

Media title: Transform to grow

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BUSINESS REPORT



TRANSFORM TO GROW

Mr. Hoang Hung, Vietnam Markets Leader at PwC Vietnam, tells VET that local companies need to take a holistic approach to transformation and strive towards better corporate governance.

■ **It is said that local companies should transform during economic integration. Do you agree?**

There is a need for local companies to transform in order to attract more foreign investment and, in some cases, compete with foreign players. For companies who have ridden the wave of economic integration over the past decade, it is time to assess their current state and change to fit the new circumstances. Usually, they will need a total transformation solution.

Companies need to start by defining their strategic direction then compile a business plan and a business structure for the company. They may want to divest in some areas and keep only the core business, in order to align with the growth strategy.

Transformation means that businesses will have to change a great deal internally, such as in their corporate governance structure, organizational structure, and processes for financial reporting and management reporting. They will also need to enhance human capital and invest more in tools that help them manage the business better.

■ **To what extent have Vietnamese businesses become open to the idea of transformation to harness the opportunities that are emerging?**

Many local businesses realize that they lag behind foreign players in terms of corporate governance, productivity, and position in the value chain. They know that there will be increasing challenges from automation and digitization. Readiness to act, however, is lacking.

Transformation is a big decision to make for business leaders. Sometimes they have to compromise. On the one hand, there are plenty of immediate growth opportunities coming in and businesses fear that if they do

not seize them they will be gone. They are afraid that growth may slow down if they have to hold back and invest to make the business more professional, transparent, and effective. On the other hand, they do recognize the need for change in the long term. That is the paradox for many large corporations nowadays.

For certain sectors, such as financial services, change comes more easily. Banks have stricter regulations and standards to comply with. So, they are investing quite significantly in making their business more advanced and digital. In doing so, they are also trying to become more competitive. For other sectors, the pressure to become more professional is not that high and they are slower in getting on par with more advanced markets.

■ **Why do you think corporate governance is important for Vietnamese companies? How far are they from achieving international standards of corporate governance?**

Along with talent and technology, corporate governance is key to sustaining growth in the long term. Effective corporate governance means transparency in ownership and management, standardized controls and monitoring mechanisms, and a strong board of directors that is capable of balancing the interests of different stakeholders.

International practices in corporate governance are slowly making their way into local companies, starting with listed companies. Progress has been rather gradual thus far because many local companies will not act unless there are laws and regulations that force them to do so. That is why we have been working with authorities, regulators, international organizations, professional bodies, and relevant major market players to prepare

appropriate guidance and regulations that would provide a foundation for companies to start with.

Companies can make use of initiatives like the Vietnam Corporate Governance Initiative or the Vietnam Institute of Directors. By means of conferences, workshops, and seminars, these initiatives aim to educate directors and management at listed companies on the concept of corporate governance. Company leaders and their board of directors then implement it voluntarily, because they understand the benefits of following leading practices. They are well-prepared for whenever actual regulations come and thus have an advantage.

■ **What are the most important resources for transformation?**

I think recruitment of new talent to strengthen human capital at the company and bringing in international perspectives are very important. This is because Vietnamese companies are competing with their peers in Vietnam and, increasingly, with multinational companies. A number of companies who were key players in the market have now been side-lined because they lack the capacity to grow further. This has been partly due to human capital, including on the board and in executives, as well as an inability among shareholders and business owners to invest in it.

You cannot transform if you don't have a team with "tone at the top", who are actually motivated to change. You can invest in excellent infrastructure and excellent systems, but if you don't have anyone to govern, supervise, and execute plans properly it will all be in vain. The foundation of any business is its people. It's about having the right talent to make the right decisions to direct and run the business. ■