

## HUMAN RESOURCE DEVELOPMENT AT MANAGEMENT- LEVEL IN STATE-OWNED COMMERCIAL BANKS IN VIETNAM

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### ABSTRACT

Apparently, in the context of increasingly fierce competition of banking industry, human resource development, especially at management level is an indispensable requirement in State-owned commercial banks, this article focuses on analyzing the current affairs of human resources at management level, making assessments on the achieved results, limitations and causes. Based on those factors, the author proposes some recommendations to develop these human resources in State-owned commercial banks in Vietnam.

**KEYWORDS:** Human Resource development, management staff, state-owned commercial banks, Vietnam

### 1. INTRODUCTION

After more than 30 years of renovation and integration, Vietnam's shift has transformed from a poor country in the world into a lower middle-income country. In 2019, per capita income increased from less than 100 USD to 2,786 USD and GDP growth emerged among the fastest growing globally in the period 1990-2020 (thoibaotaichinh.vn). Obviously, Vietnam's economy has achieved further deep integration with the regional and global economy. Contributing significantly to that success, the banking industry has reached the goals of growth, macroeconomic stabilization, and monetary policy for controlling inflation, etc. The human factor, especially the management team or administrative human resources at state-owned commercial banks, is regarded as a key factor in creating a distinctive, sustainable development and branding for the bank. Building a strong, professional and modern brand requires a lot of construction work such as appropriate human resources education and training, sufficient quantity, reasonable structure, excellent quality, professional skills, modern information technology, and up-to-date information on foreign languages, etc, so that every bank officer is a bright spot, an important factor for determining the success of not only individuals but also the organization. If the bank only focuses on building strict operating procedures, modern information technology equipment, and does not have a team of management staffs meeting the qualifications and the requirements of the organization, it is impossible to realize sustainable development of the bank, especially in the period of renovation and integration.

The state-owned commercial banking system in Vietnam is currently divided into two groups, including: the group of state-owned joint stock commercial banks such as the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV), Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank), Joint Stock Commercial Bank for Industry and Trade of Vietnam (Vietinbank); and the group of commercial banks with 100% state owned capital namely Bank for Agriculture and Rural Development of Vietnam (Agribank), Global Petroleum Bank (GP Bank), Ocean Bank, Construction Bank (CB). In the past years, especially since Vietnam opened up for international integration, commercial banks and commercial banks with state owned capital have promoted their role in mobilizing financial resources for economic development.

However, the reality shows that the quality of human resources in general and human resources at management level in particular of the state-owned commercial banking system in Vietnam still have many limitations. According to research conducted by VPC (Vietnam Productivity Center), the quality of human resources at Vietnamese commercial banks maintains low, and insensitive with the changes of this industry, especially in state-owned commercial banks. The shortage of high-quality labor in state-owned commercial banks often stem from human resource development activity, especially human resources at management level that have not been properly deployed from: recruiting, training, managing and developing administrative human resources. Stemming from those urgent requirements, the topic "human resource development at management- level in state-owned commercial banks in Vietnam" is indeed necessary.

## **2. Literature review and research methodology**

### **2.1 Literature review**

Historically, many previous researches have shown the important role of human capital in economic development. Mincer (1958) argues that Human capital plays a crucial role in economic development, skills is an end-point product of education and training. In fact, it is seen as a critical element of the production process. In terms of the banking sector, according to Benjamin O. Akinyemi (2014), human is considered the most important resource of overall development. The paper emphasizes the role of human resources for domestic development in general and banking development in particular. However, the challenge that banking industry has been facing is how to improve the quality of human resources in the context of increasingly fiercely competitive market (Karen Higginbottom, 2015).

Mintzberg and Henry (2004) point out that although the previous definition of human resource development emphasized more on individual, not organizational learning, in the late 1980s, human resource development was framed as a much broader concept based on performance and organizational capacity. Specifically, Simmonds, D., Pedersen, C (2006) defines human resource development as a process of enhancing the capacity of human resources through development, and a process of adding value to an individual, group or an organization. According to this definition, human

resource development is related to the ability of individuals not only to their job skills but also to the benefits that the organization deriving from development. Therefore, Lengrick-Hall, C.A., Lengrick-Hall, M.L. (1988) figure out that most of the studies tended to focus on the implementation process in human resource development. In addition, the learning perspective affirms that human resource development is responsible for job-related training and competency learning at an individual, group and organizational level. Schools tend to interpret the role of human resource development as being concerned with enhancing an individual's capacity to learn. Accordingly, the two main themes of human resource development emphasized by the trainees, are training and performance.

Olalekan Anthony Sotunde (2012) illustrates that in recent times, the term “Human Resource Management” has been utilized to emphasize the fact that the people working in the organization are truly a valuable resource that should be fully exploited in such a way that financial and material resources are managed to produce maximum benefit. There are four main resources available to any organization namely Manpower, Money, Materials and Machines, commonly referred to as 4M. Considering these four resources, human is the most important while others are passive resources. In response to the requirements of human resource development, Donna Hickey and Geof Mortlock (2002) make an argument in the context of various shifts of the structure and operating method in recent years. They include the following activities: Recruitment and selection; appraisal performance; training and development; compensation, employee motivation, and so on. In order to encourage bank employees to dedicate, according to Vladimir Davydenko et al. (2018), it is suggested that commercial banks should operate various policies that provide better benefits to employees such as salary, bonus, working environment, etc.

## **2.2 Research Methodology**

The article focuses on assessing the current situation of management staff development in commercial banks which are state owned capital in Vietnam. To accomplish the research objectives, the author uses a combination of qualitative and quantitative research methods which include: statistical analysis, comparison, synthesis of reported bank's data. Data sources are collected from a number of secondary documents: banks' report, specialized journals, books, newspapers, conference proceedings and survey data.

### **Qualitative research**

Qualitative research methods are used in the exploratory research phase such as studying secondary documents and discussing with banks' management staff to discover, adjust and supplement observed variables, build preliminary scale of development status of management staff. This method is adopted through in-depth interviews according to a pre-prepared content. Preliminary research results are the basis for the design of the questionnaire to be included in the official research. The questionnaire before being distributed to collect data will be consulted with experts (researchers operating in the

field related to human resource development for banks) and collected to examine the expression and language of presentation.

### **Quantitative research**

Quantitative research method is used to assess the scale and measure the development of management staff in state-owned commercial banks in Vietnam. Author surveyed randomly 75 peoples who are senior, middle, and low-level managers at 4 banks: Agribank, Vietinbank, Vietcombank and BIDV in Hanoi as variables.

### **3. Results**

State-owned commercial banks in Vietnam have plans and policies to develop human resources, especially human resources at management level, which are reflected in the following aspects:

#### **3.1 Recruiting and selecting employee at management level**

Recruitment and selection has been developed and implemented methodically with a clear, complete and detailed system of documents. Currently, the recruitment of many banks is carried out in a centralized unit (the Organization and Personnel Department) to review and submit to approval the labor manning of each unit on the basis of the annual business/operation plan of the system as well as of each unit and centralized recruitment organization in 1-2 times per year. In addition, banks also organize recruitment for a number of specific positions like experts, mid-level leaders in some core operations of the bank.

The effective implementation of recruitment and selection is only the first step towards the professional, modern and standardized goal of recruitment of state-owned commercial banks. Moreover, banks also systematized and completed the criteria system to evaluate the recruitment and selection efficiency. In reality, these criteria identify their quantity and quality, at all times before, during and after recruitment. These criteria include variety of: the recruitment and selection time, cost, satisfaction of the recruitment process, the quality, reception of new staff, etc. The recruitment and selection are evaluated annually, with diverse and multi-dimensional methods: Internal and external survey, timeline of each recruitment program, statistical data, etc.

#### **3.2 Training management staff**

##### **Identify training need of management staff**

The basis for determining training needs is the analysis of organizational work, job description, job performance result, job specification, job standard and business plans in each period. The survey results show that job analysis method are evaluated quite well.

**Table 1. Identify training need of management staff**

No	Content	Mean	Standard deviation	Totally disagree and disagree (%)	Totally agree and agree (%)
1	Every year, based on the business strategy, the bank builds a plan to develop management staff	3.16	0.638	13.3	70,6
2	The Bank uses the results of performance evaluations (including non-formal assessments) to find out the need of knowledge and skill development for management staff	3.84	0.760	14.6	70.6
3	The bank bases on job needs and future development of the bank to determine the number of management staff	3.97	0.753	0	70.6
4	Discuss and agree on individual training requirements with the bank's management staff	3.44	0.721	13.3	57.3
5	Discover the content and form of development critical to banking success	4.13	0.644	0	85.3
6	System design to collect evidence on management staff's capacity	3.28	0.708	14.6	42.6
7	The Bank develops mechanisms and policies to manage and develop Management staff	3.60	0.853	13.3	44.0

Source: Calculate from Survey's Data, 2019

The survey indicated that 70.6% of the survey respondents say that based on the results of job performance (even without formal assessment), banks reflect the need to develop the remaining knowledge and skills that are lack in terms of human resource management field. In fact, banks base themselves on work needs and future development of the bank to determine the quantity of management staff that need to be developed. Specifically: training needs must meet the quality and quantity of the bank's management staff at the moment, and at the same time meet the needs of the bank in the future. Only 57.3% of respondents agree with statement “discussed and agree on personal training requirements with the bank's management staff” which the average score is 3.44. This implies that the banks need to pay more attention to this activity in the future to plan the development of human resource at management level more accurately.

The unique feature of management work is that it is impossible to quantify the workload in a specific way. Therefore, the identification of training and development needs of managerial labor has its own specific characteristics. It depends on business characteristics, strategy and policy of the bank, especially human resource management policy such as promotion and rotation policy, etc. Reality, banks pay regular attention to training and development of management staff, especially in an era of rapidly changing business environment.

To determine the training needs of manager in head office departments, branches, transaction offices, find out their strengths and weaknesses in working and promotion opportunity, it is suggested to compare the current ability of management employees and their future job requirements. Thereby developing a plan for training and fostering management staff towards completing the work in the future and promoting the abilities have not been supported. However, the banks implement very good job of “Discovering the content and form of development necessary for banking success”. The survey results reveal that 85.3% of the respondents believe that banks undertake this activity (average score equals to 4.13).

#### **Implement training to enhance the quality of management staff**

After identifying training needs, banks conduct training to improve the quality of management staff. The survey results in Table 2.12 show that 57.14% of the total number of respondents believe that the banks have regulations on functions, duties, individual powers and departments involved in the development of human resource at management level. This is confirmed in the results of several in-depth interviews. Most of the state-owned commercial banks attach great importance to this and set up a department dedicated to human resources to develop management staff.

In the implementation of training to improve the quality of management staff, the banks should carefully choose a reasonable training method. In reality, the training method has a great influence on the effectiveness of the entire training plan. The state-owned commercial banks have performed quite well in training through mentoring and designing appropriate training programs to meet the needs of human resource (more than 70% of the respondents agreeing according to survey results). Nevertheless, banks are underestimated in coordinating with external training organizations in designing content, training programs and organizing training courses (with 13.3% of respondents saying that banks perform this activity), which makes the mean score of this indicator become the lowest one in the group that equals to 2.99.

There is no doubt that effectiveness is always a top concern in training program. Training and development are conducted continuously. Evaluating the effectiveness is necessary to determine if the training program achieves its goals, the level of knowledge that the trainees have acquired and the application of that knowledge to their job, which task is good, which task is not good and their cause to suggest solutions to improve. Statistically, the survey results show that the banks did not pay much attention to monitoring, reviewing and evaluating the effectiveness of training programs (only 28% of the banks do this).

The survey respondents also highly appreciated the improvement of the capacity of the current management staff in the planning area for promotion after the development plan was implemented. There are 89.3% of the respondents who thought that managers' competence has slightly improved capacity and 10.7% of the respondents express that they have marked improvement in capacity. They are more confident, work more efficiently, and sales increase. In fact, after the development process, the management staff better meets the job requirements.

**Table 2. Training to improve the quality of human resource**

No.	Content	Mean	Standard deviation	Totally disagree and disagree	Totally agree and agree (%)
1	The Bank stipulates the functions, tasks and powers of individuals and departments participating in the development of management staff	3.44	0.740	0	57,14
2	Discover the appropriate form and content of training to improve the work performance of the management staff	4.13	0.644	0	85.3
3	Make a general plan for the implementation of training at the training schools for bank officers	3.31	0.697	13.3	57,14
4	Support and guide the personal development of management staff	3.56	0.919	14.7	56.0
5	Conduct training through instruction, tutoring in the bank	4.00	0.753	0	72.0
6	Design appropriate training activities to meet the needs of management staff	3.85	0.651	0	70.7
7	Send staff and employees to study at training institutions outside the bank	3.43	0.498	0	42.7



8	Coordinate with external training organizations to design training content, programs and organize training courses	2.99	0.533	14.7	13.3
9	Monitor and review the progress of management staff's competence during training implementation	3.60	0.900	13.3	58.7
10	Regularly discuss with management staff and instructors to improve training efficiency at work	3.12	0.636	14.7	26.7
11	Evaluate the effectiveness of training conducted at the bank	2.99	0.762	29.3	28.0
12	Finalize decisions and mechanisms to ensure the effectiveness and efficiency of developing management staff	3.13	0.644	14.7	28.0

Source: Calculate from Survey's Data, 2019

### 3.3 Developing and promoting management staff

#### Individual development

Currently, employees tend to choose a workplace that consider a wide ranges of criteria such as not only the working environment including banking culture, management style, and working conditions but also the environment allowing them to learn and work towards a clear progression path. Foreign owned commercial banks always have a methodical human resource development strategy, and some banks also clearly map out a career path so that their employees can strive for.

According to the survey results, nearly 90% of the respondents say that banks value the contribution of each management staff to have a timely compensation regime. However, when assessing the situation, the banks have a personal development plan in line with the development plan of each bank for each management staff to have a learning plan to improve capacity, only 13.3% of the survey respondents agree. They argue that the banks are afraid of job switch when their employees have developed effectively. This is evidence to confirm more clearly the results from the in-depth

interviews that most banks recruit additional management staff according to their actual needs.

**Table 3. Development of management staff**

No	Content	Mean	Standard deviation	Totally disagree and disagree (%)	Totally agree and agree (%)
1	The Bank attaches great importance to the contribution of each management staff to encourage and reward timely	4.16	0.638	0	86.7
2	The bank has a personal development plan in line with the bank's development plan for each management staff so that they have a learning plan to improve their capacity.	2.84	0.638	29.3	13.3
3	Having policies to create favorable conditions for their officers and employees to have the opportunity to develop	3.31	0.885	13.3	29.4
4	Management staff receive regular feedback from the bank's leaders about the work they are undertaking	3.72	0.708	0	57.4
5	The bank has a commitment to long-term working for officers and employees.	3.85	0.651	0	70.7

Source: Calculate from Survey's Data, 2019

The survey results in Table 3 show that 29.4% of respondents confirm that the banks have policies to create favorable conditions for officers and employees to have the opportunity to develop and be promoted to a managerial position if they do the job well (with average score of 3.31). This activity needs to be paid more attention by the bank's management to create the best motivation for the management team.

In addition, the survey results show that the banks perform relatively well in providing feedback from the bank's leaders on the work performed by the bank's management staff (mean score = 3.72; standard deviation = 0.708). Actually, providing regular and ontime feedback helps manager to identify weaknesses, improve capacity and qualifications. Up to 70.7% of respondents say that the banks have a long-term commitment to employees (mean score = 3.85). This commitment creates the management staff's assurance that they devote to the development of the bank. When assessing the effectiveness of personal development, the bank's management competence through the survey, up to 28% of people say that the efficiency is low and 61.3% say that the efficiency was at average level. Therefore, banks need to find out the main causes of low personal development efficiency to find solutions to overcome.

#### *Promotion of management staff*

The promotion of management staff after training and development creates a source to meet the needs and motivate management staff as well as all employees in the bank, creating full awareness of long-term benefits when working for the bank, without causing great disturbance in the organization. Moreover, employee selected for promotion and appointment to higher positions easily integrate quickly with new tasks, get support from colleagues and understand leadership ideas, so they have many advantages in achieving the bank's goals.

More than 70% of survey respondents believe that banks make promotions based on job requirements and staff's knowledge, capacity and attitudes. According to the survey results, nearly 40% of respondents say that banks formulate policies to create favorable conditions for employees to have the opportunity to develop and be promoted to a management position if they perform well. However, the evaluation of staff is based on not only the results but also the method of implementation. Based on the evaluation results, banks have not yet promoted and appointed staff according to the principle of "right person, right job, right place and right forte". In addition, banks have not developed clear standards and procedures for promotion. Nearly 70% of respondents say that banks promote and appoint staff according to the mechanism of superiors appointing subordinates. In this mechanism, the right to appoint subordinates belongs to the superior in accordance with the consultation from everyone in the collective to ensure transparency and clarity.

### **3.4 Evaluation and control of human resource development**

#### *Performance appraisal*

In order to comprehensively evaluate staff, many banks are in the process of editing and perfecting the standard toolkit for employee evaluation. In which, the management staff's performance appraisal is seen as the main activity to be implemented and takes the Balanced Scorecard System (BSC) and the Key Performance Factor (KPI) as the core method. Moreover, in the past 3 years, a number of banks have strongly implemented the assessment of staff capacity according to the competency framework standards and the test results have been used as a basis for planning review, appointment,

and re-appointment.

Nonetheless, all evaluation results through work, tests, evaluations from colleagues, superiors, etc, have not yet been synthesized, stored systematically and scientifically for easy and timely exploitation in order to appraise fully the comprehensive staff, which is used as a principle for formulating plans to continue training and developing staff.

#### **Managing human resource at management level**

In order to enhance the necessary ethical qualities of bank staff, build a good image of the bank to society, and meet the development requirements of the banking industry, the Vietnam Banks Association promulgates the standards of professional ethics and code of conduct for bank staff. After the promulgation, it was widely announced by the Governor of the State Bank and assigned to organize the implementation of the whole sector.

The set of standards that synthesize and refine the core requirements of a bank officer includes 6 professional ethical standards and 2 codes of conduct. These are: Compliance; prudence; Integrity; Dedication and diligence; Proactivity, creativity, adaptability; Consciousness of information security.

#### **4. Recommendations**

Based on the current situation and trend of human resource development at management level in Vietnamese commercial banks, the author proposes some recommendations to develop management staff in state-owned commercial banks in Vietnam, specifically as follows:

For the Government, it is necessary to actively improve the legal framework aimed at supporting the operation of commercial banks in general, especially training, recruitment and management staff so that they can adapt to the very high requirements in the context of international integration and `the Fourth Industrial Revolution.

For the State Bank of Vietnam, it is necessary to frame a strategy to develop human resources of banks with sufficient capacity and ethical qualities, especially senior managers, in the direction of solid expertise and expertise with regularly update professional knowledge and skills according to international standards; increasing the ability to apply information technology in the process of administration, operation and service provision of the banking system. At the same time, it is necessary to forecast human resources in each period to have a training plan; develop a training program framework on the basis of international standards; develop a set of textbooks according to the standards in developed countries with appropriate modifications in the specific conditions in Vietnam; standardize the contingent of lecturers and officials in the banking sector, etc.

For commercial banks with state capital, first of all, it is necessary to raise the awareness of all officers and employees of the bank. In fact, it is advised to make them understand the importance and influence of the digital revolution on the banking industry. This puts a requirement for each individual to make efforts to study to improve their science and technology level, to apply technological advances to enhance labor productivity and work quality. Simultaneously, information, innovation must be updated regularly, created and adapted to new requirements. Furthermore, advances from the Digital Revolution are the driving force for the banks to develop and compete with banks in the region and the world in terms of timely grasping, and the banks need changing to adapt to new technology.

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