

# Viettel Group Report: Decoding a Rare Success Among Vietnamese Enterprises

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## Abstracts

The Economist Intelligence Unit in a recent report has stated: “Vietnam's reputation as one of the most vibrant emerging markets is quickly being undermined by macroeconomic instability and serious financial troubles at one of the country's large state-owned enterprises (SOEs), the Vietnam Shipbuilding Industry Group (Vinashin). In late December Vinashin defaulted on the first scheduled repayment of an eight-year US\$600m international syndicated loan that was arranged in 2007. Vinashin had asked its creditors for a postponement of the first scheduled principal repayment of US\$60m, to no avail, and the government decided against providing Vinashin with any direct financial assistance to meet its debt repayment obligations. Vinashin's debt-driven expansion plans were a central part of the government's tactics to create a series of powerful state-owned conglomerates to guide the development of Vietnam's economy. At first Vinashin was successful, and its core business grew rapidly with the firm amassing stacks of foreign orders. However, during the global economic crisis the firm's order book shrank, and in mid-2010 it was on the brink of collapse with US\$4.4bn in debts and a discredited management team, several of whom, including its former chairman and chief executive officer, Pham Thanh Binh, were arrested for allegedly masking the extent of the firm's financial problems and violating government management rules.”

The above remark seems true about the downgrades and the damage to investor confidence on the Vietnamese government and large state-owned enterprises (SOEs) generally, but there is always an exception. VIETTEL is an SOE which has done its country and the Vietnamese people proud. Take, for an example, Dr. Nguyen Cong Phu, General Director of APAVE Vietnam and Southeast Asia, has stressed with his staffs: “VIETTEL's success is making Vietnam and the Vietnamese proud.” Among 21 SOEs which were formed in 1991 called “GROUP 91”, VIETTEL contributed 21.9% of

total profit before taxes in 2010.

We will decode such rare success in this comprehensive report. First, we will review some historical milestones of VIETTEL Group including the operator's achievements, awards, and recognition. Second, we will take a deep look at details of the Group: name, website, logo, main office location, legal back ground, corporate governance, group features, charter capital, lines of businesses, management, staffs, revenues, subsidiaries and affiliates, subscribers, and network capacity. We will see several unique characteristics from a military-based enterprise which is growing very fast to become one of the most powerful groups in the world. Although VIETTEL is a late mover in markets such as Vietnam, Cambodia, and Laos, but VIETTEL has ushered in a telecommunications revolution in just a few years in these countries using the same approach of focusing on rural customers.

Next, readers will have the opportunity to review the foundation from which VIETTEL has built its strategic planning. A traditional SWOT analysis is performed. Key issues such as group values, leadership and group culture are also addressed. We then can determine how VIETTEL's strategy might look like. We also have opportunities to go beyond traditional boundaries of strategic thinking of enterprises by entertaining ourselves with new school of thoughts from VIETTEL. We can see that without those "soft" values rooted back into the group philosophy and principles of doing business and corporate social responsibility programs there might not have such a VIETTEL today. The love and passion are part of VIETTEL culture: being solicitous, assisting others, and inspiring a passion in each other to overcome challenges.

The next and interesting part is about how VIETTEL executes its strategy in reality. We will review how the core group strategies as well as supplements such as strategic alliance and partnership, diversification into other areas, vertical integration, horizontal integration, and geographical expansion are implemented. We could advocate the right strategic marketing decision which is to provide telecommunications services only after the infrastructure is ready to ensure that the "product" offering is complete. Finally, we also give our comments on what VIETTEL could act in order to have a better performance.

The reason we chose to write about VIETTEL is mainly because the operator impresses us the most with a differentiate way of growing and winning competition. Their strategy is explicit but no one else could ever imitate. VIETTEL is in fact a good example for any enterprise in terms of drafting and executing their strategies effectively. More importantly, we have learned from this enterprise given their combined Eastern and

Western philosophies in doing business. We are glad to present this case study which makes Vietnam and Vietnamese people proud to interested parties.

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