

THE HANOI HAT COMPANY

A global challenge

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Brief

The Hanoi Hat Company established in Vietnam produces hats and caps basic models. Early it could be considered as small/medium national company, which didn't need any particular attentions in HR strategies to grow up in terms of organisation and productivity. Consequently HRM Management duties were managed by the administration office and line's manager. The production's costs were low for indefinite number of models, by the way the achieving more success created the opportunity for The Hanoi Hat Company to be contracted by an international firm with the main goal to produce specific product for events like South East Asian Games. This new cooperation made the production focused on particular skills, then further trainings for the employees were required. Even if the formation was presented to increase the profit, this was the reason why the same production changed rate, depending on organisational problems for a company which never earned about HRM department. The General Manager, thanks to her background in understanding the importance of specific guidelines, tried to introduce the need of HR Manager's figure. This idea has been seen as possibility to loose the control by the local line's managers, creating the basic issue in in the division of the duties.

Introduction

In the case of an international acquisitions the structure of the companies involved is going to change. The new challenge as a restructuring, means creating the favourable field in which it will possible make the right co-operation between different people, ideas, approaches, cultures, policies and countries. International Human Resource Management (IHRM) analyses the differences between countries, following an *international business strategy* and mediating in the impact of the cultures to understand local signs and creating a new global language. By a global perspective that new language is a balance between the personal aspiration of people, which is different from a country to an other one, and strategic goals for the business. IHRM considers these human aspirations in terms of the new production guidelines and efficiency especially regarding particular tasks, such as quality check, market analysis, allocate finance resource and set strategies. The main focus of IHRM is employing and improving people across local boundaries and developing opportunities for career, remuneration into a global workforce. That process of procuring and managing people involves new figure in the global staff, such as *expatriates*, employee that is not a citizen of the country in which the firm is located, *host-country national* and *third-country nationals*. The definition of efficiency in the duties regarding staff and generally human resources, especially in the case of managers and leaders figures, could be affected by the national/local culture: face-to-face feedback, subordinate relationships, social justice, availability for international assignments, organisational structure and strategies. Considering the firm as culturally dependent means that it needs to manipulate these signs and their meaning in the people who are managed, to transform them as advantages for the business goals. Personal needs are created during the socialisation in a specific culture, so the role of a good HIRM practice should be able to respect and operate flexibly in the local environment of the given culture. Even there are not specific guidelines or metrics to approach properly, the literature review suggests HIRM as a composition of seven Cs (cosmopolitan, culture, compensation, communication, consultancy, competence and co-ordination), which can be seen as support in the understanding of multi-dimensional strategies. In this consideration Hofstede offered a model composed by six universal values such as individualism, masculinity, power distance, uncertainty avoidance, long term orientation and indulgence to support the global operations to respond actively at local requirements. Taking in consideration these aspects means understand and respect different motivational inputs to avoid cultural biases, helping as well the management in improve methods in motivating and relating to subordinates.

Vietnam Background

Vietnamese businesses are mainly small scale, characterised by lack in financial resources and human resource quality. The country has still low innovative ideas, consequently the technology is not yet a competitive advantage in the sea of large corporations of the region. This aspect is fundamental since when Vietnam is always been involved in global economy, even through manufacture sector. According to the General Statistics Office (2016), the aspect about low efficiency for machinery and equipment are obstacles ranked as second and third, after financial one.

According to Hofstede it also important considering cultural aspects which afflict the growth of the country and the people involved in that process. Analysing the six variable of his method, it is possible relate values that are operating as advantages and understand how to exploit ones look disadvantages. The first aspect is the *power distance*, which describes the degree in equality distribution into a organisation. In other words this aspect is focused on the centralisation of the authority and leadership: there is a strength link between the low degree of education and occupation and a high degree of power distance. Vietnam's score about that first aspect is 70, meaning an high result, characterised by the fact local people are accepting hierarchical structure, without any explanation. The centralisation of the power could be read as the need of any leader figure to drive subordinates, unable for any reasons to crate or understand input and output. The second aspect is developed around *individualism*: the relationship of interdependence between member in their society. Vietnam's score is 20, a low result meaning that Vietnamese society is more collectivist, projected itself to consider *I* as *We*. Extended relationships over family members are driven by loyalty: everyone knows the own part inside the group and there is a huge fear around offence, that a could lead shame. Following this direction the relation Employer-Employee is based on moral rules and symbols, even in the case of promotion the management takes in consideration the group of origin., because basically it manages a variety of groups.

The fourth aspect is about *masculinity*, that describes if the society is mainly driven by values as competition and success. The difference between masculinity and femininity is based on propensity to *be the best*, even through a selfish attitude (masculinity) or preferring other forms of success such as caring of others one, and quality of life (femininity). Vietnamese masculinity score is 40, meaning that the society is more projected into femininity, following the formula *working in order to live*, even through solidarity and quality during the worklife. In case of conflicts or misunderstanding the negotiation is the mainly solution, alway putting first well-being. So the favourable manager on this direction should be a person not afraid to make decisions, offering at the same time a supportive role. The fifth aspect is *uncertainty avoidance* as the degree in which the society considers itself threatened by ambiguous situations. Through establishing rules and high standards for professional careers, deviant ideas and behaviours, the society defends itself by this kind of ambiguous situations, but it also creates high level of anxiety, which is going to be reflected into s strong inner urge to work harder. Vietnamese score in that case is 30, meaning a low result for the aspect and the trends to considers some rule unnecessary: if the same rules appear like ambiguous, they have to change into simple one, as precision and punctuality.

The sixth aspect is *long term orientation* referred to links and connections with the own past, history and heritage and through them dealing with the present and future. A low result should bee seen as a need to maintain tradition as mainly driver for society; an high result describes a more pragmatic society. Vietnamese score is 57, showing a pragmatic need to don't consider the truth unique, but it depends on different situations and times. Being pragmatic also means be flexible with traditions and changes, with a strong propensity to save and invest. The last aspect is *indulgence*, referred to the degree through with the children are socialising into the society. The socialisation is now seen as the process that brings people into *human* dimension and the own ability take under control impulses: *indulgent*, means a weak control for those humans desire; a strong control is called *restraint*. Vietnamese score in *Indulgency* is 35, so the society is more concentrated into being restrained. In this occasion people believe their action are under control thanks to the social rules and consider indulgence as something wrong.

The Hanoi Hat Company

The Hanoi Hat Company is being through a *cultural distance*, known as the process of relating the principle differences between Multinational Enterprises (MNE) and the country of operation. That process could be considered the first cause for the issues in the relation between Head Quarter and subsidiaries, such as the increase of some costs, decrease of particular benefits, the transfer of tasks and knowledge into a foreign market. At the same time that process offers the opportunity to formulate strategies to make easy the access into an unknown field.

The first decision that could help in reducing the risk is around entry mode choice, e.g joint ventures: the literature explains how usually the higher level of cultural distance is straightly connected to a high level of ownership, in terms of control as key to improve operations for the MNE. The control could be read as well like a strategy for risk's reduction by MNE managers, event through obtaining new resources or transferring core competencies into new markets. Regarding that transfer of tasks and resources the global Human Resource Manager should be able to understand which changes are required to meet balance point in cultural differences. As Vietnam known as collectivist society in which personal initiative is low, that choice should consider the conformity as fundamental key, especially for invisible assets. In the case of *The Hanoi Hat Company* basic issues are based on the relation between HQ and subsidiary structure, even through the communication that influences the production rate, also the engagement for the employees. About the engagement process, the Company is showing a lack in the communication basic model, that looks just top-to-bottom, with a weak form of cooperation. To improve that aspect, the aim could be linked to the *knowledge networking* as a process to achieve balance between differentiation and integration, in terms of improvement efficiency and engagement. Main drivers on that process involve internal communication and multi-domestic methods to ensure a better diffusion of individual ideas and experiences between *sender* and *receiver*. The lack of that network in *The Hanoi Hat Company* new structure, even through the new decision to focus the production on particular products as short runs different from the original hats, didn't influence just the mission, but also took for granted the flexibility of the *hosts*. In other words, the fact that the production has been reduced by the new line could mean a deficit downstream, during the acquisition, in terms of investment in human capital. The support needed by the training should be not just a consequence of a decision, but has to be a part of the same decision, as a value considered in the principle contract. The difficulty is based around communication, again, especially in the relation between tacit and explicit knowledge. Nonaka and Takeuchi (1995) explain how a learning organisation has to follow four basic steps to improve that relation: *socialisation*, *externalisation*, *combination* and *internalisation*.

The learning organisation could be seen as a general system in which a new democratic culture is created and shared by fundamental of existing one, as a consequence of given chaotic conditions. Through its basic steps learning organisation collaborate with all people involved in the firm during: socialising through contact and meetings for sharing experiences and create the first draft for an explicit knowledge (*socialisation*); establishing specific goals and strategies translating implicit knowledge into explicit (*externalisation*); combining data and info in categories for similarity and sharing these one though meeting, electronic communication and media (*combination*); supporting people in translating abstract concepts and ideas into concrete ones to be later into internal values (*internalisation*). That process encourages employee's engagement offering a constant co-operation between top and down levels, to create balance in needs from the both side. The engagement is also useful for the firm in discover future goals, developing the organisation into a double-loop learning. In that *learning in a learning* the knowledge will be based by present successes and failures, even from other competitors, encouraging people to be a fundamental part in the system, searching and studying info, competitive challenges and concepts.

The Hanoi Hat Company is still suffering the absence of a specialist HR Manager, to make possible the generation of new knowledge, as a *continuum* from input and output between external and internal environment. That role could improve the sharing of skills and tasks, but also new ways of listening, talking and questioning, taking care about individual experiences: the knowledge process starts by the people and just later it becomes useful for the organisation and its changes. An expert HR Manager, as the driver of that process, seems to be a fundamental role for the international company: the influence of other managers will not change, but the business could be improved and be more efficient, channelled into specific categories in which every individual will play the own role. Differentiate skills and tasks is referred to standardised roles,

that can influence the business in driving security and proficiency, even maybe through the support as more expertise employees as cross-functional supervisors to connect the different departments. The new HR service delivery will help the business and people to understand *what*, *when* and *how* is changing.

The fundamental role of the Manager to add value to the business is favouring the knowledge creation: firstly he/she will study an internal cultural structure in which ever person can share own information and in which every member will be trained to understand how identify and solver problems. The same cultural structure will support the group to be adaptive and supportive for collective ideas, bu the assumption that they are better than individual one, creating new memory for the new cross-culture.

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