

Urgent Tasks for Commercial Banks in Working out Their Business Strategies

by TRẦN MINH KHOA

Photo by Thiên Triều



After Vietnam became the 150th member of the WTO in Nov. 7, 2006, its banking sector had a specific track for international integration and one of important milestones is set on April 1, 2007.

As one of key sectors of the economy, the banking system has experienced radical reform in recent years. In each stage of development, it has achieved encouraging results and learnt precious lessons from its far-reaching shortcomings. Its operations allow conclusions about causes of shortcomings; and the most important one is failure to pay full attention to the long-term business strategies. This explains why many banks, after a short

period of expansion, have met with difficulties and fallen behind their rivals. Both foreign and domestic experience shows that the task of working out such strategies is essential to their survival and development in a more competitive market.

The task of building business strategies in the international integration is a matter of great urgency for commercial banks because it allows them to (1) estimate their business performance thereby drawing lessons from their activities needed for making decisions in the next stage of development; (2) analyze the business climate (economic, political, legal, technological, and

cultural aspects, among others) and its effects on the banking system, and predict reactions by the system to these effects; (3) analyze internal environment to identify strengths, weaknesses, opportunities and threats; (4) determine business objectives; and (5) work out plans and steps to achieve their objectives when the system is integrated into the world market.

To make their business strategies more feasible, commercial banks had better consult experts from the SBV, advisory services, senior officials in the banking system, and their own managers; and use various methods of gathering and analyzing quantitative data from surveys of companies, individual customers and their own workforce (such as EFE, IFE, SWOT, and BCG, etc.) to analyze the business climate, their own operations and activities of rivals.

Theoretically, the task of building and implementing business strategies requires analyses of one own operations and lessons from successful banks, and compliance with the standard structure of a business strategy (including general concept of strategic management, and profound analyses of operations; missions and objectives for each stage of development, etc.).

Studying of theories of the making of business strategy; strategic management; business climate and business operations, suggestions of strategies for commercial banks during the international integration and business strategies adopted by some major commercial banks in Vietnam, allows us to draw the following contents:

(1) The business climate in Vietnam is changing rapidly, especially after Vietnam joined the

WTO in 2006, which brings about great opportunities and challenges.

(2) The international integration forces the banking system to remove all kinds of barriers, discrimination and protective measures by 2008 and 2010, the definite date for Vietnam to implement requirements posed by the trade agreement signed with the U.S. This means that banks in Vietnam have to compete against one another in a level playing ground without any discrimination. In such an environment, local banks have a lot of opportunities to accelerate their development while dealing with great challenges.

(3) Besides chances to increase their financial strength, adopt new technologies and managerial skills, and improve their profit, local banks are also facing such dangers as keener competition from foreign rival, loss of market shares and customers, and poor business performance. Therefore, local banks find it difficult to survive and develop by doing the business according to old practices that only aim at short-term results. This means that they should adopt new and long-term business strategies to achieve their full potentials, overcome shortcomings, and make the best use of socio-political stability and high growth rate to obtain sustainable development.

Recent studies show that the most effective way for local banks to find firm footholds during the international integration is to make the best use of external resources based on long-term business strategies with clear objectives ■

Measures to Develop the Capital Market in 2007-2010

by BÙI THỊ TRÚC QUY

The Socioeconomic Development Strategy for the years 2001-2010 sets a target of doubling the GDP by 2010 in comparison with 2001. In the years 2006-2010, it demands a growth rate of 7.5% or 8% or higher if possible.

To achieve this target, the gross investment should amount to US\$140 billion, or 40% of the GDP, comprising 65-67% from domestic sources and 33-35% from foreign ones.

ones in recent years. In 2006 in particular, Vietnam's capital and finance markets gained very high growth rates and became an attractive destination in the eyes of foreign investors.

In such a situation, attracting more foreign investment, developing the capital market safely and integrate it into regional and international markets are major targets for financial authorities.

Sammy Ho, Director of Euro Events – organizer of capital market



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Vietnam is integrating actively into the world market and opportunities to attract foreign investment are open to all sectors, which reflects itself in the boost in the stock market.

According to many experts, the Vietnamese finance market is among the world's fastest growing

supporting conferences – has remarked that the Vietnam's finance market had made so good progress that the Euro Events decide to hold a conference on development of capital and finance markets in Vietnam in late 2006.

The fact the Government is determined to equitize state-owned