

# Strategy

## *Applications*

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### **Summary**

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## Application #1 : History of Vietnam Airlines

*QUESTION : Find some illustrations of unvarying strategies in the history of Vietnam Airlines*

### **From The Old Days**

History of Vietnam Airlines dates back to January 1956, when the Vietnam Civil Aviation Department was established by the Government, marking the birth of the civil aviation industry in Vietnam. At that time, the fleet was small with only five aircraft of IL-14, AN-2, Aero-45... which started to serve domestic flights in September 1956.

The 1976 – 1980 period witnessed the beginning of the airline’s expansion and efficient operation in Asian destinations of Laos, Cambodia and China (regular flights) and Thailand, the Philippines, Malaysia and Singapore (charter services). At the end of this period, Vietnam Civil Aviation became a member of the International Civil Aviation Organization (ICAO).

April 1993 was a major turning point when Vietnam Airlines was officially established as the country’s national flag carrier. On the 27th May 1996, Vietnam Airlines Corporation was born with the gathering of 20 aviation businesses and the airline itself.

### **Innovation Taking Place**

On 20th October 2002, Vietnam Airlines introduced the new logo of the Golden Lotus and corporate identity that symbolized its dramatic progress towards becoming a world-class airline. The launch represented a complete repositioning and brand strategy of Vietnam Airlines, coupled with significant improvements in its infrastructure, operations and fleet.

The delivery of its first own “state-of-the-art” B777 in 2003 also marked a true revolution in the airline’s fleet modernization. Three years later, Vietnam Airlines became one of the most modern fleets in the region.

### **World-class Airline**

For 15 years of development with an average annual growth rate of over 10 percent (except 1997 when the Asian financial crisis broke out), the national flag carrier has marked an obvious advance to become a major competitor in the Asian aviation market, owning a modern fleet of Airbus and Boeing planes flown by well trained professionals.

Beginning with non-regular services between two domestic destinations, today Vietnam Airlines’ network extends to 20 cities throughout the country and 40 international destinations in the USA, Europe, Australia and Asia (including code-share services).

In 2006, after being awarded the IATA Operational Safety Audit (IOSA) certificate, a strict safety standard set by Aviation Quality Services (AQS), Vietnam Airlines joined the International Air Transport Association (IATA) as an official member, affirming its international standard.

### **Moving Forward**

Positioning its internationally recognized brand as a young and modern carrier, Vietnam Airlines excelled further when - together with the Vietnam Aircraft Leasing Company of which Vietnam Airlines was an initiator and founder - signing largest purchase orders of 12 Boeing B787s, 10 Airbus A350-900, 20 Airbus A321 and 5 ATR72-500 aircraft in 2007. The airline is expected to reach 104 and 150 modern aircraft in 2015 and 2020, respectively, making solid steps integrating into the global aviation industry as a truly regional carrier of choice, which is fully ingrained with Vietnamese traditional culture.

## Application #2 : Profile of SACOM Bank

*QUESTION : Use this document to find the three dimensions of strategy, and to illustrate some of the functions of strategy*

### SacomBank – Corporate Profile

#### *Mission*

- Maximizing value for customers, staff, shareholders and community

#### *Vision*

- To be the first modern multi-purpose retail bank at regional level

#### *5 Core Values*

- Pioneering

Sacombank is a pioneer and is willing to seek opportunities via innovation.

- Improvement

Sacombank continuously improves its operations to meet customer and shareholder needs.

- Commitment to serve

Our commitment and servitude stem from consistent positive attitudes of the staff.

- Social responsibility

Sacombank operations take into account its corporate responsibility towards the community, society and the environment.

- Breakthrough

Sacombank envisions and makes breakthrough improvements to differentiate its services from competitors.

## Pioneering Bank:

- The first bank to be listed on the Ho Chi Minh Stock Exchange in Vietnam;
- The first bank in Vietnam to expand its network to Laos and Cambodia;
- The leading bank in Vietnam to top into the niche market such as Bank for Women (8 March Branch) and Chinese Community Bank (Hoa Viet Branch);
- The first bank in Vietnam to receive funding allocations from international financial institutions such as IFC, FMO, ADB, Proparco and etc to support individuals, small and medium sized enterprises;
- The leading bank in Vietnam to satisfy information demand for financial statements, effective strategic planning, capability management in business, good risk management framework, large branch network and rational capital leverage;
- The first bank in Vietnam to form a group, in which Sacombank is a nucleus. The Group offers full package financial solutions and adds value to customers. Being a Group, Sacombank and its subsidiaries and associations may enhance the strength in the financial and non-financial sectors.

## Key strategies:

- Improving financial literacy
- Upgrading IT
- Innovating products and services
- Expanding nationwide operation network
- Investing in human resources development
- Perfecting the management system.

## Sacombank's important milestones

### 1991- 1995

- 21st December 1991, Sacombank was founded as a premier bank consolidated by merging with Go vап Economic Development Bank and 03 Credit institutions, with initial charter capital of VND 3 billion.
- 1993, Sacombank opened a branch office in Ha Noi.

### 1996 - 2000

- Sacombank made an initial public offerings, increased its charter capital to VND 71 billion in 1997.
- 1999, Sacombank Head Office was opened at 278 Nam Ky Khoi Nghia St, District 3, Ho Chi Minh City.

### 2001 - 2005

- Sacombank attracted 03 foreign strategic shareholders including :
  - DC Organizations (2001)
  - International Financial Corporation (2002)
  - ANZ Bank (2005)
- April 2004, Sacombank and Temenos Company signed contract to intergrate T24 Core banking system.
- Founded:
  - On 14th July 2003, VietFund Management (VFM) and Dragon Capital signed joint venture Agreement, in which Sacombank held 51% of the total share capital.

- On 25th December 2002, Sacombank Asset Management Company, Sacombank – SBA was established.

2006 - 2010

- On 12th July 2006, Sacombank listed on Ho Chi Minh Stock Exchange in Vietnam
- Founded:
  - On 24th January 2006, Sacombank Remittance Express Company, Sacombank – SBR ;
  - On 07th October 2006, Sacombank Leasing Company, Sacombank - SBL
  - On 20th October 2006, Sacombank Securities Company, Sacombank – SBS
  - On 08th March 2005, 8th March Branch – Bank for Women
- On 10th August 2007, Hoa Viet Branch – Bank for Chinese-owned enterprises was founded.
- Expanding operation network in West, Central, Southeast and Central Highlands
- On 16th May 2008, announcing the formation of the Group in order to provide financial services solutions for enterprises and individuals.
- Founded :
  - On 28th November 2008, Sacombank Jewelry Company, Sacombank – SBJ
  - On 12th December 2008, Laos branch
  - On 23th June 2006, Cambodia branch
- 2009, upgrading the T24 core banking system
- 2009, opening the Customer Service Center

2010 Business Objectives:

- Total assets: VND 146,000 billion, up to 48% compared to 2009
- Charter Capital: VND 9,179 billion, up to 37% compared to 2009
- Mobilizing Capital: VND 129,000 billion, up to 50% compared to 2009
- Outstanding Loans: VND 80.000 billion, up to 45% compared to 2009
- Pre-tax Profit: VND 2,400 billion, up to 26% compared to 2009
- Stable Dividend: 14% - 16%/ share capital

### **Application #3 : KSF**

*QUESTION : Find 3 to 4 KSF for restaurants (for tourists) in Hanoi. Describe them, and rank them (from the most important to the less important)*

## Application #4 : Strategic segmentation

*QUESTION : Use the list to identify the different SBUs of VietSovPetro*

### Divisions of VietSovPetro

<b>Division</b>	<b>Tasks</b>
AUTOMOBILE TRANSPORT DIVISION	The precedent of Automobile transport division was technological transport department was established on July 09, 1982. On the first days of establishment, the Division only had some cars to serve for director, some big transportation cars for cadre and workers, and other transportation means had to rent from units outside the Joint-venture enterprise. With the development of Joint-venture enterprise, the demand of using transportation means has been increasing.
DRILLING & WORKOVER DIVISION	Drilling & Workover Division (DWD) is a sub division of JV Vietsovpetro, was established in June 2nd, 1983, has an international staff, they have many experiences for exploration and production drilling oil & gas wells. DWD has skillful staffs at technical specialist and management, including doctors, masters, experts, engineers and technicians. They were trained in Universities & Institutes in domestic and overseas.
GAS FACILITY - MANAGEMENT DIVISION	The Division founded on August 15th, 1995. Main activities of Gas Operation Division: Supply high pressure gas for gaslift system on White Tiger Field ; Treatment, dehydration and pressing petroleum gas been collected from White Tiger Field and Rangdong Field for Baria-Phumy Industrial Area.
IT & COMMUNICATION CENTER	Center of IT and Communication (CITC) is a member unit operating under the control of Vietsovpetro J/V (VSP), provides IT and communication services. CITC was established in 2004 according to the Decision of VSP Management Committee to merge IT and Communication department of VSP
LOGGING & TESTING DIVISION	Vietsovpetro Logging & Testing Division (L&TD) was established in June 2nd, 1983 by the 3rd Assembly Solution of VietSovPetro Joint Venture. This is a unique organization of PetroVietnam, which supplies special service in the petroleum industry for exploration and production activities.
MARINE TRANSPORT & DIVING DIVISION	Marine Transport and Diving Division has a fleet of 17 specialized vessels. Apart from Pipelaying and Crane vessels of 1200 tons capacity the Division has Fire Fighting, Diving, Towing and Transport vessels. The fleet is capable of carrying out handling large-sized cargoes, towing, diving and rescue jobs at sea. This ensures the efficient delivery of all offshore services for petroleum production in White Tiger and Dragon fields, as well as supplying transportation, salvage, and construction of offshore structures for other oil companies

<b>Division</b>	<b>Tasks</b>
MECHANICAL & ELECTRIC EQUIPMENT REPAIR DIVISION	Mechanical and Electric Equipment Repair Division has a complex base for maintenance and repair of mechanical and electrical equipment. The importance of this Division is defined by total capacity of power units and drives at sea exceeding 200 Megawatts. The Division is equipped with modern dynamic, turning and cutting machinery facilities the prefabrication and manufacture of parts for repair and maintenance purposes. Its modern dynamic, turning and cutting machinery facilitates the prefabrication and manufacture of parts for repair and maintenance purposes.
MEDICAL CENTER	On July 07, 1982, the Health department was established with responsibility of caring health for cadres, workers in Enterprise. With the production increasements, more developed projects, the Health department was changed into The health board in 1989 and become Medical services center in 1997.
OFFSHORE CONSTRUCTION DIVISION	Established in June, 1982, Offshore Construction Division is one of the leading divisions with large experience of offshore oil and gas facilities construction. Annually the Division is capable of constructing 2 marine fixed platforms for 50-60 meters water depths of as well as laying tens of kilometers of subsea pipeline. The Division satisfies VSP's needs and is ready to fabricate, construct, repair fixed platforms and lay subsea pipelines for foreign companies.
OIL & GAS PRODUCTION DIVISION	Oil and Gas Production Division is a leading J/V Vietsovpetro division. Using modern equipment and technology the personnel of this Division recovers, treats and offloads over 1 million tons of oil per month. White Tiger oil field has operating Water Injection System with pumping units capacity of 60 thousand m3 per day at pressure of up to 250 atmospheres. The division widely applies gaslift system in wells operation. Up-to-date methods of high paraffin oil production and transportation using depressants are developed.
PORT SERVICES & WAREHOUSES RENTING DIVISION	The MATERIAL SUPPLY AND PORT SERVICES DIVISION (PSD) is a member of VIETSOVPETRO Joint Venture Enterprise, was established on September.13th,1982.
RESEARCH & DESIGN INSTITUTE	Research and Engineering Institute (R&EI) which is the scientific and engineering division of Vietsovpetro JV (VSP) has been awarded the Vietnamese Order of Labor. R&EI was established for research purposes and conducts scientific, economic and technical studies in the fields of prospecting, drilling, development, construction and the operation of oil and gas facilities for VSP.
SAFETY & ENVIRONMENTAL PROTECTION CENTER	The Division founded on October 01,1988 according to the Resolution of the 10th Vietsovpetro's Council. Certification of satisfying requirements of the management system ISO 9001:2000, approved by BVQI on September 07, 2004. Certification of capability to maintain and test fire-fighting equipments and breathing apparatus, approved by Nippon Kaiji Kyokai, Japan on May 07, 2007

## Application #5 : BCG Matrix

*QUESTION : build the 2 matrixes below*

Case 1	Industry 1	Industry 2	Industry 3	Industry 4	Industry 5	Industry 6	Industry 7
Market Share of the company	60%	40%	50%	20%	20%	30%	80%
Market share f the other competitors	20%	20%	25%	25%	50%	20%	10%
	10%	10%	10%	40%	10%	15%	8%
	10%	30%	15%	5%	10%	15%	2%
				10%	10%	20%	
Market	10%	14%	3%	6%	15%	18%	13%
Growth rate	12%	15%	10%	7%	15%	19%	14%
	14%	13%	11%	5%	15%	17%	13%
				6%	15%	18%	12%
% of the SBU in the turnover	20%	10%	15%	10%	15%	10%	20%

Case 2	Industry 1	Industry 2	Industry 3	Industry 4	Industry 5	Industry 6	Industry 7
Market Share of the company	40%	40%	50%	15%	20%	25%	40%
Market share f the other competitors	20%	20%	25%	15%	50%	50%	20%
	10%	10%	10%	30%	10%	15%	16%
	10%	30%	15%	25%	10%	10%	14%
				15%	10%		
Market	12%	9%	8%	7%	8%	6%	13%
Growth rate							
% of the SBU in the turnover	10%	15%	20%	10%	15%	10%	20%



## Application #6 : Barriers to entry

*QUESTION : What are the main barriers to entry foreign companies will face if they enter Vietnamese market ?*

## Application #7 : External diagnosis

*QUESTION : make a brief diagnosis of mobile and Internet markets in Vietnam*

### Telecommunication Equipment and Services

<b>Telecommunications Equipment (estimated)</b>	<b>2005(actual)</b>	<b>2006(estimated)</b>	<b>2007</b>
Total Market Size	1,155	1,650	2,060
Total Local Production	453	589	735
Total Exports	21	24	30
Total Imports	854	1,085	1350
<b>Telecommunications Services (estimated)</b>	<b>2005(actual)</b>	<b>2006(estimated)</b>	<b>2007</b>
Total Market Size	2,197	2,571	3,200
Total Local Production	2,282	2,669	3,300
Total Exports	228	285	355
Total Imports	144	187	230

The above statistics are in million \$and are unofficial estimates.

Vietnam has become a promising destination for investors in the Information and Communication Technology (ICT) industries. Vietnam is putting considerable effort into modernizing and expanding its telecommunications systems, although its performance continues to lag behind that of its neighbors in the region. The telecommunications industry continues to be among the top priorities for development by the Government of Vietnam.

Annual growth in the telecommunications sector is running approximately 25%. In the period 2005-2006, Vietnam's ICT growth rate has been double the average in the Asia region and triple the world average expansion rate. In the first 9 months of 2006 alone, the number of

new phone subscribers in Vietnam was double the total number of subscribers for the period 1975-2000.

In Vietnam's "Strategy for Development of ICT Industries to 2010 with Orientation to 2020", it is predicted that by 2010 Vietnam's ICT industries will achieve an annual growth rate of 20-25% and annual revenue of \$6-7 billion, and new telecom entrants (non-VNPT – the dominant state-owned provider) will achieve a 40-50% market share.

Such new technologies as 3G, 4G, WiMax, mobile TV, and NGN will be promoted in Vietnam and become major trends in the development of Vietnam's telecommunications industry. With decreasing prices and increasing investment, the business environment has and will continue to become more competitive. Foreign telecom companies will initially be invited to enter the market by participating in the equitization/privatization of State-owned enterprises (SOEs).

In the past, Vietnam's telecommunications industry was partially opened to foreign telecommunication companies, but mainly as suppliers of equipment and finance in the building of network infrastructure for transfer to Vietnamese local operators. However, with Vietnam's accession to the WTO, limitations on foreign companies providing telecommunications services will be relaxed, resulting in increased competition.

Some bumps in the road affecting the development of Vietnam's telecommunications industry could result from excessively rapid growth, price competition, problems with network connectivity and indifference to the fixed telephone market.

### **Telecommunication Carriers**

At present there are six telecommunications infrastructure operators in Vietnam, of which two are regional with geographical restrictions on their operations and another with only the ability to provide maritime communication services. Almost all Vietnamese telecommunication companies are state-owned enterprises with minor private investment, and there is cross ownership among carriers. Vietnam Post and Telematics (VNPT) is a major SOE operating in almost all telecommunications fields except for maritime telecommunications, and holds approximately 94% of the market. Viettel is under the Ministry of Defense, and provides fixed line, long distance and IP-based telecommunications services as well as lease lines, and mobile communications. EVN Telecom, wholly owned by the State-run Electricity of Vietnam Group, also provides fixed line, long distance and IP-based telecommunications services, lease lines, and mobile communications. Vishipel is a 100% owned subsidiary of Vietnam Maritime Corporation that provides marine communications services. SPT is the first enterprise to be equitized with a number of large shareholders including VNPT, which holds 18% of the total shares. Hanoi Telecom is the first telecom carrier with private investment, and this company provides services for fixed lines limited to Hanoi areas only and long distance and IP-based telecommunications, lease lines, and mobile communications. Among the licensed telecom operators, VNPT is still the dominant player accounting for 94% of fixed telephone market share and 72% of cell phone market share.

## **Cell Phone Networks**

2006 marked outstanding growth in Vietnam's telecommunications industry, especially the cell phone sector. The cell phone market has seen markedly lower phone charges and higher service quality over the past two years.

Figures for subscribers nationwide provided by a top VNPT executive show 2.7, 4.5 and 8.7 million people subscribing in 2003, 2004, and 2005 respectively. Estimates put the number of cell phone subscribers in 2006 at 16 million. In 2006, cell phone subscribers accounted for 61% of total phone subscribers. Predictions are that the number of cell phone subscribers will hit 20 million and 25 million in 2008 and 2010 respectively, with a phone density of 42 lines/100 inhabitants; of which 2/3 will be cell phone subscribers.

The market in Vietnam is currently divided among five cell phone network operators, with one new entrant planning to launch service soon. Investments by the major cell phone networks are: Vinaphone (\$130 million), Mobifone (\$456 million), S-Phone (\$230 million), EVN Telecom (\$630 million), and Hanoi Telecom (\$656 million). The market is dominated by the three top carriers: Vinaphone (by GPC of VNPT), Mobifone (by VMS of VNPT), and Viettel Mobile, with approximately 4, 4.7, and 2.5 million subscribers respectively. S-Fone (an SPT venture with a Korean consortium) has only 4.24% market share. EVN Telecom just launched CDMA service this year, so it has a modest market share of several hundred thousand subscribers only. Hanoi Telecom will be the first to apply 3G technologies in Vietnam. This is a project between Hanoi Telecom and Hutchison Telecommunications on a CDMA2000 3G mobile network valued at \$655.9 million for a period of 15 years. Hanoi Telecom is under intensive preparation for the new CDMA mobile phone network.

It is anticipated that EVN Telecom and Hanoi Telecom will bring a new breath to Vietnam's telecommunications market, though these two new cell phone carriers have not created any remarkable changes, except the action balancing the number of carriers using two different GSM and CDMA technologies, i.e. three licensed mobile network operators are running or will operate GSM mobile networks operators and three run CDMA mobile networks. Although there are now 3 CDMA networks, their development is rather weak and the number of subscribers is low. However, EVN Telecom and Hanoi Telecom use CDMA technology with advanced 3G capabilities (faster than GSM). This will certainly help them to become top carriers in the future.

## **Internet**

Apart from the telephone market, the Internet market has also developed rapidly. Internet has become very popular with the entry of several new Internet Service Providers (ISP). WiFi is no longer a just a fancy word, with widespread usage and connectivity. Vietnamese have also become familiar with WiMax, as the Internet is being popularized nationwide.

As of September 2006, the number of Internet subscribers in Vietnam stood at 3.86 million, of which there were 375,000 broadband subscribers; with an estimated 14 million people or 16.85% of the population using the Internet regularly, expected to reach 35% by 2010. At present, the country's international bandwidth is 3,625 Mbps. Broadband market demand has increased significantly and has vastly surpassed local Internet capacity. However, Internet distribution is not uniform with 72.76% of Internet subscribers in the two cities of Hanoi and HCMC. Seven other cities and provinces including Hai Phong, Thua Thien-Hue, Quang Nam,

Da Nang, Khanh Hoa, and Binh Duong account for 10.48%, and the remaining 55 provinces account only for 16.76%.

So far, there are 9 Internet service providers in operation with market shares divided as follows as of September 2006: VNPT/VDC (41.56%), FPT (22.36%), Viettel (16.49%), EVN Telecom (12.29%), SPT (3.94%), Netnam (2.56%), OCI (0.54%), Tienet (0.15%), and Hanoi Telecom (0.07%).

## **Satellite**

In May 2006, U.S.-based Lockheed Martin and VNPT held a signing ceremony to award the U.S. firm a \$168 million contract to supply Vietnam's first communications satellite. Including ground facilities, the total project is expected to cost \$230 million. The satellite will be manufactured in Lockheed's Pennsylvania facility and will be launched in two years, providing roughly 15 years of service. Vinasat will be a geostationary satellite, employing eight C-band channels and 12 Ku-band channels to provide broadcast and telecommunications service (video, data, voice) to the Asia-Pacific region. With the launch of its first telecom satellite scheduled for 2008, Vietnam expects to save tens of millions of dollars each year paid by Vietnamese state-owned firms to foreign satellite operators for use of international channels.

## *Opportunities*

To meet increasing market demand and increased competition following Vietnam's accession to WTO, Vietnamese telecommunication operators need to enhance their competitiveness by adopting new technologies and enhancing human resource capabilities. They are seeking considerable transfer of technology and know-how via foreign involvement in the telecommunication sector, although the market is likely to open at a gradual pace in line with Vietnam's commitments.

The major buyers for the telecommunication equipment and services are listed below:

Fixed telephone service operators:

- VNPT (Vietnam Posts and Telecommunications Group)
- EVN Telecom (Electricity of Vietnam)
- Viettel (Military Electronics Telecommunications Corporation)
- SPT or Saigon Postel (Saigon Posts and Telecommunications Service Corporation)
- Hanoi Telecom (Hanoi Telecommunications Company)

International telecommunications service operators:

- VNPT (Vietnam Posts and Telecommunications Group)
- EVN Telecom (Electricity of Vietnam)
- Viettel (Military Electronics Telecommunications Corporation)

Mobile communications service operators:

- VNPT (Vietnam Posts and Telecommunications Group)
- Viettel (Military Electronics Telecommunications Corporation)
- SPT or Saigon Postel (Saigon Posts and Telecommunications Service Corporation)
- Hanoi Telecom (Hanoi Telecommunications Company)

Internet services providers:

- VNPT (Vietnam Posts and Telecommunications Group)
- FPT (FPT Group)
- Viettel (Military Electronics Telecommunications Corporation)
- EVN Telecom (Electricity of Vietnam)
- Hanoi Telecom (Hanoi Telecommunications Company)
- SPT or Saigon Postel (Saigon Posts and Telecommunications Service Corporation)
- OCI (One-Connection Internet Service Joint Stock Company)
- Tienet (TIE/Trade Import Export Company)
- Netnam Company (Netnam)

## Application #8 : Internal diagnosis

<i>QUESTION : use documents below to make the internal diagnosis of Vinashin</i>
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### VINASHIN

Vietnam has been listed as one of the top shipbuilders in the world by Fairplay magazine in 2007. And the country's shipbuilding sector is on track to reach the top four largest in the world. Representing approximately 80% of the domestic shipbuilding capacity. Vietnam Shipbuilding industry Group (Vinashin) is the largest shipbuilder and the most active industry player in Vietnam. Vinashin offers a diversified business including shipbuilding, ship repair, shipping, heavy industry and other related services with an emphasis on core business in shipbuilding and ship repair.

Offering a wide variety of newbuilding choice from bulk carriers, container ships, oil tankers, car carriers to other custom made-to-order ships, all with sizes ranging from smaller sub-handly size to VLCCs, Vinashin can meet the hard requirements of the international Shipping community. Vinashin's order book is now in excess of 14,000,000 DWT of which 40% is for domestic market and 60% is for international markets. Key customers include many respected names from the European shipping market such as UK, Norway, Denmark, Germany, Greece, Holland, Israel, Italy, etc. to Asian customers from Japan and Korea.

Compared to major players from established shipbuilding nations like Europe, Japan and Korea, Vinashin has been considered as more flexible and adaptive to constructive terms and conditions.

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## **A new CEO for Vinashin**

HANOI—Vietnam appointed a senior executive at the nation's state-run petroleum giant to take over Vietnam Shipbuilding Industry Group, which has fallen under scrutiny after the arrests of top managers showed the potential vulnerability of Vietnam's state-controlled corporate champions.

The government Wednesday said Vietnam Prime Minister Nguyen Tan Dung named Nguyen Ngoc Su, the deputy general director of PetroVietnam, as the chairman of the shipbuilding company, which is known as Vinashin. The appointment is part of the government's effort to restructure the company within the fourth quarter this year, the government said in a statement earlier this week. Vinashin will now focus on ship building and repairing, and training human resources for the shipbuilding industry, the government said.

The company's former chairman, Nguyen Thanh Binh, was fired and then arrested in August pending a criminal investigation into his role in alleged accounting and financial mismanagement that put the company deep in debt. Mr. Binh has been unavailable for comment. The unlisted company, the country's ninth largest based on assets, was burdened with a total debt of 86 trillion Vietnamese dong (\$4.43 billion) at the end of June, while its total assets were 104 trillion dong, the government said earlier.

According to documents reviewed earlier by The Wall Street Journal, Vinashin expanded too aggressively in its bid to become a major global shipbuilder, including investments in industries unrelated to shipbuilding. Lax oversight and a pervading disregard for financial regulations added to the crisis, the documents said. The government and company have declined to comment on the matter.

Many of Vietnam's 4,000 state companies have expanded their reach in recent years as capital flowed into the country. In many cases, Vinashin and other state companies were encouraged to expand and take more risk by a government eager to turn them into global powerhouses

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## **Vinashin: A rising giant**

As one of Vietnam's leading industrial concerns, the state-owned shipbuilding corporation Vinashin Group plays a vital role in the country's plans for economic expansion. And with about 18,000 skilled employees working in 28 yards, and an additional 10 now under construction, Vietnam's ambitions to emerge as a leading shipbuilding nation may soon be a reality.

Established in 1996, Vinashin's astonishing growth over the last five years has attracted significant interest from the global shipping industry. While the company's 28 existing shipyards produce about 100 vessels a year and is best known for car carriers, crude oil tankers, chemical tankers and feeder container vessels, the company's willingness to work in partnership with international shipowners and suppliers has helped develop the competence to compete for larger and more specialised tonnage.

According to the Vinashin Group's Chief Business Officer, Nguyen Quoc Anh, the company has worked hard to establish itself on the global shipbuilding map. "Vietnam's long coast, proximity to

international trading routes, and our access to a young, affordable and open-minded workforce has given us a unique advantage," says Anh. "In addition, the government's support of Vinashin, and welcoming approach to international companies, has given us the tools to grow."

### **Great expectations**

Anh notes that while the company has achieved a lot in pursuit of its ambitions to be ranked the fourth largest shipbuilding nation in the world in the next decade, many challenges remain. "Like many competing yards around the world, recruiting and maintaining skilled workers remains an issue," he says. "We have been successful in hiring and developing yard workers, and are seeking to step up our efforts to attract qualified management personnel."

Recently, Vinashin and the Vietnam Maritime University (VIMARU), announced plans to team up with the Norwegian Marine Technology Research Institute and Norway's Marintek and Den Norske Veritas (DNV) to collaborate on a project to enhance capacity development in Vietnam. The objective is to strengthen the training capability and capacity at VIMARU to meet the demands of the international shipowners, with a special focus on naval architecture, ship design, research and development and transportation and logistics education, among other issues.

### **Competence building**

Anh notes that the company is also working with DNV to develop Vietnam's shipbuilding industry through a three year training programme for Vinashin shipyard management and staff, a programme supported by the Norwegian Agency for Development Cooperation (NORAD). "More than 1,000 individuals have already been through the programme, and over the next three years, we expect about 3,000 workers to complete training."

Another focus area for Vinashin is to improve its management of production risk to ensure they can deliver on customer expectations. "Shipowners have become increasingly sensitive to production delays," says Anh. "We recognize that to remain competitive, we have to not only delivery quality vessels but optimize our work processes to ensure we meet the demands of our customers."

### **Managing future challenges**

Anh notes that by investing in additional training and improved production risk management, the company will be better equipped to manage fresh challenges in the future. "Uncertain global economic conditions may put pressure on the global shipbuilding industry in the coming years," says Anh. "We believe that by building our technical competence and improving our production efficiency now, our affordable cost model will continue to be attractive, especially in more competitive markets."

In the meantime, Vinashin will continue to work in close cooperation with international suppliers. Last summer, Vinashin Group announced collaboration with Kongsberg to supply integrated Monitoring and Control Systems for five new 13,000 Dwt Product/Chemical carriers being built for Greek owner, IASON Hellenic Shipping Co. Ltd. The project, which will take place at the Vinashin Group-owned Pha Rung Shipyard in Hai Phong City east of the Vietnamese capital Hanoi, represents the first cooperation of this size between Vinashin and Kongsberg Maritime.

### **Facts about integrated solutions**

The monitoring and control concept chosen by Vinashin Group includes an integrated solution for machinery control and cargo management. The concept relies on a distributed and open system design, which employs a fully backed-up system-wide standardized communication network. The

communication network integrates the K-Chief machinery control and K-Gauge level gauging and cargo control, into a complete solution that enables safe and efficient operations. With common hardware components utilized, the system enables both increased reliability and a competitive life-cycle. The system also features ballast and service tank sensors and deck instrumentation. The Kongsberg Maritime Integrated Monitoring and Control System include the sophisticated K-Gauge system with radar tank gauges for accurate cargo tank gauging. The integrated system also offers control of all cargo and ballast valves.

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### **Vietnam to revamp debt-laden shipbuilder Vinashin**

Tue, Jul 6 2010

HANOI, July 6 (Reuters) - Vietnam will restructure Vinashin, its top shipbuilder, cutting its non-core businesses after the firm was found to be nearly bankrupt, a ruling party commission said.

The case of Vinashin, which followed a pilot scheme to reform state-run businesses, has raised concern over the effectiveness of the reforms, economists have said. The ruling Communist Party found Vinashin Chairman Pham Thanh Binh, who also heads the party chapter at the firm, "irresponsible in the mobilisation, management and use of the state capital, pushing Vinashin to the brink of bankruptcy".

The Commission for Inspection under the Party's Central Committee said in a statement Vinashin also made false financial reports to the government in recent years and invested heavily outside its core business which led to bad debt of "tens of trillion dong". More than 5,000 Vinashin workers, or nearly 10 percent of the workforce, have lost their jobs and the firm has failed to pay 234 billion dong (\$12.3 million) in salaries and social insurance to workers, the commission said in a statement issued late on Monday.

Vinashin will focus on its core business in ship building and auxiliary industries, and transfer projects in its non-core business to other companies, the government said in a statement last Thursday.

State oil group Petrovietnam and state-run shipper Vinalines will take over some Vinashin projects and assets, Pham Viet Muon, deputy head of the government's Steering Committee on Enterprises Renovation and Development, told a briefing last Friday.

He gave no timeframe but other state-run media said Vinashin would be divided into three parts by Sept. 30. Vinashin was the sole recipient of proceeds from the country's maiden \$750 million sovereign bond issue in October 2005. It has invested the funds in building ships and will start repaying the debt from 2012. The group operated well in 2006-2007, having signed contracts with a value of up to \$6 billion, but it ran into troubles in 2008 partly because of the global financial crisis, Muon was quoted by the official Tuoi Tre (Youth) newspaper as saying on the weekend

Vinashin's outstanding debt stood at more than 80 trillion dong (\$4.2 billion), part of which will be transferred to Petrovietnam and Vinalines, Muon said. (\$1=19,080 dong) (Reporting by Ho Binh Minh)

### **Vinashin to build two ships for Norway**

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12/07/2011 | 21:36:11

The Nam Trieu Shipbuilding Industry Corporation (Nasico) under the Vietnam Shipbuilding Industry Group (Vinashin) on July 12 inked a contract on the building of two ships, each with the capacity to carry 6,900 cars, for the Blystad group of Norway. The car carriers, which measure 199.9 m in length, 32.26 m in height and 10 m in draught, will be equipped with modern facilities and technology to meet the latest international shipping standards. They will be built to the design of DeltaMarin of the



Netherlands under the supervision of DNV of Norway. The first ship was expected to be completed and transferred in October 2013 and the other, in April 2014. Addressing the signing ceremony, Deputy Prime Minister Nguyen Sinh Hung said the contract expressed the trust of the Norwegian state and shipping companies in Vinashin. He said the contract was a commitment of quality, time, trust and the brand of Vinashin to domestic and foreign shipping companies in the future. He asked Vinashin and Nasico to maintain and develop the Vinashin brand as well as contribute to celebrating the 40th anniversary of cooperation between Vietnam and Norway. Also at the ceremony, Nasico signed another contract with Hoegh Autoliner of Norway, under which Hoegh Autoliner will send 16 experts to help Nasico build the two car-carrying ships. Nasico General Director Do Van Thau said that previously Vinashin and Nasico had signed with Hoegh Autoliner a contract to build the two ships. However, that contract was cancelled due to difficulties experienced by Vinashin and Nasico as well as global conditions. The new project was a result of active assistance from Hoegh Autoliner and Blystad

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### **RoK-VN joint venture to build three big ships**

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08/08/2011 | 18:56:03

The Hyundai Vinashin Shipyard Co Ltd (HVS) recently held a keel-laying ceremony in central Khanh Hoa province for the construction of three large ships for its foreign partners. The cargo ship coded S059 was ordered by the Hyundai Merchant Marine Co., Ltd of the Republic of Korea (RoK) for the first time. The 200m long and 18.3 m wide ship, with a capacity of 60,000 DWT, was expected to be completed and launched in early November and delivered to the RoK shipowner in January, 2012. The 56,000-DWT S046 ship, with length of 18.3m and height of 18.3 m, and having a speed of 14.5 sea miles per hour, which was being built under a contract inked between HVS and the Geden Lines shipping company of Turkey, will be also transferred at the end of January, 2012. The S067-coded ship, 187m in length, 27.8m in width and 15m in height, was the fourth ship HVS had built for the Hi Gold 22 International S.A. (Hi-Invest) of the RoK. The ship was scheduled to be launched in February, 2012 and transferred to Hi-Invest one month later. Established in 1996, HVS was a joint venture between the Hyundai Heavy Industry Group of the RoK and Vietnam Shipbuilding Industry Group (Vinashin). After more than 10 years of providing only ship repair services, HVS switched to ship building in March. This year, HVS planned to hand over 12 fully made ships, earning a total turnover of 490 million USD, a 67 percent increase on the previous year

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### **Vinashin set to build 20 ships for Vinalines**

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22/11/2010 | 21:34:00

The Vietnam Shipbuilding Industry Group (Vinashin) on Nov. 22 signed a framework agreement with Vietnam National Shipping Lines (Vinalines) to build 20 new ships. At the ceremony, Vinalines and Bach Dang Shipbuilding Industry Corporation inked a contract on the building of three 22,500 tonne cargo ships while the International Shipping and Labour Cooperation Joint Stock Company (Inlaco) and Pha Rung Shipbuilding Industry Corporation agreed on a 34,000 tonne cargo ship order. Addressing the signing ceremony, Nguyen Ngoc Su, Chairman of Vinashin's member council, said the signing of the framework agreement was in line with the Prime Minister's Decision No. 926/QD-TTg, adding that since July this year, the two sides have closely cooperated in the implementation of the decision to restructure the group. In order to carry out the marine economy development strategy, Vinashin built a total of 32 ships during the 2003-2009 period and aims to build 40 ships in the 2009-2013 period, Su said./.

## Application #9 : strategic moves

*QUESTION : use Sacombank's profile and documents below to define Sacombank's main strategic moves*

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### **Sacombank to facilitate farm produce import from US 10/8/2010**

Saigon Thuong Tin Commercial Bank (Sacombank) has been chosen to draw up the letter of credit (L/C) for farm produce import from the US under the Export Credit Guarantee Programme, or GSM-102.

The programme covers credit terms of up to 12 months with the total limit of \$20 million. The Commodity Credit Corporation (CCC) under the US Department of Agriculture has picked four banks in Vietnam for the programme.

The programme will help local farm produce importers gain access to capital sources with preferential terms and interest rates. This is also a chance for Sacombank's corporate customers to expand business with prestigious exporters in the US

The bank has also joined hands with the US Department of Agriculture and US Consulate general to hold a seminar introducing benefits of the GSM-102 transactions to Vietnamese importers.  
The Saigon Times Daily

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### **Sacombank enters into strategic partnership with Duc Long Gia Lai Group 6/28/2010**

Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank) and Sacombank Securities Joint Stock Co (coded SBS) have officially signed an agreement with Duc Long Gia Lai Group Joint Stock Co (coded DLG) to set up strategic partnership relations.

Accordingly, Sacombank committed to provide in time credits for each business period of Duc Long Gia Lai Group. Meanwhile, the group pledged to use the bank's products and services such as international payment service, trade funding and to cooperate with Sacombank in co-investing in joint projects.

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### **Sacombank pioneers Platinum Visa Card in Vietnam**

4/19/2010

**Hochiminh City, 16th April, 2010:** *Sacombank is the first bank launching the Platinum Visa Card. Any customer who earns more than VND 60 million per month can apply for this luxury card that provide a high level of service. The cardholders are granted a credit limit ranging between VND 200 million to VND 1 billion . Furthermore, the cardholder will shall automatically be insured against personal accident with claims of up to USD 500,000.*

Besides providing services such as cash withdraw, shop now-pay later via Global system or through Internet, the Platinum Visa Card brings increased convenience to customers such as airflight booking, hotel booking, luxury car rental as limousine, access to business information such as booking conference rooms, fax machines, laptop, translators, visa/passport, ATM locations, foreign exchanges rate, languages.. All services are provided on demand when the cardholder log in to [www.visaplatinum.com](http://www.visaplatinum.com) or call a 24-hour free hotline **1800 58 58 23**.

Platinum Visa cardholders shall be provided promotional information on 5 star hotels, spa services, beauty salons, fashion shops.. all over the world by Visa Platinum Club and Sacombank Platinum customer service channel. Cardholders shall have an overview of budget plan for the next year with the detail credit balances sent at year end.

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## **USD20 million to support SMES**

11/18/2009

Proparco - the subsidiary of the French Development Agency (Agence Française de Développement - AFD) and Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank) have signed a credit facility agreement of USD20 million to reinforce the medium and long term lending capacity of Sacombank, to support its small and medium enterprises (SME) lending activity.

The agreement was signed by Mr. Tran Xuan Huy - CEO of Sacombank and Mr. Jean Michel Severino - CEO of AFD, President of Proparco during the Franco-Vietnamese Forum of Entrepreneurs, in presence of Standing Deputy Prime Minister of Vietnam, Mr. Nguyen Sinh Hung and the Prime Minister of France, Mr. François Fillon.

As part of this financing, Proparco also participates to the improvement of Sacombank's environmental and social practices by assisting the bank to implement a monitoring of the environmental and social impacts of its lending activities.

Moreover, this dollar financing contributes to the stimulus package deployed by the Vietnamese authorities, in an environment where the international financial crisis has made long term financial resources scarcer, illustrating Proparco's counter cyclical role. Facilitating access to credit for SMEs is indeed one of the critical aspects of the Government's plan given the essential role of these enterprises for the country's economy.

### **About Proparco**

Proparco is the subsidiary of the French Development Agency (Agence Française de Développement - AFD) – France's main provider of bilateral overseas' development aid - for the financing of the private sector. Founded in 1977, Proparco provides long term financing in the form of debt or equity to private to banks, infrastructure and industrial projects in over 60 emerging and developing countries. AFD has committed in total in excess of EUR900 million to the public and private sector in Vietnam since it started its operation in this country in the late 90s.

**About Sacombank**

Founded in 1991, Hochiminh City-based Sacombank is one of Vietnam's largest privately owned banks with about 3% of system assets and total assets of VND 98,243 billion (USD 5,519 million) as at 30 September 2009; its network with nearly 290 branches and transaction offices in 45 out of 63 Vietnamese provinces, a representative office in China, a branch in Laos and a branch in Cambodia. Sacombank is the first bank to be listed on Hochiminh City Stock Exchange (HOSE) and highly appreciated by international organizations via prestigious awards including "Best Bank in Vietnam 2008" by FinanceAsia UK; "Best Bank in Vietnam 2008" by Global Finance US; "Best Domestic Bank in Vietnam 2008" by The Asset Hong Kong; and "Vietnam Retail Bank of The Year 2008" by The Asian Banking and Finance UK. Sacombank's largest shareholders are Australian and New Zealand Banking Corporation and Dragon Financial Holdings.