MASTER OF FINANCE – BANKING – INSURANCE
(Southeast Asia)

Business strategy formulation for Saigon - Hanoi Commercial Joint Stock Bank - Quang Ninh Branch from 2017 to 2022

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Hanoi, Jan 2017
ACKNOWLEDGEMENT

In the process of completing this thesis, I have received valuable support and help from several people, organizations and enterprises.

First and foremost, I would like to express my sincere appreciation to International School - Vietnam National University Hanoi and University of Nantes for providing me with dedicated help to finish my challenging cmyse and complete my thesis. Particularly, I would like to express my deepest gratitude to my professors and lecturers for giving me valuable lectures with all their hearts. Special thanks should go to Dr. Mai Anh for imparting me the knowledge of Strategic Management and instructing me to complete the Thesis in order to achieve high academic results.

Last but not least, I also sincerely thank Saigon Hanoi Commercial Joint Stock Bank - Quang Ninh branch for supporting me in collecting data to complete the Thesis. Sincere thanks should also go to my office for creating favorable conditions for me to participate in the program.
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<tr>
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<tr>
<td>ATM</td>
<td>Automated teller machine</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<tr>
<td>CA</td>
<td>Competitive Advantage</td>
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<td>ES</td>
<td>Environment Stability</td>
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<td>EFE</td>
<td>External Factor Evaluation (Matrix)</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FS</td>
<td>Financials Strengths</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IS</td>
<td>Internals Strengths</td>
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<td>QSPM</td>
<td>Quantitative Strategic Planning Matrix</td>
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<td>ROA</td>
<td>Return On Assets</td>
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<td>ROE</td>
<td>Return On Equity</td>
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<td>SHB</td>
<td>Sai Gon - Ha Noi Commerical Join Stock Bank</td>
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<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities, Threats</td>
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<tr>
<td>SO</td>
<td>Strengths, Opportunities</td>
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<td>ST</td>
<td>Strengths, Threats</td>
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<td>SPACE</td>
<td>Strategic Position &amp; ACtion Evaluation (Matrix )</td>
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<td>WO</td>
<td>Weaknesses, Opportunities</td>
</tr>
<tr>
<td>WT</td>
<td>Weaknesses, Threats</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<tr>
<td>BIDV</td>
<td>Joint Stock Commercial Bank for Investment and Development of Vietnam</td>
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<td>Vietcombank</td>
<td>Joint Stock Commercial Bank for Foreign Trade of Vietnam</td>
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<tr>
<td>(VCB)</td>
<td></td>
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<td>Vietinbank</td>
<td>Vietnam Joint Stock Commercial Bank for Industry and Trade</td>
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<td>Techcombank</td>
<td>Vietnam Technological and Commercial Joint Stock Bank</td>
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<td>MSB</td>
<td>Vietnam Maritime Commercial Joint Stock Bank</td>
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<td>ACB</td>
<td>Asia Commercial Joint Stock Bank</td>
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<td>MB</td>
<td>Military Commercial Joint Stock Bank</td>
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<td>Agribank</td>
<td>Vietnam Bank for Agriculture and Rural Development</td>
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<td>VIB</td>
<td>Vietnam International Commercial Joint Stock Bank</td>
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<td>EXIMBANK</td>
<td>Vietnam Export – Import Commercial Joint Stock Bank</td>
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<td>VND</td>
<td>Vietnamese Dong</td>
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<td>QN</td>
<td>Quang Ninh Province</td>
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I. The necessity of the research

1. General context

In recent years, thanks to the renovation policy of the Party, our country’s economy has experienced rapid, solid and powerful development steps. In order to promote the country’s industrialization and modernization, there is an inevitable way which is to apply the world’s advanced achievements of technological and social science to the specific circumstances of Vietnam.

The experience of many countries shows that applying the achievements of technological and social science in general and management science in particular is the key factor which is highly efficient for the development process of economy in general and businesses in particular.

In the context of these economic happenings, the operation of the commercial bank system in Vietnam is facing major risks and challenges; at the same time, it also experiences significant changes and fluctuations. In accordance with the Party’s policies and the state law, the State Bank of Vietnam has launched several measures as well as issued a number of regulations, aimed at strengthening and making business activities of the bank system healthier. The consolidation or merger between banks is encouraged and supported by the Government and the State Bank in order to move towards a healthier banking system, capable of serving public and competing with banks in the area.

2. The necessity of the research

Commercial bank is a financial intermediary which plays an important role as the bridge between the actors in the economy. In order for banking activities to be effective, management activities are required to be scientific, methodical and systematic. Therefore, strategic management is one of the leading tasks of many banks.

Saigon – Hanoi Commercial Joint Stock Bank which has been transformed from the rural joint stock form into the urban one recently, is a young commercial banks in Vietnam with limited basic conditions such as charter capital, banking technology, management experience and human resources. Thus, in order to improve its position, enhance its competitiveness and gradually dominate the market for modern banking services, it is
required that Saigon – Hanoi Commerical Joint Stock Bank should have an appropriate business strategy.

Saigon - Hanoi Commercial Joint Stock Bank - Quang Ninh Branch (SHB Quang Ninh) is a subordinate branch of Saigon Hanoi Commercial Joint Stock Bank (SHB) with limited basic conditions such as capital, banking technology, management experience and human resource compared with other state-owned banks. In addition, the merger between Hanoi Building Commercial Joint Stock Bank (HBB) and SHB also requires SHB to develop and adjust the entire business strategy for the coming time. Therefore, in addition to the purposes of improving its position, enhancing its competitiveness and gradually dominating the market for modern banking services; restructuring and reorganizing the organizational apparatus as well as directing the business strategy of the whole system requires SHB to have an appropriate business strategy.

SHB Quang Ninh is not an exception. SHB Quang Ninh includes HBB Quang Ninh, therefore it has to develop and adjust its own business strategy consistent with the whole system’s general provisions on mergers and restructuring as well as the specific characteristics of Quang Ninh - a province located in the Northern triangle economic zone of the country.

Starting from the above rationales along with the desire to apply the knowledge gained from the Master of Finance – Banking – Insurance (Southeast Asia) to the real practices of Vietnamese enterprises, after discussing and exchanging ideas I have unanimously selected the research topic: "Business strategy formulation for Saigon Hanoi Commerical Joint Stock Bank – Quang Ninh Branch in the period of 2017 - 2022".

3. The meaning of the research

The research will develop a business orientation for the 5-year period from 2017 to 2022 and the following years. It sets a clear goal which is widely shared by the whole Bank and all functional departments; at the same time, it also specifies the resources available for the implementation process.

Finally, the research performs thorough analysis of the environment, potential risks and competitive advantages to clearly identify the advantages and potential which can be transferred to real power of SHB Quang Ninh.
II. Research objectives

The major objectives of the research are: (1) Systematize the theories of business strategy, (2) Analyze the current business situation of Saigon Hanoi Commercial Joint Stock Bank – Quang Ninh Branch in the period of 2014 – 2016 and (3) Propose business strategies for the period of 2017 - 2022, at the same time suggest some implementation solutions.

The first important task of the research is to study the general theories of commercial bank business strategy and select strategic management models for analysis. Based on these models, the research will assess the current business situation of SHB Quang Ninh in the period of 2014 - 2016. Finally, the research will propose business strategies for SHB Quang Ninh in the period of 2017 - 2022 based on the above standard models and the results from the situation analysis of the bank.

III. The object and scope of the research

1. Research subject

Research subject:

Research the related issues in the business strategy development process arising in the actual situation of SHB Quang Ninh.

Scope of the research:

Spatial range: Saigon Hanoi Commercial Joint Stock Bank – Quang Ninh Branch

Time range: During the period of 2014 - 2016

2. Research methodology

- **Systematic method**: Assess all the factors that can affect SHB Quang Ninh’s strategy. With this method, the assessment of factors affecting the bank’s strategy includes both external and internal environment of SHB Quang Ninh.

- **Secondary data analysis method**: This method is used to study the theoretical background for the development of business strategy.

- **Primary data analysis method**: Assess the actual situation of SHB Quang Ninh in the business strategy formulation and implementation process.

- **Quantitative method**: This method is used to select strategies and make decisions.

- **Strategic analytical method**: Such as SWOT Matrix analysis, QSPM analysis.

IV. Structure of the capstone project

Chapter 1: Theoretical background for business strategy development
Chapter 2: Analysis of the actual business situation of Saigon Hanoi Commercial Joint Stock Bank – Quang Ninh Branch

CHAPTER 1:
THEORETICAL BACKGROUND FOR BUSINESS STRATEGY DEVELOPMENT

1.1. OVERVIEW OF BUSINESS STRATEGY

1.1.1. The concepts of strategy

1.1.1.1. The concepts of strategy and business strategy

1.1.1.1.1. Definitions of strategy

In the opinion of Michael Porter, "Strategy is the art of building solid competitive advantages to defense"

The word “strategy” can be construed in many ways. Minzberg summarizes the meanings of the word “strategy” which have been used by many scholars to suggest "5P" of strategy: Plan, Ploy, Pattern, Position, Perspective.

Strategy is associated with an enterprise’s goals and the formulation of business strategy is to help the enterprise achieve those set goals.

Strategy is not a separate action but a series of cohesive actions and decisions and all strategies must aim at achieving an enterprise’s goals and objectives. Strategy is developed on the basis of the enterprise’s internal resources and external factors that affect the enterprise.

1.1.1.1.2. Definitions of business strategy

Business strategy provides long-term orientation and valuable guidelines for a company and its functional departments. There are different definitions of business strategy:

- Business strategy of an enterprise is a general course of actions towards achieving the enterprise’s goals. Strategy is a set of goals and policies as well as major plans to achieve those goals.

- An enterprise's business strategy is the optimal choice of combining measures (using the enterprise’s resources), time (opportunities, threats) and space (business field, area of operations) in accordance with business environment analysis and the enterprise's resources in order to achieve basic and long-term objectives consistent with the vision of that enterprise (Nguyen Khoa Khoi, Dong Thi Thanh Phuong, Strategic Management, Statistics Publishing House).

1.1.1.1.3. Definition of strategic management
**a. Strategic management**

Strategic management can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives (Fredr. David, Concepts of strategic management- Statistics Publishing House, 2006) And strategic management focuses on integrating management, marketing, finance/accounting, production/operations, research and development, and business information systems to achieve organizational success.

**b. Strategic management process**

Strategic management is the process of studying the current, as well as future environments; establishing goals of an organization; setting, implementing and monitoring the implementation of decisions in order to achieve those goals in the current and future environments.

*Figure 1.1. Strategic management process*

**c. Vision, mission statements and core values**

- **Vision**

Strategic vision is the highest aspiration of business owners about the future of their business. A vision is considered to be effective when it includes the following features:

- **Be inspiring:** vision statements need to have an impact on employees both mentally and emotionally.

- **Clear and vivid:** if you can ‘see’ a strategic vision in business as a vivid picture, you will earn yourself a better chance to achieve it.

- **Envisioning a better future:** Leaders must help employees to see what they would have if they reach that vision. Employees will always be linked to the vision when they see the benefits that they will have when achieving that vision.

- **Mission statements**
A company's mission is a concept used to determine the company’s purposes, the rationales for which the company exists and the basis for its development. A company's mission statements are its proclamation to the society; it demonstrates the values and meaning of the existence of the company to the society.

Basically, a company's mission statements are merely to clarify a crucial issue: “what is the purpose of its business?”. The scope of the mission statement is often related to the products, markets, customers, technology and philosophies that the company is pursuing.

- **Core values**

  A company’s core values are what the company consider as priceless and unchangeable. Core values create a foundation for the company’s internal regulations.

  Core values have depth and they are extremely important values. These values are rarely changed by market changes. On the other hand, organizations will normally change the market, if necessary, in order to maintain its core values.

**1.1.1.2. Characteristics of business strategy**

Business strategy determines the basic objectives and business direction of a business in a specific period.

The orientation characteristic of business strategy is to ensure the continuous and sustainable development of a business in the constantly fluctuating business environment. Business strategy always has attacking thoughts in order to win in the marketplace.

**1.1.2. Levels of business strategy**

Depending on different viewpoints, exact strategic levels can be identified. However, most commonly, strategy is divided into three levels:

- **Corporate-level strategy**: towards the overall purpose and scope of an organization. It identifies the actions that the corporate takes in order to gain a competitive advantage by selecting, managing a group of different businesses, competing in a number of industries and product markets.

- **Business-level Strategy**: the overall commitments and actions that help businesses gain a competitive advantage by exploiting their core competencies in specific product markets. It reflects the confidence of a business in the location and the way it can gain a competitive advantage over its competitors. The importance of business strategy is to allow a
business to "decide to perform activities differently or perform different activities as compared to its rivals"

- **Functional-level strategy**: helps implement effectively corporate-level and business-level strategies by the components in terms of resources, processes, people and necessary skills. This is the strategy to improve the effectiveness of basic activities such as production, marketing, materials management, research and development...

1.1.2.1. **Key issues in business strategy**

A business strategy must address three following key issues:

- Who will be served?
- What needs will be satisfied?
- How will those needs be satisfied?

1.1.2.2. **Roles of business strategy**

- **Firstly**, business strategy helps enterprises understand and take advantage of business opportunities to formulate appropriate strategies and development policies in order to accomplish the set goals.

- **Secondly**, business strategy helps managers forecast uncertainties and risks occurring in the present and in the future; thereby adopt appropriate policies in order to initiative response to those uncertainties and risks.

- **Thirdly**, business strategy helps managers efficiently use and effectively allocate the enterprise’s available resources.

- **Fourthly**, business strategy helps managers effectively coordinate the organization’s functions to reach the common goals.

1.1.3. **Factors influencing a company’s business strategy**

The strategic management process of an enterprise is divided into four phases: Strategic Planning => Strategy Implementation => Control => Strategy adjustment.

This process is influenced by many factors which can be divided into two groups: external environment and internal environment. In each type of environment, there are factors that directly influence an enterprise’s strategy.

1.1.3.1. **External environment analysis**

1.1.3.1.1. **Analysis of influencing factors**
This is the group of factors that create opportunities and threats that enterprises may face in a competitive condition. The external environmental factors are classified into two major groups, including the macro environment and micro environment.

A. Macro environment (PEST Model)

(1) Economic environment

This segment determines the health and prosperity of an economy, it always make significant impacts on enterprises and industries. It refers to the nature and development direction of an economy in which enterprises are operating. In fact, enterprises, especially banks usually pay attention to these economic factors through various economic variables such as: GDP growth trend, inflation, interest rates, the availability level of the credit system, the level of disposable income and consumption trends of citizens.

(2) Technological environment

In a spreading and diverse space, technological changes affect many aspects of a society. For banking operations, technology can allow banks to provide the best of modern banking services.

(3) Social-cultural environment

This segment is related to social attitudes and cultural values. Similar to technology changes, social changes also create opportunities and threats, as cultural values and social attitudes make up the foundation of a society. Therefore, these changes often lead to the changes in technological, political-legal, economic and demographic conditions.

(4) Demographic environment

The demographic segment in the macro environment is related to population, age structure, geographic distribution, ethnic communities, and income distribution.

(5) Political – legal enviroment

This environment has a major impact on the level of environmental opportunities and threats. Banks must always carefully analyze the new philosophies and policies related to banking activities such as: interest rate policy, exchange rates, foreign exchange management, tax, debt management

(6) Global environment
This environment includes relevant global markets, current changing markets, important international political events, basic institutional and social characteristics of the global market.

**B. Macro environment – Industry environment**

The Five Forces Model was introduced by Michael E. Porter – a professor at Harvard Business School and became a popular strategic model used by many corporate strategists. According to Michael E. Porter, there are five forces that determine the competition in a particular industry. They are: (1) threat of new entrants, (2) bargaining power of suppliers, (3) bargaining power of buyers, (4) threat of substitute products, and (5) industry competitor

*Figure 1.2. M. Porter's 5 Forces Model*

In fact, when analyzing the industry environment and competition environment, strategists often answer four questions: (1) what is the scope of the industry in which the company is operating?, (2) what is the structure of the industry?, (3) which companies are the competitors?, (4) what are the criteria to determine the competitors?

1.1.3.1.2. **External factor evaluation matrix**

a. **External factor evaluation matrix (EFE).**

EFE matrix helps managers evaluate external factors, synthesize and summarize major opportunities and threats from the external environment that can affect the business. Based on this, business managers can evaluate the response level of the business to those opportunities and threats.
Evaluation: The total weighted score of the matrix does not depend on the number of factors listed. The highest total weighted score a business can have is 4.0, the lowest is 1.0.

If the total weighted score is higher than 3: the business responds positively to external opportunities and threats

If the total weighted score is higher than 2.5 (and lower than 3): the business has average ability to respond to external opportunities and threats.

The total weighted score lower than 2.5 reveals that the business responds poorly to external opportunities and threats.

Table 1.1. External Factor Evaluation Matrix (EFE)

<table>
<thead>
<tr>
<th>External business environment factors</th>
<th>Weight</th>
<th>Rating</th>
<th>Weighted score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>OPPORTUNITIES</strong></td>
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<tr>
<td>1.</td>
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<td>3.</td>
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<tr>
<td><strong>THREATS</strong></td>
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<tr>
<td>3.</td>
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</tbody>
</table>

**Total = 1**

**Total weighted score = A**

b. Competitive profile matrix (CPM).

This matrix provides visual assessment of the business compared with major competitors in the industry. The comparison is based on the factors affecting the competitiveness of companies in the industry.

Evaluation: Compare the total weighted score of the company with that of other major competitors in the industry in order to evaluate the competitiveness of the company.

Table 1.2. Competitive Profile Matrix (CPM)

<table>
<thead>
<tr>
<th>CPM</th>
<th>COMPANY A</th>
<th>COMPANY B</th>
<th>COMPANY C</th>
</tr>
</thead>
</table>

- 18 -
<table>
<thead>
<tr>
<th>Critical success factors</th>
<th>Weight</th>
<th>Rating</th>
<th>Weighted score</th>
<th>Rating</th>
<th>Weighted score</th>
<th>Rating</th>
<th>Weighted score</th>
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<tbody>
<tr>
<td>1.-----------------------</td>
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<td>Total</td>
<td>1.00</td>
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</tbody>
</table>

1.1.3.2. Internal environment analysis

1.1.3.2.1. Analysis of influencing factors

By analyzing the internal environment, businesses in general and banks in particular identify what they can do. The outcome of internal environmental analysis is to identify unique resources, capabilities and competencies required for sustainable competitive advantage.

(1) **Financial capability analysis**

For a bank, financial resources are shown by many factors: the size of owners’ equity; the bank's ability to raise capital compared to its competitors; capital structure and asset structure; growth rate indicators (profit growth, credit outstanding growth, mobilization growth...); profit and the profit distribution policy; the balance between capital and capital usage; capital cost compared to the industry and competitors; liquidity; ability to control costs and reduce capital cost; financial scale; financial ratios such as ROA (return on assets), ROE (return on equity); relationships with the owners, shareholders and investors; ability to estimate and prepare for financial losses.

(2) **Marketing capability analysis**

Marketing capabilities can increase customers’ perceived values of the baking products and services. Marketing capabilities include market research capability, current and future competitive position in the market; ability to identify target customers; the level of diversification of service portfolio and the development of new services.

(3) **Human resource analysis**

In a service business in general and a bank in particular, human resources play an important role in determining the quality of products and services. A bank employee conveys the value of product and services to customers and build customers’ trust. The quality of human resources is shown by many indicators such as: professional qualifications,
soft skills such as foreign language proficiency, computer proficiency, communication skill, presentation skill and decision-making skill.

(4) Organizational analysis

Analysis of a bank’s organizational resources includes the following: the bank’s existing organizational structure; the bank's prestige and position; organization of internal information system and communication; control system, internal inspection and audit; organizational atmosphere and routines; strategic planning system; capacity, level of consideration and enthusiasm of the top leaders; ability to use various methods and techniques in preparing decisions and other documents.

(5) Physical analysis

Analysis of physical resources includes the following details: head offices and transaction offices; customer service equipment; internal machinery and equipment: payment system, computer system; banking technological level ..... The application of technology is one of the factors that determine the competitiveness of commercial banks. Today, banks are developing intensive technology products and using advanced technology products as a measure of competitiveness, especially in the development of e-banking products.

(6) Analysis of technology and science capabilities

Technology is the most important component in a bank’s necessary infrastructures. Automatic machinery and equipment help shorten the operating time, increase the accuracy and convenience of banking services. Technology is a basic condition for banks to deploy modern services. Banking technology also includes internal information management system and risk reporting system.

(7) Diversity of products/services and customer service quality

A bank that has various types of products and services provided in accordance with the market demands and the bank’s management capacity will has a significant advantage. The diversification of products and services not only ensure a bank’s stable development but also help the bank to take advantage of the economies of scale. The diversification of products and services must also be consistent with the bank’s existing resources; otherwise it will not guarantee high efficiency.

(8) Core competencies
Core competencies generate a business’s competitive advantage. However, the point of view that businesses have to be based on core competencies to develop new products and services is not always true. They are often understood as activities that a business performs especially well compared to competitors. They must simultaneously satisfy 04 criteria:

- **Valuable**: Core competencies must bring real values to customers, influence them to choose the company’s products/services. Otherwise, they will not be effective in gaining competitive position and can not be considered as core competencies.

- **Rare**: They are competencies that are not possessed by many others

- **Costly-to-Imitate**: It allows the company to create better products than competitors. As the company constantly upgrade them, they will create the ultimate competitive position in the market.

- **Nonsubstitutable**: Core competencies could be technology, technical know-how, close relationships with customers, distribution system, powerful brands. Core competencies create competitive advantages for enterprises in their production and business activities without equivalent competitors.

When developing new products and services, businesses often rely on core competencies which are their existing strengths. This is considered a top priority for many businesses when making decisions on developing new products and services, complementing their existing products and services. Core competencies will create a competitive advantage for businesses, reduce the risks in goal-setting and strategic planning activities, determine the success or failure of projects.

### 1.1.3.2.2. Internal factor evaluation matrix (IFE).

Internal factors are considered very important for every business strategy and objectives set by the business. After taking into account all internal factors, strategic managers should develop an internal factor evaluation matrix in order to consider the response ability and identify the business’s strengths and weaknesses. Based on this, the business can take advantage of its strengths to exploit and prepare its internal resources to cope with the weaknesses and find ways to improve those weaknesses.

Evaluation: Regardless of how many factors are included in an IFE Matrix, the total weighted score can range from 1.0 to 4.0. The total weighted score below 2.5
indicates that the business is weak internally. The total weighted score above 2.5 characterizes that the business is strong internally.

Table 1.3. Internal Factor Evaluation Matrix (IFE)

<table>
<thead>
<tr>
<th>Internal business environment factors</th>
<th>Weight</th>
<th>Rating</th>
<th>Weighted score</th>
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</thead>
<tbody>
<tr>
<td>STRENGTHS</td>
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<tr>
<td>4.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WEAKNESSES</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1.</td>
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<td>2.</td>
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<tr>
<td>3.</td>
<td></td>
<td></td>
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<tr>
<td>4.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td></td>
<td>Total weighted score = A</td>
</tr>
</tbody>
</table>

1.2. BUSINESS STRATEGY FORMULATION AND SELECTION

Depending on each business’s viewpoints on strategy, different strategy formulation processes can be formed. In this paper, the group approaches a common business development method using SWOT Matrix. In the opinion of the group, the SWOT matrix analysis approach is comprehensive and superior with the principle that strategic efforts must aim at creating the best match between the company’s internal resources, capabilities and external factors.

1.2.1. Formulating and selecting business strategies - using SWOT.

1.2.1.1. Formulating business strategies - using SWOT.

Normally, strategy is understood as the result of a rational planning process which is arranged carefully and dominated by the top management team in an enterprise. So far, management scientists, strategists and managers have offered various strategic planning models. Using the SWOT analysis method, strategy development consists of 04 steps:

Step 1: Establish the company’s vision and mission statements
Step 2: Perform external and external environment analysis
Step 3: Evaluate the best combination between opportunities and resources
Step 4: Strategy selection

Figure 1.3: Strategy development process using SWOT Matrix
1.2.1.2. Selecting business strategies

By analyzing the SWOT matrix, alternative business strategies will be proposed. Based on those alternative strategies, the company can analyze, evaluate and select the most appropriate strategy.

1.2.2. Tools for developing business strategies

1.2.2.1. SWOT Matrix

SWOT matrix is a tool combining four key elements:

* **Opportunities**: Include the environmental conditions that positively influence a company. There are main trends that create opportunities for a company.

* **Threats**: Include the environmental conditions that negatively affect a company. New entrants, market decline, an increase in the bargaining power of suppliers or buyers, technological changes and new regulations may be threats to a company.

* **Strengths**: Include a company’s available resources and capabilities that can create its advantages compared to competitors in fulfilling customers’ needs.

* **Weaknesses**: are the limitations or lack of resources or capabilities of a company in relation to its competitors, creating disadvantages for the company in fulfilling customers’ needs.

**Four groups of strategies:**

SO Strategies: businesses use their internal strengths to take advantage of external opportunities.
WO Strategies: businesses overcome their internal weaknesses by taking advantage of external opportunities.

ST Strategies: businesses use their strengths to avoid threats or reduce the impact of threats from the external environment.

WT Strategies: businesses overcome or minimize their internal weaknesses to avoid external threats

Table 1.4. SWOT Matrix

<table>
<thead>
<tr>
<th></th>
<th>S Strengths</th>
<th>W Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>O Opportunities</td>
<td>S-O Strategies</td>
<td>W-O Strategies</td>
</tr>
<tr>
<td>T Threats</td>
<td>S-T Strategies</td>
<td>W-T Strategies</td>
</tr>
</tbody>
</table>

1.2.2.2. Quantitative strategic planning matrix (QSPM).
This is a technique for analyzing and selecting strategies using the Quantitative Strategic Planning Matrix (QSPM). The QSPM uses the input data from the EFE Matrix, IFE Matrix and SWOT Matrix to objectively determine which strategy among the alternative strategies is the most attractive one and worth pursuing in order to successfully accomplish the set goals. Steps to construct a QSPM are listed as follows:

Assign weights to each key external and internal factor. These weights are identical to those in the EFE Matrix and IFE Matrix.

Determine the Attractiveness Scores (AS). The range for AS is: 1 = not attractive, 2 = somewhat attractive, 3 = reasonably attractive, 4 = highly attractive.

Calculate the Total Attractiveness Scores by multiplying the weights by the Attractiveness Score in each row. The Total Attractiveness Scores indicate the relative attractiveness of each alternative strategy, considering only impact of the adjacent external or internal critical success factor.

Calculate the Sum Total Attractiveness Score by adding Total Attractiveness Scores in each strategy columnn of the QSPM (considering all the external and internal factors that could affect the strategic decisions). The higher the Sum Total Attractiveness Score is, the more attractive and appropriate the strategy is.
### Table 1.5. Quantitative Strategic Planning Matrix

<table>
<thead>
<tr>
<th>Key factors</th>
<th>Strategic Alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weight</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Key internal factors</td>
<td></td>
</tr>
<tr>
<td>- Strengths</td>
<td></td>
</tr>
<tr>
<td>- Weaknesses</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.00</td>
</tr>
<tr>
<td>Key external factors</td>
<td></td>
</tr>
<tr>
<td>- Opportunities</td>
<td></td>
</tr>
<tr>
<td>- Threats</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### CHAPTER II.

**ANALYSIS OF THE ACTUAL SITUATION - ENVIRONMENT - BUSINESS STRATEGY OF SAIGON HANOI COMMERCIAL JOINT STOCK BANK QUANG NINH BRANCH (SHB QUANG NINH)**

**2.1 GENERAL INTRODUCTION OF SAIGON - HANOI COMMERCIAL JOINT STOCK BANK AND SHB QUANG NINH BRANCH. (SHB Quang Ninh)**

**2.1.1. Overview of Saigon- Hanoi Commercial Joint Stock Bank (SHB)**

*Brief introduction:*

- Vietnamese name: Saigon Hanoi Commercial Joint Stock Bank
- Transaction name: SHB
- Head Office: 77 Tran Hung Dao - Hoa Kiem, Hanoi
- Current chartered capital: Nearly 9,000 billion VND

*Major business fields:*
+ Currency Trading.
+ Foreign currency and foreign exchange trading.
+ Gold trading.
+ International payments.

* Vision and Mission: SHB strives to become a leading modern and versatile retail bank of Vietnam by 2020 with modern technology, professional staff, and extensive network across the country and internationally, providing partners and customers with high-quality and synchronized banking products and utility services at affordable costs; becoming a strong financial group by 2025 according to international standards.

* Development strategy:
  - Always build the appropriate strategy for each stage of development, with long-term orientation in accordance with competition strategy, always create the difference, targeting at the market and customers.
  - Risk management system is established synchronizingly and intensively throughout the whole system, with high quality, efficiency and professionalism to ensure safe and sustainable operations.
  - Build SHB culture to be a spiritual factor connecting the whole system. Develop professional management and human resource training strategies in order to ensure a smooth, efficient and continual running process in the whole SHB system.
  - Develop products and services; increase the profits from services/annual total return based on an advanced and modern technology foundation.
  - Always best meet the interests of shareholders, investors towards a Prosperous SHB.

2.1.2. Overview of SHB Quang Ninh Branch
2.1.2.1. General Introduction

SHB Quang Ninh was established under Decision No. 26/QD-HDQT2 dated 04/04/2007 of Saigon Hanoi Commercial Joint Stock Bank (SHB) Management Board and officially put into operations on June 20\textsuperscript{th} 2007. The head office of the branch is located at 488 Tran Phu, Cam Pha, Quang Ninh.

SHB Quang Ninh’s business activities are based on the supervision and administration of SHB’s Head office. SHB Quang Ninh is a level-one branch of SHB in Quang Ninh province.

Up to the present, SHB Quang Ninh has a network consisting of 01 head office
and 14 transaction offices located in almost all districts of the province. Besides, the branch has a team of over 194 young, dynamic and enthusiastic staff, who are always determined to best serve their customers.

2.1.2.2. Organizational structure of SHB Quang Ninh Branch

Figure 2.1 Organizational chart of SHB Quang Ninh

2.2.2.3. Products and services of SHB Quang Ninh:

SHB Quang Ninh is entitled to do business activities as a bank, as assigned and authorized by the General Director of SHB, including:

- Mobilizing short-term, medium-term and long-term capital of institutions and individuals in the forms of term savings, non-term savings deposits, payment deposits, certificates of deposit in VND and foreign currency;

- Providing institutions and individuals with short-term, medium term and long term loans; discounting commercial papers, bonds and other valuable papers in VND
and foreign currencies in accordance with Vietnam’s law and regulations of SHB;
- Providing payment services;
- Providing forex trading services complying with the nation’s law and within the limits set by the General Director of SHB;
- Providing other services as authorized by the General Director of SHB and in accordance with the nation’s laws.

2.2. ANALYSIS OF THE EXTERNAL ENVIRONMENT OF SHB QUANG NINH

2.2.1. Macro environment:

Macro environment includes general factors such as economic factors, political – legal factors, government, social-cultural factors, and population as well as natural and global factors that have impacts on all businesses and financial institutions. In banking environment, economic and legal factors as well as policies commonly have the most direct and powerful impact on the operations of banks.

(1). Political and legal environment

- Vietnam in general and Quang Ninh province in particular is in a stable political situation; foreign affairs and international integration are deployed widely and effectively; national defense, political security and social security are well guaranteed. Quang Ninh is described as a "miniature of Vietnam", which provides crucial prerequisites to boost the industrialization and modernization of the nation in general and of the province in particular as well as to improve the living standards of the province’s people.

Political stability contributes to creating a more favorable environment for the banking sector in general and for SHB Quang Ninh in particular in managing their business.

(2). Economic environment.

Quang Ninh province has a lot of potentials and favorable conditions for development. Located in the dynamic area of the Northern key Economic Area, along with the two cities Hanoi and Hai Phong, Quang Ninh province plays a leading role in socio-economic development and spreads the development motivation to the whole Area. Being an important transportation gateway with various borders, a convenient sea-port system, especially Mong Cai international border, Cai Lan deep-water port, Quang Ninh has favorable trading conditions with the North-East Asia, especially the
large China—the world's second largest economy. Quang Ninh has been becoming an important connection point between the ASEAN Free Trade Area and China.

Besides the advantages of economic development, the Government implemented tight and prudent monetary policy, controlled credit growth below 20% and reduced the rate and proportion of outstanding loans for non-manufacturing sectors, especially in fields of real estate and securities. Therefore, many customers of the Bank were affected. Besides, gold price changed unpredictably, with exciting gold exchange activities. Given current social and economic situation, particularly when Quang Ninh province is struggling with special difficulties of the coal industry, changes in the mechanism, and cross-border policies of neighboring countries, etc, the growth of the province as well as local banks including SHB Quang Ninh is largely affected. However, the growth rate of 7.2% which is higher than the national average and that of some other localities in the key economic area, illustrates great efforts of the province, contributing to maintenance of economic growth and creating conditions to ensure social policies.

(3). Social and cultural environment.

Quang Ninh is endowed with favorable conditions for socio-economic development during the process of national industrialization and modernization. In 2015, Quang Ninh was ranked the fifth in terms of state budget revenues after Ho Chi Minh City, Hanoi, Ba Ria-Vung Tau and Hai Phong.

Quang Ninh has got remarkable economic growth in recent years, the proportion of the service sector (from 39.8% in 2015 to 41.2% in 2016). Average labor productivity was 152.4 million VND per person. This is the factor that largely influences the operations of SHB in general, SHB Quang Ninh in particular.

Quang Ninh is the province with most sub-cities and towns in the country - four cities and one town. The province also has the third highest proportion of urban population (after Ho Chi Minh City and Da Nang). The process of urbanization is taking place rapidly. With increasingly high income and living conditions, customers’ demand for banking products and services is becoming increasingly large, complicated and diverse. Customers require high-quality products with various utilities from banks while many modern banking products and services have not been well supplied by banks. This is both an opportunity and a challenge for banks to improve and develop
products to meet this demand.

However, the habit of using cash in payments is still very popular among people, which is a challenge for the banking industry to change this habit.

(4) Technological environment:

Technological factors play a crucial role in banking activities; the application of information technology is a principal to determine the competitiveness of a bank. It might be said that a modern technology foundation is the necessary condition for a bank to lead the market.

At present, the economy is integrating more and more extensively and opens to advanced science and technology, especially in the field of information technology which has been applied in all national industries. This affects the application of technological innovations in the business activities of SHB Quang Ninh.

The application of new technologies in the banking industry increases the productivity and quality, reduce costs and raise bank's business performance, which has already had an impact on SHB. SHB successfully launched Intellect core banking software deployed by Polaris Software Lab. Besides the advantages brought, IT and telecommunications infrastructures in Quang Ninh are still inadequate. Data transmission network from the province to the central network is not really stable, at slow speed but with high cost, which has a great influence on the IT network and quality of banking services in general and SHB Quang Ninh in particular.

(5) Demographic environment.

Average population of the province in 2016 was 1,359,463 people, of which the urban population accounts for 58.1% (667,862 people). Populations at working ages as well as economic growth rate have been high for several years; living standards of people are being improved; and urbanization speed and consumer demands for goods and services are increasing. Quang Ninh has become a potential market for both domestic and foreign businesses and investors.

(6) Global Environment

Quang Ninh is identified as one point of the Northern Gulf economic belt, an important gateway of Hanoi-Hai Phong-Quang Ninh economic corridor. The province has a sea-port and deep-water port system with handling capacity for ten-thousands-of-ton ships, which are favorable conditions for maritime transportation between our
country and other countries around the world. Quang Ninh owns a gateway system located along the border, particularly, Mong Cai international border is a convergence of trade exchange, tourism, services and an attraction to investors, a gateway for imports and exports with China and other countries in the region.

Opportunities that banks in Quang Ninh can take during integration:

+ Integration provides opportunities for banks to diversify business services to meet the demands of businesses and the public.

+ Opportunity to attract foreign investment in the terms of capital, technology and management. The participation of foreign investors in Quang Ninh province through local banks is an inevitable trend, through which, banks are given more capital, technology and management knowledge.

2.2.2 Analysis of micro environment - industry environment

Environmental analysis in this part of the report is based on the banking industry in Quang Ninh province and in comparison with rival banks which have the same functions and are level-one branches.

2.2.2.1 Threat of new competitors

Quang Ninh’s transaction network of banks is rather dense. With over 35 credit institutions along with sub-transaction offices of credit institutions, the competition between local banks is comparatively fierce. The competition has been becoming more unfair when banks scrambled to raise the input mobilization interest rate and it affected the customer development of SHB Quang Ninh.

2.2.2.2 Bargaining power of suppliers

A bank with large capital is a bank with power, which can provide all banking products to the market. Capital of a bank comes from deposits of organizations, businesses and individuals.

In Quang Ninh province, individual customers provide banks with a relatively large source of savings deposits, accounting for 70% to 80% of the total deposits of banks. Most of these customers focus on the economic benefit, which is shown in the interest rate announced by banks. Only a small amount of attention is paid to the brand of the bank. Therefore, these customers tend to become less loyal. They deposit in banks with high interest rates or with more deals, Thus, these customers always push banks into a competition on interest rates.
To serve these customers, banks should have appropriate interest rate policies, diversification of funding products to help customers have more choices.

Suppliers such as businesses and organizations often provide low-cost capital which goes along with domestic and international payment services. These clients often select reputable banks with strong brand. These suppliers have special power over banks. To have stable and low-cost capital, banks have to build close relationships, long-term cooperation with corporations to mobilize and maintain their idle money. They also have a huge impact on the currency market.

This group of customers in Quang Ninh province includes units of Vietnam National Coal and Mineral Industries Group (TKV). These customers have a relatively large impact on the banking system of Quang Ninh province and SHB Quang Ninh. SHB Quang Ninh now serves over 70 affiliated units, of which there are 30 main coal production units, and 40 supplementary production units and other businesses. The amount of payment deposits of this group accounts for 65% of the whole province’s non-term deposits, of which the market share of SHB Quang Ninh in terms of average sales accounts for 35 to 40%. Hence, they have big power and huge influence on the business activities of SHB Quang Ninh as well as other banks in Quang Ninh province.

2.2.2.3 Bargaining power of buyers (customers):

For banks, buyers are customers who use banking services and they are individuals, organizations or businesses.

Individual customers often use bank credit products, payment services, guarantees, etc. However, product packages for individuals are often separate, individual customers are not linked together to create power over the bank as their amount of transaction sales with banks is not much and each of them has a specific need. Thus, for individual customers, banks may impose different fees and interest rates for each customer. Banks can compete to attract customers by providing suitable and cheap packages of products and services with various utilities, simple procedures.

In Quang Ninh province, the group of customers demands the largest capital and payment service are units of Vietnam National Coal and Mineral Industries Group. At SHB Quang Ninh, the credit outstanding of this client group makes up to 56% of the total credit outstanding of the whole branch. Transactions of arising payment services of this group account for 75% of the total number of transactions and services of SHB
Quang Ninh. Therefore, it can be said that these customers are the largest buyers of banking products who have strong power and a big influence on SHB Quang Ninh.

2.2.2.4 Threat of substitute products and services

In spite of being a special business field, banks offer special products and services, banks also face other investment channels including gold, foreign exchange, real estate, securities which can be listed as regular substitute products. When interest rates tend to fall, people will think of investing in securities to gain higher dividends. Or when there is an economic recession with many difficulties as the current period, gold with high liquidity, is the first choice to ensure no fall in price. Therefore, the banking industry must always be ready to face the possibility of capital decrease as customers choose substitute products.

At SHB Quang Ninh, due to recent fluctuations in gold’s price and exchange rates, the number of customers withdrawing money to invest in gold has been large. However, a large number of customers who have idle money invest in real estate, which partially causes a reduction in capital mobilization revenue of SHB Quang Ninh.

On the other hand, the phenomenon that corporations scramble to establish their own financial companies recently has made a significant amount of capital flow into those institutions, and those financial companies also provide adequate services for their demands. Consequently, the number of banks’ customers also has decreased significantly.

2.2.2.5 Intensity of rivalry within the industry

*/ Position of SHB Quang Ninh

Quang Ninh province now has more than 35 credit institutions along with their sub-transactions expanded throughout the province, having created increasingly intense competition among banks.

In terms of operating network: Up to now, SHB Quang Ninh is one of the four largest commercial banks in the banking system of Quang Ninh province. Regarding total assets for level-one branches, by September 30th 2016, SHB Quang Ninh was ranked the second after AGRIBANK Quang Ninh.

*/ Market share.

- Market share in terms of operating targets:
SHB Quang Ninh is one of the major banks in Quang Ninh. Up to September 30th 2016, the capital mobilization market share of SHB Quang Ninh accounted for 6.9% of the total mobilized capital of the industry, the market share of loans accounted for 11.7% of the whole industry, guarantee commitments accounted for 4.5%.

*Table 2.1: Market shares in terms of operating targets of SHB Quang Ninh over years*

<table>
<thead>
<tr>
<th>YEAR</th>
<th>COMPARISON</th>
<th>TOTAL OF CAPITAL MOBILIZED</th>
<th>TOTAL OF CAPITAL USED</th>
<th>GUARANTY COMMITMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>THE WHOLE PROVINCE</td>
<td>33.9 76</td>
<td>43.695 5</td>
<td>2,982</td>
</tr>
<tr>
<td></td>
<td>SHB QUANG NINH</td>
<td>3 553</td>
<td>5 594</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>RATIO (%)</td>
<td>10.5 12.8</td>
<td></td>
<td>1.1</td>
</tr>
<tr>
<td>2015</td>
<td>THE WHOLE PROVINCE</td>
<td>38,889 51,288</td>
<td></td>
<td>1,783</td>
</tr>
<tr>
<td></td>
<td>SHB QUANG NINH</td>
<td>2,273 5,901</td>
<td></td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>RATIO (%)</td>
<td>5.9 11.5</td>
<td></td>
<td>4.3</td>
</tr>
<tr>
<td>2016</td>
<td>THE WHOLE PROVINCE</td>
<td>46,319.1 56,408.7</td>
<td></td>
<td>3,268</td>
</tr>
<tr>
<td></td>
<td>SHB QUANG NINH</td>
<td>3,213 6,572.7</td>
<td></td>
<td>141</td>
</tr>
<tr>
<td></td>
<td>RATIO (%)</td>
<td>6.9 11.7</td>
<td></td>
<td>4.5</td>
</tr>
</tbody>
</table>

(Source: Periodical reports of the State Bank)

The group compared the market shares of capital mobilization and capital usage with four state-owned commercial banks (Viettinbank Quang Ninh, BIDV Quang Ninh, Agribank Quang Ninh, Vietcombank Quang Ninh) and 4 large commercial joint stock banks: (Maritime Bank Quang Ninh, Military Bank Quang Ninh, VIB Quang Ninh, Eximbank Quang Ninh) dated on 31/12/2016. These banks are considered the most powerful banks and direct competitors of SHB Quang Ninh.

*Table 2.2: Comparison of market shares of SHB Quang Ninh and branches of state-owned commercial banks (31/12/2016)*

<table>
<thead>
<tr>
<th>TARGETS</th>
<th>THE WHOLE PROVINCE (2016)</th>
<th>SHB QN</th>
<th>VIETINBANK QN</th>
<th>BIDV QN</th>
<th>AGRIBANK QN</th>
<th>VCB QN</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOBILIZATION</td>
<td>46,319.1</td>
<td>3,213.3</td>
<td>7</td>
<td>3,270.0</td>
<td>7.1</td>
<td>5,617.0</td>
</tr>
<tr>
<td>LENDING</td>
<td>56,408.7</td>
<td>6,572.7</td>
<td>11.6</td>
<td>4,842.0</td>
<td>8.6</td>
<td>5,357.8</td>
</tr>
</tbody>
</table>

Unit: Billion VND
From the above table, it can be said that compared to state-owned commercial banks, SHB Quang Ninh ranks the fourth in terms of market share of capital mobilization. In terms of capital usage, SHB Quang Ninh just follows Agribank Quang Ninh. Thus, in terms of total assets, SHB Quang Ninh is just after Agribank Quang Ninh (on Dec 31 2016)

Comparison between the market shares of capital mobilization and capital usage of SHB Quang Ninh with some joint - stock commercial banks:

*Table 2.3: Comparison of market shares of SHB Quang Ninh and branches of some joint - stock commercial banks (31/12/2016)*

<table>
<thead>
<tr>
<th>TARGETS</th>
<th>MOBILIZATION</th>
<th>LENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>THE WHOLE PROVINCE (2016)</td>
<td>SHB QN</td>
</tr>
<tr>
<td>MOBILIZATION</td>
<td>46,319.1</td>
<td>3,213.3</td>
</tr>
<tr>
<td>LENDING</td>
<td>56,408.7</td>
<td>6,572.7</td>
</tr>
</tbody>
</table>

Compared to leading joint-stock commercial banks in Quang Ninh including Military Bank (MB) Quang Ninh; Maritime Bank (MSB) Quang Ninh; International Bank (VIB) Quang Ninh, Export-Import Bank (Eximbank) Quang Ninh, SHB Quang Ninh heads in both capital mobilization and capital usage market shares.

However, the fact that the demand for capital usage is always higher than capital mobilization can be regarded as a characteristic of Quang Ninh, which leads to an imbalance in the ratio of medium-and long-term loans with short-term loans, bringing about difficulties for banks by the end of the year when there is a high demand for payments. This is a strong point but also a weak point regarding SHB Quang Ninh’s liquidity. The market shares in terms of capital mobilization and capital usage of SHB Quang Ninh compared to the above 2 groups of banks are illustrated in the following charts.

*Figure 2.2. Pie chart showing the market share of capital mobilization of SHB Q.Ninh*
*/ Customer base

- Customers that are economic institutions: in Quang Ninh province, most of corporate customers are units of VINACOMIN (about 70 units). Those are major economic resources of the province, 65% of deposits flow through this group. This group also demands a large amount capital and accompanying services such as: loans for production and business activities, short-term loans for additional working capital, domestic payments and money transference, implementation of guarantee contracts, using card payment services for employees, etc.

Those key clients have built relationships with many local banks. They distribute the amount of in-flow and out-flow money for banks every day. This makes banks race against each other in marketing campaigns for high sales. Compared to other local competitors, SHB Quang Ninh is given some advantages thanks to these customers. Over 90% of the units have opened their accounts and conducted
transactions at SHB Quang Ninh. Turnover of average daily deposits maintains between 600 and 700 billion VND.

Despite obtaining a large amount of deposits and loans from VINACOMIN, SHB Quang Ninh has not well-developed the ATM payroll card service due to its late entry to the market compared with rival banks. Other banks such as BIDV, Vietcombank, Vietinbank, and Agribank have well launched this service.

*/ Industry competitors
- Competitors are state-owned commercial banks which have the advantage of size and the economies of scale such as Agribank, BIDV; Vietcombank, Vietinbank. These banks compete with SHB Quang Ninh in following fields:
  + Being banks with long history and large capital, these banks can compete in investment of large, average and small projects including: electricity, telecommunications, oil and gas, coal and minerals, etc.
  + Having wide network and long-time brand, these banks can compete fiercely in Capital mobilization; ATM Products and Services; Remittance payments; Cross-border payments
  + Having professional staff and reputation in international payments, these banks can compete in following fields: Commercial Financing; International Payments; Domestic Payments
- Competitors are commercial joint-stock banks with smaller size, but owning young, dynamic and skillful staff who are trained in foreign banks. Some of them are Maritimebank Quang Ninh (MSB), Military Bank Quang Ninh (MB), Export-Import Bank Quang Ninh (Eximbank). They are fiercely competing with SHB Quang Ninh in following fields:
  + Being smaller banks with fewer years of operations, they desire to attract sources of capital at all costs by using promotions, offering higher interest rates than SHB Quang Ninh.
  + Having small amount of capital, these banks focus on small loans such as loans for small businesses, consumption loans, which strongly competes with retail products and services of SHB Quang Ninh.

Besides rival credit institutions outside the system, SHB Quang Ninh also faces a competitor inside the system of SHB, which is SHB Hon Gai – a branch of the
former Hanoi Building Commercial Joint Stock Bank which just merged into the SHB. Internal competition in the same locality creates pressure for SHB Quang Ninh.

2.2.3 Evaluation of opportunities and threats of SHB Quang Ninh.

* Opportunities.

- Along with the political and legal stability, the business environment of Vietnam as well as of Quang Ninh Province is becoming opener, more autonomous and commercial. Banking reformation will be accelerated in order to create conditions for commercial banks to deal with challenges during international economic integration through increasing the autonomy of operations, ensuring the operations of commercial banks based on market principles.

- Quang Ninh is among Northern key economic areas along with Hanoi and Hai Phong. Quang Ninh can be regarded as a miniature of Vietnam with all economic sectors: mining, electricity, cement, tourism, ports, borders, aquaculture, vegetable oil, and public services ... However, the key and strategic economic industry of the province is coal mining. Mentioning Quang Ninh means mentioning coal, coal can be considered to be the brand of the province. The coal mining industry is the decisive industry, influencing various supplementary industries, which leads to customer monopoly in the banking industry of the province.

SHB has a strategic partnership with VINACOMIN; hence, SHB Quang Ninh has more opportunities and advantages than other local credit institutions. Most units of the Vietnam National Coal and Mineral Industries Group are situated in Quang Ninh province, extending from Dong Trieu, Mao Khe to Cua Ong.

SHB Quang Ninh’s business network spreads widely from Mao Khe to Mong Cai; hence, the branch attracts idle money from many business entities (especially the units of VINACOMIN). The payment deposits flowing through various units of VINACOMIN in Quang Ninh province account for 65% of the cash flow of the province and its population. Besides, the demand for credit of the Group’s units makes up a large proportion. In SHB Quang Ninh, the credit outstanding of the Group’s units accounts for 65% of the credit outstanding of the whole branch.

- The application of information technology in commercial banks has been enhanced, contributing in the development of intensive products such as E-Banking, Mobil-Banking, Internet-banking, etc.
- The private sector; small and medium enterprises in the province have got rapid growth since the issue of the Corporate Law. Businesses are increasing in number and utilizing various banking services. The role of small and medium enterprises in the economy is becoming more and more important. This is a significant economic component, which can be regarded as the most dynamic and a new target of banks.

Providing loans for those businesses will scatter the credit risk of banks, and the interest rate will be higher than that for large companies. Full package banking services provided for these small and medium businesses will bring about the majority of revenues for banks in the future. This is a great opportunity for a new and dynamic bank like SHB Quang Ninh to build relations with potential customers aiming at sharing interests and enhancing development, while large enterprises still maintain traditional relationships with state-owned commercial banks.

- Economic integration opens up opportunities to receive the achievements of science and technology to develop the economy as well as avoid backwardness. Foreign banks with a solid foundation of capital and technology will be interested in forming strategic partnerships with local banks. This will open up opportunities for Vietnamese banks to exchange, cooperate and get access to technology and take advantage of in-depth experience in banking skills, bank management, assets and liabilities management, risk management in order to improve capital efficiency, develop new products and services. Economic integration is also an opportunity for SHB Quang Ninh to develop cross-border payment services with China’s banks, which can bring about big sales and profits for SHB Quang Ninh.

* Threats:

- Competition within the industry:

  + Local direct and indirect competitors are innovating to raise their competitiveness. In key economic regions of Quang Ninh, there are many credit institutions which are level-one branches and numerous transactions of banks, while SHB Quang Ninh has only one level-one branch in Cam Pha city; others are just subordinate transaction offices. This is a big challenge for SHB Quang Ninh to improve its market share.

  + State-owned commercial banks, joint-stock commercial banks, which also focus on serving local companies, corporations, individuals and households, are the
main competitors of SHB Quang Ninh. Joint-stock commercial banks are operating effectively and have also increased their capital and expanded rapidly. In terms of certain services, joint-stock commercial banks have even gone ahead and developed faster than state-owned commercial banks.

+ Internal competition of the SHB system in the province: In the process of restructuring the organizational structure after the merger between SHB and HBB, SHB Quang Ninh faces internal competition of the system, especially in Ha Long and Uong Bi-two business areas of SHB Quang Ninh where SHB Hon Gai - a branch of the former HBB also has sub-branches and transaction offices.

- The success and development of commercial banks and that of their customers have an intimate relation with each other. Hence, threats arising during economic integration for Vietnam will have a direct impact on Vietnamese banking system as well as the banking system of Quang Ninh province.

- Problems related to the legal system and market mechanism have not been resolved. Like other Vietnamese banks, SHB has many difficulties when the domestic legal system is incomplete, ununiformed, inconsistent and revealing a lot of inadequacy in terms of requirements for banking integration. Lack of information transparency, especially information regarding regulations on finance, accounting, labor contracts, credit contracts and other economic sanctions produces many difficulties for banks; especially when law enforcement has not been well implemented.

- There is a regular lack of human resources, especially in management positions due to the competition of other rival banks. Commercial banks are widening their network, increasing their scale. Consequently, there is a lack of staff with good qualifications, experience and skills to manage a modern bank.

In Quang Ninh, state-owned banks with strong brands, experience and long-time operations have advantages to attract good personnel. These state-owned banks have been prevailing in this competition. In the future, competition among large banks will involve capital and talent attracting. Small banks will try to survive and grow based on close relations with their customers.

- Besides, social factors also pose major threats to SHB Quang Ninh:
  + Educational level of people in the province is limited. Many people, mostly
the elderly, do not trust in joint-stock commercial banks. Consequently, a large amount of idle money from this population group goes to state-owned commercial banks. This is also a big challenge for joint stock banks including SHB Quang Ninh, which can not be overcome overnight.

Quang Ninh province is home to people of various ethnic groups, among which ethnic minorities account for 40%, thus, there is almost no access to banking services among this group. Two thirds of the province’s area is mountainous, where there is no bank. This is also a big challenge for banks in general and SHB Quang Ninh in particular.

2.2.4 The external factor evaluation matrix (EFE) of SHB Quang Ninh

The EFE Matrix of SHB Quang Ninh is shown as follows:

- Key external factors affecting the activities of SHB Quang Ninh are listed in column 1
- Weights (level of importance) for each factor is presented in column 2
- Ratings for each factor is presented in column 3
- Weighted scores for each factor is presented in column 4
- Total weighted score for the bank

*Table 2.4 The EFE Matrix of SHB Quang Ninh*

<table>
<thead>
<tr>
<th>Key external factors</th>
<th>Weight</th>
<th>Rating</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPPORTUNITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Stable political and legal environment</td>
<td>0.05</td>
<td>3</td>
<td>0.15</td>
</tr>
<tr>
<td>2. Key industry of the economy</td>
<td>0.2</td>
<td>4</td>
<td>0.80</td>
</tr>
<tr>
<td>3. Opportunities to receive technology transfer and management experience from foreign banks</td>
<td>0.05</td>
<td>2</td>
<td>0.1</td>
</tr>
<tr>
<td>4. Increasing number of newly-established enterprises</td>
<td>0.05</td>
<td>2</td>
<td>0.10</td>
</tr>
<tr>
<td>5. Demand for banking products and services</td>
<td>0.15</td>
<td>3</td>
<td>0.45</td>
</tr>
<tr>
<td><strong>THREATS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Competition within the industry</td>
<td>0.2</td>
<td>4</td>
<td>0.80</td>
</tr>
<tr>
<td>7. Changes in legal regulations and the Government’s new policies</td>
<td>0.10</td>
<td>3</td>
<td>0.30</td>
</tr>
<tr>
<td>8. Increasingly fierce competition to attract qualified and talent people</td>
<td>0.05</td>
<td>2</td>
<td>0.10</td>
</tr>
<tr>
<td>9. Increasing market risks due to the integration process</td>
<td>0.05</td>
<td>2</td>
<td>0.10</td>
</tr>
</tbody>
</table>
The rationales for the group to indicate the indexes in columns 2 and 3 are illustrated as follows:

1. *Stable political environment*: can affect banking activities; the group assesses this factor with an impact level of 5% to the success of the industry. This is also the factor that indicates the above average response of SHB. Therefore, the weight for this factor (in column 2) is 0.05 and the rating (in column 3) is 3.

2. *Key industries of the economy*: This factor can be considered as the most important in Quang Ninh, which influences the activities of the whole banking system, and possesses a weight of 20%. With this factor, SHB Quang Ninh’s response is superior as SHB Quang Ninh has a close relation with customers operating in the key industries of the province. Therefore, the weight for this factor (in column 2) is 0.20 and the rating (in column 3) is 4.

3. *Opportunities to receive technology transfer and management experience from foreign banks*: The effect of this factor is assessed at 5%, SHB shows an average response to this factor. So, the weight for this factor (in column 2) is 0.05 and the rating (in columns 3) is 2.

4. *Increasing number of newly-established enterprises*: The matrix assesses opportunities to increase the number of customers, which affects banks by 5%. SHB has an average response to this impact. Based on that, the weight for this factor (in column 2) is 0.05 and the rating (in columns 3) is 2.

5. *Demand for banking products and services*: This factor is the basis for banks to develop their activities. Therefore, the matrix ranks the impact level of this factor by 15%. SHB Quang Ninh’s major business is credit, thus the bank’s response to this factor is above average. Accordingly, the weight (in column 2) is 0.15 and the rating (in column 3) is 3.

6. *Competition within the industry*: This is the most influential effect. The matrix assesses this factor with the impact level of 20%. This is also the factor that SHB Quang Ninh responds superiorly. So, the weight for this factor (in column 2) is 0.2 and

<table>
<thead>
<tr>
<th>Key external factors</th>
<th>Weight</th>
<th>Rating</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Social environment</td>
<td>0.1</td>
<td>3</td>
<td>0.30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1</td>
<td></td>
<td><strong>3.20</strong></td>
</tr>
</tbody>
</table>
7. Changes in legal regulations and the Government’s new policies: The matrix assesses this factor with the impact level of 10%. SHB Quang Ninh’s response to this factor is above average. Thus, the weight for this factor (in column 2) is 0.10 and the rating (in column 3) is 3.

8. Increasingly fierce competition in attracting qualified and talent people: This factor has the impact level of 5%, SHB shows an average response. Therefore, the weight for this factor (in column 2) is 0.05 and the rating (in columns 3) is 2.

9. Increasing market risks due to the integration process: This factor has the effect level of 5%, and SHB Quang Ninh shows a poor response. Therefore, the weight for this factor (in column 2) is 0.05 and the rating (in column 3) is 1.

10. Social environment: This factor requires joint-stock banks to constantly assert their brands to enhance their position and prestige in the mind of local people, eliminate the gap between state-owned banks and joint-stock ones. Therefore, SHB responds superiorly to this factor. Based on that, the weight for this factor (in column 2) is 0.1 and the rating (in column 3) is 3.

Through the analysis and evaluation of opportunities and threats using the EFE matrix, it can be seen that the total weighted score of SHB Quang Ninh is 3.20, proving that SHB Quang Ninh responds positively and quickly to those external opportunities and threats and be able to well access the market facing changes and effects of external factors.

2.2.5. The competitive profile matrix of SHB Quang Ninh

The term “competitor” is mostly used in issues related to business administration and marketing. Competitors of a commercial bank (which will be referred to as “competitors”) are a set of business entities offering products and services to satisfy the demand for banking and financial services of customers, adversely affecting commercial banks in a particular time and place. Therefore, competitor analysis is an important and indispensable step in the formulation and implementation of strategic plans for every commercial bank. To ensure accuracy, the assessment process should be based on the responses of both big and same-sized competitors in the business area. Based on this, solutions to take advantage of strengths and to overcome weaknesses can be formulated in order to achieve the best business
performance.

As a result, to accurately evaluate the position of SHB Quang Ninh and its relative strengths and weaknesses for later recommendations of improvement areas, the group has conducted an analysis which compares SHB Quang Ninh with four state-owned commercial banks and four joint stock commercial banks (which are all level-one branches). The basic criteria are the same for all banks. As such, SHB Quang Ninh is compared with 2 groups of banks as follows: the state-owned commercial banks and the joint stock commercial banks.

The group has researched and compared the operating targets of SHB Quang Ninh with those of the two groups of banks. The data is presented in the table below:

*Table 2.5. Comparison of SHB Quang Ninh’s capital mobilization and usage with those of 4 state-owned commercial banks*

<table>
<thead>
<tr>
<th>Reported targets</th>
<th>SHB</th>
<th>AGRIBANK</th>
<th>BIDV</th>
<th>VTB</th>
<th>VCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>II. Total loan outstanding</td>
<td>3,213.4</td>
<td>6,932.8</td>
<td>5,617.0</td>
<td>3,270.0</td>
<td>3,096.0</td>
</tr>
<tr>
<td>Loans in foreign currencies</td>
<td>6,572.7</td>
<td>7,557</td>
<td>5,357.8</td>
<td>4,842.0</td>
<td>5,927.3</td>
</tr>
<tr>
<td>-Bad debts</td>
<td>468.6</td>
<td>641.9</td>
<td>589.2</td>
<td>4.0</td>
<td>817.7</td>
</tr>
<tr>
<td>1. Short-term outstanding loans</td>
<td>24.1</td>
<td>705.3</td>
<td>49.8</td>
<td>3.9</td>
<td>47.2</td>
</tr>
<tr>
<td>2. Mid-term outstanding loans</td>
<td>1,776.0</td>
<td>4,565.6</td>
<td>3,450.5</td>
<td>1,835</td>
<td>1,917.0</td>
</tr>
<tr>
<td>3. Long-term outstanding loans</td>
<td>2,826.9</td>
<td>2,021.1</td>
<td>665</td>
<td>1,062</td>
<td>601.3</td>
</tr>
<tr>
<td>Bad debts / Total outstanding loans</td>
<td>1,969.8</td>
<td>970.3</td>
<td>1,242.3</td>
<td>1,945</td>
<td>3,409.0</td>
</tr>
<tr>
<td>(Source: Periodical reports of The State Bank - Quang Ninh)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 2.6. Comparison of SHB Quang Ninh’s capital mobilization and usage with those of 4 joint stock commercial banks*

<table>
<thead>
<tr>
<th>Reported targets</th>
<th>SHB</th>
<th>MSB</th>
<th>VIB</th>
<th>MB</th>
<th>EXIMBANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>II. Total loans outstanding</td>
<td>3,213.4</td>
<td>2,043.6</td>
<td>1,079.8</td>
<td>912.8</td>
<td>831.4</td>
</tr>
<tr>
<td>Loans in foreign currencies</td>
<td>6,572.7</td>
<td>2,066.9</td>
<td>967.9</td>
<td>2,014.7</td>
<td>704.6</td>
</tr>
<tr>
<td>-Bad debts</td>
<td>468.6</td>
<td>31.2</td>
<td>26.3</td>
<td>28.3</td>
<td>0.3</td>
</tr>
<tr>
<td>1. Short-term outstanding loans</td>
<td>24.1</td>
<td>0.2</td>
<td>36.6</td>
<td>2.1</td>
<td>9.6</td>
</tr>
<tr>
<td>2. Mid-term outstanding loans</td>
<td>1,776.0</td>
<td>604.4</td>
<td>420.8</td>
<td>824.7</td>
<td>387.7</td>
</tr>
<tr>
<td>3. Long-term outstanding loans</td>
<td>2,826.9</td>
<td>915.6</td>
<td>379.2</td>
<td>1,008.6</td>
<td>122.5</td>
</tr>
<tr>
<td>(Source: Periodical reports of The State Bank - Quang Ninh)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Criteria for comparison:

Comparison using a table listing operating targets of the two groups of banks
Comparison using questionnaires. The interviewees are:
+ 10 top and middle managers of VINACOMIN’s units in Cam Pha City, Quang Ninh Province.
+ 3 administrators of professional areas of the State Bank - Quang Ninh Province. These people are directly in charge of the business operations of local banks.
+ 10 individual customers that are loyal to SHB and that have deposits – lending relationship with SHB Quang Ninh.
+ 5 private companies in the locality
+ 5 random customers
+ Direct conversations with the Board of Directors in SHB Quang Ninh branch: 2 people

The contents of those questionnaires can be founded in the Appendices part of the report.

* Evaluation: After collecting the questionnaires, the group has analyzed the data and came up with a conclusion as follows:

To identify the weight of each factor, we build 10 key competitive factors and rank their importance based on both questionnaires and the relative importance of those factors as compared to the overall average level of the banking industry in Quang Ninh Province. The weight is measured in percentage.

* Contents of the matrix: Column (1): List all factors that affect banking operations. Column (2): List all the weights of each factor, the sum of all weighted is 100%, indicating the level of influence of each factor to the business operations of each bank. Columns (3), (5), (7), (9), (11): respectively describe the responses of banks to the factors in column (1). Ranging from 1 to 4, rating 1 represents poor response, rating 2: average response, rating 3: above average response, rating 4: superior response.

The table of Competitive Profile Matrix is presented below:

<table>
<thead>
<tr>
<th></th>
<th>0.37%</th>
<th>0.01%</th>
<th>3.78%</th>
<th>0.10%</th>
<th>1.36%</th>
</tr>
</thead>
</table>

(Source: Periodical reports of The State Bank - Quang Ninh)
### Table 2.7. The Competitive Profile Matrix of SHB Quang Ninh and state-owned commercial banks

<table>
<thead>
<tr>
<th>Competitive factors</th>
<th>Weight</th>
<th>SHB Quang Ninh</th>
<th>Agribank Quang Ninh</th>
<th>BIDV Quang Ninh</th>
<th>VietinBank Quang Ninh</th>
<th>VCB Quang Ninh</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rating</td>
<td>Weighted score</td>
<td>Rating</td>
<td>Weighted score</td>
<td>Rating</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)=2*3</td>
<td>(5)</td>
<td>(6)=2*5</td>
<td>(7)</td>
</tr>
<tr>
<td>1. Administration ability</td>
<td>15%</td>
<td>4</td>
<td>0.60</td>
<td>3</td>
<td>0.45</td>
<td>3</td>
</tr>
<tr>
<td>2. Customer base (core customers)</td>
<td>15%</td>
<td>3</td>
<td>0.45</td>
<td>4</td>
<td>0.60</td>
<td>4</td>
</tr>
<tr>
<td>3. Network</td>
<td>10%</td>
<td>3</td>
<td>0.30</td>
<td>4</td>
<td>0.40</td>
<td>4</td>
</tr>
<tr>
<td>4. Human resources</td>
<td>10%</td>
<td>3</td>
<td>0.30</td>
<td>4</td>
<td>0.40</td>
<td>4</td>
</tr>
<tr>
<td>5. Brand and reputation</td>
<td>10%</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
<td>4</td>
</tr>
<tr>
<td>6. Marketing</td>
<td>10%</td>
<td>4</td>
<td>0.40</td>
<td>3</td>
<td>0.30</td>
<td>4</td>
</tr>
<tr>
<td>7. Bad debts</td>
<td>10%</td>
<td>4</td>
<td>0.40</td>
<td>2</td>
<td>0.20</td>
<td>4</td>
</tr>
<tr>
<td>8. Customer policies</td>
<td>10%</td>
<td>4</td>
<td>0.40</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
</tr>
<tr>
<td>9. Technology</td>
<td>5%</td>
<td>3</td>
<td>0.15</td>
<td>4</td>
<td>0.20</td>
<td>4</td>
</tr>
<tr>
<td>10. Products and services</td>
<td>5%</td>
<td>3</td>
<td>0.15</td>
<td>4</td>
<td>0.20</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>3.45</strong></td>
<td><strong>3.35</strong></td>
<td><strong>3.75</strong></td>
<td><strong>3.80</strong></td>
<td><strong>3.65</strong></td>
</tr>
</tbody>
</table>
Table 2.8. The Competitive Profile Matrix of SHB Quang Ninh and joint stock commercial banks

<table>
<thead>
<tr>
<th>Competitive factors</th>
<th>Weight</th>
<th>SHB Quang Ninh</th>
<th>MSB Quang Ninh</th>
<th>MB Quang Ninh</th>
<th>VIB Quang Ninh</th>
<th>Eximbank Quang Ninh</th>
<th>Rating</th>
<th>Weighted score</th>
<th>Rating</th>
<th>Weighted score</th>
<th>Rating</th>
<th>Weighted score</th>
<th>Rating</th>
<th>Weighted score</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Administration ability</td>
<td>15%</td>
<td>4 0.60</td>
<td>3 0.45</td>
<td>3 0.45</td>
<td>3 0.45</td>
<td>3 0.45</td>
<td>3</td>
<td>0.45</td>
<td>3</td>
<td>0.45</td>
<td>3</td>
<td>0.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Customer base (core customers)</td>
<td>15%</td>
<td>3 0.45</td>
<td>3 0.45</td>
<td>2 0.20</td>
<td>2 0.20</td>
<td>2 0.20</td>
<td>2</td>
<td>0.20</td>
<td>2</td>
<td>0.20</td>
<td>2</td>
<td>0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Network</td>
<td>10%</td>
<td>3 0.30</td>
<td>2 0.20</td>
<td>2 0.20</td>
<td>2 0.20</td>
<td>2 0.20</td>
<td>2</td>
<td>0.20</td>
<td>2</td>
<td>0.20</td>
<td>2</td>
<td>0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Human resources</td>
<td>10%</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Brand and reputation</td>
<td>10%</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Marketing</td>
<td>10%</td>
<td>4 0.40</td>
<td>3 0.30</td>
<td>4 0.40</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Bad debts</td>
<td>10%</td>
<td>4 0.40</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Customer policies</td>
<td>10%</td>
<td>4 0.40</td>
<td>4 0.40</td>
<td>3 0.30</td>
<td>3 0.30</td>
<td>2 0.20</td>
<td>2</td>
<td>0.20</td>
<td>2</td>
<td>0.20</td>
<td>2</td>
<td>0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Technology</td>
<td>5%</td>
<td>3 0.15</td>
<td>3 0.15</td>
<td>3 0.15</td>
<td>3 0.15</td>
<td>3 0.15</td>
<td>3</td>
<td>0.15</td>
<td>3</td>
<td>0.15</td>
<td>3</td>
<td>0.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Products and services</td>
<td>5%</td>
<td>3 0.15</td>
<td>3 0.15</td>
<td>3 0.15</td>
<td>3 0.15</td>
<td>3 0.15</td>
<td>3</td>
<td>0.15</td>
<td>3</td>
<td>0.15</td>
<td>3</td>
<td>0.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>3.45</strong></td>
<td><strong>3.00</strong></td>
<td><strong>2.85</strong></td>
<td><strong>2.90</strong></td>
<td><strong>2.65</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As can be seen from the Competitive Profile Matrix:
+ The group of state-owned commercial banks: Vietinbank takes the lead with the total weighted score of 3.8, following by BIDV Quang Ninh (3.75), VCB Quang Ninh (3.65), and Agribank Quang Ninh (3.35).
+ The group of joint stock commercial banks: MSB Quang Ninh (3.0) – VIB Quang Ninh (2.9) – Eximbank (2.65)
+ SHB Quang Ninh’s total weighted score is 3.45, ranked the fourth following Vietinbank, BIDV Quang Ninh, and VCB Quang Ninh.

Therefore, in terms of the size of total assets, SHB Quang Ninh is only ranked behind Agribank Quang Ninh. However, when considering all the competitive factors, SHB Quang Ninh is ranked the fourth, lagging behind competitors like Vietinbank, BIDV, and VCB. It can be said that SHB Quang Ninh has a high level of competitiveness, possesses a distinct competitive edge, and responds well to the market. In consideration of strategy, SHB Quang Ninh has been dealing well with both internal and external factors.

2.3. INTERNAL ENVIRONMENT ANALYSIS
2.3.1. Internal forces
2.3.1.1 Administration ability
Since its foundation and especially the execution of its 5 year strategy for SHB Quang Ninh has made significant progress both in operating scale and quality. Moreover, it has made good use of emerging opportunities in the business environment, and has taken appropriate strategies and moves to overcome difficulties and challenges during its operations.

- One of the definitive achievements to SHB Quang Ninh’s operations is that the Board of Directors have strengthened and consolidated the group of human resources that are in key leadership positions since its very first days of foundation. Those who take responsibility in managing SHB’s functional departments are experienced experts in finance and banking coming from SHB’s competitors.

- The Board of Directors successfully implemented the bank’s business plan for the first five year. The plan for SHB Quang Ninh’s first five years focused on hot growth and rigorous promotions in order to gain market share in terms of its operating targets.
With the philosophy that doing business is for profits and to preserve and increase its employees’ income as well as their living standards, despite the difficulty of late entry into the market, the Board of Directors immediately made a plan for market penetration and gained profit after only 6 months of establishment.

- The task of administration, controllation of and plan designation to specific departments is carried out quarterly. Plan implementation is tightly supervised and the implementation process is reported weekly so that any emerging difficulty can be addressed and immediate support can be provided to each department. This is a precious experience in administration and management of SHB Quang Ninh for to accomplish the common goals.

2.3.1.2. Network system

SHB Quang Ninh has been continually developing its operating network to expand its business area. Since its foundation, SHB Quang Ninh has expanded significantly with one Headquarter and 14 transaction offices. It can be said that SHB Quang Ninh is the fastest among the commercial banks in terms of business expansion.

The wide ranging operation network that reaches the whole locality is a competitive advantage for SHB Quang Ninh in terms of advertisement, promotion, introduction and provision of various products and services to customers.

However, despite SHB Quang Ninh’s expansion of network in the province, some transaction offices are small-scaled and can not generate outstanding loans. In comparison with SHB’s competitors with all level-one branches over the cities of the province, this can be considered a shortcoming of SHB Quang Ninh.

2.3.1.3. Customer network:

Customers of and partners with SHB Quang Ninh include:

+ Economic institutions/organizations: As one of the biggest commercial banks, SHB Quang Ninh provides services for most companies under Vietnam National Coal and Mineral Industries Group (TKV) in Quang Ninh Province. Besides, institutional customers of SHB Quang Ninh are private companies, foreign investment companies, and joint stock companies in the locality.

+ Individuals: currently, SHB Quang Ninh has widely offered services for individual customers, including term deposits, household loans, consumption loans, real estate annuity, etc. However, the customer base for the deposits service of SHB Quang
Ninh is limited as compared to other state-owned commercial banks. An explanation for that is SHB Quang Ninh’s relative late entry into the market and customer preference of state-owned commercial banks over joint stock commercial ones. This is a basic weakness for joint stock commercial banks in general and for SHB Quang Ninh in particular. It is recommended that SHB Quang Ninh develop policies and strategies to alleviate the problem and gain credibility so that it can gain market share as well as attracting deposits from the population.

The business area of SHB Quang Ninh covers a variety of industries and sectors including mining and supporting industries, tourism and services, agriculture and forestry, fishing industry, electricity and gas production and distribution, construction, trade, import and export, hotels and restaurants, etc.

2.3.2. Marketing capability

SHB Quang Ninh is a branch of a newly established joint stock commercial bank in an urban area. Nevertheless, it has already claimed its brand name through its professional and effective marketing activities. Besides, building image based on its product and service quality, SHB is also aware of skillfully integrating its marketing activities through local sports sponsorship, including sponsorship for SHB Quang Ninh football team and the annual Youth Football League in Cam Pha City. By doing so, it has brought itself closer to the customer, thus building a positive image in customers’ mind. Until now, the brand of SHB in general and of SHB Quang Ninh in particular is familiar to local people in Quang Ninh Province, which ranges from Dong Trieu Dist. to Mong Cai Dist.

SHB Quang Ninh’s brand has been recognized and highly appreciated since the company financially supported football events and had its own brand name football team (SHB – Da Nang).

Besides, SHB has also successfully hold prosocial activities and other events, thus creating favorable image for itself, giving life to SHB brand and gaining a widespread recognition in the community.

2.3.3. Products and services

At present, SHB’s products are various, standardized and appealing to customers; and it has already attracted a large number of customers. SHB has developed customized products and services for different types of customers. For example, in Quang Ninh
Province alone, SHB Quang Ninh has proposed to apply customized procedures for
different customer segments. Those procedures consist of developing product package
for VIP individual customers with such incentives as insurance cards, other bonuses
when using supplementary products, etc. As such, SHB has attracted customers and
differentiated itself from other local banks.

Nonetheless, SHB Quang Ninh’s products are not really diverse. Worse still, they
are seasonal and have low competitiveness and short life cycle. The contents and
procedures of providing products and services with sales promotions are lengthy and
abstruse, resulting in less persuasive and less attractive perception to customer.

The supervision and assessment of each product is not adequately focused on;
therefore, the operation result does not meet the set goals.

2.3.4. Human resources

By 31 December 2016, the total number of employees and managers in SHB
Quang Ninh is 194, more than that of late 2015 (120). This number of people ensures a
stable human resource for SHB’s departments in its headquarters, subsidiaries and
transaction offices in the locality.

In terms of qualifications, 165 employees in SHB have a bachelor’s degree and/or
higher education degree, making up 85% of its manpower. Those who have attended
intermediate and vocational college account for 8.8% of the workforce. Those who have
elementary level and apprenticeship including manual workers and short term contract
labors, make up 6.2% of the whole workforce.

- SHB Quang Ninh has a team of youthful, passionate, and determined staff whose
average age is between 26 and 27. As youthfulness is strength, the young human
resources can be considered its key internal strength.

Although SHB Quang Ninh’s employees are newly recruited people with limited
experience in banking, its recruited middle managers in key departments and transaction
offices are experienced in working at such institutions as state-owned banks and
competent economic bodies. They are capable of leading, providing on-the-job training,
and orienting the young employees.

- SHB Quang Ninh has taken advantage of its human resource’s strengths, which
are experience, enthusiasm, determination, and devotion, to develop. SHB Quang Ninh
has a healthy and positive working environment where employees are exposed to
numerous promotion opportunities and are encouraged to advance their careers by their own capabilities. This is a distinctive strength of SHB Quang Ninh compared to other credit organizations in the locality.

SHB Quang Ninh always regards human resources development as an indispensable and definitive factor to the sustainable development of its system. With that in mind, SHB Quang Ninh has been increasing the number and improving the quality of its human resources in order to meet the pressing demand of manpower during its operations and development.

Annually, SHB Quang Ninh provides training and retraining for its managers; and offers in-depth training to ensure the autonomy of its departments in business operations, customer approach and service, and product and service development. It also periodically holds exclusive workshops for each department in its branches and transaction offices to help its employees learn and exchange their experiences. Besides sending managers to in-depth training programs held by the Corporate Head Office, SHB Quang Ninh also proposes offering other marketing and card courses exclusively for the employees and managers of the whole branch.

SHB Quang Ninh has assigned specific goals to each competent department and transaction office. Simultaneously, monthly and quarterly assessments are conducted along with inspection, supervision of plan execution, and on-the-spot checks in every department.

Basically, SHB Quang Ninh has successfully built its culture. It has issued its internal labor regulations and communication manual in the workplace. Also, it has reached a consensus on the uniform design that symbolizes SHB for employees in all of its branches. That helps create its distinctive brand and positioning in Quang Ninh Province.

2.3.5. Physical factors

SHB Quang Ninh currently has a 5-storey Head office with an area of 1,500 square meters, located in the center of Cam Pha City. Its 13 transaction offices are also situated in central locations of several cities, towns, and districts. It can be said that SHB Quang Ninh’s office is the most magnificent and noticeable compared to other joint stock banks in Cam Pha City. That contributes to image creation and positive impression with customers.
Its transaction offices have favorable locations in densely populated areas and near other economic organizations. Therefore, most customers of SHB Quang Ninh can easily make transactions.

Its head office, branches and transaction offices are adequately equipped with the latest technology, sufficiently meeting work demands.

However, the offices of both SHB’s branches and transaction offices are leased properties. Therefore, their operations are unstable and costly. In the long term, SHB Quang Ninh should look into this problem to secure its business operation and to achieve effective and sustainable results.

2.3.6. Banking technology

Its operation is based on Webbase, which accelerates processing speed, reduces operating time, and provides connection with external interfaces. It also helps build Website ITSuport, a feature convenient for data lookup for information related to the information technology of the whole SHB system.

Recently, SHB has successfully connected to the coalition of Banknet, Smart Link, and VNBC; enabling customers to use their credit cards at any ATM belonging to those banks. SHB Quang Ninh is now proposing to introduce ATM payroll cards integrated with payroll computation and coalpit access card for managers and employees in the mining industry.

With the current information technology, SHB Quang Ninh can ensure the best and the fastest service to meet all of its customers’ enquiries.

2.3.7. Analysis of SHB Quang Ninh’s internal resources through its business performance

(1) Capital mobilization:

With the concerted efforts of its managers and employees, SHB Quang Ninh has executed a strategy of vigorous capital mobilization from economic institutions and individuals through various flexible and appealing programs. The outcome of its strategy by 31 December 2016 is stated in the table below:

<table>
<thead>
<tr>
<th>Table 2.9: SHB Quang Ninh’s capital mobilization structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit: million VND</td>
</tr>
</tbody>
</table>

- -53-
<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
<td>Amount</td>
</tr>
<tr>
<td>Terms</td>
<td>3,213,357</td>
<td>100</td>
<td>2,273,832</td>
</tr>
<tr>
<td>Short term</td>
<td>3,105,586</td>
<td>96.65</td>
<td>2,272,859</td>
</tr>
<tr>
<td>Medium to long-term</td>
<td>107,771</td>
<td>3.35</td>
<td>973</td>
</tr>
<tr>
<td>Sources</td>
<td>3,213,357</td>
<td>100</td>
<td>2,273,832</td>
</tr>
<tr>
<td>Domestic</td>
<td>3,074,906</td>
<td>95.69</td>
<td>2,078,778</td>
</tr>
<tr>
<td>Foreign</td>
<td>138,452</td>
<td>4.31</td>
<td>195,054</td>
</tr>
<tr>
<td>Customers</td>
<td>3,213,357</td>
<td>100</td>
<td>2,273,832</td>
</tr>
<tr>
<td>Economic institutions</td>
<td>214,062</td>
<td>6.66</td>
<td>454,743</td>
</tr>
<tr>
<td>Households</td>
<td>2,999,295</td>
<td>93.34</td>
<td>1,819,089</td>
</tr>
</tbody>
</table>

(Source: Consolidated data from SHB Quang Ninh’s financial statements)

- The total capital mobilized by December 31, 2014 of SHB Quang Ninh is 3,552.8 billion VND (US$170 million), dropping to 2,273.8 billion VND (US$109 million) by December 31, 2015 with a decrease by 1,279.8 billion VND (US$61 million). The total capital mobilized of SHB Quang Ninh reaches to 3,213.4 billion VND (US$154 million), which is a 94% achievement of its set annual goal. It reached its planned target of 3,600 billion VND (US$172.7 million) by December 2016.

- Capital classification by terms: short term capital makes up 98% of the total capital in December 31, 2014, over 99% in December 31, 2015, and 96% by 31 December 2016. This indicates the majority of SHB’s mobilized capital is short-term and implies potential instability. With this alone, SHB would face illiquidity and few chances of credit growth and expansion in medium and long term as it has no counterpart funds. Nonetheless, local credit organizations in Quang Ninh Province also face the same problem. Moreover, SHB Quang Ninh is financially supported by SHB Corporate Head Office to meet its needs of liquidity, and medium and long-term capitals. Each of its level-one branch operates on the principle of whole equity trading with the Bank Head Office. However, to maintain its business autonomy, SHB Quang Ninh has to draw up plans and solutions so that it can independently deal with its liquidity risk, loan balance, and customer credit growth.

- Classification by types of customers: Capital mobilized in SHB Quang Ninh is from economic institutions and households with the latter being the key provider (82.6% in total
in 2014, 80% in 2015 and 93.34% by 31 December 2016). The capital mobilized from households is savings of local people; therefore, it is a stable source of capital.

(2) Credit activities

*/Loan outstanding analysis over time:

Total credit outstanding amount of SHB is relatively high, being 5,593.6 billion VND (US$268 million) in 2014; 5,900.7 billion VND (US$283 million) in 2015, which is an increase to 105% compared to that of December 31, 2014. The figure reaches 6,572.6 billion VND (US$315 million) by 31 December 2016 with an increase by 671.9 billion VND (US$32 million) compared to the end of 2015, which equals to an increase by 111.3% and a 112% achievement as planned for 2016.

In SHB Quang Ninh’s credit outstanding structure, the amount of medium and long-term outstanding loans makes up the majority of the total outstanding loans, accounting for 60.8% in 2014, 73.6% in 2015, and 73% by December 31, 2016.

*Table 2.10. Outstanding loans over time

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>Percentage (%)</th>
<th>2015</th>
<th>Percentage (%)</th>
<th>2014</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td></td>
<td>Amount</td>
<td></td>
<td>Amount</td>
<td></td>
</tr>
<tr>
<td>Short term loans</td>
<td>1,777,153</td>
<td>27.04</td>
<td>1,555,042</td>
<td>26.35</td>
<td>2,189,059</td>
<td>39.14</td>
</tr>
<tr>
<td>Mid-term loans</td>
<td>2,825,760</td>
<td>42.99</td>
<td>2,466,315</td>
<td>41.80</td>
<td>2,020,477</td>
<td>36.12</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>1,969,756</td>
<td>29.97</td>
<td>1,879,365</td>
<td>31.85</td>
<td>1,384,069</td>
<td>24.74</td>
</tr>
<tr>
<td>Total loans</td>
<td>6,572,669</td>
<td>100</td>
<td>5,900,722</td>
<td>100</td>
<td>5,593,605</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: Consolidated data from SHB Quang Ninh’s financial statements)

SHB Quang Ninh has used over 150% mobilized capital for credit outstanding growth. For the remaining mount of capital, SHB Quang Ninh buys from the SHB Head Office while other branches of SHB do not do so. That is the distinctive business strategy of SHB Quang Ninh’s Board of Directors to enable credit outstanding growth. In the first 5 years of establishment, whereas other SHB branches only focused on capital mobilization and could not develop outstanding loans, SHB Quang Ninh was very perceptive to the overall situation of the whole SHB system. With permission of the Board of Directors of SHB, SHB Quang
Ninh devised its own development strategy to maintain high revenue generated from loans outstanding for the SHB system in general and for SHB Quang Ninh in particular.

* SHB Quang Ninh’s credit policy

SHB Quang Ninh’s credit policy is market-driven, safe, effective, customized and non-discriminating. It abides by the law, SHB’s internal regulations, and steadily meet international standards. The policy directs SHB Quang Ninh’s credit activities to meet its goals and mission of SHB. It also offers incentives of credit limit and interest rates for strategic customers from TKV.

*/ Debt quality analysis for SHB Quang Ninh

Table 2.11. Classification of debt quality

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
<td>Amount</td>
</tr>
<tr>
<td>Healthy debts</td>
<td>6,097,855</td>
<td>92.78</td>
<td>5,699,720</td>
</tr>
<tr>
<td>Caustious debts</td>
<td>450,672</td>
<td>6.86</td>
<td>201,002</td>
</tr>
<tr>
<td>Substandard debts</td>
<td>9,316</td>
<td>0.14</td>
<td>-</td>
</tr>
<tr>
<td>Doubtful debts</td>
<td>14,825</td>
<td>0.23</td>
<td>-</td>
</tr>
<tr>
<td>Uncollectible debts</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Tổng</strong></td>
<td><strong>6,572,669</strong></td>
<td><strong>100</strong></td>
<td><strong>5,900,722</strong></td>
</tr>
</tbody>
</table>

(Source: Consolidated data from SHB Quang Ninh’s financial statements)

SHB Quang Ninh has carefully classified debts, prepared both general and specific backup funds in accordance to regulations of the State Bank of Vietnam. The amount of accumulated general backup fund is 104,669 billion VND (US$5.02 billion) by December 31, 2016. It is 17,890 billion VND (US$858 million) in 2015 and 6,616 billion VND (US$317 million) in 2014 respectively. SHB Quang Ninh’s credit quality is relatively good. The amount of healthy debts by 31 December 2016 accounts for 92.8% of the total debts, the amount of cautious debts accounts for 6.8%, substandard and doubtful debts make up only 0.37% of the total outstanding loans of SHB Quang Ninh.

To achieve the above results, SHB Quang Ninh implemented the following activities:
SHB tightly regulated its credit structure. It has also encouraged lending to feasible and highly profitable projects and to customers with financial strength and adequate asset mortages.

- The company usually carried out effective capital usage inspections prior to and after credit disbursement. Moreover, it closely controlled the credit volume of each debt and thereby applying suitable customer policy.

- The bank also assessed and classified overdue debts, then found good solutions to collect those in time.

- It effectively prepared the credit risk backup funds to deal with uncollectible debts in order to clear its balance sheet.

SHB Quang Ninh’s debt quality has proven its appropriate five year plan and the sensible and effective management of its Board of Directors. It also implies good knowledge of its employees and its credible, potential customer base.

*(3) Foreign currency trading, international payments and service provision:*

**Table 2.12: Service activities of SHB Quang Ninh**

<table>
<thead>
<tr>
<th>No</th>
<th>Type</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Achieved</td>
<td>(+),(-) growth</td>
<td>Achieved</td>
<td>(+),(-) growth</td>
</tr>
<tr>
<td>1</td>
<td>International payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Imports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of transactions</td>
<td>90</td>
<td>51</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Revenue (Thousand USD)</td>
<td>9,597.22</td>
<td>(5,626.38)</td>
<td>15,223.60</td>
</tr>
<tr>
<td>1.2</td>
<td>Exports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of transactions</td>
<td>157</td>
<td>116</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Revenue (Thousand USD)</td>
<td>47,001.7</td>
<td>26,882.16</td>
<td>20,119.50</td>
</tr>
<tr>
<td>2</td>
<td>Foreign currency trading</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buying volume (thousand USD)</td>
<td>10,851.95</td>
<td>3,566.83</td>
<td>7,285.12</td>
</tr>
<tr>
<td></td>
<td>Selling volume (thousand USD)</td>
<td>11,855.99</td>
<td>4,831.47</td>
<td>7,024.52</td>
</tr>
<tr>
<td></td>
<td>Foreign currency trading turnover (million VND)</td>
<td>37.30</td>
<td>(47.24)</td>
<td>84.54</td>
</tr>
<tr>
<td>3</td>
<td>Card services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of cards</td>
<td>10320</td>
<td>9617</td>
<td>703</td>
</tr>
<tr>
<td></td>
<td>Account balance (Million VND)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Guarantees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Revenue (Million VND)</td>
<td>141,164.82</td>
<td>80,163.61</td>
<td>61,001.21</td>
</tr>
<tr>
<td>Number of units</td>
<td>Service fees (Million VND)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>3,796.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>333.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,462.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,473.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,989.5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Consolidated data from SHB Quang Ninh’s financial statements)


+ **Foreign currency trading** also generates low revenue. The buying revenue for 2014 is US$589,500 and the selling revenue is US$362,700. The figures for 2015 are respectively US$7.3 million and US$7 million. By 2016, the buying revenue is US$10.9 million and the selling revenue US$11.9 million. Earning from foreign currency trade is also minimal with the number for 2014 and 2015 is 72.4 million VND (US$3,470) and 84.5 million VND (US$4,052) respectively. Dec 2016, the revenue is 37.3 million VND (US$1,789).

International payments and foreign currency trade always go hand in hand. SHB has only been offering international payment service since late 2008; therefore, its service is not widely known among customers. Also, as Quang Ninh’s economy is characterized by mining, the cash flow of TKV accounts for 70% of the total economic activities. The remaining 30% is from other sectors such as travel, institutions such as state administrative agencies, organizations working in culture, education and small business areas. The companies in charge of export/import do not actually make transactions. They are just representatives for their parent companies in Hanoi and Ho Chi Minh City. Besides, the human resources in charge of international payments in Quang Ninh branch are lacking in number and limited in knowledge and expertise.

+ **Guarantees**: the revenues generated from guarantees in 2014, 2015 and 2016 of SHB Quang Ninh are 32.9 billion VND (US$1.58 million), 61 billion VND (US$2.93 million) and 141.2 billion VND (US$6.77 million) respectively.

+ **Domestic payments and card services**:

Revenue generated from domestic payments is remarkably high as Quang Ninh is a large industrializing area with coal mining being its key industry. In addition, the number of enterprises and their volume of banking service consumption are huge, especially in two fields which are payments and credit. Nonetheless, SHB’s fee for cash transaction is lower
than that of other banks in the locality. Therefore, revenue generated from service fees account for just a minimal rate in SHB Quang Ninh’s total revenue.

In terms of ATM cards, the number of issued cards is modest and the revenue generated low. An explanation for this is the limited ATM service in Quang Ninh Province. There are few ATMs of SHB; until December 31, 2015, SHB Quang Ninh only had 2 ATMs placed in Uong Bi and Cam Pha City. Also, ATM cards issued by SHB can only be used in some other banks’ ATM.

However, SHB has participated in the ATM card coalition with Smartlink, Banknetvn, and VNBC. Additionally, owners of SHB ATM card does not have to pay direct transaction fee to Smartlink, Banknetvn and VNBC except for the required interbank fee. Therefore, in 2016, SHB Quang Ninh marketed to and issued ATM payroll cards for several business units of the TKV. The number of issued cards currently is over 10,000 for SHB Quang Ninh. With an average of 4,000 cards issued to each business units to pay employees’ salaries monthly, SHB Quang Ninh has access to a significantly large non-term deposits. The amount of daily deposit is more than 20 billion VND (US$959 million). SHB Quang Ninh’s strategy for the upcoming years is to issue payroll cards to all TKV’s business units.

(4) Cross border payments:

Cross border payment is a crucial payment channel that brings benefits, creates sense of safety, and saves money for individuals and enterprises when trading, exchanging, importing and exporting with foreign partners.

Since the early 2015, SHB Quang Ninh has tried to sign cross border payment contracts with Chinese banks such as China Construction Bank in Dongxin (CCB Dongxin) and Agriculture Bank of China in Dongxin to make transactions on temporary imports for re-exports across the port in Mong Cai Dist. However, in 2015, SHB could only sign contract with CCB Dongxin, so the revenue and income generated from cross border trade was rather modest. From 2016 onward, SHB Quang Ninh has emphasized on and encouraged cross border payment by offering various payment options: imports/exports payment, wire transfer (commercial and non-commercial), bill of exchange, document against payment, escrow, and letter of credit in Chinese yuan. However, payment in Chinese yuan (CNY) conducted through SHB Quang Ninh is small in scale compared to that of other long established banks like Agribank Quang Ninh. On the other hand, SHB has not formed specific regulations and procedures for cross border payment. Therefore, SHB in Quang Ninh is not fully equipped to
deal with cross border payment at all. Moreover, employees in charge of cross border payment in Quang Ninh branch are not professionally trained to do their jobs; therefore, they encounter difficulties in payment processing.

- At present, in Mong Cai City, cross-border payment services are offered by a number of banks such as Agribank Quang Ninh, BIDV Quang Ninh, Vietinbank Quang Ninh, VCB Quang Ninh, MHB, etc. Those banks somehow have already established long-term relationship with customers. In addition, their employees and managers are fairly experienced in cross border payment services. Moreover, those banks also sign cross border payment contracts with other Chinese banks like the Agricultura Bank of China, the Industry and Commercial Bank of China, the China Construction Bank, etc. Therefore, customers can make transactions in a more convenient way.

Revenue generated for cross-border payments in SHB Quang Ninh in 2015 is only US$10 million. The figure reaches US$55.6 million by the end of 2016. SHB Quang Ninh focuses on the development strategy for cross border payment services; however, that strategy will be executed step by step in the upcoming years.

(5) Other services:

Besides its traditional products and services, SHB Quang Ninh always emphasizes on developing modern banking products and services such as E-banking (Mobile banking, Internet banking), and Home banking – CMS cards.

Internet banking service was initiated in the early 2014. However, due to various reasons, especially the habit of spending cash among Vietnamese people, the marketing and expansion of the service is adversely affected. Until now, there have been only 1,000 customers using the service.

(6) Financial results.

Table 2.13: Some financial indicators of SHB Quang Ninh

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Achieved</td>
<td>Percentage (%)</td>
<td>Achieved</td>
</tr>
<tr>
<td>A</td>
<td>BUSINESS INDICATORS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>Net income from interest</td>
<td>65,042</td>
<td>142,720</td>
<td>98.9</td>
<td>178,467</td>
</tr>
<tr>
<td>1</td>
<td>Interest income</td>
<td>172,694</td>
<td>537,565</td>
<td>1,384,540</td>
<td>1,171,646</td>
</tr>
<tr>
<td>2</td>
<td>Interest expense</td>
<td>107,652</td>
<td>394,845</td>
<td>1,206,073</td>
<td>1,002,556</td>
</tr>
<tr>
<td>II</td>
<td>Income from services</td>
<td>1,625</td>
<td>1,453</td>
<td>3,328</td>
<td>3,207</td>
</tr>
</tbody>
</table>

Unit: million VND
SHB Quang Ninh’s profit margin experiences a remarkable increase throughout the years, indicating its effective business operation. Its earnings before tax in 2014 was 56.8 billion VND (US$2.72 million). It increased by 111% to 119.8 billion VND (US$5.74 million) in 2015 and by 94% to 112 billion VND (US$5.37 million) in 2016, which is 75% of the predetermined goal.

However, in terms of earnings structure, service fee accounts for a negligible ratio. It is only 1% in 2014, 1.73% in 2015 and 1.85% in 2016 respectively. This implies limitation in SHB Quang Ninh’s service provision. This is also a weakness that the company has to alleviate to formulate its development strategy for the years to come.

In conclusion, based on the business operation analysis for SHB Quang Ninh, it can be seen that SHB Quang Ninh’s business results are pretty impressive. Its revenue gradually climbs up; its key economic indicators continually grow and are stable. SHB Quang Ninh knows how to exploit its core and potential customers so that the best business outcome can be achieved. It can also be said that SHB Quang Ninh is successful in applying its own customer policies. An example of this is the favors it offers to the companies under the Vietnam Coal and Minerals Industry Group which includes interest rate incentives, lower service fees, and arrangement for door to door services as demanded, etc. Besides, its employees have good manner and are devoted to customers’ welfare. They always try to provide the best services and be the fastest to satisfy all of customers’ needs.

2.3.8. Evaluation of SHB Quang Ninh’s strengths and weaknesses

(1) Strengths and internal forces.

i/ In terms of administration ability

- SHB Quang Ninh has built a dynamic, credible and competent administrative system that has developed periodic business strategies for each phase. The orientation of

<table>
<thead>
<tr>
<th></th>
<th>Income from domestic services</th>
<th>1,245</th>
<th>842</th>
<th>1,324</th>
<th>2,489</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Net income from International payments</td>
<td>214</td>
<td>545</td>
<td>1,944</td>
<td>696</td>
</tr>
<tr>
<td>3</td>
<td>Income from foreign currency trading</td>
<td>167</td>
<td>72</td>
<td>85</td>
<td>37</td>
</tr>
<tr>
<td>4</td>
<td>Income from cards</td>
<td>(1)</td>
<td>(7)</td>
<td>(24)</td>
<td>(15)</td>
</tr>
<tr>
<td>III</td>
<td>Profit/loss from other activities</td>
<td>142</td>
<td>132</td>
<td>0.1</td>
<td>10,494</td>
</tr>
<tr>
<td>B</td>
<td>NET INCOME</td>
<td>66,809</td>
<td>144,305</td>
<td>100</td>
<td>192,289</td>
</tr>
<tr>
<td>6</td>
<td>Operating expenses</td>
<td>33,948</td>
<td>87,457</td>
<td>72,456</td>
<td>61,476</td>
</tr>
<tr>
<td>C</td>
<td>EARNINGS BEFORE TAX</td>
<td>32,861</td>
<td>56,848</td>
<td>119,833</td>
<td>112,047</td>
</tr>
</tbody>
</table>
its strategy is sensible and appropriate to the province’s overall development; and its focus on the right customer is the key winning point. All those things have brought SHB Quang Ninh from one of the newly established joint stock commercial banks to a position in the top 4 level 1 banking subsidiaries in the locality after 5 years of operation.

**ii/ Human resources**

- SHB Quang Ninh has a team of youthful, passionate, and determined staff whose average age is between 26 and 27. As youthfulness is strength, the young human resources can be considered its key internal strength.

Although SHB Quang Ninh’s employees are newly recruited people with limited experience in banking, its recruited middle managers in key departments and transaction offices are experienced in working at such institutions as state-owned banks and competent economic bodies. They are capable of leading, providing on-the-job training, and orienting the young employees.

- SHB Quang Ninh has taken advantage of its human resource strengths which are experience, enthusiasm, determination, and devotion to contribute to its continuous development. It has a healthy and positive working environment where employees are exposed to numerous promotion opportunities and are encouraged to advance their careers by their capabilities. This is a distinctive strength of SHB Quang Ninh compared to other credit organizations in the locality.

**iii/ Strategic shareholders (Core customers)**

- SHB Quang Ninh receives the support from financially strong shareholders with huge demands for capital, payments, money transfer, and payroll cards, etc. Those shareholders are also a source of enormous deposits. They comprise of companies under the Vietnam National Coal and Mineral Industries Group in Quang Ninh Province, and can be considered as the core customers of SHB Quang Ninh.

The amount of average daily deposits in SHB Quang Ninh is 600-700 billion VND and remains stable over years. Total amount of outstanding loans of TKV units accounts for 55% of the total outstanding loans of SHB Quang Ninh. The annual revenue generated from money transfer for those units makes up for 70% of SHB Quang Ninh’s total revenue.

SHB Quang Ninh has fully exploited the combination between its brand and the coal industry. Coal is the typical feature of Quang Ninh Province. Therefore, by doing
so, SHB Quang Ninh has already connected itself with the brand Quang Ninh’s coal. Moreover, when going beyond its breakeven point and getting profit, SHB Quang Ninh has been gradually eradicating the monopoly of state-owned commercial banks in the locality. This is SHB Quang Ninh’s business strategy for the next 5 to 10 years.

iv/ Distinctive customer strategy:
- SHB Quang Ninh has built its own customer strategy, which is described as followed:
  + Apply special lending interest rates for customers that are business units of TKV.
  + Apply preferential payment service fees as compared to other local banks.
  + Offer special customer services and other priorities to the managers of those business units
  + Implement its comprehensive individual customer care policy for those who deposit money in SHB Quang Ninh
  + Intensify its marketing activities in any form to approach and attract new customers.
- Rapid development and big scale of SHB Quang Ninh’s operating network is its strengths compared to other level-one branches in Quang Ninh Province.

v/ Brand prestige: SHB Quang Ninh has created a leading position and image in every business area in Quang Ninh Province.
- SHB has installed and applied the information technology system called Corebanking, which is the foundation for SHB Quang Ninh’s network expansion, product and service development, and enhancement of administrative effectiveness. This will contribute to SHB Quang Ninh’s rapid and sustainable development in the future.
- The financial position of the SHB system is stable and its ability to mobilize supplementary capital is assured. Those are favorable conditions for SHB Quang Ninh and other SHB branches to promote their inherent strengths and capabilities so as to further develop, gain market shares, and lead the market in the future.
  
  In a favorable microeconomic environment, the local banking system in general and SHB Quang Ninh in particular are considered as attractive to investors. This is a good opportunity the bank to mobilize more capital for its future development.
  - The Board of Directors of SHB Quang Ninh has created a distinctive brand for the bank by building and maintaining the credit culture of caution and transparency, and
appropriately applying policies and regulations in order to ensure good asset quality and the growth of loans for feasible projects. SHB Quang Ninh is less likely to be affected by bad debts than state-owned commercial banks and other joint stock commercial banks; therefore, it can consolidate its resources to improve its business model and implement employee training programs. Also, this can improve the bank’s reputation and prestige.

(2) Weaknesses:

i/ Customer base:

SHB Quang Ninh has not been able to build a stable individual customer base.

ii/ Network system: SHB Quang Ninh’s network system is widespread in the locality; however, some of the components are just small transaction offices that do not maximize the branch’s competitiveness in some areas.

iii/ Products and services:

- Products and services: SHB Quang Ninh is dependent on the general products and services of the SHB system. Compared with other credit institutions, SHB Quang Ninh’s products are small in number, not balanced in structure, and have short life cycle. Moreover, SHB Quang Ninh has not succeeded in the research and development of those products that are suitable to different market segments. Besides, SHB’s banking services in general and those of SHB Quang Ninh in particular are monotonous, not varied, and not customized for each different customer group.

Credit remains the major activity that generates revenue for SHB Quang Ninh. Other modern banking services like money transfer; payments, foreign currency trading, cross-border payments, etc. are not well developed. In short, earnings from credit activities still account for the large proportion of the total revenue while earnings from services are limited.

iv/ Process and procedure system:

The system of processes and procedures of SHB is still ineffective and not standardized. As such, SHB in general and SHB Quang Ninh in particular are still in the process of doing, learning and improving the procedures at the same time. This leads to systematic difficulties and limitations as the work should be performed quickly in accordance with legal requirements and regulations of the Government and the banking industry. Especially, the establishment of temporary administrative procedures for the
branch after the merger is obstructed by overlaps, confronting all branches including SHB Quang Ninh in the implementation process.

v/ Facilities and infrastructures:

SHB Quang Ninh’s infrastructures and facilities are impressive. Its equipments are of the latest technology. Nonetheless, the offices are all rented, not owned by the bank. Therefore, there is somehow a lack of stability for the bank’s long-term development. This weakness should be overcomed with thoughtful investment if SHB wants to grow and develop stably and sustainably.

From the above arguments, it can be seen that SHB Quang Ninh’s core competencies include: Customer-oriented philosophy; Promoting administration ability; Young, dynamic, devoted human resources; Building an ideal working environment with stable income. These characteristics differentiate SHB Quang Ninh from other local banks.

2.3.9. The internal factor evaluation (IFE) matrix of SHB Quang Ninh

The IFE Matrix of SHB Quang Ninh is presented as follows:
- Key internal factors affecting SHB’s activities are listed in column 1.
- Weights for each factor are given in column 2. Total value of all weights is 100%.
- Assign a rating for each factor, ratings will be presented in column 3
- Calculate weighted scores for each factor and present in column 4.
- Add all weighted scores to calculate the total weighted score of the matrix

<table>
<thead>
<tr>
<th>Key internal factors</th>
<th>Weight</th>
<th>Rating</th>
<th>Weighted score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td></td>
<td>(4)=(2)*(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strengths</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Administration ability</td>
<td>0.15</td>
<td>4</td>
<td>0.60</td>
</tr>
<tr>
<td>2. Strategic shareholders</td>
<td>0.10</td>
<td>4</td>
<td>0.40</td>
</tr>
<tr>
<td>3. Human resources</td>
<td>0.10</td>
<td>3</td>
<td>0.30</td>
</tr>
<tr>
<td>4. Brand and prestige</td>
<td>0.10</td>
<td>3</td>
<td>0.30</td>
</tr>
<tr>
<td>5. Distinctive customer strategy</td>
<td>0.05</td>
<td>4</td>
<td>0.20</td>
</tr>
<tr>
<td><strong>Weaknesses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Customer base</td>
<td>0.15</td>
<td>2</td>
<td>0.30</td>
</tr>
<tr>
<td>2. Operating network</td>
<td>0.10</td>
<td>2</td>
<td>0.20</td>
</tr>
</tbody>
</table>
The rationales for the indicators in column 2 and 3 can be explained as followed:

For strengths:
1. **Administration ability**: the Board of Directors of SHB Quang Ninh is regarded as competent, open-minded, and is willing to try new things. An experienced management board with strategically sounded mind is very important and can affect up to 15% of the success of a bank. Therefore, column (2) and (3) of the matrix are given the figures of 0.15 and 4 respectively for this factor.
2. **Strategic shareholders**: This factor remarkably influences any business unit. Its level of impact is 10%. This factor is SHB Quang Ninh’s outstanding strength. Thus, the weight and the rating for this factor presented in column (2) and (3) are 0.15 and 4 respectively
3. **Human resources**: This is always a critical factor. Its level of influence is 10%. SHB Quang Ninh’s human resources in general are fairly high-quality with the rating of 3. Therefore the weight and the rating presented in column (2) and (3) are 0.10 and 3 respectively for this factor.
4. **Brand and prestige**: To the banking industry, the brand prestige significantly determines its success. It level of influence is 10%. SHB’s brand is well known. Therefore, the weight and the rating in columns (2) and (3) are 0.10 and 3 respectively for this factor.
5. **Distinctive customer strategy**: SHB has built its distinctive customer strategy to apply to different targets and customer segments. This factor has an influence level of 5%. The weight and rating for this factor in column (2) and (3) are 0.5 and 4 respectively.

For weaknesses:
1. **Customer base**: SHB Quang Ninh has not had a stable customer base, especially individual customers. This factor has an influence level of 15% and the rating of 2. That is reflected in column (2) and (3) as 0.15 and 2 respectively.
2. **Operating network**: This factor affects up to 10% of the business success. Its weight and rating in column (2) and (3) are 0.10 and 2 accordingly.
3. *Products and services*: Products and services are not really diverse, not customized to different customer segments; the product life cycle is short; there are many shortcomings which lead to a failure to meet the professional work and new technology requirements. This factor accounts for 10% the success of the business and is a weakness with the rating of 2. The matrix reflects that on column (2) and (3) with figures of 0.10 and 2 accordingly.

4. *Infrastructures and facilities*: SHB Quang Ninh’s facilities and infrastructure are not stable, affecting 10% of its success. The weight and rating for this factor are 0.10 in column (2) and 2 in column (3).

5. *General processes and procedures*: The current system of administration processes and procedures of SHB Quang Ninh after the merger is ineffective. The weight and rating for this factor are 0.05 in column (2) and 2 in column (3).

*The IFE matrix shows that total weighted score of SHB Quang Ninh is 2.80, indicating its capability of maximizing its internal forces to develop the business and to gain market share in the locality.*

2.4. THE NEED FOR BUSINESS STRATEGY FORMULATION OF SHB QUANG NINH

In 2016, the local economy of Quang Ninh remains adversely affected by the national and global economic recession characterized by a decrease in economic activities, purchasing power, product manufacturing and consumption. GPD growth rate was 7.2%, which decreasing by 5.3% as compared to preset goals. The values added for such sectors as agriculture, forestry, and fishing increase by 2.2%; industry and construction 3.3%; service industry 12.7%.

In the current socio-economic situation, difficulties in the local mining industry and changes in Chinese cross-border regulations greatly influence the province’s economic growth. It is obvious that the business activities of every local bank in Quang Ninh are negatively affected.

The reorganizing and restructuring activity of the system after the merger has not been directed by the central authority; therefore, SHB Quang Ninh cannot be proactive or direct its management in the future.

Though the movements in the finance and banking market are still hard to predict, according to financial experts and according to the direction of Quang Ninh’s
development plan to overcome recent economic problems, in the middle term period, the banking industry of Quang Ninh will still grow and develop. A stable political environment enables Quang Ninh to attract foreign investors and to fully exploit its resources so as to invest and develop in the coming years, especially in the field of finance and banking – which is regarded as a potential field.

The period of 2017 – 2022 will witness increasingly fierce competition in the finance and banking field of Quang Ninh. Therefore, in order to actively equip itself with essential preparation to take opportunities and to overcome threats, developing business strategies and feasible solutions for the coming years is an extremely important task for SHB Quang Ninh.

After analyzing external and internal factors using the EFE IFE matrices, it can be conclude that SHB Quang Ninh’s position is in the strong group of the industry. Besides strengths such as core and potential customer base, distinctive brand and prestige, good service manner, and unity and consensus in the branch, etc. SHB Quang Ninh still has many weaknesses such as ineffective reorganizing and restructuring activities after the merger, insufficient individual customer base, mediocre products and services, difficulties in the recruitment of managers, etc. In this situation, SHB Quang Ninh should identify its goals and strategies in order to take opportunities and cope with threats in both short and long term./
3.1. SHB QUANG NINH’S BUSINESS GOALS IN 2017 - 2022

*/ Goals and orientation of the Government and the State Bank of Vietnam for the banking industry in general:

- The upcoming years are expected to be a difficult time for both Vietnam’s economy in general and the banking industry in particular. The State Bank of Vietnam has tightened monetary policy through ceiling interest rate, flexible exchange rate regulations (increasing exchange rate, narrowing fluctuation gap, buying and selling foreign currencies on open markets, regulating the remittance of foreign currencies from enterprises to credit institutions, etc.), non-manufacturing credit limitation, etc.

- The banking industry’s aim is to carefully and flexibly implement the tight monetary policy; to harmoniously coordinate with fiscal policy in order to stabilize the monetary market and ensure the liquidity of credit institutions; to control the growth speed of total payment options of about 14 – 16% and credit of about 15 – 17%; to reduce the average interest rate to a level that is suitable to macroeconomic fluctuations, to flexibly regulate exchange rates accordingly to market movements and the supply-demand of foreign currencies; to ensure safe and legal operations of credit institutions with no violation of monetary and banking industry regulations in the law framework.

 */ Development goals of credit institutions and strategic direction to 2020

- Basically and fundamentally restructure and comprehensively develop the credit institution system with a modern and multifunctional orientation to attain average and advanced development level in ASEA which is characterized by the diversification of ownership and type of credit institutions; larger operating scale; healthy financial position; safe, effective and sustainable development and operation based on modern technology and good management; application of international standards and common practices in commercial banking activities.

- Effectively implement the Project of no cash payment in Vietnam; implement and expand POS system connection and POS payment development effectively and stably; continue implementing and completing the Project of Single Card Switch Center; fine-tune legal documents on payment; formulate regulations and policies of supervision of the State Bank of Vietnam on payment systems; coordinate with the Ministry of Public Security in Vietnam to prevent and counter fraudulent activities, ensuring the safety in payment activities.
- Continue to accelerate the restructuring of the banking system; create favorable conditions for credit institutions to enhance their administrative competency, expertise, and competitiveness; guarantee the rights to doing business of banks and foreign financial institutions as pledged with the international community.

3.1.1. The SHB system’s vision and goals

- Vission: SHB is trying to be a modern retail, multifunctional bank in 2018 with the latest technology, professional staffs, and widespread network domestically and internationally. It hopes to provide customers and clients with standardized, convenient banking products and services at reasonable prices and high quality. By 2023, it will become a strong financial corporation according to international standards.

- Operating goals: sustainable and stable growth, continual institutional improvement to ensure safe operations, cost-effectiveness, waste reduction, business performance improvement.

- Brand values: SHB is a modern retail, multifunctional bank with domestic and international prestige and position. SHB will always be a reliable partner and an appropriate solution.

3.1.2 SHB Quang Ninh’s strategic goals.

3.1.2.1 Overall goals

Besides the shared goals of SHB system, SHB Quang Ninh also proposes its own strategic business goals, which is to be the leading bank in every operating target in Quang Ninh by 2022.

Vision: In the next 5 years, SHB Quang Ninh will strive to affirm its brand and operate in all areas, all classes of population, all banking products and services, and in all sectors and industries.

*Sociol and political goals:

Through its strong and stable development, SHB Quang Ninh desires effective business operations, profit maximization, improvement in the living standards of its managers and employees, development in other business fields, and contribution to the local socioeconomic growth.

3.1.2.2 SHB Quang Ninh’s specific objectives

- Target customers: focus on big strategic customers, small and medium enterprises, and individuals and households.
- Target markets and strategy for each market: Cam Pha City, Ha Long City, Mong Cai City, Uong Bi City. The focus for each market is presented below:

+ With Cam Pha, Ha Long and Uong Bi City: Has built a stable customer base. Therefore, besides emphasis on marketing strategies to maintain institutional and individual customers, HSB Quang Ninh has to pay attention to the exploitation of ATM payroll card service for business units of TKV. It also has to encourage outstanding loans and implement a marketing strategy aimed at increasing revenue from payment deposits.

+ With Mong Cai City: focus on the development of cross-border payments and foreign currency trade, etc.

+ With neighboring areas, suburban areas: make vigorous marketing efforts to attract individual customers so as to increase revenue from savings of the population.

Expected achievements by 2022
- Scale of the bank: have the biggest total asset in the banking industry in the locality.
- Network system: over 20 transaction offices.
- Card development: offer ATM payroll cards for all business units of TKV in Cam Pha and Uong Bi City. In Ha Long City, develop card services with expected attainment of 30% market share.
- Cross-border payment: gain 40% market share of the revenue generated from the locality in this activity.

With its strong foundation and inherent strengths, SHB Quang Ninh decides that its business strategy would have to transform it into a leading modern retail, multifunctional bank in Quang Ninh with the latest technology, professional staffs, and widespread network nationwide. It aims to offer partners and customers standardized, convenient banking products and services at reasonable prices and high quality.

3.2. ESTABLISHING MATRICES AND SELECTING BUSINESS STRATEGIES OF SHB QUANG NINH IN THE PERIOD OF 2017 - 2022

3.2.1. The SWOT Matrix of SHB Quang Ninh

From above analysis of strengths – weaknesses, opportunities – threats of SHB Quang Ninh, the SWOT Matrix is established as follows:

<table>
<thead>
<tr>
<th>S</th>
<th>Strengths (S)</th>
<th>Weaknesses (W)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>Good administration</td>
<td>W1: Lack of stable individual</td>
</tr>
</tbody>
</table>

Table 3.1 The SWOT Matrix of SHB Quang Ninh
<table>
<thead>
<tr>
<th>W</th>
<th>O</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>competence of the Management Board. Young and devoted employees. Experienced middle managers.</td>
<td>Strategic shareholders: financially strong institutional customer base from the province’s key industry.</td>
<td>Dynamic and enthusiastic human resources</td>
</tr>
<tr>
<td>S2: Strategic shareholders: financially strong institutional customer base from the province’s key industry.</td>
<td>S3: Dynamic and enthusiastic human resources</td>
<td></td>
</tr>
<tr>
<td>S3: Dynamic and enthusiastic human resources</td>
<td>S4: Brand and prestige: The bank’s brand name and market position have been affirmed, gaining customers’ trust in the bank.</td>
<td></td>
</tr>
<tr>
<td>S4: Brand and prestige: The bank’s brand name and market position have been affirmed, gaining customers’ trust in the bank.</td>
<td>S5: Successfully develop the bank’s distinctive customer strategy, creating business effectiveness.</td>
<td></td>
</tr>
</tbody>
</table>

**Opportunities (O)**

<table>
<thead>
<tr>
<th>O1: Stable political and legal environment</th>
<th>(S – O) Combinations</th>
<th>(S – T) Combinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>O2: The business area includes various economic sectors and industries of which the key and strategic economic industry of the province is coal mining.</td>
<td>1. Combine S1, S2, S3 with O1, O2: Continue to consolidate and develop relationships with key and potential customers.</td>
<td></td>
</tr>
<tr>
<td>O3: Economic integration opens up opportunities for SHB Quang Ninh to receive technology transfer and management experience from foreign banks as well as develop cross-border customer base.</td>
<td>2. Combine S1, S2, S3, S5 with O2, O4: Reinforce marketing activities and develop banking services for main customers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Combine S1, S3, S4, S5 with T5: Intensify marketing actitivies to expand the individual customer base and steadily approach governmental organizations, health care and education organizations in the province.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. <strong>Strategy of developing and expanding the market, diversifying customer base, eliminating the current situation of undiversified business</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Market stabilization and core customer base maintenance strategy</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Strategy of developing ATM payroll card service for employees of VINACOMIN’s business units in the province</strong></td>
</tr>
</tbody>
</table>
payment services with China.

**O4:** The increasing number of private, small and medium businesses creates favorable conditions for market approach and expansion.

**O5:** Increasing demand for banking products and services

<table>
<thead>
<tr>
<th>Threats (T)</th>
<th>(W – O) Combinations</th>
<th>(W – T) Combinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1: Increasingly fierce competition within the industry</td>
<td>1. Combine W3 with O1, O3, O5: Review the bank’s existing products and services to approach and learn from domestic and foreign banks, diversify products and services</td>
<td></td>
</tr>
<tr>
<td>T3: Increasingly fierce competition to attract qualified managers.</td>
<td>□ Strategy of researching and developing products and services for different market segments</td>
<td>□ Marketing communication reinforcement and competitiveness improvement strategy</td>
</tr>
<tr>
<td>T4: Integration also creates major challenges to SHB Quang Ninh and increases potential business risks.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T5: Social factors, customers’ preference for state-owned commercial banks are also regarded as a major threat to SHB Quang Ninh</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Through the SWOT Matrix analysis, the following groups of strategies can be formulated:

*/ SO Strategies*

+ Market stabilization and core customer base maintainance strategy
+ Strategy of developing ATM payroll card service for employees of TKV’s business units in the province
+ Cross-border payment service development strategy

=> **SO Strategy**: Market stabilization and key service development strategy

*/ **ST Strategy**: Strategy of developing customers and eliminating the undiversified business situation

*/ **WO Strategy**: Strategy of researching and developing products and services for different market segments

*/ **WT Strategy**: Marketing communication reinforcement and competitiveness improvement strategy

From the above strategies formulated by the SWOT Matrix, 3 main business strategies for SHB Quang Ninh in the period of 2017 – 2022 can be proposed as follows:

1/ **Stable growth, key service development and customer development strategy**

2/ **Strategy of developing products for different market segments**

3/ **Marketing communication reinforcement and competitiveness improvement strategy**

### 3.2.2. The QSPM of SHB Quang Ninh

#### 3.2.2.1. Developing alternative strategies

There are 3 main business-level strategies:

(1) **Strategy 1**: Stable growth, key service development and customer development strategy

(2) **Strategy 2**: Strategy of developing products for different market segments

(3) **Strategy 3**: Marketing communication reinforcement and competitiveness improvement strategy

Selecting the optimal strategy using QSPM:

**Table 3.2: The QSPM of SHB Quang Ninh**

<table>
<thead>
<tr>
<th>Key factors</th>
<th>Weight</th>
<th>Strategic Alternatives</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Strategy 1</td>
<td>Strategy 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>AS</td>
<td>TAS</td>
</tr>
<tr>
<td>Internal factors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengths</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Management ability</td>
<td>0.15</td>
<td>4</td>
<td>0.6</td>
</tr>
<tr>
<td>2. Strategic shareholders</td>
<td>0.10</td>
<td>4</td>
<td>0.4</td>
</tr>
<tr>
<td>3. Human resources</td>
<td>0.10</td>
<td>3</td>
<td>0.3</td>
</tr>
<tr>
<td>4. Brand prestige</td>
<td>0.10</td>
<td>3</td>
<td>0.3</td>
</tr>
</tbody>
</table>
### Key factors

<table>
<thead>
<tr>
<th></th>
<th>Weight</th>
<th>Strategic Alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Strategy 1</td>
</tr>
<tr>
<td></td>
<td>AS</td>
<td>TAS</td>
</tr>
<tr>
<td>5. Distinctive customer strategy</td>
<td>0.05</td>
<td>4</td>
</tr>
</tbody>
</table>

**Weaknesses**

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Customer base</td>
<td>0.15</td>
<td>4</td>
<td>0.6</td>
<td>3</td>
<td>0.45</td>
<td>3</td>
</tr>
<tr>
<td>2. Operating network</td>
<td>0.10</td>
<td>2</td>
<td>0.2</td>
<td>4</td>
<td>0.4</td>
<td>3</td>
</tr>
<tr>
<td>3. Products and Services</td>
<td>0.10</td>
<td>3</td>
<td>0.3</td>
<td>3</td>
<td>0.3</td>
<td>3</td>
</tr>
<tr>
<td>4. Infrastructures and facilities</td>
<td>0.10</td>
<td>3</td>
<td>0.3</td>
<td>3</td>
<td>0.3</td>
<td>3</td>
</tr>
<tr>
<td>5. General processes and regulations</td>
<td>0.05</td>
<td>3</td>
<td>0.15</td>
<td>2</td>
<td>0.1</td>
<td>2</td>
</tr>
</tbody>
</table>

**External factors**

**Opportunities**

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stable political and legal environment</td>
<td>0.05</td>
<td>3</td>
<td>0.15</td>
<td>3</td>
<td>0.15</td>
<td>2</td>
</tr>
<tr>
<td>2. Key industries of the economy</td>
<td>0.2</td>
<td>4</td>
<td>0.8</td>
<td>3</td>
<td>0.6</td>
<td>3</td>
</tr>
<tr>
<td>3. Opportunities to receive technology transfer and management experience from foreign banks</td>
<td>0.05</td>
<td>3</td>
<td>0.15</td>
<td>2</td>
<td>0.1</td>
<td>2</td>
</tr>
<tr>
<td>4. Increasing number of newly-established enterprises</td>
<td>0.05</td>
<td>2</td>
<td>0.1</td>
<td>2</td>
<td>0.1</td>
<td>2</td>
</tr>
<tr>
<td>5. Demand for banking products and services</td>
<td>0.15</td>
<td>3</td>
<td>0.45</td>
<td>3</td>
<td>0.45</td>
<td>3</td>
</tr>
</tbody>
</table>

**Threats**

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Competition within the industry</td>
<td>0.2</td>
<td>4</td>
<td>0.8</td>
<td>3</td>
<td>0.6</td>
<td>3</td>
</tr>
<tr>
<td>2. Changes in legal regulations and the Government's new policies</td>
<td>0.10</td>
<td>3</td>
<td>0.3</td>
<td>2</td>
<td>0.2</td>
<td>2</td>
</tr>
<tr>
<td>3. Increasingly fierce competition to attract qualified and talent people</td>
<td>0.05</td>
<td>2</td>
<td>0.1</td>
<td>3</td>
<td>0.15</td>
<td>3</td>
</tr>
<tr>
<td>4. Increasing market risks due to the integration process</td>
<td>0.05</td>
<td>2</td>
<td>0.1</td>
<td>2</td>
<td>0.1</td>
<td>3</td>
</tr>
<tr>
<td>5. Social environment</td>
<td>0.1</td>
<td>3</td>
<td>0.3</td>
<td>3</td>
<td>0.3</td>
<td>2</td>
</tr>
</tbody>
</table>

| Sum Total Attractiveness Score | 6.6   | 6      | 5.9    |

Note: AS: Attractiveness Score; TAS: Total Attractiveness Score.

Therefore, in the period of 2017 – 2022, SHB Quang Ninh should select the first strategy which is: “**Stable growth, key service development and customer development strategy**”
3.2.1.2. Determining the optimal business strategy for SHB Quang Ninh in the period of 2017 - 2022

Based on the SWOT Matrix, QSPM Matrix and the analysis of the development strategy with higher total attractiveness score, the business development strategy of SHB Quang Ninh Branch in the period of 2017 – 2022 is chosen and described as followed:

The business strategy in the period of 2017 – 2022- “**Stable growth, key service development and customer development strategy**” is divided into smaller strategies in different implementation periods:

1. **SHB Quang Ninh should select the strategy of market stabilization and maintainance (From the end of 2016 to 2017)**

**Rationales**

*Firstly*, SHB Quang Ninh has maintained a strong base of corporate customers. The revenue from payment deposits and outstanding loans of this customer group is relatively high, making them the major customer group. Therefore, in order to develop more services for this group, it is necessary to focus efforts on a strategy to stabilize this market.

*Secondly*, the competition between banks has become increasingly fierce. Most of the banks attempt to promote their offerings to this group of customer. Therefore, SHB Quang Ninh needs to closely follow and research on their demand for capital and guarantee service, as well as their business performance, in order to timely create its promotion strategy.

*Thirdly*, in the time to come, when the macro environmental factors have not changed dramatically, the tendency to trust state-owned banks is still prevalent among most of individual customers; the development and straddling to other fields of business still encounter many difficulties.

**This group of strategies includes the following contents:**

- Studying the current performance of coal manufacturing of units belong to Vietnam National Coal – Mineral Industries Group (Vinacomin), by means of the mass media and relationships, focusing on the units with offices in Cam Pha city, where the head quarter of SHB Quang Ninh is located.

- Studying the market share related to the deposits from units under Vinacomin, transferred monthly through other banks on the area.
- Studying the information of policies and Government procedures toward Coal industry such as: reducing export tax in recession and tax on the coal that has yet delivered to the market, etc.

- Finding information about new business projects of each unit of the coal industry, in order to approach for capital supply and guarantee services.

(2) SHB Quang Ninh should develop the ATM payroll card service, specifically for employees of the coal industry units

This strategy should be quickly executed in 02 years, from 2017 to 2019, focusing on the period of 2017-2018, which aims at issuing cards to all units of the coal industry in Cam Pha city, Uong Bi province and Ha Long at the end of 2019. The number of ATM cards in Ha Long city should account for 35% the entire industry figure.

**Rationales:**

*Firstly,* the development of ATM payroll card service brings a great source of revenue to the bank. Specifically:

+ Each unit of the coal industry may have more than 4,000 staff; the average monthly payroll amount up to more than 24 billion VND, making the average revenue on each card is 6,000,000 VND. The number of cards and the balance on each card would enable SHB to maintain the average deposits from ATM cards of each unit at 15,000,000,000 (Fifteen Billion VND/day). This attractive amount is a low-cost capital source which brings great productivity for SHB business performance.

+ Besides the approach of low cost capital, the issue of salary payment cards also helps SHB Quang Ninh to reach out to the customers and introduce supplementary services such as: money transfer, individual guarantee, personal loans, and issue of Master Cards to the units’ officer, etc, therefore increasing revenue from service fees, developing customer base and diversifying the service offerings.

*Secondly,* in Quang Ninh province, there are more than 30 manufacturing units in the coal industry; each unit is composed of 4000 to 5000 staff members. There are more than 40 other supporting units and indirect units, each includes from 500 to 1500 employees. Therefore issuing salary payment cards to units under coal industry is considered strategic to all banks.

*This strategy includes the following contents:*
+ Conducting detailed analysis of each unit under the coal industry, regarding the number of staff, their requirements when opening a card and their demand for ATM station destinations. For units which want to incorporate the normal ATM card function with the attendance checking function, the bank needs to conduct special analysis to best serve the need.

+ Formulating individual strategy for each unit when promoting to open new cards, based on the requirement and characteristics of each unit.

+ Make implementation plan for each unit in detail as the number of staff member at each unit is enormous; to the units that need to incorporate attendance checking function, the bank should send information require technology support from the system

+ Planning for ATM station installment

**SHB Quang Ninh should develop the cross-border payment service**

This strategy should be implemented and stably maintained in 2018 – 2020 period, with the focus on 2019 – 2020 periods, aiming to reach the market share of 40% at the end of 2016.

**Rationales:**

*Firstly,* Quang Ninh has more than 132 km of borderline with the neighbor country China. Over the border many critical border gates have been set up, assisting the international trade. Mong Cai city with Bac Luan international border gate is at the biggest scale of operation. Regarding the banking service at Quang Ninh, the key sectors are always banking credit within the coal and tourism industry, as well as the cross-border payment service at border gates

The banking industry of Quang Ninh proves to have high growth; the service well develops, the overseas remittance service dramatically improves. The revenue of the entire industry in 6 months reached 74,642 Billion VND, which equals 109.8% of the same period of the last year. Cross-border payment service itself reached 13,691 Billion VND, which equals 121.7% of the last year’s similar period. The revenue from money transfer service reached 55,471 Billion VND, which equates 103.9% of last year.

*Secondly,* besides assisting the small and medium businesses in import – export transactions and in clearing contracts with Chinese partners, cross-border payments also contribute to the economic and trade security at border, reducing the risks to businesses
when the exchange rate fluctuates and reducing the cost of transferring the money physically.

Thirdly, this method of payment will save time, guarantee the capital security, reduce the risks in comparison to manually transferring the documents, restrict the cash flow on the market and therefore minimize the risk of counterfeits on the circulating system.

This strategy includes the following contents:

+ The strategy focuses on the export-import payment method between companies in Vietnam and those in China through the banks in two countries.
+ The banks in Vietnam and China sign contracts of overseas remittance; the practice of deliver the money from and to each bank is executed through the Internet Banking system set up between two banks.
+ By using the cross-border payment service, customers can choose among traditional distribution channels such as: bill of exchange, money transfer certificate, money payment certificate, overseas remittance fiduciary, telegraphic transfer, collecting credit from cross-border payments, etc.
+ Through the swap accounts opened at banks in Vietnam and China, customers can use each country’s currency to perform the payment safely, conveniently, quickly and accurately, saving foreign currencies for the economy, especially at the time of low US dollar reserve, while still maintain the appropriate exchange rates among the currencies. In cases the companies in Vietnam and foreign partners do not use up all the cash for trade they can process the procedure to take back the money conveniently, etc.

(4) SHB Quang Ninh should develop its market, expand its customers in other business fields and eliminate the current situation of undiversified business

SHB Quang Ninh will implement this strategy from 2020 to 2022. The focus will be from 2020 to 2021, when the customer base in cement, electricity, tourism, marine industries is expanded. In 2022 the company will expand the market to units under Government administration, approaching to the state budget at the local area.

Rationales:

Currently, most of the banks in Quang Ninh have one focused area of operations, which is on the coal industry.
The reason for this situation is that coal industry stands at the forefront in local economy. The amount of money transferred within this industry accounts for a high percentage from 65 to 70%. This is also a highly labor concentrated industry, with high demand for capital, payment service, guarantee service and salary payment through ATM service.

However, in the long term strategy, SHB Quang Ninh needs to diversify to other industries such as tourism, trading port, cement, thermoelectricity, etc. Especially the bank needs to gradually access to the state budget in the national treasury and a few state commercial banks.

In order to implement this strategy, SHB Quang Ninh needs to step by step reinforce its current position and prestige. With this five year strategy, from 2017 to 2022, SHB Quang Ninh can expand its market and diversify to other industries such as tourism, trading port, cement, electricity, etc. The strategy of market expansion and approaching to budget of administrative bodies or state budget holding units should be concerned in the longer run, because the execution of it requires great determination from SHB Quang Ninh and the general system of SHB, as well as the supports from Government policies.

3.3. STRATEGY IMPLEMENTATION SOLUTIONS

To effectively implement the business strategies for the period of 2017 - 2022 according to the above detailed plan, SHB Quang Ninh should synchronously implement the following solutions:

3.3.1. Organizational structure improvement after the merger.

Hanoi Building Commercial Joint Stock Bank (HBB) has officially merged into the SHB system in accordance with the decision No. 1559/QD-NHNN dated 08/07/2012. Accordingly, SHB is obliged to receive all the assets, rights, obligations and legal interests of HBB and HBB has to announce the termination of operations within 15 days. After the merger, the SHB system has the charter capital of nearly 9,000 billion VND; total assets of 120.000 billion VND, the number of employees of nearly 5,000 people. However, due to the recent merger, the SHB’s organizational structure needs to be strengthened in order to manage and execute effectively to ensure stable operations of the whole system and gradually overcome overdue debt difficulties.
In Quang Ninh province currently, there are two 1-level branches of SHB in the same locality. One is the old SHB - Quang Ninh branch, the other is SHB - Hon Gai branch (former HBB branch). Besides, there are numerous transaction offices of SHB Hon Gai with scattered locations and distances, leading to on-going internal competition, making it difficult for leaders in the management and execution process.

In terms of management, SHB Hon Gai is operating as a level-1 branch – the same level with SHB Quang Ninh. However, in terms of SHB’s internal system, SHB Hon Gai is only equivalent to a transaction office of SHB Quang Ninh. The existing limitations lead to inconsistency in the management activities of the leaders of SHB Quang Ninh.

Therefore, the first task to implement the bank’s business strategies in the period of 2017-2022 is that SHB should issue the management and supervision mechanisms for SHB Hon Gai and assign SHB Quang Ninh to directly manage SHB Hon Gai.

SHB should strengthen the organizational structure to be lean and effective, ensuring the smooth and safe running of the branch. At the same time, the branch should also synchronously implement and unify its professional processes and internal working regulations after the merger.

After issuing the management and supervision mechanism, SHB Quang Ninh should inspect the entire operations of SHB Hon Gai, for example: inspecting and evaluating the quality of outstanding debts, customers; reviewing and allocating the employees of SHB Hon Gai to arrange the right people for the right jobs. Simultaneously, the bank should review its transaction network and adjust the transaction office locations of both branches logically and appropriately.

3.3.2. Human resource training and development after the merger

*Improve the quality of human resources*: This includes developing and rapidly implementing employee training and retraining programs, planning to consolidate the staff in the entire SHB system following the principles of effective and lean staffing.

+ The first priority is to implement professional and advanced training programs for executives and managers, so that they are capable of managing a modern bank.

+ SHB Quang Ninh should review the entire branch’s staff; classify employees according to their professional qualifications in order to assign tasks to suit their capabilities. The bank should regularly review and evaluate the performance of each
department. Based on this, employees can be rearranged or rotated to a more appropriate position, enabling them to promote their creative spirit and responsibility for their decisions. By this method, the bank can evaluate the capabilities of its employees and allocate jobs appropriately.

  + Strategy to attract talent people: Develop special remuneration policies for capable staff. Special attention should be paid to the managers of cross-border payment services.

  + Improve the quality of human resources starting from the recruitment process: Implement transparent recruitment and set recruitment requirements relevant to the job requirements; develop reasonable remuneration policies consistent with the employees’ contribution to the bank; establish preferential policies to improve the job performance of the employees who have long-term commitments to the bank.

  + To attract human resource meeting the management and development needs of a modern banking, SHB Quang Ninh should gradually improve its human resource management mechanisms; emphasize effective management associated with the remuneration and compensation policies; develop and implement professional skill training programs; promote team working; improve the quality of customer services; build the KPIs (key performance indicators) of employees for the purpose of effective management and business development. SHB in general and SHB Quang Ninh in particular should move forwards the corporate culture with the core value of "Standard" in order to build a friendly and professional working environment which will be the destination for a team of qualified, experienced staff with full knowledge and professional working styles.

3.3.3. Comprehensive development and completion of the bank’s information technology system

Information technology system allows banks to provide easily-accessible products, high quality services to meet the growing needs of customers. So SHB Quang Ninh should:

  - Continue to improve and enhance the role of management systems: modern banking systems increasingly require technical facilities, especially information technology. Further innovation management methods should be made, as well as plans for skill and operational techniques training in order to fully exploit the utilities of
Modernization program. Complete operating procedures and prevent the risks in operating activities in the project of modernization and information technology application.

   - Innovate, research and submit solutions to provide ATM services integrated with time-attendance tracking system for workers in coal mines.

### 3.3.4. Diversification of products and services, investment in infrastructures and human resources, implementation of card service development strategy

SHB should expand its product portfolio with the following measures:

   - Setting traditional products (credit and deposits) as SHB’s core development platform.

   - Conducting market research and customer demands, being flexible in each market segments to provide essential products (by income, area .. etc.).

   - Studying to provide products collaborated with partners, especially those who have large funding and advantages of export or services or customer databases.

   - Diversifying products with high quality, consistent with general trend, especially IT-based products and services such as Tags Silid, Mobil - Banking, Internet Banking ....

   - Invest to build independent system of card payment management in the whole system of SHB, as well as development of POS to be able to handle all requests for card-related services, in order to support card development strategy of SHB Quang Ninh.

   - SHB Quang Ninh should build a department in charge of card services, recruit experienced staffs to work in branches and transactional offices.

   - Urgently push the process of ATM registration for installation: estimate ATM cost, look for installation sites. ATM could be installed directly in the workers' dormitory or in coal offices where cards are to be issued.

### 3.3.5. Cross-border payment service development solutions

   - To implement the strategic development of cross-border payment services, SHB in general and SHB Quang Ninh in particular need to understand and define the unified procedures for cross-border payment in SHB system.

   - Recruit and train personnels specialized in cross-border payment

   - Study China's banking system in order to have approach plan and sign contracts in cross-border payment.
In addition, in order to develop cross-border payment services, SHB Quang Ninh should carry out the following specific tasks: Learn more about the policies of China towards Vietnam, particularly:

China has its own policy, for each neighboring country, to regulate which enterprises may offer cross-border payment services. For the bordering areas with Vietnam (Yunnan Province and the Zhuang Autonomous Region, Guangxi Province), those are: Firstly, companies that have license in import-export. Secondly, enterprises that have license to entrust cross-border import-export. These companies must be approved by the governing body to become long-term fiduciary agent, be licensed in import-export and are subject to a certain agent fee.

Thirdly, companies that have no license in import and export business and could only entrust. These companies may sign cross-border agent contracts which entrust one of two types above, and are subject to a certain agent fee.

- Find out about the charges and charging scheme for each business types.

Develop strategic approaches clients involving in cross-border payments in the area.

3.3.6. Service quality improvement

Today, quality of service is also considered one of the most important criteria to attract customers. Previously, when banking activities were monotonous and under-developed, customers must actively look for the banking service. However, today, when the banking is one of the fastest growing sector in the economy, commercial banks have to actively approach customers. The growth of the stock market, housing market ... with a range of new, high quality products, has led to a decline in the market share of banks in general and SHB Quang Ninh in particular. The main cause of this decline is poor quality of service, which is unable to meet the customers' needs. To improve service quality, SHB Quang Ninh should:

The bank should build a team of qualified professional staff. The team must have professional conduct, be hardworking, responsible, honest and friendly to customers. Employees are supposed to understand and realize that "customers are the main cause for the existence and development of the bank." Bank staffs must hold customer support and gain customer loyalty.

SHB Quang Ninh should improve procedures towards customer-friendly and convenient, making customers feel comfortable when dealing with banks. In addition,
SHB Quang Ninh needs to continuously improve and build a competitive tariff, prioritized for each customer.

Develope technological system to ensure accuracy, timeliness, security and safety of client assets when they do business with SHB in general and SHB Quang Ninh in particular. In the branch office and transactional office, SHB Quang Ninh must have dedicated staff to professionally provide guidance and answer questions for clients. That will protect the interests of both clients SHB Quang Ninh.

3.3.7. Marketing solutions:

Operating principle of SHB is: SHB always provides customers with professional and modern services. SHB commits to provide customers with diversified, friendly, fast and efficient products, services and utilities.

Customers not only provide banks with capital but also use it. Therefore, customer research is of great importance in enhancing capital using efficiency at commercial banks.

SHB, like other commercial banks since working in market mechanism, has paid attention to customer service policies. Customers have been treated equally; there have been more mechanisms to encourage customers to deposit and lend money.

Based on practical experience, SHB Quang Ninh is recommended to build a customer strategy with the following contents:

First: Customers classification.

Customer classification aims at managing and effectively exploiting clients. The criteria to classify customers:

- In terms of capital mobilization:
  + Businesses in the fields of production, circulation and services
  + Administrative agencies and organizations, etc.
  + Classes of the population: When the economy grows, people will get incomes in forms of added money. These incomes are allocated in households.

- In terms of credit:

Lending is an important business of SHB, which brings about over 90% of SHB Quang Ninh’s sales. To obtain high profits, SHB should offer effective loans, that is, both full principal and interest can be collected when falling due. This is a fairly intractable problem for SHB because the issue is closely related to borrowers. To be
profitable, SHB must have certain methods to choose borrowers, minimizing the risk of borrowers’ morality.

Second: Customer research

Only by satisfying customers can banks keep them, and higher values compared to those of other opponents are elements to attract customers. Thus, it is necessary to study the satisfaction and perception of customers by sending them questionnaires in order to build appropriate customer policies.

Third: Establishing good and long-lasting relationships with customers, especially with strategic shareholders.

Establishing good and durable relationships with customers will help the bank:

+ Have information about its customers; truly evaluate them, save the cost of evaluation and monitoring tests.

+ Attract capital to consolidate the input and increase output, meeting customers’ requirements.

+ Work out strategies, tactics and operational plans for each period and figure out development trends for the bank in the future.

+ Develop specific action plans with clients as strategic shareholders aiming at implementing signed commitments.

Fourth: Implementation of policies to attract customers through encouraging economic benefits, paying special attention to newly-established, small and medium businesses.

+ SHB needs to build promotions giving gifts for customers on major holidays.

+ Offering preferential policies, supporting newly established businesses, incentives for customers who use a large number service packages of SHB.

+ Doing regular research on competitors based on comparison of products, interest rates, advertising programs, networks. These local rival banks include BIDV, Vietinbank Vietcombank, Techcombank, MB, MSB, ACB. Through the research, advantageous and disadvantageous fields can be identified. Based on research results, the bank can actively develop and implement business strategies which are superior to other competitors. The branch needs to actively study the local market (export and import activities, foreign investment, remittances, etc) to develop corresponding services.

Fifth: brand and corporate culture development
- In order to do successful business, banks first need to approach their customers. The branch should enhance promotion, build and raise the brand of SHB through constantly providing products or utility services brought about by modernized projects to best meet customers’ demand. Attitude, professionalism of staff needs to be regularly renewed, making a distinct impression of SHB on customers, which will maintain and strengthen relations with customers, making them have better impressions, confidence, as well as bringing about credibility for the branch.

- The branch should hire professional consultants to design a corporate identification system, slogans, logos, design reception tables, charts listing the exchange rates, benches for waiting, etc, which should be all consistent throughout the whole system.

**Sixth: Marketing activities**

Marketing policies involve 4 Ps and Marketing 4.0.

- **Regarding products:** The branch needs to grasp in time the direction and guidance of SHB in developing, expanding and improving the quality of products and services, particularly new opportunistic products, identifying appropriate point of time to deploy its plans. In this phase, beside focusing on exploiting strong products and services that have brought great efficiency, such as trade finance, international payments, guarantees, foreign exchange, card payment, the branch should pay attention to retail services, for example, SMS banking and newly deployed products such as queries on the Internet, bills payment through ibanking, online stock payments.

  The branch needs to implement a policy of diversifying types of products and services in line with the development orientation of a versatile retail bank, assure provision of closed products and services for customers of the branch and in the SHB system.

- **Place/Distribution:** The network must be strong enough, but have to be conformed to the size, financial capabilities, business capabilities, human resources and operational scale. At the present, SHB Quang Ninh should strengthen and upgrade existing transaction rooms, gradually complement more functions and missions, better decentralize transaction rooms to promote capital mobilization and development of retail banking services through a network of outlets.
The branch should build automatic transactions in malls, new resident and urban areas in the locality, add more card issue channels, do research to develop partnerships with shopping malls, supermarkets, etc., to issue cards for people based on cost sharing of the two parties.

- **Price:** Currently, SHB Quang Ninh is pricing its products and services based on the prices regulated by SHB and references from other banks. In general, SHB always has relatively high interest rates and fees together with credit operations, trading finance, and guarantee. With a regard to interest rates and guarantee fees, SHB Quang Ninh has just built incentive rate mechanism for the units of coal sector. Therefore, to attract customers from other economic sectors, SHB Quang Ninh needs to build an appropriate strategy for itself to ensure business efficiency.

- **Promotion/ communication:**
  
  + Enhance information delivery to the majority of the public through leaflets which shortly introduce easy-to-understand service features and products to help customers update, find their products and services consistent with ones provided by banks.
  
  + Rent professional advertising companies to design the contents and enhance advertising on mass media such as TV, the Internet and advertising in public places such as airports, railway stations.
  
  + Implement direct mailing, advertisements that live collect feedback; directly send individual or corporate customers information of products related to them and leave them some time to consider and respond to the information.
  
  + Promote sales to achieve short-term goals and get the attention of customers by encouraging them and create psychology of "jumping", change the customers’ choice of banks along with "added value" or “value plus " programs.

The branch should pay attention to public relations to maintain a good image in the community, raise the image of the branch in local people, customers, partners, etc.

+ Take advantage of its staff, to advocate customers who own related deposits, loans to use the services of the bank. Employees understand the nature and characteristics of their bank’s products and services and also directly deal with customers, hence, they are more likely to successfully communicate, guide, and persuade customers than any other forms of advertising.
+ By holding periodical customer conferences— a form of direct communication, SHB Quang Ninh can learn more about the needs of customers as well as the assessment of customers on the bank’s serving style, the quality of products that the bank offers. Based on that, the bank can figure out solutions to better serve its customers and enhance the brand of SHB in Quang Ninh province.

+ Marketing 4.0: focusing on “human centric” to cover the client’s journeys

Besides, SHB Quang Ninh should also:

+ Build R&D processes, product and service life-cycle tracking systems.
+ Enhance cross-selling.
+ Build the corporate culture: modern, dynamic.
+ Develop policies to suit each group of customers.
+ Improve the quality of products and services.
+ Change the working style and customer service manner
+ Promote the brand.

It can be said that marketing solutions must be developed and implemented everywhere at all time. This is a comprehensive group of solutions to implement business strategies in different stages.

3.3.8. Implementation budget

In order to effectively implement the selected business strategies and the above solutions, SHB Quang Ninh should make a budget plan for implementing its strategic goals and objectives. As a level-one branch of SHB, SHB Quang Ninh’s budget plans must be approved by the Central Head Office annually. Based on the specific market situation of each period, SHB Quang Ninh may make some adjustments to suit the actual situation. However, the estimated annual budget for implementing each strategy is presented as follows:

Table 3.3. Strategy implementation budget of SHB Quang Ninh

<table>
<thead>
<tr>
<th>Year</th>
<th>Strategies implemented</th>
<th>Budget (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-2017</td>
<td>Market stabilization and maintainance</td>
<td>Accounts for 10% of the earnings before tax in the year</td>
</tr>
<tr>
<td>2017-2018</td>
<td>Card service development</td>
<td>Accounts for 12% of the earnings before tax in the year</td>
</tr>
<tr>
<td>2019-2020</td>
<td>Cross-border payment service development</td>
<td>Accounts for 5% of the earnings before tax in the year</td>
</tr>
</tbody>
</table>
3.4. RECOMMENDATIONS

Currently, the State Bank and the Government play an important role in the macroeconomic regulation. Therefore, a proper economic orientation along with a system of completed financial and monetary policies will ensure the sustainable development of the economy, which helps credit institutions build their business and development strategies.

At the same time, the State Bank and the Government are becoming increasingly important to the economy’s integration. Implementing WTO commitments, competitive pressure and the possibility of bankruptcy will increase, leading to economic instability.

To ensure the sustainable development of the economy, creating an equal environment for banking activities in general and SHB Quang Ninh in particular, the Government and the State Bank are recommended to take in to consideration the following contents:

Firstly: Tightly combine monetary policies with fiscal ones and control all cash flow into the economy, especially money from the state budget, non-bank financial institutions.

Secondly: Promote the role of the State Bank in inspecting and supervising business activities of credit institutions, to ensure safe and efficient operation and avoid unfair competition between credit institutions.

Thirdly: Quickly complete the State Bank system in the direction of transforming the State Bank into a real central bank. Enhance the relative independence of the State Bank and the Government to raise the effectiveness of monetary policies, establish the role and autonomy of the State Bank in planning and operating monetary policies.

Modify and improve the legal system and the operating mechanisms of the currency market, reduce the overlap between laws and regulations on banks to ensure that the banking system operates in a consistent and stable environment. These amendments should include consideration of the interactions and comply with international common practices.
CONCLUSIONS

For the economy in general and the banking industry in particular, the period of 2017-2022 will witness a dramatic change in the competitive environment: this is the shift from domestic competition to international competition. The pressure of international economic integration will not allow companies to be neglectful on their development path. SHB Quang Ninh is not an exception. In the context of development and integration, it is required that SHB Quang Ninh should have timely adjustment in order to have enough power to stand firm and develop in a competitive environment. Therefore, SHB Quang Ninh should develop its strong internal force and proper orientation to adapt to the general environment.

Based on the analysis of strengths - weaknesses, opportunities - threats of SHB Quang Ninh, the project has suggested 4 business strategies for SHB Quang Ninh: *market stabilization and maintenance strategy; card service development strategy; cross-border payment service strategy and market development and customer base expansion strategy*. To implement these strategies, SHB Quang Ninh should focus on 7 groups of solutions: solutions of impoving the organizational structure after the merger; *human resource training and development; information technology solutions; diversification of products/services, investment in infrastructures and human resources and card service development strategy implementation; cross-border payment service development solutions; service quality improvement solutions; marketing solutions.*
However, there are always changes in the business environment. Therefore, SHB Quang Ninh should regularly measure and evaluate the implementation results of those solutions to make appropriate adjustments.

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9. Strategic Management Textbook of NEU

10. Lecture Materials of Dr. Vu Thanh Hung and Ass. Prof. Arthur Gogatz

11. Websites:
    - http://SHB.com.vn
APPENDICES

*/ Questionnaires for managers of VINACOMIN’s units – big customers of SHB Quang Ninh:

1. What is your opinion about the administrative and managerial competency of SHB Quang Ninh?

2. What is your evaluation of the network of SHB Quang Ninh? Can you give your opinion about the reputation and brand of SHB Quang Ninh?

3. What is your evaluation of SHB Quang Ninh’s customer service policies? Does your organization receive support in interest rates and accompanying services from SHB Quang Ninh? Do you, as an individual, receive any special treatment from SHB Quang Ninh?

4. What is your evaluation of SHB Quang Ninh’s products and services after using them?

*/ Questionnaires for administrators of the State Bank – Quang Ninh:

1. What is your opinion about the administrative and managerial competency of SHB Quang Ninh?

2. What is your evaluation of the network of SHB Quang Ninh? Can you give your opinion about the reputation and brand of SHB Quang Ninh?

3. As representatives for a supervising agency of SHB Quang Ninh, can you give your evaluation of bad debt ratio of SHB Quang Ninh?

4. Do you have any knowledge about the technology used in SHB Quang Ninh? Please give us your objective assessment.

5. What is your opinion about the current market share of SHB Quang Ninh?

*/ Questionnaires for individuals who have deposits – lending relationship with SHB Quang Ninh and for managers of private companies in Cam Pha City:

1. Please give your opinion about the reputation and credibility of SHB Quang Ninh in the city.
2. How do you feel when coming to make transactions at SHB Quang Ninh?
3. What is your evaluation of product and service quality in SHB Quang Ninh?
4. Are you satisfied in using services at SHB Quang Ninh?
5. Do you have to wait for a long time when making transactions at SHB Quang Ninh? What is your opinion about the technology used in SHB Quang Ninh?
6. Since when have you started making transactions at SHB Quang Ninh? Do you receive any special treatment from SHB Quang Ninh?

*/ Direct conversations with the Board of Directors of SHB Quang Ninh:

1. What is your assessment of our administrative and managerial competency of SHB Quang Ninh?
2. In your opinion, is the customer base of your bank stable?
3. What is your evaluation of your employees?
4. What are some outstanding marketing strategies of the bank?
5. Does your bank offer any customized policies for different types of customers?
6. How is the current information technology in SHB?
7. Do you have any feasible solution for the current bad debt ratio?
8. What is your evaluation of the relative credibility and reputation of SHB Quang Ninh in comparison with other banks in the locality?
9. If you are a customer, what is your opinion about the current products and services of SHB Quang Ninh? Do you have any recommendations for the Central Committee of the Communist Party to make adjustments or improvements for the products and services?
10. What is your evaluation of SHB Quang Ninh’s market share in the locality?