

ADAPTING REWARD PRACTICES OF HANOI HAT COMPANY TO MODERN IHRM

ASSESSMENT 2

MODULE TITLE: HUMAN RESOURCE MANAGEMENT LCMB7000

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1. INTRODUCTION

Globalization has diminished geographical boundaries and along with technology is transforming society and organizations. Companies are expanding their operations in developing countries, seeking cost-effective solutions for their businesses. In the context of globalization, IHRM is essential to the company's effectiveness. This report outlines the importance of implementing contemporary human resource practices in the case of Hanoi Hat company by undertaking the present dysfunctional reward management system and making proposals on how it could be transformed to meet the company's goals. The proposal uses modern human resource practices with a focus on the individual and takes into consideration natural human behaviour influencers as culture and motivation.

2. THE IMPACT OF CULTURE. APPLYING HOFSTEDE'S 6-D MODEL ON NATIONAL CULTURE

Every individual is brought up with a certain set of values and as individuals, we are surrounded by certain role models which were brought up with a similar set of values, so unconsciously we accept these values. Professor Geert Hofstede defines culture as "the collective programming of the mind distinguishing the members of one group or category of people from others". Hofstede has formulated the six dimensions of national culture: power distance index, individualism vs. collectivism, uncertainty avoidance index, masculinity vs. femininity, long term orientation vs. short term orientation, indulgence vs. restraint. To better understand what principles drive the behaviour of Hanoi Hat's employees, Hofstede's 6-D model would be applied to Vietnam.

2.1 POWER DISTANCE

Vietnam has a high score of 70 which indicates that people accept a hierarchical order in which everybody knows their place. Hierarchy in an organisation means that subordinates expect to be told what to do and centralization is popular.

2.2 INDIVIDUALISM

This dimension represents the degree of interdependence a society maintains among its members. Vietnam, with a score of 20 is a collectivistic society. This indicates that Vietnamese need to feel they are part of a group, be that a family, friends or colleagues. Loyalty in a collectivist culture overrides most other rules and regulations. Employer/employee relationships are perceived in moral terms.

2.3 MASCULINITY

A low score on the dimension means that the dominant values in society are caring for others and quality of life. This means that Vietnamese are a more Feminine society, where the focus is on "working to live". People value equality and solidarity, free time and flexibility are highly appreciated. The fundamental issue of this dimension is what motivates people - wanting to be the best (Masculine) or liking what you do (Feminine).

2.4 UNCERTAINTY AVOIDANCE

The dimension Uncertainty Avoidance explores the way a society deals with the fact that the future can never be known. Vietnam scores 30 on this dimension and thus has a low preference for avoiding uncertainty, maintaining a more relaxed attitude. What is more, societies with low scores consider that rules which don't work should be changed or abandoned. Schedules are flexible, hard work is undertaken when necessary but not for its own sake, precision and punctuality do not come naturally, innovation is not seen as threatening.

2.5 LONG TERM ORIENTATION

Vietnam scores 57, making it a pragmatic culture. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They are very likely to adapt traditions easily to changed conditions. These societies incline to save and pursue long-term goals.

2.6 INDULGENCE

One challenge that humanity always had to deal with is the level to which small children are socialized. This dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. Relatively weak control is called "Indulgence" and relatively strong control is called "Restraint". A low score of 35 on this dimension indicates that Vietnamese society doesn't put great importance on leisure time and indulging yourself is perceived to be something wrong. Societies with a low score in this dimension are more likely to be pessimistic as they feel "restrained" by social norms.

The 6-D model on national culture gives valuable insights on the behaviour, values, life and work aspirations. To have a set of rules and practices which would be appreciated and effective, these cultural particularities should be taken into consideration when crafting the human resource strategy of Hanoi Hat. Cultural similarities are indeed influential to a society, but culture doesn't give deeper insights on a personal level. As universally everyone is unique, the next chapter explores how motivation influences the behaviour and the actions of the individual.

3. MOTIVATION AS A KEY INFLUENCER ON EMPLOYEES BEHAVIOR

Motivation can be described as a behavioural process, influenced by numerous external and internal factors. One's motivation is driven by the expectancy that certain actions will lead to the achievement of a goal or a valued reward. The main elements of motivation (Arnold et al, 1991) are direction (what a person is trying to do), effort (how hard he is willing to try) and persistence (how long he/she is trying). In the workplace, there are two types of motivation - intrinsic and extrinsic. Intrinsic motivation is directly proportional to the essence of the job (how challenging and diverse the tasks are) and the level of autonomy and development it offers. Although intrinsic motivation is internal and it is driven by the individual itself it can be positively influenced by tasks diversification, managerial feedback, providing the employee

with more freedom of action. It also plays an important role in an employee's engagement with the organization. On the other side, extrinsic motivation is driven by the rewards (remuneration, promotion, other monetary and non-monetary benefits) and the punishments (criticism, salary cuts, disciplinary actions). While extrinsic motivation has immediate and powerful, but often short-term effects, intrinsic motivation is much more significant and continuous.

3.1 MOTIVATIONAL THEORIES IN THE CASE OF HANOI HAT COMPANY

To better understand the process of motivation, various theories were developed. In the case of the Hanoi Hat company, it can be stated that the company currently adopts the Instrumentality theory. It is based on the assumption that employees' motivation's main drivers are reward and punishment. Despite being quite clear and simple to follow, it fails to take into consideration important aspects as the internal, self-motivation. What is more, it doesn't anticipate factors such as subjectivity of the individual, favouritism and the influence of informal employee relationships to the work process. Being a collectivistic society, "belonging to a group" is highly valued by Vietnamese society and work relationships are rather more moral than just business. Vietnam is also a more feminine society, so for them, it is more important to be satisfied with what they do, rather be the best. A more appropriate approach for the company would be a mix of the Goal and Expectancy Theory. These theories imply that there is a close correlation between reward and effort and that motivation could be improved if there are clear, but challenging set goals and employees receive continuous feedback.

Based on motivation theories and national culture, the Hanoi Hat company would be able to craft its human resource policies and practices, perceiving the employees as a resource rather as a cost. This implies a review of the current reward practices and the introduction of a new reward strategy discussed in the following chapters.

4. REWARD STRATEGY AND REWARD MANAGEMENT

The reward itself is the exchange of an employee's physical and mental effort in return to monetary and non-monetary benefits. Monetary benefits include pay, paid holiday, bonuses, etc., while non-monetary benefits cover learning and development opportunities, creating a good working environment, providing employees with "voice" and work-life balance. Until now Hanoi Hat has adopted the traditional approach to its reward system, where pay is directly influenced by costs of living and labour market levels and is equally distributed among employees. The expansion of Hanoi Hat's operations evokes the need for redesigning the reward strategy of the company. Reward strategy differs largely among organisations as it should be adapted to the overall business strategy of a company. A successful strategy implies the development and implementation of a total reward system, which is a mix of financial and non-financial rewards, performance management and evaluation.

4.1 FINANCIAL REWARDS IN THE CASE OF HANOI HAT

Currently, the company's pay is based on a piece-rate system which was advantageous for high productivity levels and was bringing sufficient motivation. Piece-rate pay system may be driving motivation in the short-term and conditions of satisfying performance, but once the performance decreases, the pay decreases as well, which results in dissatisfaction and lowered motivation. Motivation is closely related to employee engagement. Piece-rate also implies higher uncertainty. Although Vietnam scores low in Uncertainty avoidance dimension, pay provides "safety", which is one of the basic human needs according to Maslow's hierarchy of needs.

Therefore, another pay system for Hanoi Hat should be developed. A basic salary plus paid holiday of 13 days (according to the Vietnamese law, if we consider their working conditions as normal) + public holidays. Bonus schemes based on monthly targets can be introduced as a further incentive for employees. Basic pay will provide security, while holidays and bonuses would further increase motivation and provide work-life balance.

Basic salary should be estimated on average employee performance, paid monthly. Bonus schemes would follow individual set monthly targets per quantity. Quality control should be introduced, so there is no compromise with quality. Financial rewards must be aligned with national legislation to ensure that basic requirements as minimum pay, paid holiday and working hours are met.

4.2 NON-FINANCIAL REWARDS IN THE CASE OF HANOI HAT

Being a collectivistic feminine society indicates that for Vietnamese employees work-life balance and a self-fulfilling job is more important than the success of the individual. Extrinsic rewards like recognition and managerial feedback are valued, but the core drive for employees would be an engaging, self-rewarding job. Employees' personal and career development could be supported by the organization via strategic learning & development. This approach recognizes the importance of employees for the overall success of the organization and it is an essential part of modern strategic HRM. Although the process of learning and development reflects the company's business goals, a successful strategy focuses on the individual's development of knowledge, covering not only work-related skills but aiming to provide the employees with valuable insights, which can be useful for their personal development.

4.2.1 DEVELOPING A LEARNING STRATEGY FOR HANOI HAT COMPANY

To develop a learning strategy within a company, a learning culture, recognized by all employees should be created first. Learning culture is closely connected to creating an appropriate, "contextual" organizational culture, where employees share the same vision for the future and work together to meet clearly defined requirements. Goals should be specific and shared, but a certain amount of autonomy should be allowed.

Although the case study doesn't provide details on how training on the new production line was conducted, it is clear that it failed to deliver its scope. Training itself it's just a component

from the L&D process, a tool which an organization uses to promote learning and development. It is beneficial to the primary employees' tasks, as it accelerates learning new skills, but it should be further supported by self-learning, mentoring and coaching. It is important that training is conducted by experts in the field. A successful approach for Hanoi Hat might be providing an external trainer, ideally an expert from the contractor company. This will provide the employees of Hanoi Hat with valuable insights, coming directly from the primary source on what should be done and how it should be done. Successful practices from the contractor-company could be directly applied. Self-directed learning is essential for the continuous process of learning, as people have different learning patterns and often learning by yourself results in more efficient and long-term storage of information. Learning is a process and to determine if its outcomes are aligned with objectives, feedback based on monitoring the process and analysing the results is essential for successful closure of a cycle. Learning activities should be engaging and interesting for the individual, as it is proven that fun and pleasure stimulate creativity and memory more than punishment. What is more, feedback should be designed in a way to be positive, rather than outlining only the flaws in one's performance. Positive feedback results in higher motivation to perform better and indeed increases the level of performance. A simple experiment of plate spinning, part of a series of experiments conducted in the context of a Netflix show, studying human nature, proves that praise is far more effective than criticism. Participants were scored on their abilities of plate spinning, where half of them were praised and the other half were criticized, regardless of their level of performance. After a second performance, the praised group increased their level of performance, while the ones who were criticised performed worse. The experiment proves that non-constructive criticism lowers motivation and makes the individual focus more on the outcome rather on the process.



Another important aspect of a successful learning strategy is that it should include all levels of employees, starting from top management and line managers. Line managers play an important role in an organization, as from an employee's perspective they are a representation of the company itself, while for top management they are the link of communication to employees. Leadership & management programmes would be beneficial for Hanoi Hat's general efficiency of operations and would promote employee engagement and team spirit. Good practice in the case of Hanoi Hat as an emerging international

company would be using best practices of leadership and management from similar organizations. Although leadership and management are quite similar, a distinction between the two is that management is more focused on improving current performance and experience, while leadership prepares individuals how to act in new situations and what should be done to achieve future goals. Taking into consideration the cultural features, formal leadership and management approach such as mentoring and coaching could be very effective as Vietnamese have the cultural need of belonging to a group. Activities promoting team spirit would satisfy this need, promote organizational culture and create shared values. An important remark though would be that double-loop pattern of learning should be encouraged to lower the possibility of obstacles coming from high power distance, common for Vietnamese culture.

To conclude, a successful learning strategy for Hanoi Hat company involves firstly creating a learning culture among employees by promoting collective and individual learning and development for all employees and at all stages of employment. Secondly, leadership and management programmes should be implemented and the importance of line managers should be taken into consideration. The learning and development system should be a mix of various types of learning such as training by external experts, workplace and self-directed learning, and team activities. Cultural and individual features should be taken into consideration when designing the learning strategy, as motivation and pleasure enhance memory and perception. Lastly, appropriate learning evaluation and encouraging feedback should be provided in every stage of the process, to ensure effectiveness and maintain motivation.

4.3 INTRODUCING PERFORMANCE MANAGEMENT SYSTEM FOR HANOI HAT

The first step of performance management implies developing a performance plan, lining up the individual objectives of an employee with the business objectives of the organization. A successful plan should include an assessment of the current individual performance, identification of areas for improvement and mutually agreed on future aims and goals. The next step is carrying out the plan by incorporating learning and development activities such as training, mentoring and coaching. The last two steps of the performance management process are of significant importance for its effectiveness. Performance monitoring is a continuous process, enabling closer managerial control and leading to better insights on individual performance. The closing stage of the performance cycle, the performance review is two-way feedback, based on facts and figures acquired through the monitoring stage. The review should be taken into consideration for crafting the plan for the next performance cycle, as performance management is a continuous process, naturally occurring in an organization.

In the case of the Hanoi Hat company, performance management planning should start by establishing a way to rate employees' performance so far. This could be done by analysing individual production rates, as well as quality control. After identifying the current situation of one's performance, a plan for the future can be set. Being a manufacturing company, expanding its operations, the main objective is to maximize efficiency, without compromising quality. This could be achieved by introducing individual monthly targets on production,

based on personal skills and past performance. This would not only improve control on production but would enable better understanding among employees on what is expected from them, giving them the possibility to have a certain extent of autonomy in their daily tasks. For this particular company, the next stage of the cycle should put greater focus on learning and development, due to the introduction of new operations, which require new skills. For an effective outcome, the performance review could use the 360-degree model, where multisource feedback could lower the high power distance, distinctive for Vietnamese culture. To have an effective performance management system, line managers should be highly involved in all stages of the cycle.

4.4 ADVANTAGES OF IMPLEMENTING A NEW REWARD STRATEGY

The development of a total reward system, the introduction of a performance management system, and the shift from traditional to modern human resource approach would be beneficial for increasing motivation and engagement among employees. The proposed shift in the payment scheme of the company would lower uncertainty and raise the sense of security, which would be advantageous for the overall commitment of the employees. Further, non-financial rewards such as learning and development opportunities, work-life balance and other flexible benefits (parental leave) would stimulate intrinsic motivation and make the company more attractive for current and future employees. Leadership and management programmes would improve efficiency and enable better planning of tasks. More informal activities as team tasks and gatherings would benefit organizational culture, improve communication within the company and create shared values and goals. The development of a performance management system would ensure better control over operations, give insights on employees' strengths and weaknesses which can be used to improve cost and operational efficiency. Two-way feedback and communication should be introduced at all steps of the HRM process as a way to maintain motivation, improve performance and contribute to a pleasant work environment.

5. CONCLUSION

This report explores the best practices of modern human resource management. Following one of the main principles of iHRM, focus on the individual, the proposal of a new reward system was developed by taking into consideration universal human influencers as motivation and national culture. Its main objective is to deliver effectively in the new conditions of globalization and contribute to the overall aims of Hanoi Hat's business strategy by designing a set of rules and policies with employees in mind. The changes proposed derive from global best practices in human resource management. Their implementation would attract and retain a skilful workforce, improve control over operations, stimulate extrinsic and intrinsic motivation, which would increase employee engagement and strengthen the psychological contract between the employees and the organization.

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