

The challenges in vietnamese banking human resources

[Finance](#), [Banks](#)



This study is an attempt to identify and discuss HR challenge in Vietnamese banking industry. To do this, a wider research will be used in some banks in Vietnam. This study also will evaluate the effectiveness of Human Resource Strategies that many Vietnamese banking are applying. From that, there are some suggestions that help Vietnamese banking sector to create more competitive advantages.

In recent years, banking industries in Vietnam have strongly growth. In specific, Vietnam has 34 joint stock commercial banks, five commercial banks, 5 joint venture banks and 35 foreign bank branches. Many banks with 100% foreign capital are preparing to enter the Vietnam market. In comparison with other industries such as education, real estate or medical, banking and finance have a modern and dynamic working environment. For examples, every change in the market, such as interest rates and exchange rates, also impacts on other economic activities such as investment and international trade. Moreover, financial institutions usually provide good working conditions in modern office blocks, working equipment. Incomes of banking and finance employees are quite high compared to other sectors, especially at foreign banks. The staff can get bonuses equal to 100% of basic salary in banking sector. These are the reason why the number of banks in Vietnam increases rapidly.

However, besides the facing capital and interest pressures the shortage of human resource (HR) is a problem in the Vietnamese banking sector. This makes many banks regarding an emerging HR war to attract talent people property.

In a report in 2008 from the Ministry of Finance (MoF), human resources demand in the financial sector (excluding banking) was about 13, 500 graduates in 2010, while the banking sector claimed to need more than 15, 000 graduates each year. However, each year thousands of students who study banking and finance, accounting and auditing university graduates in the country and overseas can't meet recruitment needs many banks. Most of graduating students don't have specific skills in banking sector. Many of bankers have complained that fresh graduate's in economics and banking-finance cannot immediately fill positions. In addition, their English and soft skills are not required far from what bankers require. Fresh graduates usually lack the necessary knowledge to be employed. Even the lucky ones who land a job generally require training for 5-8 weeks. Despite being rather long it's often not enough, with many trainees being leaved because they still don't meet the needs of banks. That development requires HR to provide very large, especially HR's work experience and meet new requirement in banking sector.

The shortage of HR is also particularly in mid-level bank's managers. According to a recruiting website like Vietnamworks. com, we can see there is hunting with mid-level managers in many local banks because of many banks have raced to open branches and trading offices to develop the scale of banks.

Moreover, the talent shortcomings matters happens in many bank's senior position. According to Mr. Nguyen Trung Hieu, deputy director of the Bank for Investment and Development of Vietnam – BIDV to open more branches

across the country, so the bank has recruited hundreds of people. Part of which is to compensate for staff of other banks have been pulling strategy, mostly in senior positions. There's a senior banking industry lacking soft skills such as sensitivity to issues of life, long-term view, strategic thinking etc. Owing to high salary, they are easy attracted by competitors or foreign banks.

In general, Vietnamese labor supply can't meet the current demand of many banks. There're applications for the jobs, but many applicants are under-qualified or ask for too high salary lead to shortage HR. For example, an applicant who is considered suitable for the job of managing a task in a small bank demanded a salary of US\$5, 000, so the bank can't afford. The network expanded and transformed from a state-owned banks into joint-stock commercial recently that demand high-level personnel become more urgent. There are also many reasons for this situation that I will analysis later.

According to a recent survey by a recruitment firm Navajos Group – a leading executive recruitment solution provider in Vietnam, 63. 8 per cent of respondents ranked employee retention is the top human resource challenge in 2010 in many industries. This also happen in banking sector. We can see this by high staff turnover rate in over past years in many banks. A director of a small local bank said “ it's hard to find a good manager, but keeping him in your bank is even harder”. He also said his bank had decided to support a talented and hard-working vice manager, by sending him to study abroad for three years. But when he came back, he left after a year working.

Many banks are aggressively recruiting to expand their network around Vietnam. However, training capacity can't provide enough a big number of labor who are talent. Thus many staffs run around from banks to other banks. In specific, each year many banks have to recruit hundreds of people, part of which is to compensate for staff who was attracted by other banks, seriously even in senior positions. An expert in banking sector said that the recruitment of a senior officials from a bank other than random chance, but can also be risky for bank recruitment. If you don't have retention policy with them, they will bring much each customer, partner. That is the reason why the important criterion in selecting staff of Vietcombank concern on staff' loyalty and professional ethics. Moreover, many talent staffs often look at new opportunities with better pay in foreign banks. They prefer to become contract workers in some years and reduce long term commitment. The reasons for this current problem maybe the recruitment and selection are poor. Many banks employ staff with lackluster work experiences in banks and then support them with short training courses. The steady recruitments have attracted applicants from other backgrounds including teaching to serve for HR shortage is also a problem. In addition, many candidates feel frustrated when not provide good induction, orientation so they leave after a short time working.

Furthermore, job-hopping is also a reason for this situation. The sales manager of a State-owned commercial bank said a number of his employees left for better pay at foreign banks or other jobs, which they probably would in turn leave later on. Many staff in banking industry felt unsatisfied and look

at more opportunities elsewhere. When staff has wrong expectation about bank's work, they will easily change jobs in others.

The third challenge in Vietnamese banking sector for HR strategy is training quality in universities and financial institutions, even banks in recently.

Although, the number of people attending banking and finance training is very high (more than 46, 000 annually), the number of high training quality of staff is still low. There is about 40 training institutions accounting and financial, including 24 universities with the number of graduates each year about 11, 000, and about 7, 000 graduates each year of college, whereas just few students have been recruited by banks. In general, students in university usually have good academic knowledge but lack practical skills in bank activities. Based on a statistics in many sectors, the number of graduate students who meet the needs of enterprises is only around 30 percent. Most of them are also lacking in soft skills as soon as language skills. <https://www.gutenberg.org/files/28400/28400-h/28400-h.htm>

What is more challenge for HR challenge? I think HR budget is also a challenge in the bank sector. The survey also found a majority of employers in Vietnam plan to expand their HR budget in from 2010. From opinion of many experts, HR budget is forecast maybe increase from 2 to 120 percent this year. Average salary increase reported by surveyed participants due to high inflation, increasing of currency. Nearly time, almost of bank have new paying more for HR recruitments, remuneration packages to increase staff retention, training, leadership development...as soon as compensation.

As we know human capitals are viewed as a valuable resource for the achievement of competitive advantage. So, the core function of HRM in the banking industry is to facilitate performance improvement, measured not only in terms of certain financial indicators of operational efficiency but also in terms of quality of services in many banks provided. The primary concern of many banks in Vietnam is bringing in proper integration of human resource management strategies with their business strategies.

Many banks concern on how to attract more talent labor and create commitment to improve the efficiency of its human capital. The skill level, attitude and knowledge of staffs play an important role in determining the competitiveness of a bank.

Even facing with some above challenges but in general, the current HRM practices in many banks in Vietnam is step by step improve more effectively, using different method to change flexibility with the new development trend.

For examples, in staff employability VIB recruit many additional personnel. Many of you students in the 3rd, 4th year are practicing at VIB. According to Nguyen Thi Van Anh, VIB department of Human Resources, subjects focused on graduates from universities and industries, banks, finance, foreign trade, IT. She said “ In fact, nearly 80% of bank employees under the age of 30, the young labor force is the core of the bank”. Or according to Gia Hung Dao – Deputy Director of Block Credit & Risk Management Techcombank, criteria for recruitment of many banks at present are “ except for some managerial positions due to work requirements must be met, many are other position

does not require candidates to have experience or knowledge about the banking sector. He said that employment mainly base on dynamic, rapidly adapting of candidates to the job. But in terms of experience, the bank can train them. Thus, approximately 80% of newly enrolled students are leaving school, maybe even both those about to graduate. This is a good opportunities to welcome new or potential staffs. On the other hand, it also avoid the current shortage labor situation.

Moreover, many banks are applying new methods in HR management. More flexible packages allow recruiting more talent HR in banking. They use more part time, seasonal jobs or as collaborators in bank instead of full time jobs such as Southern Bank has signed cooperation contracts to work part time experts, talent employees in Vietnam and abroad to take advantage of knowledge and promote knowledge, experience to meet the labor demand.

These staff will become a valuable contributor; this will help staff gradually change their behavior and attitudes more professional in order to be successful in new and different situations. High performer's staffs will have more opportunities to become the next generation leaders. It may be a contingency plan for recruitment executive positions to avoid a HR shortage.

To train key personnel and potential staff, many banks are applying different training policies to pursued a long-term personnel policy with the aim of sustainable development such as Techcombank often send staff by outsourcing training by professional organization, DongAbank develop an in house courses even participating in professional training and skills

development in foreign countries, as work and practice at bank offices. In this process, we can develop staff are qualified and professional attitude to work, and sort them into position in line with individual ability and orientation of the bank. Sacombank and Vietinbank have spent hundreds of millions of dollars on building their own banking schools for training demand. Vietinbank has three, in Hanoi, Hue, and Dong Nai. In 2009, after a year of operations, the schools trained 300 branch managers and 800 graduates for the bank.

In the training process, banks will organize training courses for bank staff with a team of experienced lecturers in charge and abroad, training courses offered the diversity to suit each object along with modern facilities, where staff share experiences and additional professional knowledge and improve communication skills, meet the language requirements. This method has develop potential staff will be incorporated into the training plan to foster promotion and appointment to the position of manager when required in the future.

Many banks tend to rejuvenate the team and competitive banking sector staff will continue to continue, creating opportunities for new graduates. The bank is to attract personnel with competitive salary, incentives to buy shares, attractive benefits ... Training regimen was applied most banks to raise service quality and training of highly skilled manpower. With welcoming but not easy, candidates who are applying in banking sector. Most banks have a strict screening for examples in Vietinbank, candidates must go through three rounds: preliminary selection profile select suitable candidates for position; round of professional writing, English, IQ test, an interview to

determine compliance of the candidates, the commitment and sticking ability to develop staffs. Therefore, the door wide open employment sector banks, but with the candidates actually qualified.

In the opinion of expert personnel, many banks have high investment in human capital such as to retain employee's retention Maritime Bank about financial policy also pay funded in part or full tuition fees for postgraduate courses (Master or PhD). It will make employees take responsibility in job retention or BIDV has set a target income of all staff must be higher than past year after at least 10%, not to mention the bonuses from the profits. The reward of banks helps to recognize contribution from individual in bank.

After considering some HR challenges in banking and evaluate the effectiveness of HR Strategies in some banks. From my opinion, how to building and attracting more talent HR in the banking sector to competitive advantages by using strategic HR management is really important. It must do extensively from selection, training and retaining staff in banking.

Firstly, training plan should be developed specifically to close performance gaps. We should invest in HR to pursued a long-term personnel policy with the aim of sustainable development and strong. Vietnam College or university need conduct training needs to identify skill gaps, variety of training methods including e learning, mentoring, coaching. For key personnel and potential, we can send potential and key personnel to professional training Group in Vietnam and foreign countries, participating in professional training and skills development in foreign countries, as work and

practice at the bank offices. In this process, we can develop staff are qualified and professional attitude to work, and sort them into position in line with individual ability and orientation of the bank. Employee development process always requires a medium and long term plans, with map work, and has the commitment of the bank manager. This training consider to strategic and depend on bank's budget.

The bank should invest in HR branding to create a good image and attract more talent candidates. The bank must have HR Planning in recruitment period. By creating comprehensive training to define ASK (attitude, skill, knowledge) from enter level employees to senior employees and develop their ability to offer suitable positions. This also is a way to have employee's commitment. Reward or intensive policy is an important factor to create more employees' satisfaction and commitment. Besides that, banking sector must know and define how source and where to recruit talent labor.

Secondly, recruiting process must define as for future needs not for current needs. The bank should create extensive relationships with people in labor market, social network and headhunters to attract talent labor. The most popular approach among bankers is to directly identify potential employees at universities and financial institutions. One of the most prestigious financial education institutions in Vietnam – the Hanoi Banking Academy – receives hundreds of scholarships from banks. This is not a big number, but it represents a reliable source of qualified financial employees.

We also should improve recruitment method for examples, using internship program, changing recruitment sources part time staffs, flexible contract to create a potential staff that can serve for banking service and future development. On the other hand, that is a contingency plan in HR planning for banks. By implementing some programs like campus recruiting program, internship, administrator Trainee (Management Associate Program) and professional development programs and commercial banks (Commercial Banking Development Program) in HSBC I think we can study and apply.

In doing training strategy to avoid labor shortage, banks should train on actual work and train through participation in projects, through job rotation, support funding training activities in foreign countries. Furthermore, implementing survey to avoid current labor shortage and know how staff's satisfaction in banking job. Evaluating the right people, knowing how many staff will stay with your bank in how long. From that, each bank will have development and retaining key staffs in house besides having more equal opportunities for young and senior staff. Furthermore, by on developing core competencies in banking sector, we must emphasis professional qualification of staff.

In long term strategy how to pay to create commitment or employee loyalty, banks should define staff's ability to in the market, ability to offer from enter level employee. Employee probation review report must be completed by banks. The encouraging employee sign a contract to confirm is very important. Doing effective reward management such as support good remunerations, stock, allowance fees...It is value earned through providing

or investing HR strategy. To sum up, to create competitive advantages, banking sector need to create a right image to attract the best candidates. Defining recruitment not only for current but also for future need must do by improving recruitment method to avoid HR shortage. Getting more employees' commitment by right selection and competitive rewards will be suitable HRM strategies.