

The Hanoi Hat Company

**Human Resource
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Assessment 2

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Abstract: Globalization of the businesses drives the organisations to change their simple structures to adapt to the new times where there is an internationalization of the companies. The main challenge is to understand the process of change from HRM to IHRM by HR professionals and to have the knowledge of the local context which also plays an important role.

Keywords: HRM, IHRM, rewards practices, global economy.

1. Introduction

The Hanoi Hat Company is a business that makes hats and caps in Vietnam. The company has a simple organisational structure where the line managers drive the production and supervise the employees. The salary of each worker depends on their production.

The company became more successful because it was contracted by an international sportswear company. This contract was highly profitable, but the company needs more production with other models of clothes.

The General Manager knows that it is necessary for a new system to achieve the new goals, then she decided to implement rewards practices and hire an HR professional, but the line managers resisted this because they see it as an unnecessary expense and likely to weaken their own influence.

The Hanoi Hat Company needs to apply a new strategy. In this sense, the HRM strategy is a general notion of integration of Human Resources and business strategies (Armstrong & Taylor, 2014).

On the other hand, we are going to see how the new global environment forces the company to implement an IHRM. Janssens (2001) explains that IHRM professionals have to combine global integration with local responsiveness.

The local and international context define the model that needs to follow the company, but the challenge of an HR professional is also to understand other factors as culture or history of the country.

2. Policies and practices in organisations

Our study case is about a company that needs to develop different methods to stimulate the production rate of its employees. In this case, the Hanoi Hat Company needs a strategic plan, but the plan must be based on external and internal factors (Bogardus, 2004).

Introducing rewarding practices cannot be a lonely step, it is a consequence of a study about policies, procedures in the company, and external situation. Armstrong & Taylor (2014) remark that reward management is a process where the management decided how to put in practice the rewards, but it is necessary to implement them through policies and practices.

But what is the goal to implement reward policies? A company has the possibility to develop strategies to motivate its employees and achieve its objectives. Today, motivation is fundamental to use human assets to its fullest (Henderson, 2017).

On the other hand, although each company can implement its reward policies, they have to be subordinate to the government rules. For example, a company cannot implement a reward policy where men earned more than women because the government rules prohibited discrimination.

Bogardus (2004) says that it is the task of HRM to determine what is the most appropriate way to implement the pay system, however, at the same time it is necessary that compensation has the same criteria, employees in similar circumstances have to receive the same pay.

Each compensation or reward is applied after an analysis, and this study has different characteristics such as legal systems, cultures, performance evaluation or kind of rewards, and these criteria vary from nation to nation (Chitakornkijasil, 2010).

Thus, legal context determines some activities as promoting or rewarding, because the host country defines these aspects based on the government rules and the culture context. Dowling, Festing & Engle (2013) assert that it is not necessary the general manager is local, but it is important that HR professional is familiar with the host country's HR practices.

In our case, the General Manager of Hanoi Hat Company needs an HR specialist to design a different model of the company because the context changed. In this sense, Sparrow, Brewster & Harris (2004) believe that HR professionals are responsible to build the new policy and the managers have to get an immediate impact of these changes.

3. Difference between IHRM and HRM in the context of our case

We are going to see that Hanoi Hat Company wants to internationalize the business and need to adapt general models to its culture. In this sense, IHRM and HRM have similar characteristics, IHRM incorporates analyses of HRM but in an international context (Farndale et al., 2017).

Our case shows that the Hanoi Hat Company needs and wants to grow in production and as a business. In this case, the company has to extend its operation from a domestic to an international scale, where the difficulty increases (Phillips, 2019).

But, is it necessary that our company internationalize its business? In our example, we can see that with a simple structure it is not possible to expand the business. Nowadays, more companies operate on an international level because that means a competitive advantage (Dickmann & Muller-Camen, 2006).

Currently, it is not a secret that businesses are changing in a globalized world. Internationalising the business is a tendency, and the HR professionals have more requirements about the new situations of the company in an international environment (Briscoe & Schuler, 2004), but local and international and global environment determine what is the model necessary (Raletić, Ratkovic & Dasić, 2015).

The General Manager of our company understood that it is necessary for an HR professional who knows how to adapt its model to the new needs of the company. In this case, practices and processes can be transferred to adapt them, and implemented at the local level (Dowling, Festing & Engle, 2013), success will depend on level of analysis adopted (Brewster, Sparrow & Harris, 2005).

We can identify that HR professionals need to know the culture of the company and the national and international environment and design a model under the need of the business. The Hanoi Hat Company is a sample that illustrates the competing demands of global integration and local differentiation, the sample emphasized the need to have an HR professional as a source of competitive advantage (Caligiuri & Stroh, 1995; Taylor et al., 1996).

4. Current situation in the Hanoi Hat Company

We are going to analyse the national and international environment and the problems of the company to have a snapshot of the current situation in Hanoi Hat Company.

Pilbeam & Corbridge (2010) argue that some companies can survive with their usual hierarchical structure, but the times change, and the businesses need to create new forms of organisation. This is the case of Hanoi Hat Company that it could work for a long time, but when the company grew, and the General Manager understood that the changes were mandatory.

On the other hand, as we said before, each country has a culture different, and an HR specialist has to know how to use the tools necessary in a particular context. Not all the models can be applied because each situation is different. A professional who studied in a Western business school may have learned concepts in a culture different from our case. The first step to understand the problem is study the culture.

In this sense, Vo (2011) illustrates that from 1986, in Vietnam, Doi Moi reformed its economic program, and it left the socialist economy. However, the country has an educational system based on a hierarchical order in social harmony (Vo 2009).

The educational system influences all the aspects of a country because it works as an identity architect. Whitley (2000) describes that education in Asia is influenced by Confucian values and the paternalism effect, this involves the nature of hierarchical relations in the work and drives paternalism in the workplace. This explains why managers resist the idea of changes and they do not want to accept to lose their power of influence.

Zhu (2005) manifests that Vietnamese companies emphasize harmony which is a problem to drive such rewards as individual performance-based pay, and it is necessary to develop new ways to achieve the objectives of the companies.

Under this context, where Asian countries are collective (Luthans, Marsnik & Luthans, 1997), our HR professional, required by The Hanoi Hat Company, has to analyse the culture of the country before making a decision about the best way to drive the productivity of the company. It will be important to create a system of rewards where everyone, the company, and employees, win.

5. Contemporary reward practices

Bogardus (2004) expresses that the reward practices have contributed to the ability of the company to arrive at its goals and retain qualified employees. The company which implements reward it has an objective and wants to stimulate employees and prove to them that their skills will be recognized.

In this sense, HR specialists have to study not only the culture of the country and the practice of the company, but it is also important to evaluate each employee. It is necessary to understand the local and international context and to see what the conditions of market competitiveness are because there is a need to develop employee value plans (Sparrow, Brewster & Harris, 2004).

Thus, Bogardus (2004) asserts that there are different kinds of rewards:

5.1 Compensation philosophy

There are two categories: one is based on the seniority or rank of the employees, and the second reward-based on the performance of the employees. Compensation philosophy rewards the employees for their time or ability.

5.2 Financial constraints

The company competes payment based on the competitive market. In financial constraints, the company compares the salaries offered for other companies for the same workers and it offers to pay higher.

5.3 Total reward program

In this case, the reward can change depending on the needs. In the total reward program, the compensation can be with time off or can be monetary or nonmonetary.

Pilbeam & Corbridge (2010) conclude that reward is the pay, remuneration, or compensation, and there is flexibility about how to implement them, even though they always reward the skills of employees who add value to the company.

Finally, Armstrong, & Taylor (2014) affirm that reward management is the design which explains how the employees will be rewarded and have to supervise the policies and practices which are to be implemented in the company.

6. Model necessary that could be introduced in Hanoi Hat Company

When it is vital to change, Bogardus (2004) advises that first, it is necessary to determine the goals, then the company has to analyze how many employees will be needed to achieve the objective, and finally, it is important to define responsibilities, duties, and tasks.

In this sense, we can see that Hanoi Hat Company needs to increase its productivity (goal), hence the company has to define the performance of the employees and create a new system to achieve the objective.

The Hanoi Hat Company needs to adopt a new system because its context is different. But the company cannot apply any model because each situation has conditions, in this sense, the model is only a reference (Henderson, 2017).

In our case, we could see that an HR professional does not only need to know about the company, but it is also crucial to know and to understand the culture of the country. Thus, Janssens (2001) alludes that HR professionals have to possess technical skills and knowledge of culture, history, and human relations.

We understand that the model is a reference, is a guide but it can change. Armstrong & Taylor, (2014) explain that there are different models as the European model, Harvard model, Contextual model, or matching model, etc.

In the Hanoi Hat Company, the new HR professional needs to have knowledge of the culture, the model closer is the contextual model. Thus, this model put attention in the environmental factors as political, social, or institutional (Armstrong & Taylor, 2014).

Vo (2011) determines that it is necessary to have harmony between the business system and the national institutional context because the last one defines the policies of the organisation. National context is vital to understand where the most appropriate model would be used.

In this sense, the rewards are part of the model needed for the company because all the parts have to look for the same objective. Bogardus (2004) clarifies that the rewards have to support to arrive at the goal and retaining qualified employees.

We can see that it is important to the organisation to achieve the goal, but it is also essential to keeping the employees who have the skills to support the objective of the company. The analysis of cost-benefit will determine the most effective mechanism of administering the employee benefits program (Bogardus, 2004).

7. Conclusion

We could see in our study case that Hanoi Hat Company is living a moment of change where it is necessary to reformulate its system. The General Manager understood that old system was adequate for the last production, but it is not enough for the current moment.

Changes will generate resistance in some managers because all changes cause different effects, but they are necessary because the current model cannot answer the new necessities. The company needs to produce more and has to change its system, which also produces problems with its employees.

The General Manager knows that an HR professional is a key to the changes of the Hanoi Hat Company because the organisation lives under a new context where there is a globalization of conditions. Marchington et al. (2016) affirm that HR professional plays a vital role in building the systems and methods that help deliver organisational success.

In this sense, the General Manager has to convince the line managers that the company is internationalizing its businesses, and its productivity is not enough to comply with all the orders. The General Manager has to explain that the introduction of the reward practices can add value to the business because, as we said, the reward practices stimulate the employees to achieve the goal and to retain them.

On the other hand, not all the employees have the same skills and the same production, so the reward has to benefit the employees who support to achieve the objective. Thus, Cook (2009) remarks that in an identical situation where two employees have to do the same job, both would produce the same amount, but in the real world, there are people who produce more than others.

The General Manager also can explain that the rewards can be used with time off for the employees who choose that option. In this sense, she also can describe how an HR professional

would help to drive the company through the change in the selection of new employees, training, and rewards implementation.

Each change has to be driven to achieve the goals; in this case, the HR professional is the specialist who develops a set of basic principles to implement them in the company. Henderson (2017) says that the principles of Human Resources have to be linked with business goals.

Finally, we analyzed how a company grew through its international sells, and how it is fundamental to bring about a change in its system. In this sense, theory and practice are partners because to design a plan it is necessary to have a theory and adapt it with the context of the company. Theory and practice have to be structured based on the current and future demands with the emergence of new players in the global economy (Ordoñez & Tennyson, 2016).

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