

PURSUING THE RIGHT STRATEGIC DIRECTION

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Introduction

Strategic direction is defined as the course of action that leads to the achievement of the goals of an organization's strategy.

Carter McNamara, in an article "Strategic Planning (in nonprofit or for-profit organizations)" from the book *Field Guide to Nonprofit Strategic Planning Facilitation* (McNamara 2007), points out that strategic planning determines where an organization is going over the next year or more, how it is going to get there, and how it will know if it got there or not. A strategic plan's focus is usually on the entire organization, while a business plan's focus is usually on a particular product, service, or program.

The author said that there are a variety of perspectives, models, and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, and expertise of the planners. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario, and others.

Goals-based planning is probably the most common and starts with focus on the organization's mission (and vision and/or values), goals to work toward the mission, strategies to achieve the goals, and action planning. Issues-based strategic planning often starts by examining issues facing the organization, strategies to address these issues, and action plans. Organic strategic planning might start by articulating the organization's vision and values, and then, action plans to achieve

the vision while adhering to these values. Some plans are scoped to one year, many to three years, and some to five to 10 years into the future.

Quite often, an organization's strategic planners already know much of what will go into a strategic plan. However, development of the strategic plan greatly helps to clarify the organization's plans and ensure that key leaders are all "on the same page." Far more important than the strategic plan document is the strategic planning process itself.

According to Carter McNamara, the purposes and benefits of strategic planning serve a variety of purposes in an organization including to clearly define the organization's purpose and establish realistic goals and objectives consistent with that mission in a defined time frame within the organization's capacity for implementation; communicate those goals and objectives to the organization's constituents; and develop a sense of ownership of the plan. Strategic planning ensures the most effective use is made of the organization's resources by focusing the resources on the key priorities. It also provides a base from which progress can be measured, and establishes a mechanism for informed change when needed.

It also brings together everyone's best and most reasoned efforts, which have value in building a consensus about where an organization is going; providing a clearer focus of an organization, thus producing more efficiency and effectiveness; and bridging and building strong teams within the board and the staff. Strategic planning provides the glue that keeps the board together; produces great satisfaction among planners around a common vision; and increases productivity from increased efficiency and effectiveness. Last but not least, it helps to solve major problems.

This chapter will discuss the development and market potential of tourism accommodation in Vietnam, and use a case study of Indochina Hotels and Resorts (IHR) focusing on how the company develops its strategic direction, and the issues and challenges faced in doing so. It concludes by offering some tips learned from IHR's experience for those who are interested in developing tourism projects in Vietnam.

Development of Tourism Accommodation in Vietnam

According to the World Travel & Tourism Council, Vietnam is the sixth fastest-growing tourism destination in the world, experiencing double-digit growth in international tourist arrivals year-over-year, and growing

at 8.5 percent annually. The travel and tourism industry throughout Southeast Asia, of which Vietnam is a part, is growing at 6.5 percent per annum, positioning the region as one of the strongest performing destination markets in the world.

Indeed, tourism is important to Vietnam's economy. The major driver to this has been the *doi moi*, or open-door policy. According to Wantanee Suntikul, Richard Butler, and David Airey in their article "A Periodization of the Development of Vietnam's Tourism Accommodation since the Open Door Policy" (2008), the Vietnamese Congress introduced in 1986 the *doi moi* or "renovation" program of political and economic reforms.

The reforms promoted the role of the private sector in the economy and centralized aspects of governance and planning. State and privately owned industries could trade directly with foreign organizations.

Prior to *doi moi*, the then existing supply of tourist accommodation did not meet international standards. The hotels provided basic accommodation and food service without appropriate leisure and entertainment facilities.

The beginning of the open-door policy brought in a new era for the development of international standard lodgings and facilities for tourists. According to Wantanee Suntikul, Richard Butler, and David Airey (2008), there are five periods, which are outlined below:

Period 1: 1986–Early 1990: Period of State Dominance and the First Joint Ventures

Most tourists to Vietnam, who came from other Communist countries, accepted a basic standard of accommodation and services. The Vietnamese government and its agencies owned and operated most of the hotels.

Period 2: 1990–1994: Rise of Joint Venture Hotels

The Vietnamese government gave up its monopoly, and allowed private and foreign investors to develop hotels for tourists. There was a shortage of international standard hotels and guest rooms, which foreign joint-venture investors sought to address, especially in major Vietnamese cities such as Ho Chi Minh City and Hanoi.

Period 3: 1995–1996: Reaction of State Hotels

The existing hotels had to compete with the new joint-venture hotels. They found that they were unable to meet the demands of

tourists from developed countries and had to therefore change their management practices and become much more service-oriented.

Period 4: 1996–1999: Oversupply and Falling Demand

In the mid-1990s, high demand for high-quality hotel rooms resulted in an occupancy rate of 85–90 percent in Hanoi. However, this changed with the government's xenophobic "social evils" campaign, few repeat visitors, visa policy issues, and the Asian economic crisis. Tourist arrivals to Vietnam fell. During this period, many new joint venture hotels opened, leading to an oversupply of guest rooms, thus resulting in a fall in occupancy and room rates.

Period 5: 1999–Present

The changes of the earlier period gave Vietnam greater tourist accessibility, thus encouraging more tourists to visit the country. The tourism market in Vietnam is now much more open and competitive for both foreign and domestic investors and operators of hotels.

As a result, Vietnam's tourism industry has experienced a period of meteoric growth in recent years. The success in tourism can be seen in the jump in tourist arrivals, tourism earnings, and number of jobs created. The number of foreign tourists visiting the country grew from 92,500 in 1988 to 3,583,486 in 2006, according to the Vietnam National Administration of Tourism (VNAT) 2007 statistics. A 2001 estimate stated the nation's earnings from tourism as US\$2.6 billion. In 2006, there were 234,000 people employed directly in tourism jobs and 510,000 whose jobs indirectly depended on tourism. In 2008, tourism in Vietnam accounted for 11 percent of the total employment of the country and contributed US\$4.5 billion to the gross domestic product (GDP).

According to World Travel & Tourism Council and Oxford Economic Forecasting, Vietnam's tourism sector is expected to experience the sixth-highest growth rate of countries in the world between 2007 and 2016 ("Vietnam's tourism grows" 2006). Aside from this quantifiable growth, tourism in Vietnam also continues to change in character with new tourism niches, new types of tourism attractions and enterprises, and new kinds of tourists appearing since 1986.

Current Issues and Future Outlook in Vietnam Tourism Industry

According to Wantanee Suntikul, Richard Butler, and David Airey, the joint-venture accommodation sector continues to expand. Despite the growth of foreign direct investments in the accommodation sector, most new hotels developed in Vietnam are state-owned, often as joint ventures with foreign investors. In the majority of cases, especially in cities, the hotels are owned by, and provide a major source of income for city and provincial tourism bodies. Sixty percent of the one- to five-star grade hotels and 65 percent of all hotel rooms in Vietnam belonged to state-owned enterprises in 2001. The owning state bodies ranged from national ministries to district and commune-level agencies. The predominance of state ownership of hotels has been seen as a mechanism of built-in government regulation in the accommodation industry.

However, the diffusion of control over different levels and bodies of government mitigates the effectiveness and homogeneity of policies that was possible within the former centrally controlled market.

A continuation of dual private and public ownership was endorsed in the Revised National Tourism Plan for Vietnam 2001–2010 Draft Report, which also called for a careful thinking-through of privatization, including the establishment of requisite regulatory systems and bodies. However, the same report also mentioned other modes of wholly private, wholly state, or public and private ownership, including the equitization of state enterprises by the sale of shares; the sale or transfer of some entire state-owned enterprises to private interests; the liquidation of nonperforming state-owned enterprises; and the restructuring of remaining government enterprises to enhance their autonomy and accountability (VNAT 2001, pp. 159).

To sum up, the opening of Vietnam's tourism accommodation market to foreign direct investment and domestic private entrepreneurs has brought about competition, consolidation, and differentiation in the accommodation sector that was absent under the previous state monopoly. A more intensively trained workforce and an orientation toward customer-responsiveness are required to serve this more differentiated and discerning market, and Vietnam's accommodation providers are increasingly concerned with meeting international standards.

According to Reno Mueller, senior manager, Hotel Consultancy Services of CB Richard Ellis Vietnam (Hanoi Office) (Mueller 2008), today's tourism industry is not only multifaceted and highly interconnected but also constantly changing in line with the wider economic frame conditions on a global, regional, and national level. Although still in its early stages of development, Vietnam's tourism market is no exception to this, and the lesser the country becomes isolated, the more growth-stimulating factors will originate within the international setting. Many environmental forces impacting this industry makes developing or operating any tourism-related business, like hotel property, increasingly complex and intrinsically more risky.

The grace period given to developing countries is slowly coming to an end for Vietnam. Its economy no longer grows at double-digit figures and wage costs are becoming less competitive. Since Vietnam joined the World Trade Organization (WTO) in January 2007, its commitments such as wider opening of domestic markets, have begun to intensify industry rivalry.

Existing tourism enterprises should see such developments including the current business downturn, as an opportune time to review their business strategy and ascertain their future relevance in light of changed frame conditions. Internationally experienced and business-savvy managers will gladly seize this opportunity to strengthen the position of their companies, a process that is less a matter of size or relative financial resources and more on how sincere they are in providing value for their selected customers.

Having the ability to maneuver risk successfully while simultaneously enhancing the value of a business, which is best achieved in cooperation, requires selecting reliable partners who are capable of providing constructive assistance at all stages of the project cycle. Any such partnership must ensure well-thought-out planning, professional execution of these plans, and ongoing hands-on support in order to turn a project into a flourishing venture, not only for the immediate future but moreover for the entire life span of the investment.

Reno Mueller identified the opportunities in the Vietnamese tourism market as having a steady demand for quality hotel accommodation, a growing number of transient arrivals in most segments, and the inception of a healthy domestic tourism market based on an emergent middle class. Other opportunities are having a considerable proportion

of affluent expatriates in the workforce, the cooperation in tourism development within the Indochina region, and a prolonged development of the global tourism industry.

However, the tourism industry is also facing several threats, which include a danger of overbuilding due to a lack of master planning and coordination, lack of sustainable development in the tourism sector, and growing environmental concerns due to rapid urbanization. Other threats are persisting problems with red tape especially at the regional and local levels, intensifying global and regional competition, and long-term knock-on effects of volatility in financial markets.

Vietnam's entry into the WTO also has a significant impact on the tourism industry. Joining the WTO has provided the country with a set of ground rules and a roadmap to improve bilateral trade and a platform by which to negotiate trade agreements. The organization specifically promotes free trade, attempts to remove the barriers of protectionism, and provides a forum by which to settle trade disputes. For the tourism industry, the impact of Vietnam's entry into the WTO requires the Vietnamese government to provide a nonregulatory environment in areas such as airlines, transportation, and travel, and allows for the establishment of legal foreign travel representative offices in the country.

This means that the government must divest its interest in noncore activities such as its stake in Vietnam Airlines, Saigon Tourist (the largest hotel, travel, and tour operator in the country), and other state-owned entities and subsidiaries. Though it has been more than three years since Vietnam's commitment to the WTO, the required changes have been slow in their implementation. The Vietnamese government recognizes the ultracompetitive nature of the tourism industry and is hesitant to fully commit to divesting its interest in noncore activities for fear that its leadership position within the market will be jeopardized. As such, some tourism multinational corporations, who have shown a keen interest in investing or operating in Vietnam, are faced with a difficult regulatory environment to establish their operations and may be discouraged from doing so. However, the VNAT is optimistic. The total number of international visitors in 2008 reached 4,253,740 arrivals, 0.6 percent higher than those in 2007. The travel and tourism industry is expected to directly contribute 3.8 percent to the GDP in 2009 at US\$4 billion, rising to US\$7.9 billion and contributing 3.5 percent of GDP by 2019.

Employment in this industry is estimated at 4,862,000 jobs in 2009, 10.4 percent of total employment, or 1 in every 9.6 jobs. By 2019, this should total 5,675,000 jobs, 10.4 percent of total employment, or 1 in every 9.6 jobs. Capital investment in this industry is estimated at US\$3.4 billion, or 8.3 percent of total investment in 2009. By 2019, this is expected to reach US\$6 billion, or 9 percent of the total.

Another positive development is the merger between VNAT and Vietnam's Ministry of Culture, Sports and Tourism (MCST) in 2006. Previous to the merger, the two government bodies had overlapping responsibilities, unclear governance and diverging opinions on the tourism industry. The combination of VNAT and the MCST has provided clarity for the private sector and marked the first time that the two governing tourism bodies were required to participate together in dialogues on improving Vietnam's position in the global market. Progress can now be seen with both government bodies cooperating on a comprehensive sales and marketing plan, including a call for the establishment of a public-private partnership to create a visitors and convention bureau.

Indochina Hotels and Resorts' Business and Strategy

Founded in 2007, IHR is a division of Indochina Land Management, one of the leading owners, developers, and asset managers of real estate in Vietnam, and Indochina Capital, one of the leading financial services and advisory firms in Vietnam. IHR's existing portfolio of eight hotels, three golf courses, and one luxury serviced apartment under management or development is valued at over US\$335 million.

In developing its strategic direction, IHR focuses first, on the ownership and operation of premier hospitality properties; and second, on other strategic services such as pursuing potential opportunities that will complement its hospitality real-estate investments. Third, it focuses on its funding and disposition strategy.

Ownership and Operation of Premier Hospitality Properties

IHR's mission is to continually maximize shareholder value through the ownership and operation of premier hospitality properties. Its

methodology for increasing investors' returns is to acquire, develop, and finance distinctive lodging assets in all segments of the industry and within key geographic markets throughout the region. It adds value to its portfolio of properties by aligning with internationally recognized brands and top-tier management companies who share the company's dedication to quality, exceptional service, and operational efficiencies.

The company focuses on acquiring and developing cash-generating assets and maximizing revenue growth at its properties through superior asset management. By reinvesting in its assets through renovation, redevelopment, and rebranding, it is staying ahead of its competitive set. Having gained invaluable experience over several market cycles, IHR is ideally positioned to prosper in up cycles and mitigate losses in down cycles through hands-on management of its many assets. It has proven ability to execute this value-add strategy and has consistently generated above-market returns.

IHR is a key component to Indochina Land's Hospitality Residential Plus platform, which combines a hotel/resort element with a residential product. Its diverse portfolio of properties also includes golf courses and serviced apartments. This helps to improve investors' returns through the sales of the residences with the additional income stream generated by the rental program, which IHR manages. The company has a history of acquiring distressed real-estate assets and using its financial and operational expertise to capitalize on their full market potential.

Indochina Land Holdings I and II (real-estate funds launched by Indochina Capital) have invested in IHR's portfolio of projects, which include:

- Dalat—Dalat Palace Golf Club (voted “The Best Golf Course in Asia” by *Asian Golf Monthly*); Novotel Dalat; and Sofitel Dalat Palace
- Central Coast—Nam Hai, China Beach (voted “The World's Best Designed Resort” by *Travel+Leisure* (US); Hyatt Regency Marble Mountain Beach Resort, Danang (projected opening 2011); and The Montgomerie Links Vietnam Estates and Golf Course, China Beach opened in April 2010)
- Phan Thiet—Novotel Ocean Dunes and Golf Resort; and Ocean Dunes Golf Club

- Ho Chi Minh City—Riverside Luxury Serviced Apartments, Ho Chi Minh City
- Con Dao—Six Senses Hideaway at Con Dao

Other Strategic Services

To further its competitive advantage, IHR is pursuing potential opportunities in the marketplace that will complement its hospitality real-estate investments. The company is pursuing several partnerships including the acquisition and development of distressed-asset opportunities. It is also in discussion to form an exclusive joint venture with a leading international hospitality company to debut a chain of three-star properties in the Indochina region.

IHR is also focused on diversifying its portfolio through the redevelopment and rebranding of existing urban-hotel assets. Future pipeline projects will diversify the company's portfolio through the acquisition of sites positioned for city-center hotels located in the Central Business Districts of Hanoi and Ho Chi Minh City.

The preferred investment criterion for IHR is to seek 100 percent ownership, long-term lease or freehold, in unique properties that are leaders in their respective markets. For opportunities that require co-investment, it strives for a majority stakeholder position or controlling interest in the operational direction of the asset(s). The company's geographic focus for its investments is the Indochina region, inclusive of Cambodia, Laos, Thailand, and Vietnam.

IHR also invests and manages joint ventures with reputable strategic investors who contribute land-use rights or equity capital on a per-project basis. Through its reputation, it has also become a preferred development partner with prominent international operators and regional hospitality brands such as GHM, Accor, and Hyatt.

Due to the demand and needs for advisory services in the market, IHR has identified five key services from a strategic direction viewpoint. These are, acquisition, proven renovation performance, operational expertise, asset management, and asset-recovery expertise.

Acquisition—IHR seeks under-performing assets that present potential to improve operations, product quality, sales force, revenue, or reduce overhead and expenses. It looks for assets that are well located,

within growing markets and have multiple stable demand generators, whereby through IHR's expertise, the property or project would become or solidify its position as a market leader.

Proven Renovation Performance—IHR utilizes its parent company's in-house resources to accelerate the renovation or repositioning process at a lower cost than third-party project managers or service providers. Renovation costs are considerably lower than those completed by a third party, which immediately enhances the quality and the return for the fund or property owner. It simply "thinks like an owner," fostering better decisions and ensuring the right products are used, which result in the long-term value and sustainability.

Operational Expertise—IHR's core strength is managing hotels and producing above-average gross operating profits through aggressive hands-on management and cost control. At the time of acquisition, the company immediately implements a strategy that focuses on overhead reduction, payroll and expense management, and growth. In addition, IHR focuses on aggressive rate-management strategies to grow and maximize revenue, which results in greater flow-through due to improved operating margins.

Asset Management—IHR Asset Management team understands the priorities and responsibilities of asset management from years of experience owning real-estate assets, which ensure that return objectives, product quality, and service goals are achieved. During the due diligence stage, it will establish a business plan to exploit value-add opportunities such as leasing outlets, reworking operating contracts, evaluating revenue-generating opportunities, and redeveloping existing space and/or developing excess land for compatible uses. Other opportunities are filing tax-assessment appeals, investigating insurance cost reduction through inclusion in IHR's master insurance policy, and refinancing. It is also able to uncover revenue enhancement and cost-containment opportunities during due diligence, or through the annual budgeting process, or as part of an ongoing assessment, which historically results in a significant impact to net operating profits translating directly into value.

Asset-Recovery Expertise—IHR also provides asset-recovery services, turnaround consulting, and investment services. It creates customized solutions to nonperforming real-estate assets in a manner that will maximize returns via effective planning and efficient execution.

Funding and Disposition Strategy

To sustain its current growth pace, IHR is exploring several funding options. First, the company will initially grow organically through the expansion and redevelopment of its existing assets. Second, concurrently, the company is looking to create a joint venture with equity from a strategic partner who shares the company's passion and expertise in hospitality real estate in the Indochina region and can add value to its shareholders and investors. In the second instance, Indochina Land Holdings I and II will inject their assets into the joint venture at an agreed upon valuation, in exchange for an equity position.

The new joint venture will then continue to purchase, operate, or dispose of the appreciable assets until such time a trade sale, institutional sale, or a business trust listing of the portfolio becomes viable. IHR believes a hospitality-business trust focused on Vietnam would be well received by the public markets.

Maximizing IHR's Strengths

IHR's strengths lie in its extensive use of market data and research, experienced senior management, and resourceful staff. The company does this by utilizing extensive research, knowledge and experience in fund management, investment, development and asset management, thus establishing IHR as a leading brand in hospitality real estate in Vietnam.

In developing its strategic direction, IHR's management board has positioned itself to be the leading hospitality asset-management firm in the Southeast Asian region. The company contributes much of its current success to its core senior management team and its ability to attract talented and experienced professionals. Its management team has over 20 years of combined experience in hospitality real-estate investment and development and asset management, and a proven track record of performance in Vietnam. The team also has a strong understanding of Vietnamese business ethics and culture, which is one of IHR's best assets in adding value to its clients.

The company's core resources are made up of individuals who bring different experiences and skill sets, and allow it to develop a fundamentally sound strategy, which provides maximum returns to its stakeholders and severely mitigates risk. Its investment, development,

project management, operational, and sales and marketing expertise allow the company to provide comprehensive strategic solutions to investors, who are interested in emerging market opportunities but have very little appetite for its risk.

Challenges and Issues in Managing Strategies

The biggest challenges IHR faces are the lack of resources to keep up with entrepreneurial requirements and uncertainties of the business environment in Vietnam. Often times, the implementation of its strategy involves complex financial products, which are mainstream in most industrialized countries but have no precedent in Vietnam, where IHR is required to invest the majority of its funds according to its charter. In these cases, licensing approvals for investments and land-use rights come to a grinding halt, as it is a safer decision to vote against change than for it. This slow and long process is common in emerging markets but is often not an issue in developed economies. It is important to note that delays and slow processes are not always considered by companies when they are planning the timeline of projects in Vietnam.

IHR's competitive advantage in the market is that it has the reputation and the ability to overcome these obstacles but cannot totally eliminate the risks involved. Enforcement of policy, regulation, and law remains skewed and inconsistent but being a reputable partner in the business community has enabled the company to overcome some of these obstacles. The company's strategy hinges upon its relationships with the local government and community, and its good reputation as a quality business partner has been an asset in building these business relationships.

The company's good relationships with the government and community can be seen in its support of community projects such as the Vietnam Hospitality Management Institute. The proposed site is located adjacent to the Nam Hai, a five-star resort in Quang Nam province and approximately 35 minutes from Danang International Airport. The school will be managed by a well-renowned regional educational institute and be part of a 10.5-hectare development that will include 70 villas and a health and wellness clinic. The hospitality-management programs will be subsidized by public funds made available through local or provincial governmental committees, and by private sector

contributions. The private sector contributors will derive a direct benefit from the well-prepared students with their new skill sets. IHR is working with international hotel operators who have shown an initial interest in supporting the school and its curriculum. It believes that the training programs will help to provide jobs and needed skills for the people and enhance incomes in the community.

Vietnam's entry into the WTO and the government's slowness in diverting its interest in noncore activities, and the difficult regulatory environment may be discouraging for the tourism industry. However, these roadblocks, once removed, will enable Vietnam's tourism product to improve and will allow for greater exposure and improved access to IHR's investments. Improvements in tourism infrastructure, such as public transportation, combined with a more favorable environment for hospitality investment, will create a critical mass that will move Vietnam forward as a global travel destination. As the largest private owner of resorts and golf courses in the country, IHR believes that the performance potential of its assets is enormous. Indeed, the company stands to benefit from its market-leader position when roadblocks are removed and improvements to the infrastructure and environment are made.

Another challenge is the current global economic downturn, which started in 2008 and has impacted Vietnam.

IHR agrees with Reno Mueller's view that existing tourism enterprises should see such developments, including the current business downturn, as opportune times to review their business strategy and ascertain their future relevance in light of changed frame conditions. Internationally experienced and business-savvy managers such as IHR will gladly seize this opportunity to strengthen their company's position.

The worldwide economic downturn has forced IHR to not only reposition its operations in Vietnam but has caused the company to review its risk-management systems and strategic direction. The company's focus has radically shifted from actively raising capital and pursuing investment opportunities to value engineering current projects and looking for opportunistic developments.

IHR remains very bullish about Vietnam in the long-term. Despite the current economic challenges, Vietnam is already showing signs of recovery with liquidity improving and commercial lending back to

2007 levels in the market. The profile for investments has changed and the opportunity for returns similar to Vietnamese assets now exist in stable and regulated markets such as Europe, the US, and Australia. The economic downturn has brought the country additional competition for equity and capital, and Vietnam will need to differentiate its product from other opportunities. The company believes that its conservative approach to investment and analysis, combined with good fundamentals and a strong potential for growth, is the right strategic direction to take during this economic downturn.

IHR also feels optimistic about the hospitality scene in Asia. As borders continue to open and personal income continues to grow in the region, Vietnam stands to take advantage of the regional tourism boom.

IHR believes that its strengths in its operational and asset management expertise, full complement of services, and access to the resources of Indochina Capital and its subsidiaries, are well-positioned to help the company take advantage of the current market conditions. The company creates superior risk-adjusted returns for its investors by utilizing its skills in accessing attractive transactions, executing performance and results-based initiatives, and employing active operational and asset-management policies to maximize cash flow for each hotel or real-estate asset.

As affirmation of IHR's reputation in the industry, it is now chairing the Tourism Working Group for the Vietnam business forum under the auspicious of VNAT and the MCST. This forum represents the private sector in dialogue on improving Vietnam's position in the global market. IHR with its relationships within the ministry is playing a key advisory role as it pertains to rules and regulations regarding tourism investment. These rules and regulations include laws governing resort-residential products, vacation and fractional ownership projects, and the creation of a destination branding and marketing campaign.

Conclusion

In developing strategic direction, businesses have to take into consideration many changing factors, whether political, economic, financial, or social—one has to adapt and respond effectively with plans and actions within a specific time frame.

The test of the effectiveness of IHR's strategic direction will be in the financial results that it achieves. IHR is glad to say that it has achieved better-than-average market returns by leveraging its relationships and experience in the hospitality industry and within Vietnam to provide efficiencies and cost savings in the areas of project development, project management, and debt/financing services.

For those who are keen on developing strategic direction in tourism projects and hotels and resorts in developing countries, IHR offers the following recommendations.

First, in developing strategic direction in tourism projects and hotels and resorts in Vietnam, there are no shortcuts. An effective emerging market strategic model will not only consider standard risk management sensitivities but also plan for contingencies. These contingencies are normally considered common business practice in more developed countries but not in Vietnam. Second, the strategic timeline for development in Asia's newest tiger should be conservative in approach with realistic milestones and deadlines. All too often, IHR has seen strategies fail, not because of poor planning or initiatives, but rather the incongruence of the time frame of when these milestones and objectives can be achieved.

To sum up, developing strategy in an emerging market requires a complex combination of due diligence, risk management, and patience. An understanding of the business environment and ethics of the emerging market is also a key factor in ensuring the success of a business strategy. Those who have the foresight to plan for contingencies and the resources to sustain the cycles of the market will be rewarded.

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