

Meiji Institute for Global Affairs

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Short Curriculum Vitae - Tomokazu Hamaguchi

Joined Nippon Telephone and Telegraph Public Corporation in 1967, after graduating with a degree in engineering from Kyoto University in the same year. Engaged in development of computer systems at NTT. Transferred to NTT Data Corporation along with the subsequent spinoff of the related division.

Served as President of NTT Data (2003 – 2007).

Assumed the current position after service as Chairman of the Japan Information Technology Service Industry Association (JISA).

Serves as Outside Director at East Japan Railway Company and some other companies in addition to Advisor at the JISA.

Observations on Vietnam and its Corporate Governance

Three years ago, I began working as an outside director of a Vietnamese IT company (Company A). I had been meeting Company A's chairman every year at an international conference related to IT and this acquaintance led to my acceptance of an offer to serve on its board. The chairman said he wanted me to take an interest in Vietnam and to provide advice for global development of Company A's business. I visit Vietnam several times a year and I would like to describe my impressions of the country and corporate governance there.

I. Observations on Vietnam

1. Geography, etc.

- Facing the South China Sea on the east and sharing borders with China on the north and Laos and Cambodia on the west, Vietnam is a long and slender country stretching north and south. It is about 80 percent as large as Japan in area and is blessed with marine resources. It has strained relations with China, but close ties with Laos and Cambodia, partly because of similar political systems. Its population is over 90 million and growing. At 28, the average age is young.
- The northern city of Hanoi is strongly colored by politics. The city has four distinct seasons and is fairly cold in winter. Its streets are constantly congested with cars and throngs of motorbikes. If I mention this, I am told it is Honda's fault. A subway system will definitely become necessary in the future. Communications cables are installed in tangles that look impossible to undo. New cables are strung right over older ones making it unclear which ones are still in service. One wonders what will happen in the future (perhaps a switch to wireless communications).
- The southern city of Ho Chi Minh (formerly Saigon) is the economic center of the country. It is hot throughout the year, but other conditions are the same as those in Hanoi. It attracts people who aspire to succeed in business.
- Da Nang, in the central part of the country, is fairly hot and is home to resorts featuring white sand beaches. It resembles Hawaii a bit and has come into the limelight as a resort area in recent years. Many sections of land along the beaches are still vacant and I wondered if they could be purchased. When I asked, I was told that all the land had already been purchased many years ago by non-Japanese foreign entities. As I had thought, they move faster than Japanese companies. Da Nang has a population of a little over 1 million, but its wage levels are still lower than those in Hanoi and Ho Chi Minh. As a result, industrial development, mainly in IT, has also been progressing in recent years. Da Nang ranks first among all Vietnamese cities for the rate of economic growth.

2. Political system

- Vietnam's political system is that of a socialist republic. In other words, it is a one-party dictatorship ruled by the Communist Party of Vietnam (CPV). Its economy has been opened up and there are no particular constraints on economic activity. If you ask them about politics, ordinary people do not give you an accurate reply. They apparently are not very interested in how to become a member of the CPV or how the political system has been determined. However, the CPV does not seem to be very popular.
- Partly because of the influence of the political system, many of the major companies in infrastructural fields such as oil, communications, and banking are state-owned. Inflow of foreign capital has also been proceeding recently.
- Because Vietnam was formerly under the influence of Russia, many of the current political and economic leaders once pursued studies in Russia and Eastern Europe, and a taste for vodka is fairly prevalent among those who drink alcoholic beverages.

3. National character

- The Vietnamese people generally seem to be bright and optimistic as well as energetic. The idea that you can somehow get by if you keep working seems to be in the air, exactly as it was in late '60s and early '70s Japan. Wage hike rates are also high.
- Many women work and because the population continues to increase, many of these working women are mothers with children. Most working mothers in extended-family households leave care of their children to the grandparents, but one female employee in her mid-20s pays a nanny about the same amount as her own wage to look after the children. She said that it was more enjoyable that way. This pattern also seems to exist.
- People ordinarily do not talk much about history, but all of them have a good

knowledge of it (I imagine schooling is also a factor here). They love history and can't stop talking about it once they start.

- The Vietnamese language is difficult. I began to study it at first because I wanted to be able to at least exchange greetings in it, but found it hard to master the nuances of pronunciation. Mistaken pronunciation can make a remark mean the opposite of what was intended. I was consequently told that it would be best for me to stop, so now I basically speak Vietnamese only when making a toast.

II. Corporate governance

(this is an example using Company A and I do not know if this applies generally)

In developing Asian countries, governments have been supporting the rise of IT industries in areas such as human resource development beginning from an early stage of their growth. Venture companies have also been starting up.

Company A, too, is an IT venture that was established in 1988. It is engaged in the Internet-related business, software development, communications, and other businesses. Its business area consists mainly of other Asian countries, including Japan. It is also developing business in the United States and Europe, albeit on a smaller scale. Its yearly sales come to just under 2 billion US dollar and are increasing at a rate of over 10% annually. It is listed on the Ho Chi Minh Stock Exchange. In the old days, Japanese companies often had events such as company sports days and company trips. Company A frequently holds events of this sort and has a family-like atmosphere.

1. Governance model

The management model takes the form of business companies arrayed under a holding company. Governance was inadequate when Company A was first established, but it is now being operated in accordance with laws and regulations. The management system (which said to be patterned after Japanese models) is topped by the board of directors (BOD). Underneath the BOD is the board of management (BOM), whose members include the presidents of the business companies. As described below, the BOD engages mainly in discussion of management strategy and there is an almost

complete separation between management and execution. In this respect, Company A may be more advanced than the typical Japanese company.

2. BOD

- The BOD consists of seven directors, comprised of three in-house directors (chairman, financial officer, BOM chairman) and four outside directors. The outside directors give the BOD an international character. Two of them are representatives of investment funds (one affiliated with a foreign company and the other with the Vietnamese government). As the remaining two, the manager of a Malaysian company (residing in Silicon Valley) and I have absolutely no such affiliation.
- As a general rule, the BOD is convened five times a year; at the time of quarterly settlements and before the general meeting of stockholders. BOD meetings are held in Hanoi, but since some of the members are outside the country, participation through video conferencing is also permitted. I, too, have participated in this way a few times. One BOD meeting was held in Tokyo and there is talk about holding meetings in Silicon Valley as well. Judging from the situation at the time of the Tokyo meeting, however, the logistics will probably be an enormous burden for presenters and other personnel. The BOD meetings are conducted in English and most of the corporate executives can speak English.
- Agenda
The main topics on the BOD agenda are the management strategy for the term based on quarterly results, medium- and long-term management strategy, and investment projects (M&A, sale of businesses, etc.). Although the number of topics is fewer and the frequency of meetings is lower than in Japan, I believe the discussions have more substance. At each meeting, discussions last about three hours. They take up problems and measures for them in units of businesses. Proposals are made by outside directors for such things as the discontinuation and even sale of businesses. In the discussions, a considerable amount of time is devoted to fields for priority efforts to ensure growth over the medium and long terms. For discussions in these fields, it is effective for the BOD membership to

span national borders and include directors from the United States, Japan, France, and other countries. Because there are no executive officers sitting on the BOD, the discussions may be regarded as proceeding entirely from the management perspective. It may be added that determinations on routine matters are made by e-mail.

3. Annual general shareholders meeting (AGM)

The AGM is held in hall rented in a hotel, a completely familiar atmosphere, and from before the proceedings start, shareholders, mass media representatives, and corporate personnel can be seen chatting in the lobby and other areas. There is none of the tense atmosphere like that in AGMs in Japan. No shareholders have a special status, and the proceedings are held without any omissions (although this might not be the case if there is a problem). The style strikes me as a good one. Japanese AGMs are too stiff.

- The order of proceedings is basically the same as in Japan, but the AGM is preceded by a performance of dance and the like by employees, and the national anthem is sung after the meeting is called to order. The only people on the stage are the chairman and the presenters. Even the presenters need not be on the stage from beginning to end. In the Q&A session, questions are handled mainly by three members of the BOD.
- While the agenda items are basically the same as in Japan, there are the following differences:
 - ◇ The AGM is not devoted exclusively to the results of the preceding fiscal year; the BOD report, business plans for the next fiscal year, and medium-term management strategy are also matters for approval in a package.
 - ◇ Every year, Company A selects and approves an audit firm. At the AGM, four audit firms are approved as candidates for selection, and the BOD selects one of them. The audit firm often changes on a yearly basis. There is a difference of opinion even in the BOD about this annual change.

- ◇ Dividends are paid in both shares and cash, and directors serve a term of five years.
- Q&A session: Questions are usually legitimate and usually number a little over ten. They mainly concern growth strategy in each business, risks and growth strategy over the medium and long terms, capital policy (related to foreign capital), dividend policy, and M&A strategy.
- Resolutions: The difference from Japan lies in procedure. After the Q&A session, the matters for resolution are read again. This is followed by a recess of about 30 minutes, and voting for or against during this interval. (There is no voting by clapping, as in Japan.)
The vote results are subsequently announced and a declaration is made of approval of the matters for resolution. Furthermore, the minutes of the AGM are released on the spot, and the meeting is then closed.

III. Other matters

Vietnam is a Buddhist country and its streets are quite safe. It is pro-Japan and also offers a demographic bonus. It has looseness typical of Southeast Asian countries, but there is also a magnanimity that Japan has lost. I believe that Vietnam is a country for which Japanese would feel an affinity, and I have high hopes for an even greater increase in its interchange with Japan. (End)