

**Southeast Asia
Centre of
Asia-Pacific Excellence**



**AUGEN SOFTWARE GROUP:
BUILDING A KIWI TECH COMPANY IN VIETNAM**

seacape.org.nz

THE COMPANY

Augen Software Group provides bespoke software solutions to clients for New Zealand and international markets. The business was founded in 1993 by current executives and owners, Mitchell Pham and Peter Vile, along with three of their friends and fellow students from the University of Auckland. Now an established actor in the technology sectors of both New Zealand and Vietnam, Augen remains agile and innovative.

Augen works as a software partner to businesses across many industry sectors. Its software services and solutions enable partners to focus fully on managing and growing their core business. Augen has expertise in solution consulting, architecture, business analysis, project management, integration and testing services. Its services cover web, mobile, desktop, database, middleware and enterprise software development. It is a Gold Microsoft Partner and in 2015 was recognized as a top performer in the Emerging Enterprise category at Vietnam's prestigious IT Excellence Awards.

Augen has formed numerous partnerships in the tech industry and led the establishment of the Kiwi

Connection Tech Hub in Vietnam in 2016. Director and co-founder Mitchell Pham serves in numerous leadership and advisory roles, including as the chair of the NZ Technology Industry Association, NZTech. Augen formally established its wholly-owned subsidiary in Vietnam in 2005, at which time it employed around 15 people. It currently employs 50 people, about half in Auckland and half at Augen Vietnam Ltd in Ho Chi Minh City. About two-thirds of the Group's revenues are earned through its Southeast Asia-based operations.

THE CHALLENGES

In this case study, we focus on the challenges that Augen faced in the years leading up to its entry into Vietnam and in the establishment phase of its Vietnamese operations. This section summarizes some of the key challenges that the company is facing in its quest to succeed in what is now Southeast Asia's largest and most dynamic digital economy.

Access to talent

Mitchell Pham describes the top three challenges facing tech companies in New Zealand as access to talent, access to investment capital and access to large customer markets. Pham, who has been recognized for his leadership as a World Class New Zealander by KEA Global and a Young Global Leader by the World Economic Forum, says it was the first challenge that Augen felt most keenly. "We have 29,000 tech companies in a country with a population of four and a half million. And every single tech company needs talent to grow."

Being small and relatively new made things even harder. "It is hard for small to medium tech firms to attract talent in such a tight pool. Big companies have more financial resources and they have the brand presence." Augen found that it just did not have access to enough skilled workers to service its existing customers in New Zealand, let alone for expansion. "That forced our hand to reach out and find ways to access talent from outside."

Vietnam's regulatory environment

After a significant investment in investigating potential alternative bases in Southeast Asia, Augen settled on Vietnam. Although Pham remains convinced this was the right choice, he notes that it was not easy, par-

ticularly in the early days. It took Augen 11 months from when it applied for its business licence in Vietnam until it was finally awarded in 2005, with onerous bureaucratic requirements for paperwork and approvals back at that time. It was something of a shock for a company used to operating in New Zealand, a country which regularly takes out the top spot in the annual 'Ease of Doing Business' rankings. Pham recalls it was frustrating. "We just weren't used to the level of effort required."

Although Vietnam's bureaucratic system is somewhat more user-friendly than it was 15 years ago, it remains a challenging environment. There is a regulatory burden that Pham sees as something of the cost of the very features of Vietnam that make it attractive: its growth, dynamism and increasing integration with the world economy. The rapid pace of economic, technological and social change in Vietnam means that the regulatory environment is also constantly changing. It is, says Pham, a really good environment, "but as a consequence, there are law changes all the time. Every month, there is a new law or a change in the law. So there is a cost to stay abreast of it and there is also a cost to implement it into the business as and when required."

Imagine having to re-register your business from scratch roughly every five years. That is not, strictly, what Vietnamese law requires, but, Pham says, "The changes in the law force re-registration, because the new laws require new types of information and processes, and when you last registered that didn't apply so now you have to re-register again because they now have different systems and requirements. Over the last 14 years of doing business in Vietnam, we have re-registered twice: roughly every five years. It can be disruptive."

Communicating across cultures

Operating a company based on skilled human resources in a different language and cultural environment was challenging. First, there is of course a language barrier. Although Vietnamese-born Pham is bilingual, the rest of the New Zealand team did not speak Vietnamese. Language, says Pham, is “one of the barriers for rapid growth in the local market.” However, language in a narrow sense was not the main barrier in establishing effective communication, management and teamwork. Rather, it was the very different culture in Vietnam.

Business culture in Vietnam is vastly different across a huge range of metrics. As an example of the communication difficulties that could cause, Pham notes that, “People in Vietnam often say ‘yes’ but that could mean anything – it could mean ‘yes, I have heard you’, or it could mean ‘yes, I acknowledge that you have just said that (I may not agree at all)’. And it is a genuine ‘yes’ in the language – it just means something different. That can be very challenging.”

Vietnam’s hierarchical culture, in which differences of status are a factor in all interpersonal interactions, can also make communication difficult. New Zealand is, in cultural terms, at the other end of the spectrum when it comes to notions of hierarchy and formality. And Augen, as an energetic tech company, had a relatively flat organizational structure and participatory culture. In order to be an agile, innovative tech company, Augen requires its employees to speak up, to call out problems and to offer their own ideas. But the directors found in their early days in Vietnam that employees would not speak up and voice their own opinions. Members of the Vietnamese team would not, for example, say “I have a better idea,” which was completely at odds with

the established culture in Augen New Zealand, and the needs of the company.

Recruiting, managing and retaining talent: managing a global supply chain

Augen Vietnam needed to be able to attract skilled employees and manage them in ways to retain high-performing talent in the business. This did not occur without effort, notes Pham. “We really needed to learn exactly how to best manage them and also how they can effectively work with our staff in New Zealand.” It is a challenge that many New Zealand companies fail to recognize and invest in solving. Pham believes that many New Zealand firms understand that if they want to sell internationally, they need to hone their skills for accessing and engaging with international customers. But when it comes to building their own supply chain overseas, the investment and cultural intelligence is often lacking.

Offshore teams are not simply a cost factor. “In fact, working with offshore teams is the biggest, critical success factor when you run an international business.” Having gone offshore to access talent, “you need to have cultural intelligence to be able to work with people who are from a very different culture and who operate in a very different environment.” These are the teams that “contribute to the back-end of your business: they build your products and deliver services to your customers.”

New Zealand’s “do-it-yourself” or DIY culture can be a barrier, leading management to treat working with offshore talent simply as a last resort rather than as strategic capability. Without investing in understanding how to manage human resources offshore – effectively the global supply chain in a human capital-intensive industry – companies

will struggle to support their growth and to meet customer demands. Failures to manage talent can lead to failure at the front-end: not being able to get the product out in a timely manner, for example, or failing to deliver what the customer actually needs.

Augen faced the challenge of integrating and managing teams across very different cultures and labour market environments. Vietnamese employees not only had different communication expectations, they also needed to be convinced that the new foreign company provided a secure and rewarding workplace. In addition to communication barriers, their expectations of the company and the employment relationship were different from those of the New Zealand staff.

STRATEGY

Vietnam as a base

When Augen first started experiencing talent shortages in New Zealand at the end of the 1990s, it began to look offshore for a base of operations. The company started investigating options in Southeast Asia around 1998, amid the fallout of the Asian Financial Crisis. Malaysia and Singapore were the most obvious choices at the time, with English widely spoken and more familiar legal systems. They were, however, expensive. Augen was looking for a location where tech skills were being developed along with a strong work ethic.

Pham recalls that he needed to be in an environment where people would pick up the phone and meet “before they’ve had their second cup of coffee.” A meritocratic culture and an environment where people started the working day punctually were important. Although at the time Vietnam was much less developed than some other countries in the

region, it was clear to Pham that it had some important locational advantages. The population was useful and comparatively well-educated, and the Vietnamese government had a technology development strategy. They had, says Pham, “a 20-year strategy, and they were investing into it.” It was also politically stable and offered strong tax incentives to foreign companies.

Leveraging local partnerships

Despite Vietnam’s locational advantages, the bureaucratic and regulatory environment at the time was a challenge. At first, the company operated in cooperation with a local Vietnamese partner firm for nearly a year, while waiting for its official business registration. The Vietnamese partner could recruit staff and take other actions legally, while Augen could not do this before it received its licence. Local contacts were also necessary for advice. The choice of dependable local partners is of course critical. In this case, Augen was able to identify a trustworthy local company through personal family connections. Their early partner was ‘a friend of the family’. In this sense, Pham’s personal background was an important resource: they were in a country where Pham’s parents were entrepreneurs, with an extensive network that Pham inherited.

Augen also uses more formal partnerships and sources of advice to remain compliant in Vietnam’s complex and constantly changing regulatory environment. They use two legal firms: KPMG Vietnam for tax-related issues and Frasers Laws for corporate structure and contract law. The choice of two locally-based international firms was deliberate. First, their local Vietnamese managers were Kiwis, who also happened to be known to Pham personally. Second, Augen needed links back to New Zealand for much of the advisory work.

Dealing with transfer pricing laws, international contracts and taxation required competence and capacity across the two legal domains. This, says Pham, has been critical. Their local partners allow Augen Vietnam to stay abreast of “the very rare changes in the law in New Zealand and very regular changes in the law in Vietnam” through regular newsletters. Augen Vietnam also has an internal team member in charge of administration and compliance, whose job it is to translate changing regulations into company procedures. According to Pham, “We knew upfront that is one of the critical skills that has to be in the local leadership team.”

Cultural intelligence

Effective communication and operations across the cultural and language divides has been key to Augen’s success. The company’s early strategy for dealing with the language gap was developed around an acknowledgement that they were small, and so “we really needed to pitch at the top-end. We only recruit staff who already speak very strong English. Of course it narrows our pool down but that’s fine because as we get bigger as a company we can then lower that barrier. When you have a big team, not everyone has to speak perfect English, but when you have small teams, every individual counts.” Their recruitment process in Vietnam includes three rounds of interviews and tests designed to uncover language, technical skills and cultural adaptability.

Augen has come to nurture and prize cultural intelligence. Pham considers cultural intelligence as critical for success: “In today’s world, everybody is part of a global supply chain.” Developing and honing this cultural intelligence is an ongoing task. Dealing with employee reluctance to speak out due to hierarchical cultural norms in Vietnam was initially “by trial and error –

well, error at first, because we could see it was not working. I had to spend a lot of time in Vietnam. And we invested in education – of our Vietnamese employees, internal education in Vietnam and bringing them to New Zealand – and of our staff in New Zealand, to train them to proactively work across the cultural differences.”

Augen works hard to create a sense of connectedness and belonging across New Zealand and Vietnam. There is a two-way monthly update intended to be both fun and culturally informative, and each project team across the two countries is carefully structured, with explicit induction into the working culture – both for Augen employees and its clients. “The soft stuff,” says Pham, “is the stuff that glues the hard bits together. Without that, it gets really expensive and costly with mistakes, challenges, friction and misunderstanding. Without that so many Kiwi companies fail with their offshore projects.”

Pham recognizes that New Zealanders often don’t know how to communicate with their Vietnamese counterparts. One way this manifests is that they may gloss over details or make assumptions about what has been communicated. “They hear the Vietnamese say an English word and they interpret it as a Kiwi saying the same word, with its meaning as it would be here in New Zealand. They need to apply their cultural intelligence with the communication: make sure you confirm what you have heard and elaborate on it.” This, says Pham, is a practice they have worked to instil as part of the company culture.

Augen has also built a culture of embracing diversity and inclusion. In New Zealand, they have to-date employed over 30 different nationalities, something Pham regards as a huge strength. “It has become the norm. It is normal that we are all different to each other and we work across different time zones.

We have a completely different culture and a whole bunch of things that naturally come as challenges, because we are different to each other, but the reason we work together is because of the upside of these differences. Everyone is constantly learning about each other’s culture, learning how to better communicate, trying to look at where some of the gaps might be that things might fall through – it is a constant thing that we do.”

Building a loyal supply chain of local talent

The challenge of recruiting and retaining Vietnamese with the skills needed by Augen is one the company has met through careful building of its reputation. They use the New Zealand name and brand image as a successful international company as leverage to attract talent. Pham says it took them two years of trial and error to work out the optimal employment package in Vietnam – not just remuneration but benefits and the working environment.

He realized they needed to include things that made local staff feel important and that they belonged to the international company. This included things that are as basic as a branded company uniform. “None of our Kiwi staff want the uniform and we have to force them into wearing it whenever we need to take a company photo. But in Vietnam they wear it every day because they needed to feel a part of something. It says to them that Augen is a successful New Zealand company and they are now here in Vietnam. And we, the Vietnamese team, joined them because we want to be a part of that. They need people to see them wearing the Augen logo and being proud of it.”

The same ethos applied to the Augen facilities in Vietnam. Pham says that many of the big foreign companies have fancy buildings,

and Augen needed to create a space where they could provide a nice environment. And more than just being pleasant, it is an environment that “contributes to that sense of being part of a Kiwi success story. We deliberately contracted a Kiwi interior designer to design the entire fit-out and look-and-feel of our offices. That has worked wonders. It sets us apart from the other companies, and it also adds to that connection between our New Zealand and Vietnam offices.”

Augen also builds this sense of connection through exchanges that bring New Zealand staff to Vietnam and Vietnamese team members to Auckland. “That’s another part of the benefits that is extremely powerful for retention in both countries. But we can’t have them based in New Zealand all the time. So most of their time they are based in Vietnam, but they still feel very much when they step into the door that they are actually part of the New Zealand success story.”

Loyalty is an important factor, underpinning employee willingness to engage fully. This has been nurtured in several ways. Pham says that, operationally, he is not needed in Vietnam that much, but “culturally, I am needed to continue to build and maintain the loyalty of our Vietnam staff. It helps that sense of belonging, to be directly connected to the company founders and owners.” Pham knows each employee’s family and regularly goes on the annual company vacation trip, which involves Augen taking employees and their families away for a long weekend to places in Vietnam and abroad, sometimes as far afield as Taiwan.

While this could be resented as an intrusion and unwelcome crossing of the barrier between work and home life in New Zealand, in Vietnam it fits the very different culture. Pham says, “[In Vietnam] I want to bring the rest of my family along to meet everyone else’s family and that’s a great thing, because it is a

fundamentally collectivistic culture whereas New Zealand is a fundamentally individualistic culture... It's just different and there is no right or wrong. We tried to do this in New Zealand, but it doesn't work with Kiwis."

Adapting to different cultural expectations has paid off in terms of staff loyalty and retention. The average tenure of Augen employees in New Zealand is over ten years, and in Vietnam it is around 7 years, which is extremely high for a relatively young company in a dynamic, fast-paced, high-growth environment. "We pay well," says Pham, "but we are not the highest payer [in Vietnam]. However, we have the best combination of packages for a certain type of people. You have got to choose your niche market."

This means that even when staff have left to try out different companies, they have often come back. "They take a break, have a change of scenery, learn some other things. And then they come back. We are used to it now." Such returning employees are welcomed back. "The cost that we save from that level of loyalty to the business is huge especially for a small business like us." Returnees save Augen significant recruitment fees and the costs of retraining, as well as boosting morale and loyalty from everyone else.

It has taken Augen Vietnam ten years to build up its brand credibility in Vietnam. In 2015, their tenth year, they won the prestigious Vietnam IT Excellence Award, making them the first foreign company from New Zealand to win such recognition locally. It was, says Pham, "a milestone that signified to us that we are now accepted as being part of the Vietnamese tech ecosystem, that we have been around and locally involved long enough that we are considered a local. Not only that, we are considered a great member of that community and industry ecosystem. That has very strong brand value."

RESOURCES

Interview with Mitchell Pham, Co-Founder, Director and Chief Sales & Marketing Officer, 17 July 2019.

Augen Software Group. At <https://www.augensoftwaregroup.com/>

'NZ firm Augen wins at Vietnam's prestigious IT excellence awards.' NZSA, 30 October 2015. At <https://nzsa.org.nz/2015/10/augen-software/>

'Augen Software Group & Kiwi Connection Tech Hub - New Zealand technology engagement with Vietnam & ASEAN region.' At https://www.mfat.govt.nz/assets/South-East-Asia/ASEAN/MitchellPham_PartA_AugenKCTH_2019-04-30.pdf

AUTHOR

Professor Natasha Hamilton-Hart



Connect with us

 @CAPESEAsia

 [linkedin.com/company/seacape](https://www.linkedin.com/company/seacape)

 seacape@vuw.ac.nz

 seacape.org.nz



Southeast Asia

**Centre of
Asia-Pacific Excellence**