

EXECUTIVE INSIGHT SERIES | Issue 001

Resolution No. 10 and the Capability Agenda

Why Organisational Capability, HR Strategy and Leadership Development Matter for Vietnam’s Next Growth Phase

Vietnam stands at a strategic inflection point. For more than three decades, growth has been driven by investment, global integration and competitive manufacturing. These foundations remain essential. They are no longer sufficient.

The next phase will depend on something less tangible: the capability of organisations to turn investment, technology and talent into sustained performance.

Factories can be built. Technology can be acquired. Capital can be raised. Organisational capability must be built.

This is where Resolution No. 10 becomes strategically significant. Its importance extends beyond localisation. It encourages organisations to reduce dependence on individuals by strengthening institutional capability.

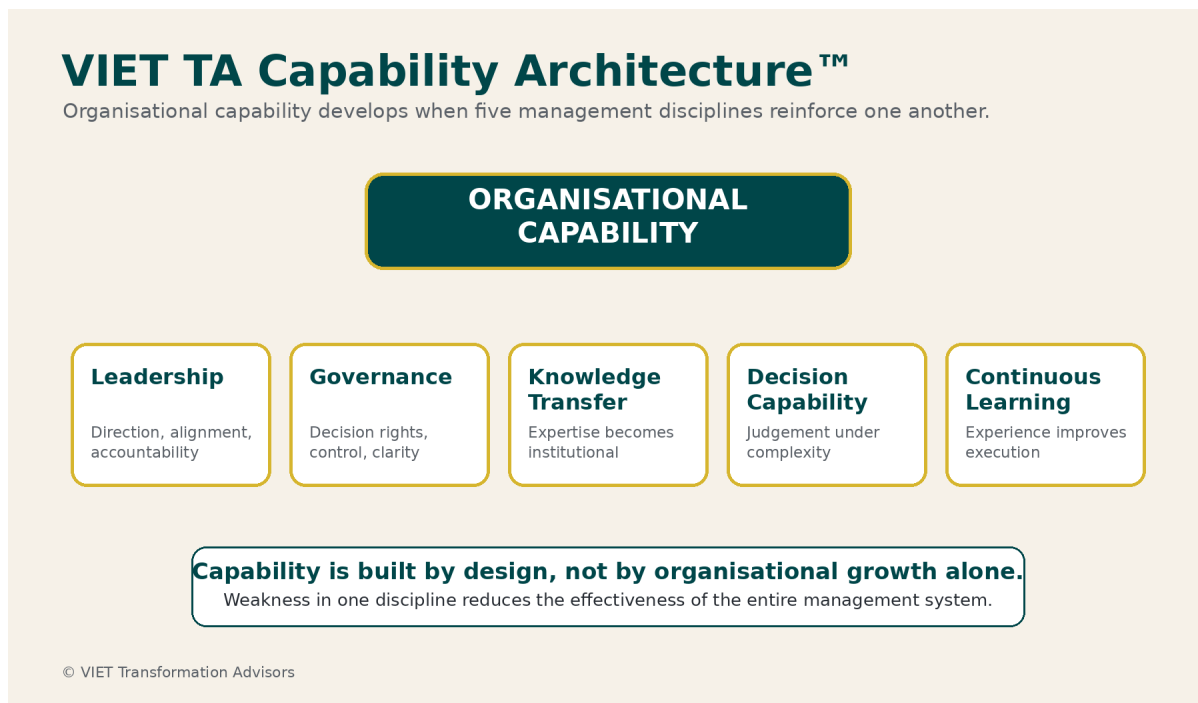


Figure 1: VIET TA Capability Architecture™

EXECUTIVE TAKEAWAY

Vietnam’s next competitive advantage will depend less on who leads organisations than on what those organisations are capable of achieving.

Most Companies Are Solving the Wrong Problem

Resolution No. 10 has triggered an important discussion across Vietnam. In many organisations, however, the discussion begins and ends with localisation: how many expatriates should remain, which positions should be transferred and how quickly Vietnamese managers can assume leadership roles.

These are legitimate operational questions. They are not the strategic question. The more important issue is whether organisations are developing the capability required to sustain performance after leadership transitions have taken place.

Replacing individuals does not automatically strengthen an organisation. Changing reporting lines does not automatically improve execution. Localisation may alter the organisation chart. Only capability changes organisational performance.

An organisation can successfully localise management positions while remaining dependent on external expertise for critical decisions, customer relationships, technology, engineering or operational problem-solving. In such cases, localisation has been achieved administratively. Organisational capability has not.

EXECUTIVE QUESTION

Which organisational capability must exist regardless of who occupies a specific position?

EXECUTIVE TAKEAWAY

Replacing people changes accountability. Building capability changes organisational performance.

Capability Does Not Emerge. It Is Designed.

One persistent misconception in organisational development is that capability naturally grows as organisations expand. It does not. Growth increases complexity. Capability must keep pace. Otherwise, complexity outgrows the organisation's ability to execute.

Two companies can operate in the same market, use similar technologies and compete for the same customers, yet produce fundamentally different results. One executes faster, adapts more effectively and remains resilient under pressure. The difference is rarely strategy. It is organisational capability.

Capability is not an HR programme or a collection of training activities. It is the organisation's ability to make sound decisions, transfer knowledge, develop leaders and execute consistently as complexity increases.

Unlike financial capital, capability compounds over time. Every capable leader develops future leaders. Every robust governance process improves future decisions. Every successful transformation strengthens the organisation's ability to manage the next one.

The VIET Transformation Advisors Capability Architecture™

Organisational capability rests on five reinforcing elements: leadership, governance, knowledge transfer, decision capability and continuous learning. Weakness in one element limits the effectiveness of the others. Capability therefore cannot be built through isolated initiatives. It emerges from the deliberate design of the management system as a whole.

EXECUTIVE TAKEAWAY

Capability is not created by growth. Growth reveals whether capability already exists.

Strategy Fails When Capability Cannot Keep Pace

Most strategic plans fail for reasons that are rarely discussed during strategy workshops. The market opportunity exists. Investment has been secured. Technology has been acquired. Customer demand is growing. Yet execution falls behind expectations.

The strategy has not necessarily failed. The organisation's capability to execute it has. Every ambitious strategy assumes that organisational capability will evolve at the same pace as business complexity. This assumption is often wrong.

New markets require faster decisions. Larger organisations require stronger governance. Advanced technologies require deeper judgement. International customers expect greater operational consistency. If capability develops more slowly than complexity, execution gradually deteriorates.

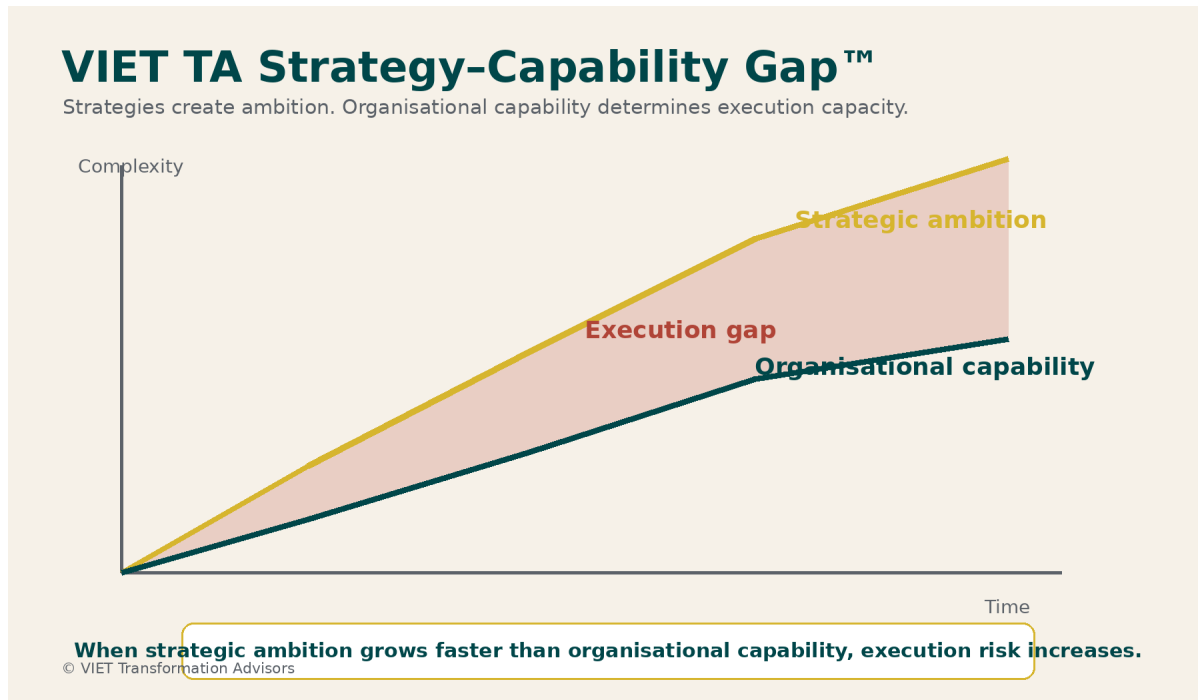


Figure 2: VIET TA Strategy-Capability Gap™

At first, the symptoms appear manageable: slower projects, more escalations, weaker coordination and greater dependence on experienced individuals. Over time, these symptoms become systemic constraints.

EXECUTIVE TAKEAWAY

Strategy determines where an organisation intends to go. Capability determines whether it will arrive.

What Executive Teams Should Do Now

Recognising capability as a strategic asset is only the beginning. The more important question is how executive teams respond. Many organisations react by expanding leadership programmes, updating competency models or increasing training budgets. These initiatives may improve individual development. They rarely transform organisational capability on their own.

Capability grows when executive management redesigns how the organisation develops leaders, distributes decisions and transfers knowledge. This requires leadership, not additional HR processes.

Start with Strategy

Capability development should begin in the boardroom, not in the HR department. The first question is not which training programmes are needed. The first question is which organisational capabilities will determine whether the strategy succeeds.

Focus on Capability Risks

Every organisation monitors financial risk. Many monitor operational risk. Few systematically monitor capability risk. Yet capability risk is often why transformation programmes fail despite sound strategic planning.

Executive teams should identify where critical capabilities remain concentrated in too few individuals: customer relationships, engineering expertise, production leadership, regulatory knowledge, strategic decision-making or transformation leadership. Every dependency represents execution risk. Every dependency needs ownership.

EXECUTIVE TAKEAWAY

Organisations do not become stronger because they train more people. They become stronger because more people make better decisions.

The Organisations That Will Shape Vietnam's Next Decade

Resolution No. 10 is often discussed as a policy initiative. From an executive perspective, its greater significance lies elsewhere. It signals a broader transition in how organisations must prepare for Vietnam's next stage of development.

The question is no longer whether companies can grow. Vietnam has shown that they can. The question is whether organisations can continue to grow while maintaining the leadership, decision quality and execution discipline that more complex businesses require.

This is not primarily an HR challenge. It is one of the defining leadership challenges of the coming decade. The organisations that succeed will not necessarily have the largest investment budgets, the most advanced technologies or the fastest expansion plans. They will be those that deliberately build the capability to learn faster, decide better and adapt more effectively than competitors.

Organisational capability cannot be copied quickly. It cannot be purchased immediately. It cannot be replaced by technology alone. It is built over years through leadership, governance, disciplined execution and continuous learning.

FINAL EXECUTIVE REFLECTION

If today's executive team left within five years, would the organisation become weaker, or would it continue to become stronger because capability had become institutional rather than individual?

CLOSING THOUGHT

The next competitive advantage will belong to organisations that systematically transform individual talent into institutional capability.

About VIET Transformation Advisors

VIET Transformation Advisors supports owners, boards and executive teams in strengthening organisational capability during periods of transformation, growth and succession.

Our work combines strategic advisory with practical implementation, helping organisations translate strategic ambition into sustainable execution through stronger governance, more effective leadership and improved organisational performance.

Core advisory areas: Board Effectiveness & Governance; Transformation & Strategic Repositioning; Strategic Turnaround & Restructuring.

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