

# **Financial Restructuring in Conglomerates - Experience of Other Countries and Lessons for Vietnam**

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## **ABSTRACT**

**Financial restructuring plays a crucial role in ensuring the long-term stability and competitiveness of conglomerates, particularly in rapidly evolving economic landscapes. This study examines case studies from Spain, Italy, and South Korea to derive valuable lessons for Vietnamese conglomerates undergoing financial restructuring. The experiences of Jazztel, the Ferruzzi Group, Daewoo, and Hyundai highlight the importance of financial discipline, strategic debt restructuring, and corporate governance reform. In Vietnam, state-owned and private conglomerates are increasingly adopting restructuring measures, including debt restructuring, divestment from non-core assets, and digital transformation. Based on international case studies and Vietnam's current restructuring efforts, this paper provides recommendations for Vietnamese conglomerates to enhance financial resilience, optimize governance structures, and ensure sustainable growth in an increasingly competitive global market.**

**Keywords:** Financial restructuring, conglomerates, Vietnamese conglomerates

## **INTRODUCTION**

The financial stability of conglomerates is a critical factor in economic development, particularly in emerging economies like Vietnam. As globalization and digital transformation reshape industries, conglomerates must adapt by restructuring their financial frameworks, governance structures, and operational models. Financial restructuring is essential for addressing challenges such as excessive debt burdens, inefficient capital allocation, and corporate governance weaknesses. Globally, financial restructuring has played a transformative role in reviving struggling conglomerates. Cases from Spain, Italy, and South Korea demonstrate the various approaches to restructuring, including debt-to-equity swaps, divestment from non-core businesses, and corporate governance reforms. The experiences of Jazztel, the Ferruzzi Group, Daewoo, and Hyundai reveal the risks associated with overleveraging and inefficient management, as well as the opportunities that restructuring provides for long-term stability and profitability.

Vietnamese conglomerates, including state-owned enterprises (SOEs) and large private corporations, are increasingly recognizing the need for financial restructuring to remain

competitive. Government initiatives have encouraged governance reforms and financial optimization, while corporations are adopting strategies such as asset divestment, digital transformation, and cost-cutting measures. This paper analyzes global case studies and Vietnam's restructuring landscape to provide practical recommendations for Vietnamese conglomerates aiming to strengthen financial sustainability and governance efficiency.

## **FINANCIAL RESTRUCTURING – EXPERIENCES OF CONGLOMERATES IN THE WORLD**

### **Financial Restructuring in Spain**

Jazztel is a Spanish telecommunications company offering services such as fixed and mobile telephony, internet (fiber and 5G), and television (Jazztel TV). Founded in 1997 by Martin Varsavsky, it initially operated under a British parent company, Jazztel plc, but maintained its social headquarters in Alcobendas, Spain. The company started its operations in 1998 with the aim to grow as a largest competitor to Telefónica, which was operating exclusively in the field of landline telephones at that time (Lubian, 2008). With that great ambitious, the company has pointed out a strategy with three main elements:

- *Build an Extensive and Modern Network:* Jazztel focused on developing its own landline infrastructure to reduce dependency on Telefónica and control service quality. The network included: Fiber optic backbone connecting major cities, Metropolitan Area Networks (MANs) for direct customer access, wireless broadband services to expand coverage efficiently and xDSL equipment in Telefónica's central offices to offer internet services.
- *Focus on Small and Medium Enterprises (SMEs):* SMEs were targeted as core customers due to their high demand for quality telecom services. Jazztel planned to provide SMEs with direct connections through fiber optics and wireless networks as well as bundled services like voice, data, and internet were tailored to business needs. This strategy aimed for long-term profitability despite high initial costs.
- *Focus on Spain and Portugal (Pan-Iberian Network):* Jazztel positioned itself as the only telecom operator offering integrated services across both Spain and Portugal. It built local infrastructure in key business hubs like Madrid, Lisbon, and Porto, however, given financial constraints, the company later scaled back Portuguese operations to prioritize Spain.

This strategy required substantial investment, leading to high financial leverage, with over €1.6 billion raised and an annual cash burn rate of €401 million. However, by 2002, Jazztel faced a severe financial crisis, accumulating net losses of €509 million and struggling to meet obligations on its €700 million high-yield debt. The company was on the brink of insolvency and needed urgent financial restructuring. Jazztel's management, in collaboration with financial advisors Goldman Sachs and JP Morgan, reached an agreement with bondholders to restructure its balance sheet (Lubian, 2008).

As part of its financial restructuring, Jazztel implemented a comprehensive plan to reduce debt and improve operational efficiency. A key measure was the debt-to-equity swap, which converted €692 million in bonds into equity, significantly lowering interest expenses. Bondholders received 457 million new shares, giving them an 88% stake in the company. Additionally, Jazztel issued €75 million in new convertible bonds and made a cash payment of €26.4 million to December noteholders. To enhance profitability, the company scaled down

investments, prioritized cost reduction, and leveraged its existing network infrastructure. Post-restructuring, Jazztel focused on minimizing cash burn by adopting less capital-intensive technologies, optimizing customer acquisition and service efficiency, and benefiting from regulatory policies supporting new market entrants. This strategy aimed to stabilize the company and position it for sustainable growth (Lubian, 2008).

Despite the restructuring efforts, Jazztel still faced significant risks that could impact its long-term stability. Market consolidation posed a major challenge, as potential mergers among smaller telecom operators could lead to stronger competition. Investor skepticism also remained high, given Jazztel's history of financial losses, which could result in demands for a significant risk premium on its shares. Additionally, while the restructuring improved the company's financial position, its long-term profitability remained uncertain, raising concerns about its ability to sustain growth in an increasingly competitive industry (Lubian, 2008).

Jazztel's strategy aimed to establish a strong independent network, target SMEs for profitability, and dominate the Iberian market. However, its high-cost expansion led to financial distress, requiring urgent restructuring. Jazztel's case highlights the importance of financial discipline in high-growth industries. Over-aggressive expansion funded by excessive leverage can lead to distress, necessitating drastic restructuring. Strategic planning must balance growth ambitions with financial sustainability, ensuring that investment decisions align with long-term profitability and cash flow management.

### **Financial Restructuring in Italy**

The Ferruzzi Group was one of Italy's largest industrial conglomerates, with assets worth \$29 billion and operations spanning across Europe and the U.S. The group consisted of nearly 300 companies organized under a pyramidal holding structure, with Sergio Ferruzzi at the top. It operated in diverse industries such as agriculture, chemicals, construction, and energy. While its subsidiary companies were profitable, the overall structure of the group made it financially vulnerable (Penati, et al., 1997).

By 1993, the Ferruzzi Group found itself in severe financial distress, unable to meet its \$20 billion debt obligations. Despite having profitable operating companies, the holding companies at the top of the pyramid were insolvent. The main problems leading to this crisis included an aggressive expansion strategy, which resulted in high levels of debt, and a liquidity crisis that was worsened by rising interest rates in Italy. Additionally, the group had complex intra-group loans, which made financial management inefficient and increased the risk of default (Penati, et al., 1997).

The restructuring of the Ferruzzi Group became inevitable due to several critical factors. The company was facing massive debt burdens and was on the verge of imminent bankruptcy, which could trigger severe financial and economic consequences. Italy's legal framework (specifically the "Prodi's Act") prioritized employment protection over creditor rights, making bankruptcy and liquidation an unfavorable option. Additionally, foreign creditors pressured for a more transparent and structured solution to ensure their recoveries, as many international banks had exposure to Ferruzzi's debt (Penati, et al., 1997).

The financial restructuring of the Ferruzzi Group was managed by a five-bank committee led by Mediobanca, Italy's leading investment bank. This committee effectively took control of the group after the Ferruzzi family transferred decision-making power to them. The restructuring was carried out as an out-of-court process, avoiding formal bankruptcy procedures and court supervision. The main strategies used in the restructuring included debt-to-equity swaps, debt concessions, and capital increases to stabilize the group's finances (Penati, et al., 1997).

One of the key components of the restructuring was a debt-to-equity swap, which allowed creditors, primarily banks, to convert part of the group's outstanding debt into equity. This significantly reduced the immediate debt burden and helped avoid default. As a result, the banks became the new owners of the company, replacing the previous shareholders, including the Ferruzzi family. This move was crucial in preventing bankruptcy and maintaining operations across the group's vast network of companies (Penati, et al., 1997).

In addition to debt-to-equity swaps, debt concessions were made to ease the financial strain. Creditors agreed to forgive certain interest payments and extend loan maturities at lower interest rates. These measures provided Ferruzzi Group with much-needed liquidity and more time to improve its financial position. However, these concessions were not evenly distributed, leading to some creditors absorbing more losses than others (Penati, et al., 1997).

Another major aspect of the restructuring was a series of capital increases, funded primarily by the banks. New shares were issued to raise funds, which were used to repay some of the outstanding debts and inject fresh capital into key subsidiaries. The banks, as the new owners, underwrote these capital increases, ensuring that the company had enough funds to continue its operations (Penati, et al., 1997).

Unlike many financial restructurings, Ferruzzi Group did not engage in large-scale asset sales. Instead, most of its subsidiaries remained intact, and there were minimal layoffs or divestitures. This approach aligned with Italy's "Continental European" restructuring style, where banks prefer to maintain control over struggling companies rather than break them up or sell off key assets. However, this also meant that some companies within the group that could have been sold to generate cash remained under financial strain (Penati, et al., 1997).

The results of the restructuring were mixed. On the one hand, Ferruzzi avoided bankruptcy, stabilizing its operations. On the other hand, creditors collectively lost \$847 million, as the restructuring redistributed financial burdens unequally among different stakeholders. Montedison, one of Ferruzzi's subsidiaries, lost \$698 million due to restructuring decisions, while some shareholders unexpectedly benefited despite having little influence in the process. The restructuring ultimately led to banks gaining control of key assets, but smaller creditors bore more significant losses than anticipated (Penati, et al., 1997).

The case of Ferruzzi Group's financial restructuring provides valuable insights into the power dynamics of corporate debt restructuring. While restructuring efforts can prevent bankruptcy and save a company, they often result in unequal redistribution of financial losses among stakeholders. In this case, large creditors gained control, but smaller creditors suffered significant financial damage. The case also highlights that financial restructuring does not

always lead to efficiency gains, particularly when decisions are driven by power struggles rather than economic value creation. Additionally, debt-for-equity swaps can create conflicts of interest among creditors, as larger institutions may prioritize control over fair asset distribution. Finally, the Ferruzzi case underscores the need for better corporate governance and transparency to prevent excessive financial risk-taking and to ensure that restructuring efforts are equitable for all stakeholders.

In summary, Ferruzzi Group's financial restructuring was a complex, bank-led process that avoided bankruptcy through debt-to-equity swaps, debt concessions, and capital increases. While it successfully prevented immediate collapse, the restructuring shifted control to the banks, imposed losses on creditors, and left some inefficiencies within the group.

### **Financial Restructuring in Korea**

Before the 1997 Asian Financial Crisis, South Korea's corporate sector was dominated by large conglomerates (chaebols), such as Hyundai and Daewoo. These chaebols operated with high debt levels, fueled by government-backed loans and weak corporate governance. The government played an active role in supporting these conglomerates, often preventing them from failing by offering financial assistance. However, this practice led to inefficiencies, as unprofitable companies were kept afloat rather than exiting the market. The corporate bankruptcy system before the crisis also acted as an exit barrier, allowing large firms with declining productivity to continue operating under government protection (Lim, 2003).

When the Asian Financial Crisis hit in 1997, many chaebols faced severe financial distress due to their excessive debt and weak financial structures. The bankruptcy rate surged, and Korea's corporate sector collapsed, leading to widespread layoffs and economic instability. Before the crisis, the country's bankruptcy system lacked efficiency, as firms with high social value (e.g., those providing large employment) were often protected from failure, even if they were financially unviable. Large firms attempted to exploit legal loopholes to retain ownership and control, further weakening the financial system. The crisis revealed the urgent need for corporate restructuring to improve economic efficiency and prevent future collapses (Lim, 2003).

### **Daewoo Group:**

Daewoo Group was one of South Korea's largest conglomerates (chaebols), expanding aggressively under its founder Kim Woo-Choong. The company operated in multiple industries, including automobiles, shipbuilding, electronics, and construction. Unlike other chaebols that focused on a few core industries, Daewoo pursued rapid global expansion and diversification, heavily relying on borrowed money. By the late 1990s, Daewoo had over 40 subsidiaries operating in more than 100 countries, making it one of the most ambitious conglomerates in Korea. However, its expansion was largely financed by debt, making the company vulnerable to economic downturns.

When the 1997 Asian Financial Crisis struck, Daewoo, like many other chaebols, faced a severe liquidity crisis. The group had accumulated over \$50 billion in debt, making it the most heavily indebted chaebol in Korea. Despite the crisis, Daewoo continued to borrow more, believing it could expand its way out of financial trouble. However, as investor confidence collapsed and

credit dried up, the company was unable to repay its loans. By 1999, Daewoo could no longer sustain its financial obligations, and the group collapsed, marking the largest corporate failure in Korean history (Lim, 2003).

Several key factors made Daewoo's restructuring unavoidable. First, its excessive debt burden became impossible to manage, with creditors refusing to provide further loans. Second, under IMF bailout conditions, the Korean government was required to stop supporting failing businesses, meaning Daewoo could not expect a government rescue. Third, Daewoo's unsustainable business expansion had spread its resources too thin, leading to inefficiencies and losses across multiple industries. Finally, the collapse of Daewoo was necessary to eliminate the "too big to fail" myth, ensuring that no chaebol could rely on government protection in the future (Lim, 2003).

After Daewoo's collapse in 1999, the Korean government and creditor banks took control of the restructuring process. The main focus was on reducing debt, liquidating assets, and reorganizing the business structure to recover as much value as possible (Lim, 2003).

The first step was debt restructuring. Banks and other creditors converted part of Daewoo's massive debt into equity, meaning they took ownership of some of its assets in exchange for writing off debts. This reduced the immediate financial burden on the company. Some of the remaining debt was renegotiated, with creditors agreeing to longer repayment periods or partial debt forgiveness to prevent a complete collapse (Lim, 2003).

The second major step was asset liquidation and business breakup. Daewoo Group was dismantled, and many of its key subsidiaries were sold off. One of the most significant sales was Daewoo Motor, which was eventually acquired by General Motors (GM) in 2002, allowing the struggling car division to survive under new ownership. Similarly, Daewoo Shipbuilding & Marine Engineering was spun off and restructured under new management. This process helped creditors recover some of their losses and prevented further financial instability (Lim, 2003).

The third step involved corporate governance reforms and legal actions. Daewoo's founder, Kim Woo-Choong, fled the country after the company's collapse but was later arrested and convicted of fraud and embezzlement. This was a significant move in Korea's corporate history, as it signaled that company executives would be held accountable for financial mismanagement. Additionally, the restructuring introduced stronger financial regulations to prevent excessive risk-taking and improve transparency in corporate governance (Lim, 2003). The restructuring of Daewoo had far-reaching consequences. The company ceased to exist as a single entity, with its subsidiaries either being sold or restructured under new ownership. Thousands of employees lost their jobs, creating social and economic challenges. However, the restructuring also restored investor confidence, as it demonstrated that Korea was committed to market-driven corporate reforms. Additionally, the sale of Daewoo's assets to foreign companies, such as GM, increased foreign investment in Korea and helped modernize its industries. Most importantly, Daewoo's collapse shattered the "too big to fail" myth, proving that even the largest chaebols would not receive automatic government bailouts. This was a turning point in Korea's corporate restructuring efforts, reinforcing the idea that businesses

must operate with financial discipline and accountability. The fall of Daewoo serves as a critical lesson in corporate finance and governance. It highlights the dangers of excessive debt-fueled expansion and the risks of poor financial management. The case also underscores the importance of clear and enforceable bankruptcy laws, ensuring that failing businesses are either restructured properly or allowed to exit the market efficiently. Ultimately, Daewoo's collapse paved the way for stronger financial oversight in Korea, preventing similar corporate failures in the future.

### **Hyundai Group:**

Hyundai Group, as Daewoo Group, was one of South Korea's largest and most powerful chaebols, with businesses spanning automobiles, construction, shipbuilding, electronics, and finance. Founded by Chung Ju-Yung, Hyundai played a crucial role in South Korea's rapid industrialization and economic growth. By the 1990s, Hyundai had become one of the top four chaebols and was regarded as a national champion in industries such as automobile manufacturing (Hyundai Motors) and shipbuilding (Hyundai Heavy Industries).

Like many other chaebols, Hyundai relied heavily on debt financing to fuel its expansion. The company engaged in cross-subsidization, where profitable subsidiaries supported struggling ones. This created a highly complex financial structure, making it difficult to assess the true financial health of individual companies within the group. Despite its global success, Hyundai was burdened by significant debt and inefficient management (Lim, 2003).

When the 1997 Asian Financial Crisis struck, Hyundai, as other chaebols, faced severe financial stress. The group had high levels of debt and was struggling to secure liquidity. However, unlike Daewoo, which collapsed completely, Hyundai's situation was different. Some of its businesses, such as Hyundai Motors and Hyundai Heavy Industries, were still profitable, while others, such as Hyundai Engineering & Construction and Hyundai Investment Trust, were suffering massive losses. Another major issue within Hyundai was internal power struggles among the founder's sons over succession. By 2000, a bitter leadership dispute between Chung Mong-Koo (Hyundai Motors) and Chung Mong-Heon (Hyundai Group) further weakened the company's stability. The conflict led to poor decision-making, making it harder for Hyundai to respond effectively to the crisis.

Hyundai's financial restructuring was necessary due to three main reasons. First, its excessive debt burden made it unsustainable in the post-crisis environment, where banks and investors were unwilling to continue funding highly leveraged businesses. Second, the Korean government was pushing chaebol reforms under IMF pressure, aiming to break up large conglomerates to increase transparency and efficiency. Third, Hyundai's internal leadership conflicts had weakened the group's ability to implement necessary reforms, making restructuring the only viable solution (Lim, 2003).

The financial restructuring of Hyundai was carried out through a government-led process, focusing on debt reduction, business reorganization, and governance reforms.

The first step was debt restructuring and financial stabilization. Hyundai was forced to reduce its debt-to-equity ratio, meaning it had to pay off or restructure a significant portion of its debt.

Creditor banks agreed to extend repayment deadlines and, in some cases, convert debt into equity to stabilize the group. However, Hyundai was required to sell off non-core assets and focus on its most profitable businesses (Lim, 2003).

The second major step was breaking up the Hyundai Group. The government ended the practice of cross-subsidization, forcing Hyundai to separate its profitable companies from its struggling divisions. This led to the spin-off of several Hyundai subsidiaries into independent companies, including: Hyundai Motors became a standalone company under Chung Mong-Koo's leadership, ensuring its long-term survival; Hyundai Heavy Industries, the group's shipbuilding division, was also separated from the main group; Hyundai Engineering & Construction, which was heavily in debt, was restructured separately under creditor bank supervision (Lim, 2003).

The third key aspect of restructuring was corporate governance reform. The Hyundai Group had long operated under opaque management, with little oversight from shareholders or external regulators. As part of the restructuring, the company was required to improve transparency, reduce insider control, and adopt better financial management practices (Lim, 2003).

The restructuring of Hyundai had significant long-term impacts. One of the biggest successes was the emergence of Hyundai Motors as an independent and globally competitive automaker. Today, Hyundai Motors is one of the world's largest automobile manufacturers, thanks to the restructuring that freed it from the burdens of the larger Hyundai Group.

Similarly, Hyundai Heavy Industries became a leading global shipbuilder, thriving as an independent company. However, some divisions, such as Hyundai Engineering & Construction, struggled for years before stabilizing under new ownership (Lim, 2003).

Another major outcome was the elimination of the "too big to fail" myth. Unlike in the past, when chaebols were protected by the government, Hyundai's restructuring demonstrated that even the largest businesses had to be financially responsible and accountable.

However, there were also negative consequences. Thousands of employees lost their jobs due to downsizing and asset sales, and the family conflict within Hyundai led to lasting divisions among the Chung family members.

Hyundai's financial restructuring provides a crucial lesson in corporate governance and financial discipline. It highlights the importance of separating profitable businesses from struggling ones and ensuring that companies operate with financial transparency. The restructuring also shows that companies must be able to adapt to financial crises by focusing on sustainable business practices rather than relying on government protection. Ultimately, Hyundai's experience reinforced the idea that effective corporate restructuring can lead to long-term success, but only if financial and management reforms are properly implemented.

The post-crisis restructuring in Korea provides valuable lessons on the importance of corporate financial discipline and efficient bankruptcy laws. The crisis exposed the dangers of over-leveraged conglomerates, weak governance, and excessive government intervention. By



implementing market-driven reforms, Korea successfully restored stability, improved efficiency, and ensured long-term economic resilience. This case underscores the need for proactive financial oversight and clear exit strategies for failing firms, rather than relying on bailouts that create moral hazards.

### THE CURRENT STATE OF FINANCIAL RESTRUCTURING IN CONGLOMERATES IN VIETNAM

In recent years, Vietnam's economy has undergone significant transformations due to deep integration with the global economy, the rapid expansion of digital technology, and digital transformation. Economic conglomerates - including both state-owned enterprises (SOEs) and large private corporations - have recognized that traditional business models, governance systems, and organizational structures are no longer suited to modern development trends. Macroeconomic factors such as fluctuations in international financial markets, rapid technological advancements, and changes in consumer behavior have created an increasingly competitive environment. This has compelled corporations to seek restructuring solutions to optimize operations, reduce costs, and enhance business efficiency. Additionally, government policies supporting governance reform and innovation have played a crucial role in driving restructuring efforts. Many corporations, particularly SOEs, face rigid governance structures, inefficient capital allocation, and outdated operational processes. Economic restructuring is thus considered a viable solution to revamp internal mechanisms, shift business strategies, and intensify technological investment. Currently, economic restructuring among corporations in Vietnam varies in approach and strategy. Some corporations opt for comprehensive restructuring, which involves reassessing governance systems, business strategies, organizational structures, financial systems, and production technologies. Meanwhile, other firms focus on reforming specific key areas, including:

- **Financial restructuring:** Adjusting debt structures and divesting non-core assets to reduce financial pressure and concentrate resources on high-profit sectors.
- **Governance reforms:** Streamlining management layers, decentralizing authority, and enhancing transparency in corporate governance to improve decision-making efficiency.
- **Digital transformation:** Investing in information technology, automating processes, and digitizing data to boost productivity and adaptability to market fluctuations.

Although not all corporations publicly disclose details of their restructuring processes, a common trend can be observed across major enterprises, particularly in the energy, finance-banking, and manufacturing industries. For example, several SOEs have launched “restructuring and modernization” programs to transition business models, enhance governance efficiency, cut costs, and invest in new technologies. Large private enterprises are also following this trend, as they must innovate to remain competitive in an increasingly open market with emerging international rivals.

#### Economic Restructuring at Hoa Phat Group (HPG)

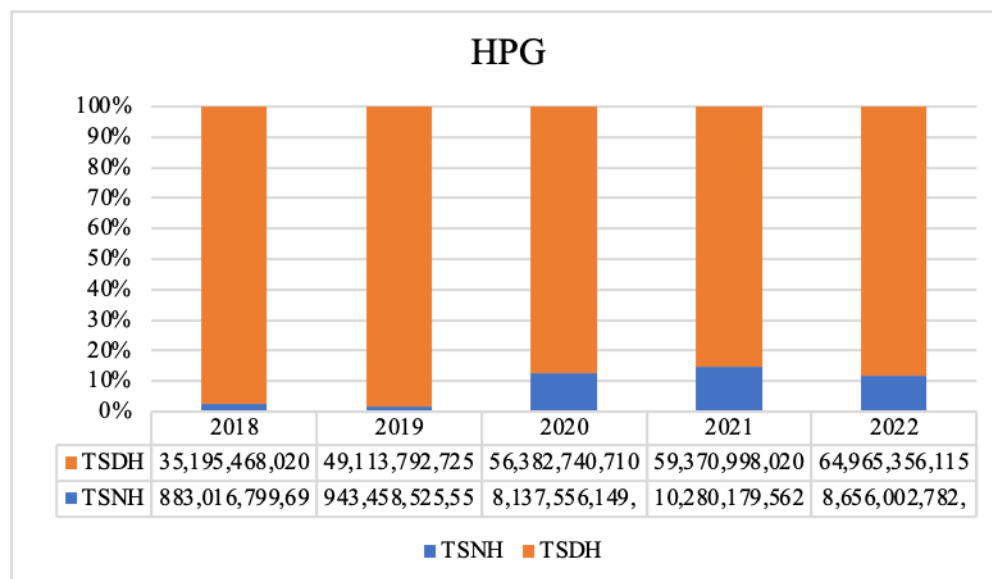
Hoa Phat Group is one of the largest private corporations in Vietnam, initially specializing in trading construction machinery before expanding into industrial manufacturing. The group has undergone multiple restructuring phases to strengthen and expand its business operations:

- 2007: Transitioned into a corporate group structure, operating under a parent company model with subsidiaries, marking a significant milestone in its growth.
- 2011: Restructured operational models by clearly separating steel production from business activities.
- 2016: Established Hoa Phat Agricultural Development Joint Stock Company, signifying diversification into the agricultural sector.
- 2020: The Board of Directors decided to restructure the organizational model into four subsidiaries, each responsible for specific business domains: Steel Production, Steel Pipe & Coated Steel, Agricultural Development, and Real Estate Development.

These restructuring initiatives have solidified Hoa Phat's leading position in Vietnam's industrial manufacturing sector, expanded its business into new fields, and enhanced operational efficiency.

### Asset Structure of Hoa Phat Group:

The asset composition of Hoa Phat Group from 2018 to 2022 provides an overview of its resource allocation strategy. Short-term assets (STAs) constitute a relatively small proportion of total assets, indicating that Hoa Phat prioritizes long-term investments over highly liquid assets. Notably, a significant shift in STA proportions occurred in 2020, coinciding with the company's business model transformation.



**Chart 1: Asset Situation and Asset Structure of HPG Group**

Unit of measurement: VND

Source: Compiled from the financial reports of the corporation

Long-term assets (LTAs) account for the majority of Hoa Phat's asset structure, reflecting substantial investments in factories, production lines, and large-scale construction projects to enhance production capacity. The increasing proportion of LTAs over the years demonstrates the company's long-term commitment to business expansion and market competitiveness.

Although STAs hold a minor share, their fluctuations over the years suggest changes in business operations or cash flow management strategies. STAs, including cash and receivables, may vary based on working capital requirements and market conditions. However, these variations do not significantly impact Hoa Phat's overall asset structure, as the company remains focused on LTAs.

### **Economic Restructuring at Vietnam National Coal and Mineral Industries Group (TKV)**

Vietnam National Coal and Mineral Industries Group (TKV) has been undergoing economic restructuring to improve operational efficiency and align with international standards. On October 27, 2023, the Prime Minister approved the TKV restructuring plan for implementation through 2025.

As a key state-owned enterprise, TKV plays a crucial role in mining, processing, and supplying coal and minerals for industrial production and consumption. Amid global and domestic economic fluctuations, restructuring is essential for enhancing competitiveness, optimizing operations, and ensuring sustainable development. The restructuring plan sets key objectives to modernize the corporation, align with the digital economy, and adapt to energy transition trends.

A primary goal is to develop TKV into a strong state-owned conglomerate with advanced production technology and engineering capabilities. To achieve this, the group is increasing investments in modern mining technology, automating production processes, and adopting digital solutions to enhance efficiency and minimize resource losses. Technological innovation not only improves productivity but also ensures worker safety, reduces environmental impact, and enhances product quality.

Additionally, the restructuring plan aims to align with international corporate governance standards, improve labor productivity, enhance product quality, and increase operational efficiency. This requires TKV to refine its management model, adopt global best practices, ensure financial transparency, and develop a skilled workforce. Improved governance will not only enhance operational effectiveness but also attract investment and foster international partnerships.

Sustainable development is another key objective of TKV's restructuring efforts. Resource extraction must be conducted in a manner that balances environmental protection and labor welfare. TKV is gradually implementing green transition strategies, reducing greenhouse gas emissions, and adopting waste recycling technologies. The group also prioritizes employee welfare, improving working conditions, raising salaries, and ensuring social security policies to foster long-term workforce engagement. In 2023, the average monthly salary at TKV was 16.8 million VND per worker, representing an 11.9% increase compared to the planned target.

Another significant goal is to contribute to national energy security and socio-economic development. Coal and mineral resources remain essential to Vietnam's economy, supporting electricity generation, metallurgy, and other industries. In 2023, TKV and Đông Bắc Corporation supplied 24.08 million tons of coal to EVN's thermal power plants, meeting 95.44% of contract

obligations. Optimizing the supply chain, ensuring sustainable mining practices, and enhancing production efficiency are critical to maintaining TKV's dominant role in the energy sector.

**Key Areas of TKV's Restructuring:**

- Maintaining a parent-subsidary model, with the parent company retaining 100% state ownership while engaging in both production and capital investment in subsidiaries.
- Subsidiaries will operate in sectors and projects where the parent company does not directly engage, optimizing resource utilization and improving efficiency.
- Expanding the adoption of modern technology, digital transformation, and renewable energy solutions in business operations.
- Strengthening corporate governance in line with international standards, improving labor productivity, and enhancing product quality.

From the analysis above, corporate restructuring in Vietnam generally focuses on two main areas:

***Financial Restructuring:***

- Divestment and elimination of underperforming business segments: Many corporations cut non-profitable or low-growth businesses to reduce financial burdens, optimize resources, and focus on high-competency areas. This prevents prolonged losses and allows for reinvestment in core sectors.
- Reinvestment in core business areas: After eliminating inefficient segments, firms allocate more resources (capital, labor, technology) to enhance their competitive advantage, maximize profits, and ensure sustainable long-term growth.

***Governance Reform:***

- Streamlining management structures and leveraging technology to reduce costs while maintaining business efficiency and performance.
- Modernizing corporate governance models, improving competitiveness through production process optimization, advanced technology applications, and strengthening R&D.
- Digital transformation to enhance operational efficiency, improve customer interaction, optimize supply chains, and elevate product quality

**LESSONS FROM CONGLOMERATES IN THE WORLD AND RECOMMENDATIONS FOR VIETNAMESE CONGLOMERATES**

The case studies of financial restructuring from Spain, Italy, and South Korea provide valuable insights for Vietnamese conglomerates. A key lesson is the importance of financial discipline, as excessive debt accumulation led to severe financial distress for companies like Jazztel, Ferruzzi Group, and Daewoo. These cases highlight the need for Vietnamese conglomerates to balance growth ambitions with financial sustainability, ensuring they do not overextend their resources. Additionally, debt restructuring must be strategically executed. The use of debt-to-equity swaps in Jazztel, Ferruzzi, and Daewoo helped reduce financial burdens but also resulted in significant shifts in ownership. Vietnamese conglomerates should consider similar mechanisms when facing high debt levels, ensuring that restructuring strengthens their long-term stability.

Another crucial lesson is the effectiveness of divestment from non-core businesses in improving efficiency. Hyundai and Daewoo successfully restructured by selling off non-core assets and focusing on their core strengths. From this point of view, conglomerates in Vietnam should conduct regular assessments of their business portfolios and divest underperforming or non-strategic segments to enhance operational efficiency. Moreover, strong corporate governance and transparency are essential. Poor governance played a major role in Daewoo's collapse, while internal conflicts weakened Hyundai's restructuring efforts. Vietnamese conglomerates should strengthen their governance structures, adopt transparent financial reporting, and implement independent board oversight to mitigate financial risks and improve decision-making.

The role of government in financial restructuring is also a critical factor. In Korea, post-crisis restructuring efforts, influenced by the IMF, emphasized market-driven solutions over excessive government intervention. Vietnam's government should continue supporting restructuring efforts while ensuring fair competition and avoiding over-involvement, which can lead to inefficiencies. To improve financial stability, conglomerates in Vietnam should implement comprehensive financial restructuring strategies. This includes adjusting debt structures through refinancing, negotiating better loan terms, or exploring debt-to-equity conversions. Additionally, optimizing capital allocation by prioritizing profitable business segments and divesting underperforming assets will improve financial resilience.

Corporate governance should be enhanced through stronger internal controls, adherence to global governance standards, and improved financial disclosure. Encouraging professional management rather than family-based leadership can further reduce the risks of mismanagement. Digital transformation also plays a crucial role in restructuring, as seen in TKV's adoption of automation and data-driven decision-making to boost productivity. Vietnamese conglomerates should invest in digital solutions to optimize financial processes, enhance supply chain management, and improve overall efficiency.

Focusing on core business areas is another crucial recommendation for conglomerates in Vietnam. Companies should channel investments into industries where they have a competitive advantage, similar to Hoa Phat Group's restructuring strategy. Avoiding excessive diversification will help prevent inefficiencies and financial instability. Lastly, improving crisis management and establishing clear exit strategies are essential. Developing contingency plans for economic downturns and implementing efficient bankruptcy and restructuring frameworks, as seen in Korea's post-crisis reforms, will help Vietnamese businesses navigate financial difficulties more effectively. By applying these lessons, Vietnamese conglomerates can build a more resilient financial structure, ensuring long-term growth and stability in an increasingly competitive global market.

## **CONCLUSIONS**

Financial restructuring is a critical process for conglomerates seeking to enhance operational efficiency, reduce financial risk, and adapt to evolving market conditions. The case studies from Spain, Italy, and South Korea highlight both the challenges and opportunities that arise from restructuring efforts. Companies such as Jazztel, Ferruzzi, Daewoo, and Hyundai provide

valuable lessons on the importance of financial discipline, corporate governance reforms, and strategic debt restructuring.

For Vietnamese conglomerates, financial restructuring is increasingly necessary in response to economic fluctuations, technological advancements, and growing global competition. Current restructuring efforts in Vietnam focus on debt optimization, divestment from non-core assets, and digital transformation. To ensure successful restructuring, Vietnamese conglomerates must prioritize financial sustainability, adopt transparent governance practices, and leverage digital innovations to improve efficiency.

By applying lessons from global experiences and adapting best practices to Vietnam's unique economic context, conglomerates can build more resilient financial structures. This will not only enhance their competitiveness but also contribute to the overall stability and growth of the Vietnamese economy. Effective restructuring strategies will enable Vietnamese conglomerates to navigate financial challenges, optimize resource allocation, and achieve long-term success in an increasingly dynamic global market.

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