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HUMAN RESOURCE MANAGEMENT

Assessment 2

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Abstract

This report aims to examine accurately the contemporary practises of reward applicable to the business environment of Vietnam-based The Hanoi Hat Company, the successful hats and caps business. The study will also provide an important review of the relationships that exist between contemporary reward practises and increasing engagement of the company's employees involved in the production process. Advice to the General Manager of the company will be created at the end of the report. This report is written by an independent consultant.

Introduction

The Hanoi Hat Company produces hats and caps in Vietnam. Originally it was focused on a limited range of basic models being created. Later, as the business became more prosperous, a multinational sportswear corporation had contracted it to manufacture limited runs of exclusive models for different events, such as the South East Asian games. That was a highly lucrative contract. Each of the special models was devised differently, however, and so the workers needed to develop special skills to deliver each order. This strength training had the effect of lowering their production rate, and therefore everyone earned less. This led to considerable dissatisfaction among the company's workforce, even though very few comparable opportunities were offered by the external labour market. Company's General Manager graduated from the Western Business School with an MBA degree knew about the problem. She saw the solution to this issue is to appoint a professional HR Manager from outside, but the line managers confronted this decision because it would be damaging to their own importance and influence within the company. The author's task was to find the solution and advice to the General Manager how to improve employees engagement by using selected reward practices and how to implement those practices among the establishment of the line managers.

Definition of the contemporary reward practices

CIPD (2020) gives this definition of the reward: 'The term "reward" generally covers all financial provisions made to employees, including cash pay, and the wider benefits package (such as pensions, paid leave). It can also include wider provisions for employees, with the term "total reward" sometimes used to encompass non-pay benefits.' The rewards could be financial and non-financial. According to Remus Rewards (2019), there are four types of non-financial rewards or incentives: recognition, reward, opportunity and flexibility. However, Toppr (2020) gives more detailed variety and description of the non-financial rewards. The author combined those two researches and selected six non-financial rewards more applicable for the case study of The Hanoi Hat Company. They are displayed on the diagram shown below:



Diagram 1: *Non-financial rewards*, based on sources: (Remus Rewards, 2019 & Toppr, 2020)

Here is more detailed explanation of each type of rewards:

1. **Recognition:** That means acknowledgement and appreciation of the work that employees do. Organizational recognition boosts their self-confidence, and they feel encouraged. For example, appointing the month's best employee, displaying their names on the notice board and granting them bonuses fall under the Employee Appreciation Programme.
2. **Environment:** Refers to the organisation's climate factors that are viewed in the organisation by its workers and have a significant impact on their behaviour. Some of the factors influencing an enterprise's organisational climate are organisational structure, individual responsibility, rewards, risk-taking, support, conflict and tolerance. Good employees tend to be more motivated when the organisational environment is positive.
3. **Career opportunity:** A company needs a suitable professional development plan and a sound promotion strategy for its workers that catalyses for it to work well and be supported. Each employee wants development in an organisation and is inspired to work harder when he receives promotion as an acknowledgement of his work.
4. **Job improvement:** This applies to job creation in such a way that it requires a higher degree of expertise and skill, a range of work material, greater employee flexibility and responsibility, substantive work experience and more development opportunities. This acts as a source of inspiration when the work is interesting.
5. **Job security:** Job security provides workers with future permanence and a sense of safety. Employees are not concerned about the future and so they work with greater passion. However, this reward often has a negative side that workers prefer to take their job for granted and not work efficiently.

- 6. Participation:** The participation of workers in decision-making related issues such as canteen groups also helps to inspire them and promote a feeling of belonging among them.

After establishing and discussing non-financial rewards the author took a close look at financial rewards, their types and definition. Agbenyegah (2019) defines three types of financial rewards, they are displayed on the diagram shown below:

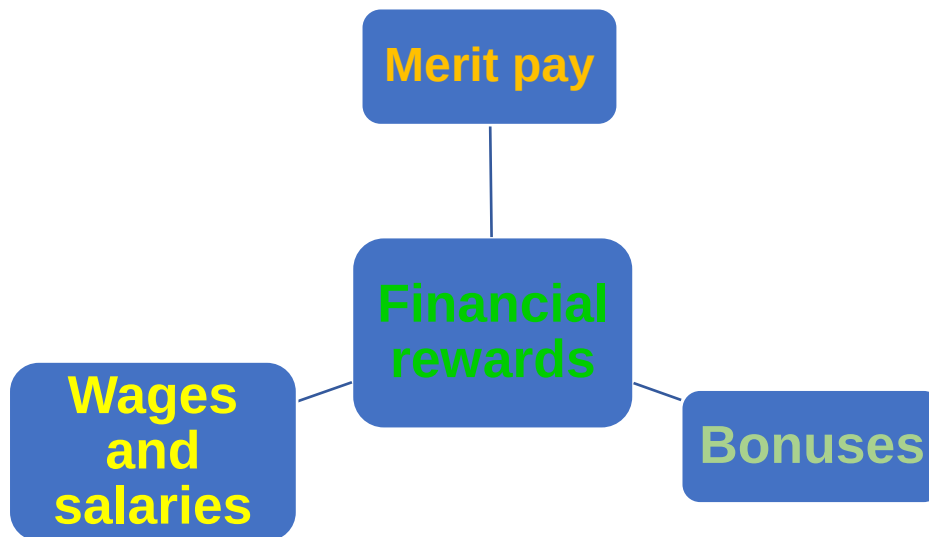


Diagram 2: Financial rewards, based on source: (Agbenyegah, 2019)

Here is more detailed explanation of each type of rewards:

- 1. Merit pay:** Heathfield (2020) defines *merit pay* as ‘an approach to compensation that rewards higher performing employees with additional pay, sometimes called incentive pay.’ It is a resource that employers can use to ensure their best-performing workers feel as if their efforts are properly paid for. There are some advantages and disadvantages in *merit pay*, confirms Heathfield (2020):

1.1. Advantages:

- ✓ *Sends powerful message to employees:* What you want to see workers succeed and contribute to what you want them to do. Merit pay offers an employer with a mechanism which recognises individual achievement on a one-time basis.
- ✓ *Allows the company to keep the most desired employees:* Having the amount of available merit pay public makes it easier for workers to see where their rise plunges within the merit pay limits set by the company pay package. It is a good way to reward your most valuable workers.

1.2. Disadvantages:

- ✓ *Can be misused to award supervisor's favourites:* The importance of every individual employee in some working environments is decided by the supervisor. Others would potentially challenge the findings when the merit pay is calculated without reasonable performance targets being announced.
- ✓ *Time and money consuming:* The amount of energy and time that companies spend in trying to make success usable for merit pay, sometimes too much and too expensive.
- ✓ *Communication problems:* The existing difficulty is a supervisor's ability to demonstrate the importance of his or her loyalty to each employee. Many supervisors interact better than others, ensuring that the reliability of the merit pay will often vary significantly from one sector to the next based on supervisors' interpersonal skills (Heathfield 2020).

2. **Bonuses:** According to Agbenyegah (2019), *bonus* pay is the sum of money employers offers to workers over their actual salaries. A lot of companies do that as a compliment to their workforce members who achieves important goals. This also provides incentive pay to boost the morale, motivation and efficiency of workers. If an organisation ties incentives to results, workers will be motivated to meet their targets, which in effect helps the company achieve its objectives (Heathfield, 2020). There are three mostly used types of *bonuses*:

- *Performance bonuses:* Awarded to workers who met goals set by the management of the organisation, or as a reward for outstanding leadership, good communication, problem-solving skills.
- *Contracted bonuses:* Senior managers or managers may have contracts requiring the organisation to pay *bonuses*. Often, these *bonuses* depend on the company meeting specific targets for revenues. The employer may also base them on different factors such as revenue, retention of workers or accomplishment of growth objectives.
- *Sales commissions:* Usually payable to reward sales success over commission at agreed rates. Many sales firms, without commission, motivate staff with *bonus* pay.

3. **Wages and salaries:** Agbenyegah (2019) says following about *wages and salaries*: 'Motivation of employees comes in several ways and salary is a major contributory factor to motivation.' Employees are indeed driven by money and the boss can significantly influence his success in the company through the amount a worker is paid. A worker does not only see his or hers paycheck as a pound sum, he or she sees it as the interest his or her employer displays about him or her as a member of the workforce.

Definition of Hofstede's Model and its application to the case study of The Hanoi Hat Company

CIPD (2019) says following regarding applying reward practices: 'While any reward strategy must be aligned with the organisational context and culture, there are many

other factors to consider when developing international reward for expatriate employees.’ After establishing links between organisational and national culture, Professor Geert Hofstede has completed one of the most detailed analyses on how culture impacts values in the workplace. National culture's six dimensions were discussed and analysed by Professor Geert Hofstede, Gert Jan Hofstede, Michael Minkov in the book ‘Cultures and organizations: Software of the mind’(2005).The Hofstede’s Cultural Dimensions Model consists of six dimensions, displayed by the diagram shown below.

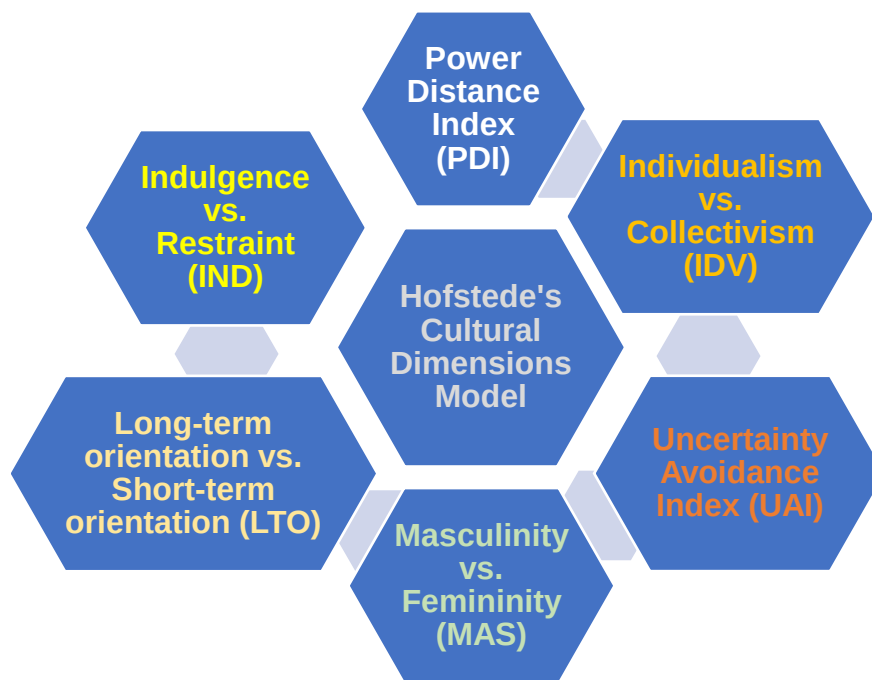


Diagram 3: Hofstede’s cultural dimensions model, based on source: (Hofstede Insights, 2020)

Here is brief explanation of each type of dimensions:

1. **Power distance index (PDI):** This dimension represents the level to which the less influential members of society recognise the power and expect it to be distributed differently. People in societies showing a large degree of Power Distance support a hierarchical order in which everyone has a position and no further reason is required. Within low-power-distance societies, people seek to equalise power distribution and claim justification for power inequalities (Hofstede Insights, 2020).
2. **Individualism versus collectivism (IDV):** Big numbers in this component, called Individualism, can be described as a preference for a loosely bound social system in which individuals are expected to care only about themselves and their direct family. The alternative, collectivism, is a preference for a close tied community structure in which individuals would expect their families or members of a social group to look after them in return for unquestionable loyalty, confirmed by Hofstede Insights (2020).
3. **Uncertainty avoidance index (UAI):** ‘Uncertainty avoidance can therefore be defined as the extent to which the members of a culture feel threatened by

ambiguous or unknown situations.’ (Hofstede et al., 2005). Countries with high UAI figures maintain strict standards of faith and conduct and are intolerant to unconventional behaviour. Societies with weak UAI numbers maintain a more relaxed attitude in which tradition is more important than principles.

4. **Masculinity versus femininity (MAS):** The masculinity side of this factor shows a social desire for success, bravery and significant rewards. The society, in general, is more competitive. Femininity, its opposite, stands for a passion for solidarity, modesty, concern for the vulnerable and quality of life. Society is more geared towards consensus, confirms Hofstede Insights (2020).
5. **Long-term orientation versus short-term orientation (LTO):** For example, societies that score low on this dimension tend to maintain traditional rules and principles while viewing with scepticism the change in society. At the other hand, those with a community that scores high are taking a more practical approach: they are supporting thrift and sacrifices in modern education as a way of investing in the future.
6. **Indulgence versus restrain (IND):** Indulgence prevails in the culture where simple and normal human needs linked to enjoying life. Restraint is a society which pressurises needs for pleasure and regulates it using harsh social norms.

After getting analysed Hofstede’s model components and before starting applying relevant reward practices to the business environment of The Hanoi Hat Company the author performed the cross-cultural test by using the Country Comparison tool, provided by Hofstede Insights (2020) website. This will help to analyse the differences and similarities in two cultures: Vietnamese and British. The figure below showing the results of the test with a brief explanation to follow.

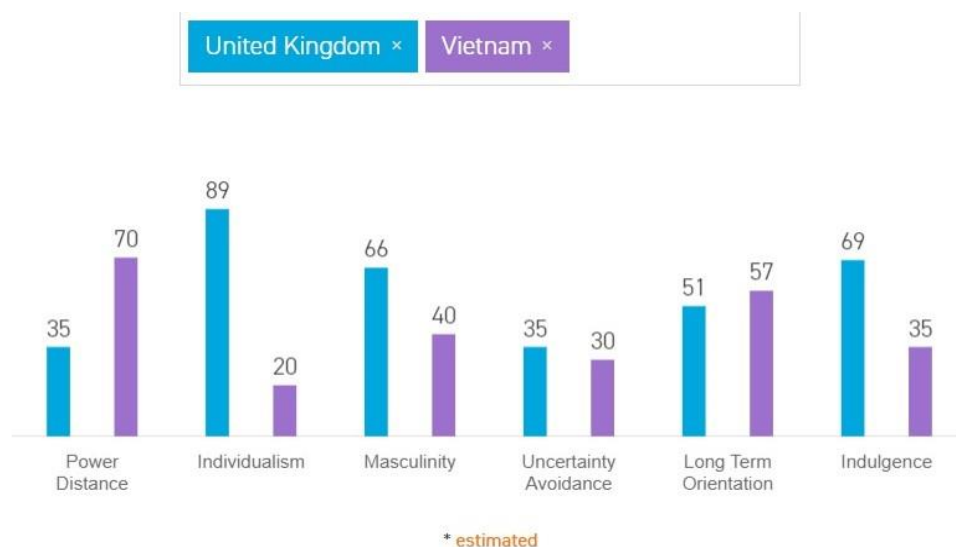


Figure 1: Country Comparison Tool: United Kingdom versus Vietnam, based on source: (Hofstede Insights, 2020)

As we can see from this chart, there are big differences in numbers concerning Power Distance, Individualism, Indulgence and Masculinity. However, Uncertainty Avoidance and Long-Term Orientation indexes are much close to each other. Those figures must be kept in mind by the General Manager of The Hanoi Hat Company when she will be

trying to implement reward practices into the company's business environment. The next chapter of this report will be establishing reward practices suitable for The Hanoi Hat Company and their relation to the increasing engagement of the company's workforce.

Establishing relations between chosen reward practices and the increasing engagement of The Hanoi Hat Company employees

As a first step of introducing the reward practices in the case study, the author will try to establish the profile of the average Vietnamese employee, based on the results of the Country Comparison Tool (Hofstede Insights, 2020), conducted earlier:

1. **Individualism:** The score of 20 means that Vietnam is a collectivistic society. Such a society promotes close partnerships, where everyone assumes accountability for their group's fellow members. Offence in collectivist cultures indicates as shame and loss of identity. Regarding workplace culture, recruiting and promotion is based on the candidate's family ties and connections.
2. **Power distance:** With the score of 70 Vietnam is a place where people recognize a hierarchical order in which everybody has a place, and which needs no further explanation. Within an organisation the centralization is commonplace, workers are supposed to be told what to do and the ideal boss is an autocrat. Leadership issues are not welcomed.
3. **Masculinity:** Scoring 40 means Vietnam is a feminine culture, where people in their working lives respect dignity, unity and quality. Conflicts are settled by dialogue and compromise. Rewards like free time and flexibility would be preferred.
4. **Avoidance of uncertainty:** Vietnam scored 30, that means that people in this country believe that there should be no more rules than required and that they should be abandoned or modified if they are confusing or do not work. Working schedules are flexible, hard work completed when required, steps towards creativity are not easy to carry out.
5. **Long-term orientation:** Vietnam is pragmatic society, like British. People can adapt their traditions to changing circumstances. Workers can accept changes in the culture of the organisation if they are needed.
6. **Indulgence:** Based on the score of 35 the culture of Vietnam is restrained, meaning its society has the tendency to cynicism and pessimism.

After this analysis of the Vietnamese cultural specifics, it is possible to create the profile of the typical Vietnamese employee and adjust it to the case study of The Hanoi Hat Company. Later it will help to develop the correct rewards policy and will increase the engagement of the company's workforce. The profile is presented as a table shown below.

Main profile characteristics	Description
1. Work connections.	Has family ties and connections.
2. Relation to the hierarchy and leadership.	Accepts hierarchy and leadership.

3. Preferred work pattern.	Likes to have free time and being flexible.
4. Involvement in the decision making.	Likes to be involved in the decision making within the group of co-workers.
5. Hard worker or not.	Will work hard if necessary, otherwise will take it easy.
6. Acceptance of the changes within the workplace.	Will accept changes with caution.
7. Spending free time and enjoying the life.	Will avoid overindulgence and excessive money spending to have fun.

Table1: *Main characteristics of the profile of Vietnamese employee*, based on source: (Hofstede Insights, 2020 & Author's research)

Based on the table presented above and recommendations by Chiang (2005) of the preferred use of non-financial rewards in the feminine cultures like Vietnam, the author developed rewards policy specifically tailored to the business environment of The Hanoi Hat Company. It presented by the table shown below.

<i>Financial rewards</i>	<i>Non-financial rewards</i>
1. Bonuses for the employees who completed additional professional training.	1. Introducing the title of The Best Employee of the Month, based on productivity results among the workforce.
2. Bonuses for the line managers for complying with the policies of General Manager and HR Manager.	2. Establishing the communication line between General Manager, HR Manager and line managers to support them in decision-making and resolving the conflicts.
3. Increasing of the basic pay rates.	3. General Manager to advice the HR Manager to create a Professional Development Plan to increase the desire employees to perform and being promoted.
	4. Allow and stimulate the employees to be more involved in decision-making issues to make them feeling belonging and valuable.

Table 2: *Financial and non-financial rewards suitable for the business environment of The Hanoi Hat Company*, based on source: (Chiang, 2005 & Author's research)

Creating the advice to the General Manager how to introduce reward practices to the company's line managers in the most acceptable way

Creating the advice to the General Manager is a relatively easy task, keeping in mind that most of the information was already given in the table of financial and non-financial rewards. In the author's opinion these steps should be taken by the General Manager to persuade the line managers to accept and follow the introduced reward practices:

1. *To establish* a strong communication line between General Manager, HR Manager and the line managers so all the issues can be dealt with quickly and effectively. Feedback from all sides also should be included in this communication process. Regular meetings are also very advisable.
2. *To offer* financial motivation to the line managers as additional bonuses for the compliance with the introduced reward policies.
3. *To create* more flexible working conditions for the workforce including line managers and align it with the introduced reward practices.
4. *To install* the position of HR Manager into the hierarchy of the company in such a way that the line managers will not feel less important and valuable.
5. *To give* the line managers more freedom in resolving current work-related issues, but the word of the General Manager will still be final.

Conclusion

In this report, the author researched and analysed the contemporary practises of reward applicable to the business environment of The Hanoi Hat Company. He also provided a review of financial and non-financial rewards, their relevance to the company's culture. Hofstede's Model was discussed and analysed. Advice to the General Manager of the company was created at the end of the report. During the completion of this report, the relevant online research was completed combined with online and home studies.

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