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Human Resource Management – Assessment 2

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The Hanoi Hat Company

In Vietnam, the Hanoi Hat Company makes hats and caps. At first, it focussed on producing a limited range of basic models. The organisational structure was simple and there was no need for sophisticated HRM. Issues of recruitment, pay and dismissal were handled by the administration office, and any other personal problems were dealt with by the employee's line manager. Cutters were paid on a piece-rate basis and developed skills to produce indefinite numbers of these models – and hence earn good wages. Then, as the company became more successful, it was contracted by an international sportswear company to produce short runs of special models for particular events- for example, the South East Asian games. This contract was highly profitable. However, each of the special models were designed differently and so the cutters had to develop different skills to produce each order. This training had the effect of reducing their production rate, and hence each individual earned less. This led to considerable dissatisfaction, although the external labour market offered few comparable opportunities. Alone among the managers, the General Manager had an MBA earned in a Western business school and was aware of the problem. She argued that the first step to overcoming this difficulty was to appoint a specialist HR Manager. However, the line managers resisted this, which they saw as an unnecessary expense and likely to weaken their own influence.

Task: Develop a presentation that:

1. Outlines contemporary reward practices that could be introduced into the business with the aim of increasing employee engagement

Vietnam is a unitary one-party socialist country where the Hanoi Hat Company is based. This report will discuss social, economic factors which have influenced Vietnam so far as well as the exclusive view of Hofstede Insights. It has introduced the six dimensions, which are Power Distance Index (PDI), Individualism Versus Collectivism (IDV), Masculinity Versus Femininity (MAS), Uncertainty Avoidance Index (UAI), Long Term Orientation Versus Short Term Orientation (LTO) and Indulgence Versus Restraint (IND), of national culture, are based on extensive research done by Professor Geert Hofstede, Gert Jan Hofstede, Michael Minkov and their research teams. In this report, further discussion will be based on IDV, MAS and LTO in the context of the Hanoi Hat Company. The report starts with definitions of what reward management is and the culture impact on the business. The following components of the reward practices are then dealt with –contingent pay, recognition, and the provision of employee benefits and pensions.

Culture Impact on Business

According to Hofstede Insights's definition (Hofstede Insights, 2019), Individualism Versus Collectivism (IDV) is related to 'the degree of interdependence a society maintains among its members.'. In this regard, Vietnam scores low on this dimension (score of 20) which means 'loyalty in a collectivist culture is paramount and overrides most other societal rules and regulations. Such a society fosters strong relationships, where everyone takes responsibility for fellow members of their group.' The Hanoi Hat Company had been focusing on manufacturing limited range on basic models and the employees had been satisfied with their pay, albeit under piece-rate basis. However, the company has been expanding and been awarded a short-run contract for a particular event and for special models- new skills for employees are required. Any reward strategies implemented by the Hanoi Hat should consider about its 'Employer/employee relationships are perceived in moral terms (like a family link), hiring and promotion take account of the employee's in-group' (Hofstede Insights, 2019).

The Masculinity Index refers to 'the fundamental issue here is what motivates people, wanting to be the best (Masculine) or liking what you do (Feminine).' According to Hofstede Insights (Hofstede Insights, 2019), Vietnam scores 40 on this dimension and is thus considered a Feminine society. The reward

management for the Hanoi Hat should be based on “working in order to live” mechanism and to reach work- life balance for its employees. As such, the employees have shown their dissatisfaction toward the new expansion of Hanoi Hat’s business which results in the decrease of production rate and inevitably related to their income which means some employees might not be able to work overtime to keep up with what they earned before. Also, they don’t want to sacrifice their family or private life. It can be reflected on the reward strategies.

Lastly, the Long-Term Orientation Index (LTO) is about ‘how every society has to maintain some links with its own past while dealing with the challenges of the present and future’. According to Hofstede Insights (Hofstede Insights, 2019), Vietnam scores 57, making it a pragmatic culture, therefore, Vietnamese believe that ‘truth depends very much on situation, context and time’. The Hanoi Hat used to pay employees on piece-rate basis and the skilled employees can expect the final results based on their experience. However, the new short-run orders have impacted on their daily income then dissatisfaction of it occurred. As Hofstede’s suggests that ‘Vietnam can adapt traditions easily’, a more practical approach to consider Vietnamese employees’ behaviours are essential.

Reward Management in Practice

Armstrong defines Reward Management as ‘the processes of deciding how people should be rewarded and of ensuring that reward policies and practices are implemented.’ (Armstrong, 2014: 331). Before the expansion of the new business, the employees of the Hanoi hat were satisfied with getting paid through piece-rate basis but once new skills are required, things has changed. The following three strategies are likely to have direct effective results in this scenario and probably will reach satisfying results:

- Contingent pay
The contingent pay can be related to individual merit or service or to team or organizational performance or a combination of these (Armstrong, 2014:374-375). Since the new orders for a particular event is not a long-term project and just for temporary need, a feasible short-term reward plan, based on Long Term Orientation Index (LTO) results, can be considered. However, ‘Pay is by no means the only factor that influences people to join or remain with an organization, but it is important. The most significant influence on pay levels is the law of supply and demand. If the demand for labour exceeds supply, pay levels will be higher and vice versa.’ (Armstrong, 2014: 370). The Hanoi Hat Company can negotiate with its employees regarding the actual amount of the contingent pay as the external labour market offered few comparable opportunities.
- Recognition schemes
Armstrong has indicated the recognition scheme can be either formal or informal (between line managers and their team workers) and with or without financial wards (Armstrong, 2014:381). But the Individualism Versus Collectivism (IDV) and Long Term Orientation Index (LTO) of Hanoi hat has suggested a good gesture to present high loyalty and a practical approach might be feasible, therefore, a formal and performance-based bonus might a good option.
- Employee benefits
They designed for enhancing employees’ well-being. They are provided in addition to pay and form important parts of the total reward package (Armstrong, 2014:374-381). For example, the Hanoi Hat can encourage employees to attend training classes, compensate extra expenses (eg, transportation), increase holiday pays, provide daily catering service, health insurance, etc.

Bibliography

Books and reports

Armstrong, M. (2014). Armstrong's Handbook of Human Resource Management Practice. London: Kogan Page.

Websites

Hofstede's Insight: <https://www.hofstede-insights.com/country-comparison/vietnam/> [Accessed 19 April 2019]