounds costly, but it forms part of the activities of most Danish companies in Corporate Social Responsibility (CSR). And the result is a better bottom line - or bottom lines plural - since CSR involves financial, social and environmental bottom lines.

“In the long term it improves the bottom line if you incorporate social and environmental responsibility into the company. Many firms in Vietnam are witnessing growth that they have not experienced before and are focused on the here-and-now operation of their businesses. We had the same thing in Denmark in the 1950s and 1960s, when we didn’t always think about the environment. Vietnamese companies do not have to make the same mistakes,” says Birgitte Bang Nielsen, head of CSR at the Danish Investment Fund for Developing Countries (IFU).

The Fund has invested in over 30 projects in Vietnam in cooperation with Danish companies, and CSR is an important factor in their investment policy.

**Swing door mentality**

Cooperation with Vietnamese companies can take many forms, and shows that it can pay to invest in social responsibility, defined as good staff policy in a broader sense. Birgitte Bang Nielsen comments: “We know that recruiting and keeping good staff is essential for productivity. It’s simply a matter of ensuring that salaries and working conditions are right. Vietnamese employees do not possess the same degree of loyalty to the company that employs them as many Danes have. They change jobs frequently if they can gain a rise in salary. This swing door mentality is costly for companies, since new staff have to be trained to ensure that quality standards are maintained.”

Birgitte Bang Nielsen believes that it can pay to improve staff salaries and offer fringe benefits such as a canteen and health facilities. The right balance needs to be found between salary level, working conditions and the company’s profitability, which helps it to retain competent staff.

**Working hours**

Compliance with working hours is an important area where Vietnamese companies can reap rewards in the longer term by thinking more responsibly, says the CSR expert. IFU expects its cooperation partners to comply with international labour conventions, which means limiting the working week to 48 hours - plus 12 hours overtime.

Birgitte Bang Nielsen says: “It is difficult for local companies to comply with international conventions, especially regarding working hours. They say it is simply because they are too busy. Nonetheless, we maintain our requirement.”

The investment fund encourages companies to look at planning and production logistics. Efficiency is improved, the need for overtime is reduced and earnings are increased if planning, technology and staff training are thought through and coordinated. And the Vietnamese are very quick to see the opportunities, says Birgitte Bang Nielsen.

There are also rewards to be reaped from investments in environmental responsibility, for example through increasing energy efficiency and saving on water consumption. This especially applies to manufacturing companies.
International brands

Just like IFU, international brands such as Nike, Carlsberg and Walmart require their suppliers in Vietnam and the rest of the world to meet international CSR standards. Suppliers are visited by independent supervisory bodies who check whether they comply with requirements. International brands live on their reputation, and cannot tolerate bad publicity which discourages increasingly critical consumers from buying a certain product.

According to Birgitte Bang Nielsen, strategic CSR involves the company treating not only its staff and the environment properly, but also cooperation partners. In addition, it is necessary to be aware that Asian consumers are becoming increasingly critical.

The milk scandal in China, which resulted in the death of six babies and made several hundred thousand people sick due to contaminated milk powder, is a prime example. Today, there are requirements regarding food, which have not previously been seen in China.

CSR as a branding tool

“My primary job is to earn money, and I do not consider CSR a cost but a necessary investment,” says Thomas Bo Pedersen, MD of Mascot Vietnam. 1600 workers walk through the doors of the two factories in Hai Duong outside Hanoi each morning.

“We pay our staff twice the minimum wage in pure wages, which enables them to live a proper life. And satisfied staff is better staff. The lunch we serve in the canteen gives the staff better nutrition so they perform better. And the major investment we have made in air conditioning, which brings the temperature down from 37 to 25 degrees Celsius, has increased productivity by 25 percent. These investments pay,” states Thomas Bo Pedersen.

CSR corporate social responsibility

- The CSR concept was introduced in USA in the 1950s, when academics, economists and business people started discussing the responsibility and obligations of companies to the society they made a living from.
- In the 1960s and 1970s, CSR mainly involved companies carrying out charitable activities for people in the weakest position in society.
- Since the 1980s, CSR has developed into a strategic tool for the corporate world.
- A company that takes social responsibility for its staff by paying reasonable salaries, offering further education, ensuring a good working environment etc. can more easily recruit and retain competent staff.
- A company that takes the environment into consideration and supports social aims acquires a good reputation and the opportunity to improve its bottom line.

Combatting corruption

According to Birgitte Bang Nielsen, CSR activities should be carried out on a wider social level, for example by refusing to accept corrupt practices in order to get necessary allowances or to get goods through customs.

“we encourage all our partner companies to completely distance themselves from corruption. If companies, and thus Vietnamese society, are to maintain economic growth, there is a need to combat corruption. And foreign companies must help, so that the growth can benefit more in society.”

Danish Support for Better Working Conditions in Vietnam

In August 2011, the Danish Embassy in Hanoi and the Ministry of Labour, Invalids and Social Affairs signed a Memorandum of Understanding on Danish support to create good jobs and improve working conditions in Vietnamese companies.

The aim is to get more Vietnamese companies to work with strategic CSR. A USD 10 million grant is being given to the Vietnamese National Programme on Occupational Safety and Health. At the signing ceremony, deputy minister Nguyen Dam said:

“The Danish support over the next three years is significant support which will help improve working conditions in Vietnamese enterprises and reduce occupational accidents in Vietnam.”

The Danish Embassy’s Business Partnership Programme (DBP) also focuses on strategic CSR and supports the establishment of commercial partnerships between Danish and Vietnamese companies in order to improve business competencies in Vietnam.
Deaf-mutes, wheelchair users, former prostitutes and drug addicts as employees. Danish-owned graphics company Essoftflow in Hanoi has gone all the way with CSR. And that benefits the business.

Pushing boundaries in the IT sector

By Poul Kjar

Essoftflow employs 150 Vietnamese staff who make image and video-editing and 3D visualisations for clients all over the world, including some of the most exclusive real estate agents in New York.

Danish CEO Thomas Frisenberg feels not a little pride at the achievement. The financial and social objectives have largely been met. The company makes a profit, and 10 percent of the staff are disabled. Essoftflow is now also involved in a project where they train and employ disabled people and the retention of staff. The 7 staff at the time produced simple graphic material for Danish real estate agents. Today competitors at a higher salary. They are proud of us for taking social responsibility. Our staff turnover for all staff groups is very low compared to the industry average in Vietnam - less than eight percent annually. Retention of staff is fundamental to our financial success because it takes time and is expensive to train new staff. The same applies to recruitment, when people hear what we do, they want to work for us.

What have you otherwise done to create a good workplace?
- First and foremost we have created a really good working environment. We have Vietnam’s best offices where there is plenty of space, air and light. That is important when you are working in the outsourcing sector where the work is very uniform. All Essoftflow staff have a career plan and everybody can earn money for further education, we have a lunch programme, and fresh food is served for staff who work during the night to service our clients in other time zones. We offer private health insurance and have an activity committee to which both the management and staff contribute.

What about the salary? Doesn’t that matter?
- Of course, the salary is very important for retaining staff. And we are certainly at the high end of the salary scale. For desktoppers and people on the production floor, a large proportion of their salary is performance-based, because there are significant seasonal fluctuations in demand. And we naturally pay an extra supplement for night work.

How do you manage and carry out your many initiatives?
- I took the initiative myself four years ago together with our Vietnamese partner and since then our HR manager has taken over. She has attended CSR courses, is very engaged and gets the staff involved. There are serious taboos regarding disabled people and sex workers in Vietnam. But by speaking openly about things, we have broken down the taboos. Wheelchair users are helped when they need to visit the toilet, and our deaf-mute staff are also well integrated in our community. It is a great credit to the Vietnamese that they are good at opening up about taboos and getting things to function in a very natural way.

But it can’t all be rosy.
- What barriers do you encounter?
  - We break down barriers, but clearly there are some practical problems when you employ disabled staff. We have had to build a ramp so they can gain access to our offices. The owner of the building, a Vietnamese lady of mature age, had to think about it, but then she fully supported our project. She could see that it was undignified and awkward if wheelchair users had to be carried into the building. There are also problems with transport to work, Hanoi is not the easiest city for disabled people.

How have your clients and other collaboration partners reacted to your CSR?
- We haven’t been good enough at providing information about our activities, so we have made a newsletter which especially features our CSR. We have received a positive response from many of our clients, which means that they become more attached to us.

What are your recommendations to local companies considering a CSR strategy?
- The most important thing is that management decides that it wants CSR and leads the way. Then you need a couple of managing Vietnamese staff to be advocates for CSR, who can motivate the staff. It will often be the head of administration or an HR manager, and in many cases a woman. It is important not to launch too many things at once, but start on a small scale and build up from there. It is not difficult, but it requires commitment.

What is needed in order to convince local companies that CSR actually pays?
- The economy often takes the blame for why companies don’t do anything. But that is a bad excuse. Yes, it does cost time and money to improve the working environment. But you can also say that it is too expensive not to do it, especially regarding recruitment and retention of good staff. In relation to Vietnamese-owned companies, there is clearly work needed to improve the understanding of what CSR can do for a company. There is no other choice than to lead by example. And we are happy to take the lead.
Certified wood is part of our DNA

Furniture manufacturer ScanCom makes strict demands on its suppliers regarding certified wood and working environment.

When consumers in Europe or the US buy garden chairs from ScanCom, they can sit comfortably in the knowledge that the wood is FSC (Forest Stewardship Council) certified. This means that the wood originates from sustainably managed forests. Furthermore, the furniture that ScanCom produces is manufactured without the use of banned chemicals, child labour and other illegalities. But such a guarantee is a challenge for ScanCom. In addition to its 5,000 employees, the Danish-owned furniture manufacturer has contracts with 25 sub-suppliers, which collectively employ around 10,000 people. It requires strict controls and consistency in all parts of production. But according to Stig Maasbøl, Group CEO of ScanCom, there is no other way. He elaborates:

“The use of certified wood and other CSR initiatives are part of ScanCom’s DNA. We must be able to face ourselves, our customers, owners, employees and consumers with a clear conscience. So it is extremely important that lapses involving uncertified wood or bad working environments do not occur in the supply chain. Contracts are made with all suppliers concerning the wood they are allowed to use and the CSR rules they must comply with.”

He adds that all the wood used by ScanCom or by its many sub-suppliers comes from ScanCom’s own sawmills in Brazil, so that the origin of the FSC certified wood can be guaranteed.

Quality control at suppliers

Around 100 of ScanCom’s staff have the task of carrying out production quality control at sub-suppliers in central Vietnam and the Mekong Delta.

“Our quality controllers make sure that the furniture is made according to our specifications, standards and norms, so that we have full control and responsibility for production. A couple of times, we found that the wood was not FSC-certified, and the contract with the sub-supplier was immediately terminated. The same would happen if they used child labour or illegal chemicals,” says Stig Maasbøl at the company’s office in Ho Chi Minh City, where ScanCom established itself in 1997.

ScanCom began using FSC-certified wood long before sustainability became a hot subject in public debate and a requirement from especially European consumers of wood and paper products. Stig Maasbøl says:

“We have seen major developments in this area, and we have been at the forefront. Today most of our customers in Europe are aware that it is too risky to be unable to account for the origin of the wood and the conditions under which the furniture has been manufactured. It is simply what consumers want - the media and environmental organisations keep a constant eye on the industry, and that is good.”

A need for CSR

Many production companies in Vietnam do not uphold the country’s laws in relation to the environment and the working environment. This culture constantly needs to be addressed, thinks ScanCom’s director, who adds:

“In Vietnam, everything is possible and it would be naive to believe that no supplier would think of ways to get around the rules, not least in relation to how employees are treated and the use of chemicals. But we find that many of our suppliers consider it a privilege to collaborate with us, because we have a good name.”

So what is Stig Maasbøl’s recommendation to local companies who also want a clear CSR strategy and what comes from it in terms of good reputation and export opportunities? He answers:

“Get going with it. Formulate a clear code of conduct. There is no other way. New legal requirements and customer norms will consider companies that have a proper CSR policy. It will take some years for Vietnamese manufacturers. Many feel uncertain about the new laws from the EU and USA, but the Vietnamese are not standing still in the CSR area.”

Stig Maasbøl acknowledges that ScanCom has occasionally found that it has not been competitive because of its high CSR and quality requirements, which have their own costs. But the furniture manufacturer does not compromise on its CSR strategy, even if the general market is highly price-oriented. One cannot and should not change one’s DNA and values, states Stig Maasbøl.

FSC - Forest Stewardship Council

- FSC certification is a voluntary, market-based tool that supports responsible forest management worldwide. FSC-certified forest products are verified from the forest of origin through the supply chain. The FSC label ensures that the forest products used are from responsibly harvested and verified sources.
- The FSC Principles and Criteria (P&C) describe how forests can be managed to meet the social, economic, ecological, cultural and spiritual needs of present and future generations. Developed through a strong, multi-stakeholder process, they include managerial aspects as well as environmental and social requirements.
- The certification process is carried out by independent organizations called certification bodies. Before being able to certify according to FSC standards, certification bodies have to gain FSC accreditation. To do this, certifiers have to comply with an extensive set of rules.
- Compliance with these rules and procedures is verified by Accreditation Services International (ASI) - the company managing the FSC accreditation programme - through office audits and the witnessing of one trial audit in the field prior to gaining FSC accreditation.
Turning problems into profit

The energy crisis taught Denmark to achieve economic growth without a parallel rise in energy consumption

By Poul Kjar

Although the Danish economy has grown by more than 75 percent over the last 28 years, energy consumption has remained constant, and the CO₂ emissions that cause climate change have been reduced. A focused energy policy has catapulted Denmark ahead of most other nations in the use of renewable energy technology.

The story began with the energy crisis of the 1970s. Oil prices skyrocketed when Arab oil producing countries boycotted the US and Western Europe because of the war between Israel and Egypt/Syria. But every problem is an opportunity in disguise, and the shock event stimulated innovation and change in Danish society.

At the time, oil supplied 90 percent of Denmark’s energy needs. Now motorists had to learn to live without their cars on Sundays, and shop owners were asked to turn off lights outside opening hours. But that was just the beginning.

Turning down the heat

In 1976 the first complete political energy plan came into being, focusing on decreasing energy consumption and reducing dependence on oil.

Companies started investing in energy savings and energy efficiency. The nation’s citizens turned down the heat and insulated their houses. Grassroots organizations featured prominently in the energy debate, advocating renewable energy and fighting plans to introducing nuclear power.

In 1979, the Danish Parliament passed acts on the supply of heat and natural gas, and later came acts on renewable energy subsidies.

During the 1980s and 1990s district heating and co-production of heat and power had a major effect on optimising energy

THE DANISH RECIPE

Combining heat and power: Combined heat and power production ensures far more efficient use of fuels

Energy standards: High energy standards have been established for buildings, energy labelling schemes for electrical appliances, public campaigns for household energy savings, and energy-saving agreements with the industrial sector

Legislation, taxes and incentives: Increasingly demanding energy legislation has prevented Denmark’s energy consumption from rising. Green taxes and duties contribute to GDP and act as an incentive to invest in renewables

Research and Development: Broad collaboration on research and development in the energy area and between private sector and knowledge institutions

Cleantech for the world: The constant focus on energy efficiency and new technologies has made Denmark a leading exporter of energy technology solutions. 1,100 Danish cleantech companies, 60,000 employees and 46 research institutions focusing on Research & Development in green growth in Denmark and worldwide
efficiency. Today two thirds of industry’s energy comes from highly-efficient collective heating systems where refuse is transformed into heat.

Duties on electricity and oil
The Ministry of Environment and Energy grew very strong during the 1990s, and in 1997 the Danish parliament approved further increases in duties on electricity and oil, designed both to motivate people to save money and to raise extra funds for the state economy.

The policy encouraged major investments and research into alternative energy sources, especially wind energy, that today accounts for 27 percent of electricity production in Denmark.

The 1990s were also the decade when energy and climate became two sides of one coin, and Danish climate policy became international. Within the framework of the UN, Denmark worked hard for a common climate agreement, which later became the Kyoto Protocol. And in EU the Danish government made a clear impact on European environmental policy.

Zero fossil fuels
During the 2000s the Liberal-Conservative government downsized the green agenda, and postponed a number of windfarms. Gross energy consumption and CO2 emissions started to rise.

The prime minister at the time, Anders Fogh Rasmussen came to regret the decision. At the annual Liberal Party convention in 2006 he proposed that Denmark should set the objective of becoming completely independent of fossil fuels by 2050. No coal, no oil, no natural gas.

Denmark’s erstwhile Minister for Climate and Energy, Connie Hedegaard, set up a climate commission tasked with finding out how to meet the objective. Later, another huge task landed on her desk: Denmark’s hosting of the International Climate Change Conference COP15 in 2009.

There were high expectations that a new, binding climate agreement to replace the Kyoto Protocol would be decided on in Denmark. The agreement never materialised, but The Copenhagen Accord contains billions of dollars for international climate financing for developing countries to fight climate change.

New government, new targets
The newly elected Danish centre-left government under Prime Minister Helle Thorning-Schmidt has begun a new chapter of Denmark’s energy story by increasing the target for reduction of greenhouse gas emissions from 30 to 40 percent compared to the 1990 level.

This kind of regulation, together with high energy taxes, has been the driver not only for the Danish wind turbine industry, but also for cleantech technology in energy efficiency, environment and water solutions - worth more than EUR 12 billion annually in exports.

GLOBAL GREEN GROWTH FORUM
Denmark initiated and hosted the first Global Green Growth Forum in October 2011 with the aim of putting public-private partnership on the international agenda for green growth.

The background to the event is that traditional forms of international co-operation between governments, and national approaches to industrial and economic planning in many countries, are failing to deliver long-term growth and development.

The event was attended by UN Secretary-General Ban Ki-moon, who stated that the green growth agenda can help drive the advancement of sustainable development for the 21st century. It is good business, good politics and good for society.
Vietnam has for many years been one of the world’s fastest growing economies and has achieved the status of a middle-income country. But this is not the end of the economic ambitions of the communist government in Hanoi. The goal is to become an industrialized country by 2020 and a high income country by 2050. However, if you say A, you must also say B,” thinks Koos Neefjes, Dutch climate advisor at UNDP.

He explains: “If you have ambitions to achieve the same economic status as a high income country like Denmark, you also have to take the lead when it comes to green growth and climate change. Hence the government has to take a number of political initiatives regarding a low carbon economy, and consider energy security together with climate change. Next year Vietnam will become a net importer of coal for its electricity generation in particular. It is no good for long-term energy security or the environment.”

Greenhouse gas emissions on the agenda
The UNDP climate advisor underlines that Vietnam is making progress, and that today you can discuss greenhouse gas emissions with the government. This was more difficult 3 or 4 years ago when the focus was exclusively on climate change effects and adaptation. Koos Neefjes points to the government’s forthcoming climate change strategy that covers both climate change adaptation and greenhouse gas emissions mitigation, and a new strategy on green development.

However, achieving a low carbon economy and responding to climate change will require a more significant transformation, both within government and more broadly in Vietnamese society.

He says: “There is a need for an ambitious national target to encourage innovation and investment that is more ambitious than the government’s current targets for renewable energy use and energy efficiency. Nationally Appropriate Mitigation Actions (the so-called NAMAs established by the United Nations Framework Convention on Climate Change) could become critical policy programmes receiving international finance and technology, for example on energy efficiency and renewables.”

Koos Neefjes adds that the government should take advantage of several foreign investments in the production of equipment for renewables in Vietnam, and apply it to their own energy sector. Renewables in Vietnam are predominantly medium-sized and large hydropower plants, not normally regarded as renewable energy. Other renewable energy technologies represent 1.8 percent of annual power production, and the government’s target is 9.4 percent of total energy consumption by 2030.

70 new coal-fired power plants
The Vietnamese energy sector accounted for over a third of total emissions in 2000 and emissions are projected to increase by nearly 3000 percent by 2030, assuming a business as usual scenario. Current plans call for 70 coal-fired power plants to be built over the next 15 years, supplied by domestic and imported coal. The industry and transport sectors are also projected to grow substantially, but at a slightly lower rate.

Koos Neefjes says: “Vietnam’s trend in carbon intensity (per unit of GDP) is more or less flat. Other developing countries have set ambitious goals to reduce it and Vietnam is thinking of following suit. China aims to reduce carbon intensity by 40-45 percent in its five year plan, with ambitious renewable energy and energy efficiency targets, feed-in tariffs, clean energy incentives, carbon tax, energy standards and expanded forests.”
Danida provides support to the Vietnamese government programme on climate change and to the national energy efficiency programme.

The country’s vulnerability to climate change has made adaptation an important focus area for the government. However, it is a very complicated issue to tackle, involving 17 ministries and all the provincial administration departments. The programme is now getting under way in two pilot provinces, Quang Nam and Ben Tre.

Anders Poulsen, a Danish climate change advisor on the programme, says: “We are working on projects that can protect agricultural land and fresh water sources from increasing sea levels and the ingress of salt water in the Mekong Delta. By blocking the channels that lead to the fields, we prevent the ingress of water, and we are building pumping stations that desalinate salt water for use as drinking water. Another form of adaptation to climate change in the Mekong Delta is the re-establishment of mangrove forests.”

Energy efficiency in industry
There is plenty of potential for energy efficiency in the Vietnamese industry sector, where up to 30 percent energy savings could be achieved using modern technologies.

Denmark provides an investment fund for promoting energy-saving solutions in large energy consumption enterprises, supports a national certification system to perform energy efficiency audits and management, and has a communication strategy on energy savings targeted at the steel, iron, cement, chemicals, pulp and paper sub-sectors.

Danida supports the prioritising of climate change by means that all the Danish business instruments, including the Danida Business Partnerships Programme and Business Finance (former Mixed Credit) will focus on climate and green technology in 2012 and 2013.

Green business support
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This includes renewable energy, energy efficiency using clean technology, environmentally friendly projects with environmentally friendly business ideas and projects focused on the production of ecologically certified products or production based on such products.

The business programmes can help strengthen the interest of Vietnamese private sector companies in green technology and sustainable growth in collaboration with Danish companies.

Sustainable growth is also supported in the business programme (2011-2013), which provides support for innovative Vietnamese business ideas from small and medium sized export companies.

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A sunny business outlook

Sunmark supplies energy solutions based on its own production of solar thermal panels that can provide hot water as well as cooling for air-conditioning.

One of the ways to green growth in Vietnam is solar thermal panels, and one of the suppliers of solar thermal panels is Sunmark Production, which has production and sales located close to Ho Chi Minh City.

The Danish-owned company’s solar thermal panels convert solar energy into hot water and are used in the energy sector, the industrial sector and the hotel sector. Danish director Niels Butler says:

“Vietnam has an obvious need for inexpensive renewable energy sources. Power cuts occur every single week and prices are rising by 15-20 percent annually. There are upcoming projects with large foreign-owned production factories, the fishery sector and international hotel chains, which all involve substantial consumption of hot water, and which can save enormous sums on the energy bill.”

During the rainy season when there is little sunshine, customers use the existing energy system. According to the Danish director, Sunmark’s control technology helps make its energy solution unique.

Sunmark’s competitors in the solar thermal panel market supply smaller units of 2-3 square metres, while the Danish producer’s solar thermal panels have an area of 14 square metres and a completely different energy efficiency. The water is heated to 90-100°C, and a new feature also allows conversion to solar cooling for air-conditioning plants.

“Solar cooling requires more investment in the solar panel arrays, but this business area will become a significant part of our future,” says Niels Butler, who has the capacity at his disposal to produce 800,000 square metres of solar thermal panels annually.

Energy at fixed prices

An investment in Sunmark solar thermal panels has a payback time of 3-4 years. This is a short time in a European context where payback times of 6-10 years on a product with a service life of more than 25 years is very acceptable. But according to Niels Butler, many Vietnamese companies have a shorter time horizon, which makes efficiency and payback time even more important.

“In my experience, the Vietnamese have an ambivalent relationship with renewable energy. On paper they would like to be green, but when it comes down to it, they have difficulty taking the decision. And the government doesn’t make things any easier by subsidising coal and oil, but not renewable energy,” says Niels Butler, who nevertheless sees enormous opportunities just around the corner in Vietnam and the rest of Asia.

Today Sunmark sells most of its solar thermal plants on the European market, and especially to the Danish energy sector. The rest is sold on the Asian market, one of its customers in Vietnam being Hotel Sheraton. But according to Niels Butler, that distribution will in all likelihood be turned on its head within the next 10 years. It is in Vietnam that the sun shines.
Wind energy could be a key technology for Vietnam, as the country’s government looks for ways to meet the rapidly increasing demand for energy. Wind energy has no fossil fuel footprint, and can act as a hedging mechanism on fossil fuel price volatility.

“Vietnam has some of the best wind resources in Southeast Asia and as a result, reliable and high quality wind farms can and should be a key part of Vietnam’s electricity generation mix. Because of windenergy’s low marginal cost, it can play a key role in base-load generation, especially when considering expected rises in fuel prices in the future,” says Jannik Termansen, Vice President for Government Relations, Asia Pacific, at Vestas.

**Let the wind blow**

Vietnam has some of the best wind resources in Southeast Asia, and Danish turbine supplier Vestas is optimistic about the opportunities. But there are market challenges.

**Investors need transparent policies**

The Vietnamese government has recently shown an increased interest in promoting renewable energy sources. In August, the government launched a “Wind Policy”, the aim of which is to create the framework and incentives required to kick-start wind project development.

However, most industry players agree that the policy framework needs to be improved to ensure greater uptake of wind energy. One of the challenges is that the recently adopted feed-in tariff for wind energy seems too low to drive large-scale investments in wind energy.

“Vestas remains optimistic about the opportunities in the market, but we will have to see on the policy front how the market evolves. Investors and industry need transparent, long-term, and certain public policies. In addition, it would also be required to improve existing grid infrastructure and streamline procedures for getting project approvals and permits, as well as making sure that local project funding opportunities are available,” opines Jannik Termansen.

**Green job creation**

According to Jannik Termansen, the Danish-owned turbine supplier has already gained a lot of experience from its operations in Vietnam. In 2004, Vestas kicked off its activities by initiating a close partnership with CS Wind Tower - a Vietnamese wind turbine tower manufacturer.

“Through our collaboration, CS Wind has delivered around 2,000 locally-produced wind turbine towers to Vestas. The collaboration has also benefited local industry - it has developed local business, trained and educated the local labour force, and created an increase in green jobs in the country,” says Jannik Termansen.

He adds that Vestas recently supplied its first turbines for the local market - three V80-2.0MW wind turbines to a wind project in Phu Quy, a small island 100 km off the coast in the south-east of the country.

“As the world’s number one wind turbine supplier, Vestas is uniquely qualified to meet the demands of Vietnamese customers. This is due to Vestas’ proven industry track record as well as delivering quality turbines and highly reliable technology solutions worldwide. The Vietnamese government and its people deserve the best in terms of wind power plant solutions and Vestas is committed to assist,” states Jannik Termansen.
Industrial design, furniture and architecture have always been among Denmark’s biggest export successes. Design is an integrated part of how Danes live and how Danes think; it is everything from bridges to breadbaskets. The international success of Danish Design started in the fifties with the emergence of “Danish Modern”. From this start, Danish Design has developed from a focus on the individual and the home out into the workplace, into public spaces and even to solutions of societal problems. Industry is increasingly thinking strategically and understanding the importance of design; the so-called Strategic Design is becoming a basic part of branding products and companies.

The work of design classics like Georg Jensen, Poul Henningsen and Verner Panton are world famous. The hallmark of their work and Danish design in general is to combine the tradition of high quality workmanship with innovative use of materials. Harmonious functionality has been a care of Danish Design. Some new designers continue to adhere to that in a minimalist style while others happily blaze a wilder, more colorful trend. Usability is still a common factor in both the minimalist and the unconventional approach. Young designers such as Louise Campbell, whose works are at the Museum of Modern Art in New York, have gained international honor for thinking out of the box and developing the Danish design tradition.

In architecture, international heavyweights such as Jørn Utzon, Arne Jacobsen and more recently Henning Larsen have made their beautiful and thought provoking marks on the world. Jørn Utzon’s Opera House in Sydney is among the most recognized buildings on the planet. Again new trends seem to follow either a minimalist trend or a new and provocative approach to architecture that plays with how we can even imagine a building. Bjarke Ingels is an example of upcoming and innovative architects who receive well-deserved recognition. Combining the trends is the often sophisticated use of steel and glass. However, wood and natural stones are also marking facades of new architectural landmarks.

Danish architects are great bridge builders. Dissing+Weitling for instance, have designed the Great Belt Bridge, the third longest suspension bridge in the world and many international projects such as the famous Stonecutters Bridge in Hong Kong.

Innovation by design

Danish Design is a mark of quality that is recognized worldwide, now businesses are using Danish design as a strategic tool.

Architecture for the ages

By Anna Pia Hudtloff
From cradle to cradle

Contemporary designers rally around the idea that design should actually improve our lives, either directly or through experiences and emotion. The newest trends in Danish Design answers a consumer demand for sustainable design. Thinking about a product from “cradle to grave” has been replaced with a focus from “cradle to cradle”. The intention is to reuse surplus and waste as raw materials in new products. Slogans such as “Recycling has become Upcycling”, stress that design influences not only the world we have, but the world we want to develop.

So designers are used to solving problems for businesses; to develop intelligent solutions for consumer needs. Design processes now incorporate new, user-driven methods for innovation and original solutions within for instance medical aids. The famous Vestergaard Frandsen water filter is an example of innovative, problem-solving Danish design currently being produced in Vietnam.

LIFE BETWEEN BUILDINGS

The cities of Vietnam are changing; rapid development changes the way streets and spaces are used. Renowned architect Jan Gehl has worked all over the world, including Vietnam, promoting his understanding of the importance of the way we plan public spaces.

"More and more studies demonstrate that a good pedestrian and bicycling environment is not in contradiction with good sales numbers. On the contrary, local businesses do better in neighbourhoods that favour soft traffic, and cities that perform well on liveability attract investors and business", says Jan Gehl, stressing the basic point that how we let our towns and cities develop becomes part of how it is possible for us to live our lives. His classic book "Life between Buildings" was published in Vietnamese in 2009.

Rig facilities in Vung Tau, South Vietnam

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designing business

by Anna Pia Hustdoff

Designing business

Vietnam is an emerging market for quality design products

- Vietnam is a fantastic new market where design can play a part in business development, but you must plan far ahead. Henrik Jeppesen of Attention Design in Copenhagen has worked with design companies in Vietnam for almost a decade and though he has witnessed an explosive market growth, he states that working strategically with design is still a farsighted endeavor.

- Our target group is the Vietnamese person who has done well for himself and likes to show it. The consumer who aspires to a better lifestyle. It’s the usual circle: you buy the suit, then the watch, then the car. Next step is the home: serviced apartments with swimming pools, presentable luxury furniture and fittings. The UV bag and the car is no longer enough, says Michael Ostergaard.

- There is a growing curiosity, a search for elements from outside the borders that is more and more explicit.

- Our first years out here are being used for learning he says, and explains that among the most important lessons he has learned himself is patience. Another lesson deals with work force loyalty and how to install passion and permanence in employees. The quality control systems needed in Vietnam are extreme and you must learn to factor that in.

- One design fits all is no longer enough. You need to think strategically about each individual market. China is big but out here, but China is not Asia.

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Different markets

Henrik Jeppesen stresses the importance of design as a tool to fit your product to different markets.

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Michael agrees. It is about both tangible differences such as Christmas not being a huge sales opportunity everywhere and intangible differences such as how to enter peoples’ homes and how to make a sale. Henrik Jeppesen points out how important it is that Western consumers and companies expect innovation and are used to paying for it. He points to the need for education of designers and protection of designs and copyrights in Vietnam.

Business development

Strategic Design is used at different levels in a company; in product development, in business strategies for branding, corporate identity and differentiating. Or as “Design Thinking” which is an overall approach where design is used to develop and transform the company itself and design is a resource, a way of thinking to be used throughout the whole process.

- B&O is not for everybody; we are a niche company that appeals to 1-2% of a population Michael Ostergaard says, calmly doing the math on promoting his products to the wealthy 2% of 90.000.000 Vietnamese.

- The minimalist modern design of the contemporary showroom, there is indeed an altar to be found, as Michael believes in learning from local culture to support his business.

- We are design says Michael, who ships furniture and carpets and even the paint for the walls of his Asian showrooms out from Denmark in order to be able to control and guarantee the quality of his showrooms. The brand must be consistent all the way through. He thinks about how it looks when his technicians arrive at the home of clients; it matters which tools they carry and what they carry them in. But as Henrik Jeppesen points out this kind of attention is an expected expense in the west; does it pay off in Vietnam today? Michael
If clean drinking water, wastewater treatment and water know-how were Olympic disciplines, Denmark would win gold medals. This not only benefits Denmark, but also Vietnam.

Vietnam has considerable problems with wastewater treatment, access to clean water, flooding and ingress of salt water into the rivers because of climate change. So what can be done? There are two options: Close your eyes and do nothing, or take action to solve the problems.

The Danish government, together with the Vietnamese authorities and Danish cleantech companies such as pump manufacturer Grundfos and DHI Group, believe in the second option. And although Denmark has never won Olympic medals in water know-how, Danish competences in this area are acknowledged worldwide.

The background to Denmark’s strength in water technology is strict environmental legislation, which has created the framework and incentives to develop water technology and services, and water treatment for the benefit of the environment. The water in Denmark’s harbours is now so clean that in Copenhagen for example, people flock to the harbour baths during the summer.

DHI: modelling of water
Danish development assistance to Vietnam in rural drinking water and climate change has helped pave the way for Danish companies and engineering firms - and thus world-class water technology - on the Vietnamese market.

The DHI Group, with offices in Hanoi and Ho Chi Minh City, provides a good example. DHI started up in Vietnam as part of the Danish water sector programme with technical training for engineers at major Vietnamese water resource institutes of the Ministry of Agriculture and Rural Development, and has been hired to assist with adaptation to climate change in the Danish-supported climate change programme. Duong Quoc Vinh, Managing Director of DHI Vietnam says: “The Institute of Hydro Meteorological and Environment of Vietnam is today using DHI’s world-renowned software, MIKE, an important tool used in warning systems in connection with flooding disasters, to which Vietnam is highly exposed.”

DHI Vietnam was established in 2010 and operates on a purely commercial basis. The water consultancy company has sold more than 100 software licences to Vietnamese customers, according to Duong Quoc Vinh.

DHI’s software can be used to predict, coordinate and manage all water resources. It can be applied in areas such as flooding, monitoring of drinking water and wastewater treatment plants, and in the energy sector, agriculture and the offshore industry.

DANISH WATER NETWORK

11 Danish companies with a number of innovative services and products in water technology participated in Vietnamese-Danish Water Days 2011 together with representatives from relevant authorities, institutions, donors and financing institutions.

The companies are: AVK, Danfoss, DGE Group, DHI, Danish Water Forum, Grundfos, Howden Water Technology, Krüger, MT Højgaard and DanAqua.

Olympic champions in water know-how
Grundfos: the solar pump

The Danish pump manufacturer Grundfos has also benefited from the Danish-Vietnamese development assistance cooperation in the water area. Grundfos pumps are installed nationwide in Vietnam. “Not because they are Danish, but because they are the best,” says Anders Fäborg, a Danish development assistance adviser at the Ministry of Natural Resources and Environment (MONRE).

The Danish director of Grundfos in Vietnam, Gert Borrits, makes no secret of the fact that it is an advantage to be a Danish company in Vietnam. Grundfos is one of the few hundred-percent owned foreign companies in Vietnam that has both a production and distribution licence. And the enterprising Grundfos director has just ventured into a new project concerning sales of solar pumps in rural areas. He explains:

“Many groundwater pumps financed by foreign and Danish development assistance are running badly because of unstable power supplies. The Grundfos solar pump can run on both solar and wind energy, and it can be connected to a battery or mains electricity during the night. So we can help the local authorities to get stable water supplies which the citizens ultimately pay for themselves.”

Gert Borrits says that three quarters of the rural water supply pump systems that are installed nationwide in Vietnam are more or less inoperative for long periods. So the potential for solar pumps, which are also climate friendly, is enormous.

Pressure on the big cities

Water problems are mounting, especially in the big cities where economic activity and rising population growth are increasing the pressure on natural resources by the day.

“There are major shortcomings in the authorities’ planning and monitoring of wastewater treatment. Up to 90 percent of the wastewater from private households and industry flows out into the rivers, to the detriment of the environment and people. It is not until major damage occurs that something is done,” says Gert Borrits.

The growth of Grundfos on the Vietnamese market in recent years is primarily based on foreign and Vietnamese companies in newbuild, hotels, the food industry and mining, which buy wastewater treatment, sanitary pumps, air conditioning and firefighting solutions. Even the navy will now use Grundfos pumps for cooling engines.

“We supply to all the contractors who want quality and who have a long-term objective with their investments. Our products are among the most energy-saving in the world, so overall it is also the most cost-effective solution. We have for example supplied firefighting in the form of pumps with electric and diesel motors for the ‘Landmark Tower’ in Hanoi and the ‘Financial Tower’ here in Ho Chi Minh City,” says Gert Borrits.

The Danish pump specialist has seen a fourfold increase in growth in Vietnam in three years, and plans to employ more people in addition to its current 36 employees. So the company is doing very well, but the enthusiasm of the Grundfos director is constrained, because he is concerned about the country’s lack of investment in infrastructure and its laborious business culture. He comments:

“Something needs to be done, otherwise things will come to a standstill, and then I cannot recommend that Grundfos places its next production unit in Vietnam.”

Danish competences in water technology

Manufacturing

Leading Danish companies Grundfos and Danfoss have major sales worldwide in the pump and valve sectors.

Consultancy

Danish engineering companies such as Krüger, Gronthj/Cari Bres, MT Højgaard, COWI and Rambøll have superior, internationally recognised competences in pumping stations, supply systems and wastewater consulting.

Innovation and ‘new water’

Denmark has many interesting players:

- Michael Vestergaard Frandsen’s Life Straw - a drinking straw with a filter that purifies dirty and polluted water, making it drinking water quality.
- Grundfos BioBooster - a compact, transportable water purifier which can recycle water for industrial and private use.
- Grundfos has developed a high pressure saltwater pump that is 30-40% more energy-efficient than the centrifugal pumps used so far - an invention that could have huge potential in Vietnam with its increasing problems of salinity.

DANISH COMPETENCES IN WATER TECHNOLOGY

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Security in food production

Quality and food safety are the key factors in all successful food exports, both in Vietnam and Denmark.

By Poul Kjar

Quality and food safety are the key factors in the Vietnamese fisheries success story, which has seen exports climb from half a billion dollars in 1995 to more than five billion dollars today. Some of the credit is due to Denmark, which has provided development assistance to the fisheries sector since 1993.

Leading Vietnamese fish producers have bought modern pre-processing equipment in order to meet international hygiene standards, and environmental and quality control. Some of the exports go to the thoroughly-regulated EU and Denmark, where Danish fishermen are facing tough competition from pangasius, a species of catfish.

Vietnam’s success in the fisheries sector could in principle be applied to all areas of Vietnamese food, but it demands the same high standards of hygiene, and environmental and quality control throughout the food production process - from farm to table.
From farm to table
Farm-to-table is one of the basic principles and key factors behind Denmark’s successful agricultural sector and food industry, which generate annual exports of almost 20 billion dollars. That corresponds to 20 percent of total Danish exports, composed of known brands such as Danish Lurpak from the dairy concern Arla and Danish Bacon from Danish abattoirs.

Farm-to-table starts with primary production where farms, crops and livestock are professionally managed and inspected by veterinarians. This approach also applies to the transport of livestock, which must meet legislation and ethical rules for animal welfare. Furthermore, the processing plants - abattoirs, dairies and packing facilities - must be approved by inspection authorities, and comply with ISO licences and national food specifications.

The principles include special standards for delivery and storage of food - and even for preparation and serving.

Moving abattoirs out of towns
Maintaining high standards in agriculture and food production in Denmark involves machines and technology in food safety, which form additional Danish exports to butter, cheese and bacon. The valve and pump company Danfoss has for example supplied equipment to the Vietnamese fisheries industry.

One of the more recent Danish arrivals on the Vietnamese market is the manufacturer of cleaning machines, System Cleaners, which has established a sales office in Vietnam and plans to start up production specifically for the Vietnamese and Asian market. System Cleaners sees good opportunities in the authorities’ plans to move abattoirs and factories out of the towns, and consolidate food production in larger and more efficient units.

“It is systematic cleaning, which all food processing companies need for cleaning their surfaces. The alternative is a bucket of water and a brush, and the result is never the same. Systematic cleaning is also fast, and so the time saved can be used for production.”

In Peter Jessen’s view, an investment in modern cleaning systems and thus food safety should be considered on equal terms with investments in the rest of the production machinery. There is no other way if you produce quality products and want to meet the strict requirements on the export markets.

Washing, foaming and disinfecting
The pace of structural change in Vietnamese food production is slow, but System Cleaners has gained customers on the market. The Danish company’s cleaning systems are in demand especially with foreign food manufacturers. The machines wash, foam and disinfect - all of it necessary for proper cleaning in food manufacturing companies. Peter Jessen explains:

“We consider this investment in modern cleaning systems and food safety to be an investment in the future of your business. It must be serious and comprehensive. Systematic cleaning is not only fast, but it also saves a lot of time, which can be used for production. If you produce quality products and want to meet the strict requirements on the export markets, you must consider this investment.”

System Cleaners sees good opportunities in the authorities’ plans to move abattoirs and factories out of the towns, and consolidate food production in larger and more efficient units. The aim of the government’s plans is to improve quality and food safety, and prevent avian flu and food poisoning, which each year claim many human lives in Vietnam. And the large new production units can be kept completely free of bacteria by means of our systematic cleaning solutions,” says Peter Jessen, managing director of System Cleaners, which has supplied cleaning systems to more than 20,000 companies including Coca-Cola, Carlsberg, Arla, CPF and Lantmännen Dampo.

Rose Poultry
Innovation and product development are the key words for Rose Poultry.

Rose Poultry A/S has some of the world’s most modern and fully automatic production equipment in our factories in Vinderup and Skovgaard.

We slaughter about 300,000 chickens every day and produce:

- whole frozen chickens
- fresh and frozen portions for retail and catering
- raw and fully cooked products

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User driven innovation is a general stronghold of Danish IT businesses. This innovation trend is based on a very strong tradition for participatory design. Enhancing the user experience is a central element in successful software development whether making entertainment websites, cell phone applications or complicated business administration systems. Danish software companies have cultivated methods and processes for involving various design groups as well as end-users in development; involving all relevant stakeholders throughout the process ensures innovative and holistic software solutions.

Denmark was an early mover in IT and telecommunication. Excellent data quality combined with a high penetration of IT tools made the country an ideal test bed for new products and solutions. Danish software developers are leading in the fields of security and encryption, e-commerce, eGovernment, acoustic software and business solutions; especially Enterprise Resource Planning.

Denmark is an important Northern European hub for multinational IT companies such as Microsoft, IBM, HP and Google. Successful software companies have been developed and then sold to world market players, for example Navision Damgaard (Bought by Microsoft), Maersk IT (Bought by IBM), Giga (Bought by Intel) and Skype (Bought by Ebay).

**The Vietnamese market**

Whereas many foreign IT companies in Vietnam still primarily develop software solutions for clients abroad, a Vietnamese market for quality solutions is emerging, especially in Hanoi and Ha Chi Minh City. Danish companies are at the forefront of this, offering clients and potential investors quality end-user experiences as well as new knowledge about the necessary maintenance and updating processes; elements still relatively undeveloped and under-supplied in Vietnam.

Many development processes involve educating the client in which needs they can fulfill by well developed software solutions; the business potential of a well functioning corporate website is still new to even large Vietnamese companies. Even though payment systems are not sufficiently developed yet, e-commerce is already emerging and growing, for instance in the real estate sector. There is also an emerging market for cell phone applications which has a very large growth potential.

Automation has not been a successful approach to software development yet, but many industries now need to develop automation systems and -software in order to secure necessary precision in their processes, and here too the demand for quality solutions are rapidly increasing.

The well-known and continued problems with copy-right infringements and general lack of security in a country where the joke goes that here “Copy right means the right to copy”, has two main problematic consequences for the development of the IT sector. Business-to-business is not developing as companies are used to obtaining cheap software copies and do not recognize the potential in paying for development of software solutions. Another consequence is the reluctance of some foreign companies to have their servers linked to developers or suppliers based in Vietnam or to even risk having solutions developed here for fear of finding them on the Internet at a later date.

**Danish IT in Vietnam**

Vietnam has been a popular outsourcing destination for the Danish IT sector for some years and remains “extremely interesting” for Danish IT companies, due to cheap, adaptable labour willing and eager to learn. The young Vietnamese population in general means there is an open attitude towards new technologies, and this might also be a driving factor behind the extremely speedy increase in for example Internet users.

A successful approach to software development is a central element in the capacity building that Danish partners bring to the IT sector in Vietnam. Vietnam does not have the same tradition for independent thought and creativity, nor for putting these qualities to use in a team effort.

This cultural difference together with the fact that Vietnam is still not able to educate enough IT technicians and developers on higher levels, mean that Danish companies must be willing to train their own staff. The language barrier creates a further need for training. Naturally this strategy is costly and Danish IT investments in Vietnam need to be regarded as a long-term commitment. The successful investments and partnerships are those who find the tasks that suit the level of knowledge and meet Vietnam where it is.

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**top talent**

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Denmark is home to world-class software development talent and build capacity among both companies and clients in the Vietnamese IT sector

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