BUSINESS OWNERSHIP STRUCTURE AND HUMAN RESOURCES MANAGEMENT IN VIETNAM

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Many surveys have been conducted to assess differences among the various types of business enterprises operating in Vietnam with respect to their human resources practices. For example, in a small survey of SOEs and multinational companies operating in Hanoi, Kamoche found that the SOEs tended to follow fairly conservative human resource policies, clinging to traditional welfare paternalism while largely ignoring any need to adopt formal human resources practices, while the multinational companies were making an effort to change traditional management systems to introduce and accommodate Western style practices.[2]

Zhu examined a number of different enterprises in Ho Chi Minh City, generally thought to offer a more "market-oriented" environment than Hanoi, and found significant variations among them with regard to adoption of modern human resource management techniques that could be tied to an array of factors including ownership, sector (high-tech versus labor-intensive), size and market orientation (export versus focus on domestic market).[3] When focusing on ownership characteristics, the researchers found that advanced technology and international standards of human resources management were more likely to be found and used in joint ventures and multinational companies than in local enterprises; however, they also found that multinational companies understood the need to localize the imported human resources techniques to fit the circumstances unique to Vietnam. Also, not surprisingly, former SOEs that had been restructured and converted into joint stock companies were more likely than the remaining SOEs to have replaced traditional socialist human resource philosophies with modern human resources practices. Finally, upon review of non-ownership factors the researchers concluded that large, export-oriented enterprises engaged in high-tech activities were especially attracted to adoption and use of more of the techniques associated with modern human resources management practice.

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[2] K. Kamoche, "Human resource in Vietnam: The global challenge", Thunderbird International Business Review, 43 (2001), 625-650 (cited in Y. Zhu, N. Collins, M. Webber and J. Benson, "New Forms of Ownership and Human Resource Practices in Vietnam", Human Resource Management, 47(1) (Spring 2008), 157-175, 162).

[3] Y. Zhu, "Economic reform and human resource management in Vietnam", Asia Pacific Business Review, 8 (2002), 115-134 (cited in Y. Zhu, N. Collins, M. Webber and J. Benson, "New Forms of Ownership and Human Resource Practices in Vietnam", Human Resource Management, 47(1) (Spring 2008), 157-175, 162).

Zhu also analyzed labor flexibility strategies in Vietnam through the creation of concepts of "numerical flexibility' and "functional flexibility" and measuring the intensity of their adoption among the enterprises included in a survey of different enterprises in Ho Chi Minh City.[4] The conclusion was that labor flexibility strategies had not been fully adopted among the surveyed enterprises, a finding that Zhu attributed to an array of political, cultural, legal and economic hurdles in Vietnam. For example, Vietnamese laws and regulations make it extremely difficult for firms to adjust their headcount of permanent employees, such as downsizing to reduce costs during periods in which demand for outputs is declining. Zhu also commented that full use of functional flexibility strategies in Vietnamese enterprises is hampered by the need to honor and observes local cultural values that emphasize enterprise, personal commitment and maintenance of a harmonious working environment.

Zhu et al. conducted detailed studies of human resources practices among 32 manufacturing enterprises in Vietnam selected based on type of ownership, location, product market, labor intensity and size.[5] In order to specifically measure the potential impact of location and ownership, the researchers selected 16 enterprises each from Hanoi and its surrounding areas in the North and from Ho Chi Minh City and its surrounding areas in the South and each of these groups included an equal number of the following types of ownership forms: SOEs; multinational companies, which were wholly-owned foreign invested companies ("MNCs"); joint ventures, which were companies formed and managed jointly by foreign investors and local SOEs ("JVs"); and privately owned enterprises ("POEs").[6] The stated goal of the researchers was to identify and analyze variations among the surveyed enterprises with respect to their strategies on eight different dimensions of human resources practices[7] and, specifically, where the

[4] Y. Zhu, "The Asian crisis and the implications for human resource management in Vietnam", International Journal of Human Resource Management, 16 (2005), 1261-1276 (cited in Y. Zhu, N. Collins, M. Webber and J. Benson, "New Forms of Ownership and Human Resource Practices in Vietnam", Human Resource Management, 47(1) (Spring 2008), 157-175, 162).

[5] Y. Zhu, N. Collins, M. Webber and J. Benson, "New Forms of Ownership and Human Resource Practices in Vietnam", Human Resource Management, 47(1) (Spring 2008), 157-175.

[6] Id. at 163-164. An effort was also made to have representative samples of large and small enterprises, high and low labor-intensive enterprises and export and domestic product market oriented enterprises.

[7] The eight dimensions included employment status, job allocation, wage determination, wage relations, training and development, recruitment and staffing, union presence and activities and labor-management relationship. Id. at 159. The dimensions were first developed and defined in J. Storey, Developments in the management of human resources: An analytical review (London: Blackwell, 1992).

chosen strategies fell on a continuum of the following three stages of people-management transformation defined and described by the researchers[8]:

- The "socialist traditional" model, which includes an extensive amount of external control over enterprises, lifetime employment and uniformity between industries within a system of SOEs;
- The "personnel management" model, which allows for more internal organizational control and determination of many employment conditions at the local level through the use of collective bargaining and features extended job security for workers; and
- The "human resources management" model, which places line managers in control of people management issues, makes employment contingent and features rewards systems that are "performance based".

The researchers found that ownership and location strongly predicted the intensity of adoption of human resources practices. For example, the researchers reported: ". . . SOEs have the highest frequency of adopting socialist traditional practices and MNCs the lowest; POEs and, to a lesser extent, JVs are the most likely to adopt dimensions of the PM model; and MNCs and, to a lesser extent, JVs, are the most likely to adopt dimensions of the HRM model. In terms of location, enterprises from Hanoi are more likely to adopt dimensions of the PM model and less likely to adopt dimensions of the HR model than firms from HCM City."[9] However, there was no statistically significant evidence that the scores of the organizations with respect to the various variables measured was affected by other characteristics such as nature of the market, intensity of labor use or enterprise size.[10]

The researchers also explained that ownership could be used as a predictor of which dimensions of the three models were chosen by firms for inclusion in their specific menu of human resources practices. The results were summarized as follows[11]:

- Traditional Model: Lifetime employment (used by all of the SOEs and only by SOEs); government wage scale for wage determination (used by all of the SOEs and some of the POEs); unions as government agents (used by all of the SOEs and some of the POEs and JVs); and harmonious labor-management relations (used by all of the SOEs, most of the POEs and some of the JVs and MNCs). Interestingly, several of the dimensions of the traditional model had essentially disappeared from all of the

[8] Id. at 159. The "socialist traditional" model was developed by Zhu et al. while the "personnel management" and "human resources management" models Storey's work and further explained in J. Storey, Developments in the management of human resources: An analytical review (London: Blackwell, 1992).
[9] Y. Zhu, N. Collins, M. Webber and J. Benson, "New Forms of Ownership and Human Resource Practices in Vietnam", Human Resource Management, 47(1) (Spring 2008), 157-175, 168.
[10] Id.
[11] Id.

enterprise forms: governmental planning of job allocation, externally controlled recruitment and staffing and use of external institutions for training and development.

- Personnel Management Model: Team performance wage relations (used by all of the POEs, most of the JVs and some of the SOEs and MNCs); internally controlled access to training (used by most of the POEs and a few of the other enterprises); unions for conflict resolution (used by some of the JVs and a few of the POEs); and institutionalized labor-management relations (used by some of the MNDs and a few of the JVs).
- Human Resources Model: Fixed-term contracts (used by most of the MNDs and POEs); individual performance wage relations (used by most of the SOEs, JVs and MNCs); internally planned training (used by most of the SOEs, JVs and MNCs); de-emphasis on unions (used by MNCs and some of the POEs and JVs); and cooperative culture of labor-management relations (used by some of the JVs and MNCs).

The results of the survey illustrated that there is no particular model of human resources practices that has become the dominant form in Vietnam although it did appear that there was slightly more orientation toward the personnel management model and, to a lesser extent, the human resources management model.[12] While it was true that those enterprise forms relying more heavily on foreign capital—MNCs and JVs—tended to adopt more of the practices associated with human resources management, the data also showed that these types of enterprises (as well as the newly formed POEs) had incorporated elements of the socialist traditional model into their human resources practices, a finding that the researchers attributed to the influence that local practices, rules and norms can have on even the strongest foreign partners.[13] The researchers posited several explanations for the preference for the personnel management model, and slowness to adopt elements of the human resources management model, even as widespread reforms of the economic system continued: the slow progress in the transition from a centralized planning system to a market-based system, even though it has been over twenty years since the formal abandonment of central planning; poor and uneven enforcement of laws and regulations, which has contributed to a continuously unstable and unpredictable business environment; the remaining internal controls and centralization and lack of networks of

[12] Id. at 170.

[13] Id. at 171. Elements of the socialist traditional model commonly adopted by JVs and MNCs include wage determination by management decision and labor-management relationships emphasizing harmony and low power distance. It was also common to find JVs and MNCs using several of the elements of the personnel management model such as unlimited and fixed-term employment contracts and internal centralization of job allocation and recruitment and staffing. Research in another emerging market with a socialist tradition—China—has found that MNCs and JVs had a positive impact on human resources practices including introduction of updated management systems and practices and influencing local enterprises to make changes from their traditional management practices with regard to human resources. See, e.g., D. Ding, K. Goodall and M. Warner, "The end of the 'iron rice-bowl': Whither Chinese human resource management?", International Journal of Human Resource Management, 11 (2000), 217-236.

external personal relationships; and, finally, the fit between the personnel management model and the traditional Vietnamese national and organization cultural preferences for organizational hierarchy and collectivism.[14]

[14] Id.