



Vietnam Global Leaders Programme 2019

UPSKILLING TO TRANSFORM THE VIETNAMESE ECONOMY

Executive Summary



VIETNAM'S BURGEONING LABOUR FORCE

Vietnam is one of today's fastest-growing economies. Abundant labour and competitive wages make it a preferred location for manufacturing, particularly in electronics, textiles and food processing. The country has one of the world's youngest workforces, with 74% of the labour force under 50 years of age.

However, Vietnam has been unable to fully capitalise on this interest due to an inability to meet the demand for skilled labour. Only 21% of Vietnam's labour force have undergone three months or more of training. In addition, demographic and economic changes will shift skill needs throughout the economy.

To counter both demographic change and technological disruption, Vietnam's workforce must develop future-proof skills in order to support continued economic growth and social mobility.

Only 21% of labour force has received three months or more of training



PROJECT PARTNER: REACH

The 2019 Vietnam Global Leaders Programme (GLP) worked with REACH, an NPO based in Hanoi that focuses on skills development for disadvantaged youth, to create a new model for vocational training throughout Vietnam.

REACH provides students with work-ready skills and help them find gainful employment. Their students typically age between 16 and 30. They train over 1,000 students annually and have to date trained over 17,000 students, placing 80% of them in jobs.

REACH currently provides training in: food and beverage, housekeeping, sales and marketing, graphic design, skincare and makeup, web coding, 3D modelling, hospitality, video design, cooking and hair dressing.

74% of the 54 million labour force is under 50 years of age



CONNECTING WITH WIDER LABOUR MARKET NEEDS

REACH relies mainly on corporate donors to fund its operations. It has established four social enterprises with the aim to diversify its income sources and provide real-life training for its students. They are Em Salon, Koi Bento (Japanese food service), Revina (photo and video editing), and Tre Restaurant. However they have yet to generate reasonable profits.

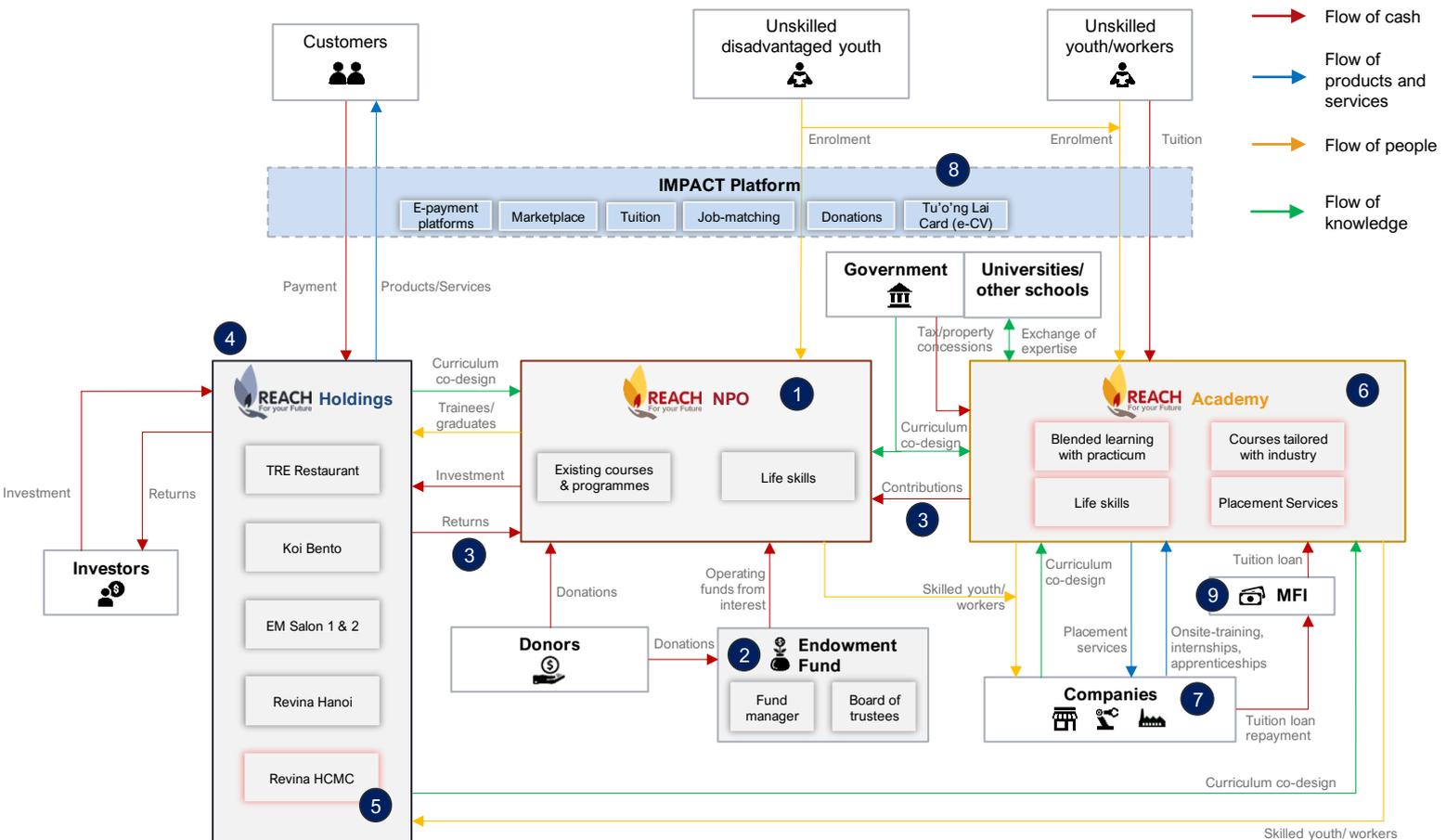
In addition, REACH currently only serves those at the bottom of the socio-economic ladder, who have little ability to pay for its services. REACH can tap into a larger market of middle-income household students who require vocational training.

In order for REACH to become more financially sustainable and transform the lives of more Vietnamese youth, the GLP cohort suggested the following business model that will allow the organisation to scale and diversify its income sources.

USD 16.7 billion of FDI in 2019, much of it directed to manufacturing and processing



A SUSTAINABLE & SCALABLE BUSINESS MODEL FOR REACH



The business model suggests that REACH separate its commercial activities into **REACH Holdings** (for its social enterprises) and start a **REACH Academy** that serves fee-paying students.

- 1 The proposal recommends that **REACH NPO** continue the important work of providing vocational training and life skills to disadvantaged youth in Vietnam.
- 2 REACH's funding base should be broadened, and it should establish an **endowment fund** whose returns would provide long-term funding.
- 3 Returns from REACH Holdings and Academy will also contribute to its funding.

- 4 REACH's four social enterprises, and any future enterprises, will sit under a private limited company, **REACH Holdings**. This will give these enterprises the flexibility to operate and grow as fully commercial entities. Back-office services, such as financial management, HR and legal services will be centralised at a single headquarters to minimise cost.

REACH Holdings will continue to support REACH's training efforts, by helping to develop the curriculum, providing a practical training space for students, and being a potential employer for students.

- 5 It is recommended that **REACH Holdings** expand Revina, a promising IT services company based in Hanoi, into Ho Chi Minh City. **REACH Holdings** will also be tasked with establishing new businesses to suit market needs.

- 6 **REACH Academy** will help serve the approx. 10 million young people who would benefit from vocational training and have some ability to pay.

- 7 **REACH Academy** will offer similar courses to REACH NPO and work closely with industry partners to develop courses well-suited to their needs. Industry partners will be sought to provide both training and fair employment opportunities to REACH graduates.

- 8 REACH will provide a **Tuong Lai Card** to students which would serve as an electronic CV listing validated skills acquired from REACH and other partner institutions, and a one-stop platform (**IMPACT Platform**) for all training and job-related services.

- 9 A **Vocational Tuition Aid** created in partnership with microfinance institutions and employers could help fund students and recover fees through an automatic repayment system linked to their salaries.

REACH ACADEMY

Curriculum and Services

- 3-month courses of technical and life skills
- Teaching skills related to current and future labour market needs, e.g. trade skills, technology, logistics, agri-business, hospitality and caregiving
- Combining classroom, online and practical learning
- Accredited by professional bodies
- Job-matching platform

Operations and Management

- Separate management from REACH NPO to give it autonomy
- Affordable tuition at USD 300
- Centralised functions at HQ, while training centers manage training and placement
- Funding and support sought from government and private sector
- Education centres to function as community centres for better government support

Target Market and Scale

- Middle-class youth (market size of 10 million)
- Five centres over five years, enrolling 100,000 students



SKILLING INNOVATION



A key suggestion for REACH is to develop an electronic “**Tương Lai Card**” (Vietnamese for “future”), which will serve as a “skills card” and CV capturing all the skills, training and work experience a job-seeker has, and which is validated by REACH. This will be integrated with the IMPACT Platform that connects users with jobs and an online marketplace.

The **IMPACT Platform** is an online platform that provides services such as job matching, a contractor marketplace, online courses, products/services from REACH social enterprises, community services and donations.

REACH HOLDINGS

The social enterprises that REACH currently manages should be brought under the REACH Holdings umbrella. A seasoned professional team should also be hired to improve the commercial viability of the enterprises.

A “business-in-a-box” approach, where certain replicable elements of a business model can be used as a framework for starting new or systematising existing social enterprises, can be implemented to minimise costs and increase efficiency.

The proposal suggests Revina open a second branch in HCMC and consider including higher value services such as coding and IT systems management which would meet demand for offshore services from more advanced economies.

REACH ENDOWMENT FUND

The REACH Endowment Fund would reduce the NPO’s reliance on donations.

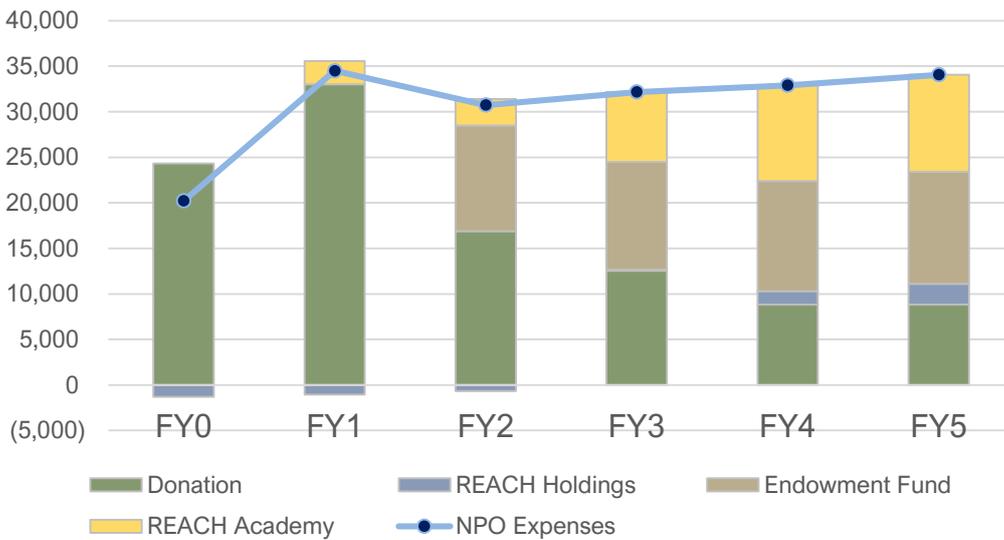
Managed by professional fund managers and governed by a board of trustees, the fund’s interest will be used to help fund the NPO’s operations.

It is estimated that the fund will grow at 8% per annum. 5% will be withdrawn for REACH’s operational use and 1% will go to fees. Any surplus can be reinvested into the fund to grow the principle.



FINANCIAL SUSTAINABILITY FOR REACH

Sources of NPO Funds (VND m)



An initial USD 10 million of funding would allow REACH to use interest from the endowment fund to meet operational expenses.

Assuming REACH can acquire the necessary funding and REACH Academy and Holdings operate as planned, by Year Five 75% of its funding should be from sources other than donations.

ADDRESSING THE SKILLS GAP IN VIETNAM

Vietnam's skills shortage hampers its ability to grow its economy in the long-term, despite the current manufacturing boom.

This business plan aims to not only help REACH continue into the future but also enable it to transform the lives of thousands more young workers to help bridge Vietnam's skills gap.

REACH will need help – close industry collaboration and government support – to implement some of these recommendations. It is hoped that this plan can be a model for Vietnam and other developing nations who are preparing their citizens for the future of work.





The **Global Institute For Tomorrow (GIFT)** is an independent pan-Asian think tank providing content-rich and intellectually challenging executive education from an Asian worldview.

The **Global Leaders Programme (GLP)** is GIFT's experiential leadership programme designed for government officials and managers from leading global organisations to think critically about the drivers of change in the 21st century and develop new business models and innovations that address the defining challenges of our time.

In this Vietnam GLP, participants convened in Kuala Lumpur, Malaysia and Hanoi, Vietnam over 18-29 November to undertake classroom discussions, site visits, fieldwork, and business planning sessions. The highlights from this proposal was presented at a public forum at the Hanoi Club Hotel on 29 Nov to a range of government, business, and community stakeholders.

GIFT would like to thank **REACH** and everyone involved who have put in their best efforts to make this possible.

You can download the full report [here](#).

Tomorrow Matters.

Published Jan 2020

Suite 1608, 16/F, Cityplaza One,
1111 King's Road, Tai Koo Shing, Hong Kong

T: +852 3571 8135

E: enquiry@global-inst.com

www.global-inst.com