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THE HANOI HAT' S CASE

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INTRODUCTION

The Hanoi hat, located in Vietnam, is a company that makes hats and caps. The company became more successful, afterward received the contract from an international sportswear to produce new kind of special models. however, the company was unprepared to create a training program to develop the right skills to start the new production. Furthermore, the lack of training and a system reward based on performance based compensation, has led to a huge dissatisfaction in the employees. Hence, The line managers should consider both to increase the performance and the production rate by making a strategy based on a new training program that develop the right skills to

employees and give them the right motivation and commitment to deal with the work. Furthermore, the line managers should review the system reward by considering, to introduce a new kind of financial reward such as a basic pay, individual bonuses as well as the profit sharing which would increase the satisfaction and motivation.

1 CURRENT REWARD OF HANOI HAT

The reward practice that Hanoi hat company uses is the performance-based pay. The performance based pay is a kind of wages based on employees' performance outputs and can encourage them to work harder so that to provide at the company to reach an higher production rate (Booth, 1999). However, it also can cause a higher level stress and high dissatisfaction (Kevin daniels, 2017). According to Thompson the performance based pay could demotivate employees even if with high performance rating because of the higher level of stress that the work require (Thompson, 1992).As a result ,The effect of the performance based pay has a minimal effect on the employees owing to a negative assessment on employees, that could affect the production rate of the company (Boachie-Mensah, 2011). in this case of Hanoi hat company, the organization must create a strategy to motivate their employees and drive them towards greatest level of performance.

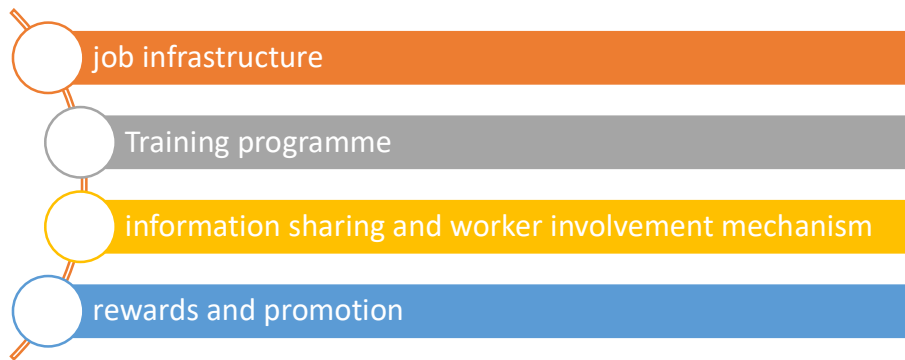
2 THE AMO MODEL

The AMO model explain, how HRM practises could affect performance through 4 main elements: motivation, ability , opportunity and performance. This model provides valuable guidance on the HRM Practise that should be included in a high-performance work system(HPWPS).In other words HRM Practise combine as HPWS could be as ability-enhancing, motivation-enhancing and empowerment enhancing (Boxall P. F., 2003). This model originally it was consider by psychologists as a model which linked the high-performance with a training program and a greater motivation (Garcia-Marin A., 2016)



High performance work system is part of HR practise that facilitate employee involvement, skills enhancement and motivation. The HPWS is consider one of the best system to achieve an higher performance in an organization mostly in a manufacturing company. (Appelbaum, 2000)According to Becker and Huselid (Becker, 1998) the HPWS is an internally consistent and coherent HRM System that is focused on solving operational problems and implementing the firm's competitive strategy, so that the employees help the business succeed. The main features of this system are:

- -Job infrastructure-workplace arrangements that equip workers with the proper abilities to make their jobs, provide them the means to do their jobs, and give them the motivation to carry out their job.
- -information sharing and worker involvement-to understand the available alternatives and make correct decision.
- -Training programme to allow the employees to get right skills, knowledge and ability so that to improve the performance in their current roles.
- -Reward and promotion opportunity that provide motivation to encourage skilled employees to engage in effective discretionary decision making a variety of environmental contingencies. Promotion ad reward, may affect the employees' performance in such a way that to have a good harmony between workers.



The Hanoi hat company's line managers in according to high performance work system should implement:

- -Training programme to enhance the employees' skills, that imply to have a good production rate which in turn imply to have a great return of investment
- -rewards and promotion, to keep the employees motivate and increase the level of satisfaction, so that to have a happier workforce and a positive culture.

3 REWARD SYSTEM

The reward strategy provides a reward system so that the company can achieve three major objective: performance, competitiveness and fairness. (Armstrong M, 2020). The strategic reward is a means which the companies can enhance the performance and having an higher competitive advantage by creating a pay strategies, system, practices and process to the organization (Trevor, 2011).The reward policy provides the framework that indicates the main guidelines which the organization and its management have to respect.

The reward system is composed to 3 basic elements (Armstrong, 2007):

- **Financial rewards**(extrinsic element)- provides the monetary incentives based as a result of a performance such as salaries, commission, benefit in kind , ect. Furthermore, they includes financial recognition schemes, employee benefits and pension
- **Not financial rewards**(intrinsic element)- provides incentives which are not part of pay. thus, elements that contribute at employee's motivation such as benefits, discount, childcare ect.
- **-Total rewards** - is a set both monetary rewards and not monetary rewards.

FINANCIAL REWARDS

- pay determination
- base pay management
- contingent pay

NON FINANCIAL REWARDS

- Benefit
- vouchers
- gift cards
- free parking

TOTAL REWARD

- Basic salary
- Pension
- Loans
- Childcare vouchers
- Holidays
- Learning and development
- Values
- Quality of work
- Contribution

3.2 Total Reward

The reward system is a great tool to motivate the employees and increase their performance. It is considered a system that take into account cash, not cash ,and psychological payments that an organization provided to the workforce (Bratton J., 2003)

the total reward apart from to provide the necessary financial rewards, it also considered the importance of rewarding experiences to employees that arise the opportunity to develop skills and careers, as well as boost their motivation. According to Zingheim and Schuster the concept of total reward comprises four components: (Schuster JR, 2001)

- **-Compelling future-** the employees want be part of an organization that has a long-term vision and it can satisfy their career expectations:
- **-individual growth-** the employees want part of an organization that provide meaningful training to fill the role to which the organization needs:

- **-positive workplace-** the positive workplace gives to employees, motivation to develop their skills. The employees need to feel that their role is important to the organization and how their role relates to the organization's goals:
- **-total pay-** the total pay comprises basic pay, performance related pay, benefit and recognition or feedback. Thus, the employees want the right salary for the right role.

In other words, the total reward system enhances the organisational performance and encourage the employees' engagement which, in turn, improve and increase the psychological contract between employer and employees.

In this case of Hanoi hat, in account of the low performance provoked by the performance based pay which, in turn, has caused the lack of motivation, the line managers should involves the fixed pay with the individual bonuses and introduce the profit sharing that award employees with a percentage of the company's revenues. This would improve their performance so that to receive a compelling production rate, as well as a great harmony between them.

3.3 Fixed based pay

The fixed pay or base salary is the amount of money before any extras that an employer gives to employees in exchange for work performed.

According to Gittleman M, and Pierce B, the performance based pay is declined in favour more fixed pay based (Gittleman M., november 2013). The implementation with performance based pay with basic wage has a positive effect on productivity about 28% (Ignacio Franceschelli, 2010). Kathrin Manthei and Alwine Monhen, in their research have demonstrate that workers by receiving a high fixed Pay increased the performance by a lot. (Kathrin Manthei, 2013). The fixed pay is an important factor, In terms of performance because give to employees the right security to earn a basic salary necessary to have a minimum wage. On the other hand, the basic salary represents a key psychological factor that induced the workers to carry out their tasks with a behaviour inclined to a high motivation, by increasing the performance. Hence, the Hanoi hat's managers should consider the fixed pay.

3.4 Individual bonus

Individual bonus is a payment cash which is offered to employees relating to their performance. The bonus payment is being given when the employee reached a such threshold performance that determines the bonus. (Armstrong, 2007) This kind of scheme, could affect positively the employer's behaviour that in turn increase his motivation by improving in turn the business's production rate and help the company to reach its objective. (Agwu, 2013) on the other hand, the individual bonus is an important factor of job satisfaction which in turn has a positive impact upon the commitment of employees. Therefore, the company's line managers, ought to consider it to increase the job satisfaction as well as the motivation.

3.5 Profit sharing

The profit sharing is a kind of plan which gives to employees a share in their company's profit in account of its annual earning. The employee profit sharing has the object to increase the company's productivity by increasing employee earnings through profit sharing bonuses (Richard J. Long, 2012). The profit can be shared to employees through 2 options: cash based scheme and share based scheme.

The cash-based scheme is considered simple, as pay the employees through cash bonus to which is calculated as a proportion of annual profit by considering taxes. So, whether the workforce reach the goals of organizations, the gain is shared between employer and employees. (Torrington D., 2016).

The shared based schemes is make up by several methods that award the employees through shares rather than cash: share incentives plans, company share options plan, save as you earn and enterprise management plan. The target of this scheme is to give to employees an important financial stake in the future of business they work for, so that to get an higher result of performance. (Torrington D., 2016).

In this case of Hanoi hat company, the profit sharing may increase the productivity by increasing the worker motivation, improving work and remuneration flexibility, adapting employee and employer motivation and promote a greater teamwork (Doucouliagos H., 2018). As a result of Harvard business research, The profit sharing help the engagement of employees in higher levels of employee productivity and satisfaction and give its employees sense of ownership and loyalty (Bryson A., 2016)

Furthermore, the main reason of the profit share is that enhancing employee motivation and cooperation on the job (Kruse, 1996). The profit sharing give to employees incentive and reward by creating a work environment where the employees are motivated, by working diligently and effectively to reach the organizational goals (Strauss, 1990). However, this scheme presents some disadvantages. For instance, it doesn't take into account the difference between merit and performance and so, the employees get a share in profit even if they contribute result lower. In addition, the extrinsic motivation such as financial incentives may reduce the jobs satisfaction and so the employees give the priority at profitability over quality. (Doucouliagos H., 2018)

4 TRAINING PROGRAM

Training is a program that provide the instruction to carry on a task or activity (Armstrong M, 2020). Training has a complementary role to play accelerating learning. Conceptually, the training allows the employees to receive and improve the skills and facilitating the approach with the activity. The concept of training was developed in 1960 and consist of a simple four stage model:

- -identify training needs by creating a target training and development program within organization :
- -decide what sort of training is required to satisfy these needs:
- -use experienced trainers to implement training:

- -evaluate effectiveness of training in producing the outcomes specified, when the activity was planned. The Evaluation can indicate where improvements or changes are required in order to make the training even more effective.



The Hanoi hat's line managers should develop the right training program by considering the new models that the company must produce in account of the contract by the international sportswear. The training could affect, mostly the behaviour of employees that may drive to an improvement of performance and further constructive changes.

4.2 Workplace learning

Being a manufacturing company, The line managers may implement a workplace learning to increase the production rate. Workplace learning is largely experiential learning-by doing. This kind of learning(training) involved self-managed learning and is enhanced by coaching, mentoring, e-learning and planned experience. The workplace learning occurs where professionals enhance their competence by acquiring the entire processes of work through the direct vision of the skills of the competent person. The major part of learning depends from confidence, motivation and capabilities of employees.

In according to Stern and Sommerlad the workplace learning has 3 main features (Stern, 1999):

- The workplace as site for learning: it implies that the training occurs in place where the work is carried out alongside a coach, which has a huge level of skills and experience.
- The workplace as a learning environment: in this case, the environment work represents the place for learning the task.
- Learning and working are inextricably mixed: it occurs when the learning carry out during the work itself as by working with pressure and so, deal with a new challenge , develop skills and knowledge.

On the other hand, the HRM should implement a job instruction program through the coaching so that to enables the people to develop their skills, knowledge and performance.

- According to Whitmore the coaching helps the employees to acquire, the right skills and improve the performance (Whitmore, 2002). Moreover, the coaching helping the people to develop their skills and knowledge and improve their performance usually one-to one. Indeed, coaching should provide motivation, structure and effective feedback that contribute to the employers' success and their motivation which contribute to obtain a high-performance from them so that the company could increase the production rate. (Armstrong M, 2020)

-a job instruction programme- that are methods to teach through the coach so that the employees can both acquire and learn the skills in a quick way and performing the job, correctly and safety.

4.3 Evaluation of training

the training should be evaluated. The evaluation, consists to assess the benefit and the effectiveness of training that the employees has received. The evaluation, provides guidance on what needs to be done to ensure that learning activities are effective i.e. indicate where improvement or changes are required in order to make the training more effective (Armstrong M, 2020).The Kirkpatrick's model is a tool to evaluate the effectiveness of training trough 4-level model (Andy Smith., 2009):

- Reaction: this level evaluates the attention and the motivation of employees:
- Learning: the second level measure the degree of knowledge and skills that the employees have learned:
- Behaviour: it considered the degree of use of skills and knowledge that they received during the training:
- Result: it calculates the final impact of the training by including financial or morale impact.



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In this case of Hanoi hat company, the line managers should calculate the final result of training with the return of investment(ROI) tool, that assessing the overall impact of learning activities on organizational performance in an efficient way (Kearns, 1997)It is calculated :

$$ROI = \frac{\text{benefit from training} - \text{costs of training}}{\text{costs of training}} \times 100$$

This indicates the amount of money returned as a benefit to the amount of money spent on a program. in other word, the higher the percentage, the more the training is efficient and more efficient will be the performance of employees on the job.

CONCLUSION

The Hanoi hat company, through a strategy that provides both a new system reward and the right training program, should turn the dissatisfaction into satisfaction of employees, so that to get the growth of the performance to which would drive an increase of the production rate, which in turn would drive the company towards exponential growth that would make it more attractive on the labour market either. In addition, the employees are the core of the production, therefore, the HRM ,should keep the employees close together, by establishing a clear workforce, so that the company can remain competitive and meet shifting market demand.

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