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# **Human Resource Management in transitional economy in Vietnam.**

*Case company: VIETINBANK*

International Business

## **FORWARD**

People said that: "Success is not evaluated by the results, it is measured by your efforts during the entire process". The time and effort spent on researching Human Resources Management provided me the most valuable experiences to widened the knowledge on business in general and strengthened my interest in human resource management in particular. In addition, the people who assisted me were beneficial to the creation of this thesis.

I would like to send many thanks to Mr. Ossi Koskinen who inspired me to choose the thesis's topic and motivated me to continue and complete this final report. He did not only give me many precious and constructive feedback, his guidance and assistance were also invaluable to the progress of my work. I also thank to Ms. Camilla Harald for her valuable contribution in improving the final written version of this thesis. Moreover, this research cannot be complete without the great help from the two managers (Mr. Pham Huy Trung and Ms. Tran Thu Huyen) and fifteen employees of Vietinbank who provided the priceless information and ideas about HRM in Vietinbank. I would give the thank to Mr. Jaakko Kahra who helped me to translate the abstract into Finish. Finally, I wish to give my deepest thank to my family and friends for their encouragements and practical suggestions during the research process. All of you supported me to pass through my first challenge of pursuing my future career.

## ABSTRACT

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Concerning the "Doi moi" policy in 1986, Vietnam economy began to change from a centrally planned economy into a socialist-oriented market economy. However, starting of something new is always starting of new challenges. After more than 20 years, Vietnam economy is complicated and still looking for a better solution to be improved faster and be able to adapt to new changes in the world. It is easily seen that society is built up by humans. Economy can be changed by humans. Products or services can also be made by humans. Therefore, humans are the only ones who can make some changes. This points out that one of the main reasons and also solutions to improve the economy is changing the way to manage humans. This is where the research problem of this thesis arises.

Introducing the basic framework of HRM is one of the biggest objective of this thesis. Through this framework, the process of HRM is also described in details. Steps in the process should be followed in order, respectively staffing the organization, appraising and developing employees and relation of employees and labor. Both qualitative and quantitative research methods were employed to collect the most valuable data for this paper. Two in-depth interviews with two managers and one well-structured questionnaires to employees in the case bank were conducted. Both these methods brought very good and suitable results to support for analyzing this thesis. Besides, bank's annual reports, other articles and reports also provide significant findings for the research.

The analysis shows that HRM in the case bank as well as other companies in Vietnam have been improved a lot. However, they still need to face to some challenges and they should follow the solutions: renew the labor workforce, focusing on training skills, updating the technology, changing in employment policies to encourage the labor and utilize the talented ones. Firms should also create strategic plans in managing human resources that are equivalent to the business plans. Besides, recommendations for further researches have also been made.

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Key words Human resource management, staffing, appraising

## ABSTRACT

Tekija	Pham Thi Hoe
Saanto	Henkilöstöhallinto Vietnamin siirtymävaiheessa olevassa taloudessa
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Kieli	englanti
Sivut	99 + 5 liitettä
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Vietnamin talous alkoi muuttua vuonna 1986 ”Doi moi”-politiikan seurauksena keskusjohtoisesta suunnitelmataloudesta sosialistisesti suuntautuneeseen markkinatalouteen. Uuden aloittaminen luo kuitenkin aina uusia haasteita. Yli 20 vuotta myöhemmin, Vietnamin talous on monimutkainen ja se hakee edelleen parempaa ratkaisua, jotta se voi sopeutua paremmin maailman muutoksiin. Ihminen voi muuttaa taloutta ja he luovat myös tuotteet ja palvelut. Siten ihmiset ovat ainoita jotka voivat saada muutoksia aikaiseksi. Tämä osoittaa, että yksi merkittävimmistä syistä sekä ratkaisuista on kehittää tapaa johtaa ihmisiä. Tämä onkin aihe, johon tämän opinnäytetyön tutkimusongelma keskittyy.

HRM:n peruselementtien esittely on yksi tämän opinnäytetyön suurimmista tavoitteista. Tämän kehyksen kautta henkilöstöjohtamista kuvaillaan syvällisemmin. Vaiheet prosessissa tullaan käymään järjestyksessä organisaation rekrytoinnista työntekijöiden arviointiin ja -kehittämiseen sekä työntekijöiden ja työvoiman väliseen suhteeseen. Molempia, kvantitatiivisia ja kvalitatiivisia tutkimusmenetelmiä käytettiin tämän työn kannalta tärkeimpien tietojen keräämiseen. Kaksi syväluotaavaa haastattelua tehtiin kahden johtajan kanssa ja case-pankin työntekijöille laadittiin tarkasti suunniteltu kysymyssarja. Molemmat menetelmät tuottivat kiitettävät tulokset opinnäytetyön analysointiin. Muutoin pankin vuosiraporteista, muista artikkeleista ja raporteista saatiin merkittäviä löytöjä tutkimusta varten.

Analyysi osoittaa, että case-pankin ja muidenkin vietnamilaisten yritysten henkilöstöjohtaminen on kehittynyt huomattavasti. Siitä huolimatta heillä on vielä haasteita edessään ja heidän tulisi noudattaa seuraavia ratkaisukeinoja: työvoiman uusiminen, kouluttamistaitoihin keskittyminen, teknologian päivittäminen, työntekijäpolitiikan muuttaminen työvoiman rohkaisemiseksi ja lahjakkuuksien hyödyntäminen. Yritysten pitäisi myös laatia strategiset, liiketoimintasuunnitelman mukaiset suunnitelmat henkilöstön johtamiseen. Suositukset jatkotutkimusta varten on myös tehty.

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Avainsanat	HRM, henkilöstöjohtaminen, rekrytointi, henkilöstön arviointi
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# **1. INTRODUCTION**

In this chapter, the background of this study and the reasons of choosing this research topic will be clearly introduced. Some literature reviews will be introduced briefly and research problems are also raised as well as the objectives of the study. The main research questions will immediately follow with an overview of the research methodology. After that, the structure of this thesis will conclude this chapter.

## **1.1 Background and the aim of the thesis**

Vietnam has been a developing country after the "Doi Moi" or open policy was introduced and applied in 1986. It marked the beginning of its transition from a centrally planned economy to a socialist-oriented market economy. This open policy aimed at reviving the private sector and restructuring the state-owned enterprises (SOEs). Thus, this is the first time for these businesses to be able to make their own business decisions to compete in the market place and SOEs could directly sell their products to other trading companies or even to final consumers. As the result, state sector became more effective and efficient than it was. However, there were too many SOEs and it made the unbalance in the Vietnam economy with approximately 75% of the country's assets, employing 30% of the labor force and utilizing 85% of available bank credit. They generate only 42% of the country's GDP as compared to 50-56% in China (Hung, 1995). Consequently, the government restructured the economy once again by "Equitisation Programme" which started in 1992. Equitisation is defined as the transformation of SOEs into joint-stock companies and selling part of the shares in the company to private investors in order to improve the performance of the firms in question. As the result of the equitisation program, Nguyen Trong Dung, director of Government Office's enterprise renewal department, said that, after 10 years of equitisation, the number of SOEs had been reduced from 5,655 to 1,309 (Vietnamnet, 2012). As the result, Vietnam's transition from a centrally planned economy to a market economy and from an extremely poor country after wars to a lower-middle-income country in less than 20 years. From 1990 to 2010, Vietnam's economy has grown at an annual average rate of 7.3 percent, and the

per capita income has increased almost five more times (The world bank 2012). Nevertheless, in order to keep up with other developed countries, Vietnam is carrying out with the following transition to become an industrialized and modern country by 2020 (Vietnews, 2011).

However, after a long procedure of changing and finding the most effective form for Vietnam economy with many levels, nobody actually mentions the reasons of failure - not being succeed yet. In my opinion, the way to manage those companies in general and manage human resource inside those companies in particular play a very important role in their success.

These are the reasons why this thesis chooses to focus on human resource management and focuses on the innovation in human resource management in order to quickly adapt the changes to a transitional economy like Vietnam.

## **1.2 Research problem, objectives and methods**

The research problem of this thesis is: "**How to overcome the difficulties of HRM in companies to adapt the transitional economy like Vietnam?**"

The purposes of this paper is firstly introduce the framework of human resource management in general; secondly, this research also introduces the old style of human resource management (HRM) before the open policy of economy was applied and its effects. Following, this thesis will introduce the current situation of human resource management in Vietnam in general and joint-stock companies in particular and explain its effects to the success or failure. Then, this thesis is able to analyze and suggest the solution in HRM to quickly adapt the changes in economy. By pointing out the problems and suggesting the innovation in HRM, hopefully those innovations can be effectively applied to the case company - Vietinbank (Vietnam joint stock commercial bank for industry and trade).

### **Research questions:**

1. What are the difficulties that HRM for banks and companies in Vietnam have to face?
2. What are the reasons behind those obstacles?
3. What are the suggestions for better HRM?
4. Which are the ways to adapt to those innovations?

### **Research methodology**

Methodology is the approach that researchers use for investigating matters. Many specific components are usually used such as methods, techniques and tools. Research methodology is a philosophical framework for any research (White 2003, 20).

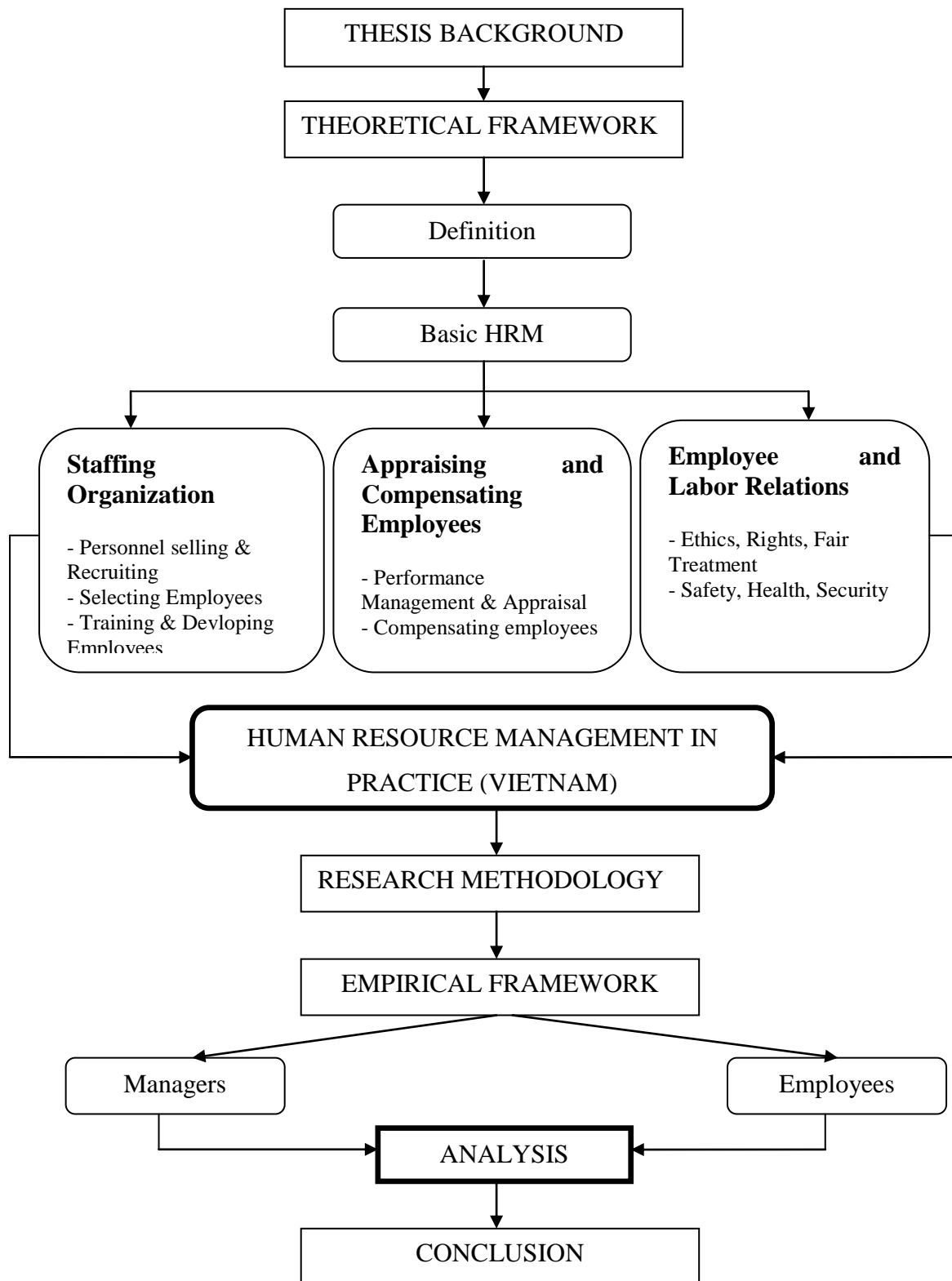
Both primary data and secondary data are employed to reach the aim of this thesis. Secondary data are collected from literature sources such as books, journals, electronic sites, other previous research papers, etc. Primary data are gathered by using both qualitative and quantitative methods.

*Qualitative method:* a face-to-face interview will be made to managers in Human Resource Department to have the information and date on the manager's point of view. However, it is not easy to get information from even middle or senior managers because they will have no time for the interview and officially, they do not have any possibility to provide trustworthy data to students. Therefore, in order to attract their attention, a clear and good background as well as the aim for the research of the interviewer is necessary. There is one advantage in getting data is I have father working in Vietinbank and he can help to arrange an interview with managers.

*Quantitative method:* is used mainly to get the primary data by giving a well-structured questionnaires to employees who are working in Vietinbank.

All the questions in the questionnaires and the interviews as well as their answers are in Vietnamese and will be translated into English.

### 1.3 Thesis Structure



**Figure 1.** Structure of the Study.

## **2. THEORETICAL FRAMEWORK**

This theoretical part will introduce and explain main definitions of key words related to managing human resources and the basic framework of Human Resource Management will also be discussed in detail.

### **2.1 Literature review**

Gary Dessler (2009, 2) defined that human resource management refers to the practices and policies that managers need to carry out the personnel aspects of the management job which includes acquiring, training, appraising, rewarding. Besides, managers need to provide a working environment with safety, ethic and fairness for the company's employees. It is easily seen that HRM plays a very important role to all managers who want to prevent all the possible losses relevant to personnel such as: hiring wrong person to wrong position, employees do not perform at peak capacity, unfair labor practices, discrimination in the workplace, etc. that lead to bad effects to the turnover of company, smaller markets, reputation of company, loyal customers, etc. Dessler also created a basic framework for HRM which contains all necessary steps and responsibilities in a complete procedure of managing human resources in a company such as: recruitment and selection, training , development and compensation and managing all the employee relations (Dessler 2009, contents). He also argued about the changing environment and duties of HR management. He suggested some important trends that motivate companies and their human resource managers to dramatically concentrate on competitiveness and performance recently. Those trends are globalization, technological advances, the nature of work, service job, outsourcing, human capital, demographic and workforce trends (retires) (Dessler 2009, 7-9). For example, globalization can be understood as the tendency of the firms or companies to extend their sales, ownership, employees to new markets abroad. It makes employees more productive and make them perform more effectively at work with less expenses and pressures for employers to manage their team to become the best employees for companies.

Jim Griesemer (2009, 38-39) has another way to analyze the HR development by focusing on six strategies that are identified as precursors to our understanding of the management of change in the 21<sup>st</sup> century: organizational design, innovation and enterprises, empowerment, strategic downsizing, total quality management (TQM) and business process reengineering (BPR), teamwork. First of all, organizational design refers to the attempt to take down bureaucracy and redesign organizations as more flexible structures which are led by core value and excellent leadership. Permanent innovation in enterprises in organizations will strip off the bureaucratic rules and regulations and employees would be able to satisfy the needs of increasingly sophisticated customers. Empowerment is seeking the solution of alienated problems at work. The fourth strategy is about downsizing that means changing the organization's structure in order to enhance the competitive advantage by moving production-based organizations from high volume goods with low profits margin to niche markets providing high profit margins. The next typical strategy is Total Quality Management (TQM) and Business Process Reengineering (BPR). They both have the same objectives is looking for the high quality of management and expertise in organizations. Teamwork is the last strategy and also one of the fundamental approaches of contemporary management. It offers many vital advantages for organizational development. Besides, teamwork is also one way to support the downsizing in organization.

Hofstede (1980) argued about another aspect of HRM. He indicated that cultural influences on management procedures are more important in motivation, leadership, decision-making and organizational design than in the more measurable areas (training, planning, staffing, etc.) There were first four cultural dimensions which were identified by Hofstede and Bond (1988): power distance, individualism-collectivism, masculinity-femininity and uncertainty avoidance. The authors also found that some Asian countries scored high on power distance, collectivism, and neutral in masculinity-femininity. Consequently, based on this result, managers are able to understand more about their employees and find the suitable ways to manage them effectively.

## **2.2 Definitions**

### **a. Organization**

This thesis is discussing the management of human resources in an organization in general, thus the first question it raises is "*What is an organization?*" or "*How can we define an organization?*". Before coming to the formal definition, some examples of organization are given such as: restaurants, companies, banks, hospitals, etc. Therefore, organization can be understood as "a social unit of people, systematically structured and managed to meet a need or to pursue collective goals on a continuing basis"(Business Dictionary 2010). Besides, all organizations have a management structure that decides the relationship between functions and positions of each member in that organization. Moreover, organizations are open systems that have possibilities to affect or be affected by the environments beyond their boundaries.

### **b. Manager and Managing**

A manager is a person who is responsible for accomplishing the organizations' goals as well as managing the efforts of his employees in that organization. A manager usually has staff of people who will report and help him with his tasks.

According to Gary Dessler (2009), managing includes five basic functions which contribute to a complete managing process:

*Planning:* Goals and standards are set as well as developing rules and procedures with clear plans and good forecasts.

*Organizing:* each subordinate is given specific tasks and authorities. Managers also need to establish departments, channel of authorities and communication, etc.

*Staffing:* determining what types of people will be hired, selecting employees, setting performance standards, evaluating the performance of employees, training and helping the employees improved.

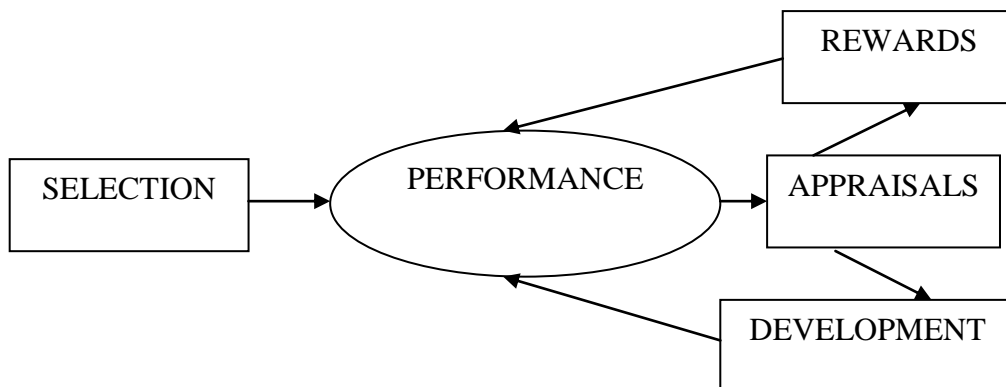
*Leading:* Getting others to get the jobs done, motivating subordinates



*Controlling*: setting all kinds of standards such as: sales quotas, quality standards, production levels and then, evaluating how actual performances compare with those standards and taking corrective action if needed.

### c. Human Resource Management

Chris Hendry (2011, 1) stated that "HRM has different connotations for different people and does not constitute an unified theory". However, based on the definitions about managing above, human resource management is the staffing task in the managing process. Officially, human resource management is "the process of acquiring training, appraising, compensating employees, and of attending to their labor relations, health and safety, and fairness concerns." (Dessler 2009, 28)



**Figure 2.** The human resource management cycle (Storey 1989, 7).

This picture also points out the relationship between all the steps in the HRM circle. Employees who pass the selection will go directly to the working performance. After that, managers appraise the performance and decide the rewards and development that are equivalent to those performances.

### Importance of Human Resource Management to all managers

As mentioned above, managers are those people who are in charge of managing their subordinates, selecting them, training them, helping them improve, leading and controlling them with one crucial purpose which is rising their companies'

sales, profits, fame and prestige to the customers and being able to compete to their competitors. Therefore, managing human resource always plays an vital part and affects in both direct and indirect ways the development of organizations or companies.

Human resource management will provide the concepts and techniques that a manager needs as the performance of the personnel aspects of management:

- Conducting job analysis
- Planning labor needs and recruiting job candidates
- Selecting job candidates
- Orienting and training new employees
- Managing wages and salaries
- Providing incentives and benefits
- Appraising performance
- Communicating (interviewing, counseling, disciplining)
- Training employees and developing managers
- Building employees commitment. (Dessler 2009, 28)

Consequently, learning these concepts and techniques will help a manager get success in managing human resource. A successful manager will be able to avoid these basic personnel mistakes such as: hiring wrong people who cannot perform at peak capacity or are not suitable for their job requirements; lack of training for employees; experience high turnover means that employees are not satisfied with work or compensation and it also indicates unsafe or unhealthy working conditions; leading company to having problems with the court due to discriminatory actions or unfair labor treatments; etc.

#### **d. Line and Staff aspects of HRM**

In one organization, there is not only one human resource manager, but also many other managers who are in different departments and responsible for different tasks. However, all managers can be considered as human resource manager in some ways because they all involved in same activities such as recruiting, interviewing, then selecting and training employees. Managers are divided into

line and staff managers and each of them will have different authority and specific tasks, however both line and staff managers will both support to each other and help to managing human resource effectively.

**Authority:** Authority refers to the right to formulate and make decisions, to point the works of others and to give orders and expect the orders to be obeyed. There are mainly two different forms of authority:

*Line authority:* Line authority empowers a manager to direct the works of employees. It creates a employer-employee relationship that extends from top to bottom.

*Staff authority:* Staff authority is established mostly in large and complex organizations because in these organizations, line managers do not have enough time, expertise and good resources to accomplish their tasks effectively, therefore staff authority gives the managers the right to advise other managers or employees.

**Line manager:** Line manager is always called as boss who are authorized to direct subordinates to reach the organization's basic goals. Line manager's responsibilities:

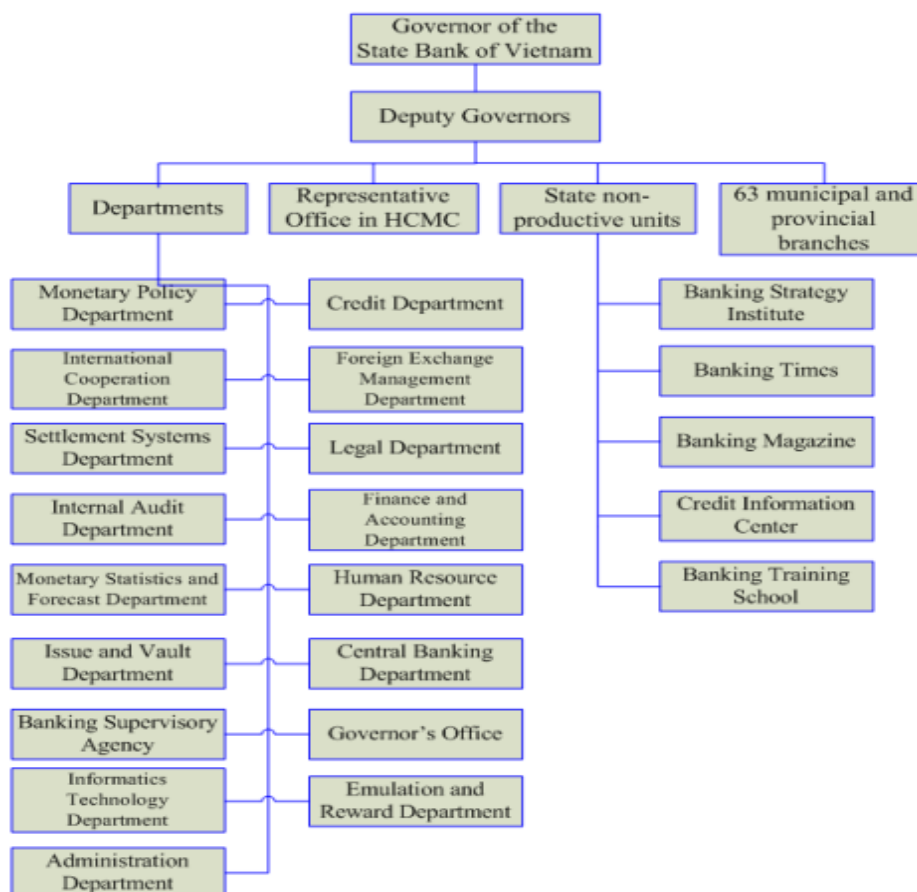
- |   |                                      |
|---|--------------------------------------|
| 1. Placement procedures                             | 6. Interpreting policies and         |
| 2. Orientation                                      | 7. Controlling labor costs           |
| 3. Training abilities                               | 8. Developing employee               |
| 4. Improving job performance departmental           | 9. Creating and maintaining morale   |
| 5. Gaining creative corporation health and physical | 10. Protecting employees' condition. |

## Staff Manager

Staff managers have staff authority. They are authorized to assist and advise line managers. Thus, the human resource manager is the staff manager. They normally work in a partnership to be successful. For example, human resource responsibilities of staff managers include assistances in recruiting, hiring, compensating, etc.

(VU University 2005)

### e. Organizational chart sample



**Figure 3.** Organization chart of the State Bank in Vietnam (State Bank Vietnam 2012).

The State bank of Vietnam is the first and biggest bank in Vietnam. It has the strongest authority and can partly control other banks. This organizational chart of State Bank shows how the bank is organized to be able to manage human resource

logically. The head leader of State Bank is called the Governor and Deputy Governor who directly helps the Governor's works. All departments are divided separately according to each task, but still cooperate with each other for the general benefits.

This subchapter gives some basic but vital definitions that are needed in order to understand this research. The following chapter will describe about basic human resource management framework in detail.

## **2.3 Basic HRM Framework**

The basic Human Resource Management framework will be illustrated in this chapter. This will provide a clear overview of what human resource management includes, steps of staffing organization and which issues that human resource managers have to deal with.

### **2.3.1 Staffing the organization**

Staffing means planning the company's personnel needs and then recruiting candidates and selecting the best for its positions.

#### **2.3.1.1 Personnel Planning and Recruiting**

Before deciding which jobs should be filled and how to recruit applicants for those jobs, managers have to know all the duties and skills that are required. In order to do that, managers need to analyze the jobs and make a clear job analysis which provides that information.

**Job Analysis:** Job analysis is the procedure to determine the job duties, required skills of the job and the characteristics of candidates who will be the most suitable for that job. Additionally, managers need to create a *job description* (what the job implies) and *job specification* (list of job's human requirements) based on the job analysis.

## **Methods of collecting job analysis information**

*1. Interview:* Interview method to get information for the job analysis is one of the most widely used method because it is simple and straightforward. The managers can interview by asking some supervisors a few basic questions about the job, for instance "What are the main duties of this position?" or "What exactly activities that you always take part in?" or simply "What do you have to do every day?", etc. This method makes the interviewees able to report their activities and behavior in detail again. Sometimes, the skilled workers can list the important activities that occur occasionally and might not be the surface of the job. However, interviewing still has its disadvantage is the distortion of information. The reason is that some employees consider it as a chance to change their pay rates and therefore, modifying some responsibilities and minimize the others. (Dessler 2009)

### *2. Questionnaires:*

Many organizations also use questionnaires to ask their employees to describe their jobs. There are two types of questionnaires: well-structured checklist and open-ended questionnaire. Both of these two types require each employee to indicate how they perform each task and how much time does it take for each of them to finish a specific task.

### *3. Observation:*

This method is used most effectively for mainly observable physical activity. Therefore, it is not suitable to get information about jobs which are immeasurable mental activity. Observation is used mostly in case of employees are in charge of important activities that just might occur occasionally.

### *4. Using Internet*

Collecting job analysis questions via company internet is a good choice when face-to-face interview and observation may take too much time for them.

### 5. *Participant diary/log*

Participants who are employees, are asked to keep a diary or list of what they do during the day. By this method, the managers can collect complete picture of the jobs they need. However, it also has the distortion problem as the interview method.

### **Job Description**

A job description should be able to answers these questions:

- What the job's candidate will do?
- How will the candidates do it?
- Under What conditions the job will be performed?

In conclusion, a good job description should include:

- Job identification: job title
- Job summary: describes the general nature, main functions of the job
- Relationship: with others inside or outside organization if it exists
- Responsibilities and duties
- Authority: define the limitations of the jobholder
- Working conditions and physical environment.

### **Job Specification**

Job specification is the answer to the question "What human traits and experience are required in order to do this job well?". Job specification follows immediately after job description, thus the job description can be a good hint for writing the job specification. Based on the information and requirements of the job, managers can decide which characteristics are the best for this position of the job, then write them down in the job specification.

### **Recruitment process**

**1. *Workforce planning*:** is the process of formulating plans to fill the employer's future openings based on projecting open position and deciding whether to fill these with inside or outside candidates (Dessler 2009). This means workforce planning should follow the firm/organization 's strategic planning process.

**2. Workforce forecasting:** Forecasting is also one important step in the recruiting process. It allows the manager to make an approximate decision of how much workforce they will need in near future. Therefore, in order to plan for the employment requirements, managers should forecast three things:

Personnel needs, the supply of outside candidates and the supply of inside candidates.

*Forecast Personnel Needs:* based on sales projections and the past relationship between sales and personnel. Additionally, managers should be able to forecast the expected demands of products or services, then forecast the revenue and finally estimate the size of the staff needed to reach that expected volume. Simple tools used to forecast personnel needs:

- Trend analysis: studying the organization's employment level over the past 5 years to estimate the employment level in the next few years.
- Ratio analysis: is the forecasting based on the ratio between some cause factors (sales volume) and the number of employees required (sales people).
- Scatter plot: shows graphically how two variables are related. Therefore, manager need to forecast one variable and also be able to forecast the other variable.

*Forecasting the Supply of Outside Candidates:* Managers need to think of projecting supplies of outside candidates if the amount of qualified inside candidates is not enough. In order to estimate the needed workforce in the future as precisely as possible, managers are required to forecast firstly the general economic condition (the higher rate of unemployment, the lower the labor supply and it leads to the easier for firm to find the resource). Secondly, the local labor market conditions also affects the forecasting with the same reason as the first step above. Finally, forecasting the availability of potential job candidates in specific occupations for which those managers will be recruiting.

*Forecasting the supply of inside candidates:* As well as estimating the out-side candidate amount, forecasting the supply of inside candidates also requires to analyzing some factors such as: demographic, turnover and other date of the



company. Managers should establish *qualification inventories* which are the records listing employees' education, career, development interests, languages and other skills computerized or manually recorded. This qualification inventories are used to identify potential inside candidates. Furthermore, managers also can evaluate the current performance and promotability of inside candidates for the firm's most important positions via the *personnel replacement chart*.

### ***3. Methods for recruiting job candidates***

After preparing a good job analysis, the next step is attracting candidates, developing the applicant pool from both internal and external resources. The more candidates you have, the more selective you can be in hiring new employees. Consequently, recruiting job applicants also provides many methods to achieve the aim:

*a. Internal source of candidates:* It is easy to think of traditional ways for recruiting inside candidates such as filling open jobs with current employees, classified ads, etc. However, in order to be more effective in recruiting, job posting should be used because of its advantages. Job posting means posting the open job and related information on company's bulletin boards or on the web. This helps the inside candidates always have the priority for the new positions.

*b. Recruiting via Internet:* This method is aimed to the outside sources when internal candidates might not be sufficient. Basically, their own Website is the most suitable place to post useful and updated information about jobs for the job seekers. Nevertheless, the main website should always be friendly, simple to use, easy to access and keep contact (job seekers can register and apply online via email or fax). In addition, other post positions can be on Job Boards such as those websites that created for job seeking only.

*c. Advertising as a source of candidates:* Depending on which types of job position do the managers want to recruit employees, the help wanted ads will be used in different types of sources such as: local newspaper for local and lower-

level administrative employees, professional journals or trade newspaper for professional and specialized employees, etc.

*d. Employment Agencies:* There are three basic types of agencies that the managers should notice:

- Agencies operated by government
- Associated with non-profit organizations
- Privately owned agencies

*e. Executive Recruiter(headhunters):* are special employment agencies for those companies which are seeking for top executives positions. This is very useful source, however, the employers have to pay high fee.

*f. College Recruiting and Interns:* this method has been becoming popular and very useful recently. There are many promotable candidates get hired via college recruiting. This plays an important source of managing trainees, professional and technical employees.

Internships is a win-win situation for both students and employers while students can gain experiences, business skills, get acquainted to business environment as well as employers can make use of their contribution and they have equal working ability as full-time employees.

#### ***4. Developing and using application forms***

Application form is the form that provides basic information on education, working experiences and skills. Using application form helps the employers draw a complete conclusion about different fields of candidates easily. Moreover, it also provides the references that employers can use to check the validity of candidates' information in the forms. Application forms must be equal and follow employment laws.

After receiving the applications, selection and screening steps will be continued. However, employers can also keep in touch with those candidates who are not suitable now but might be hired in the future. This is called *candidate relationship management* system.

### **2.3.1.2 Selecting employees**

After attracting a pool of applicants to apply for the jobs, selecting the most suitable employees is the next basic steps. This part will introduce the various screening tools to test those applicants and lead to the right final decisions. Those tools including: tests, interviews, background and references check.

#### **1. Basic of Testing and Selecting employees**

First of all, testing and selecting employees play a very important part in choosing the right people, therefore, managers or employees must be very careful and the tests should always be reliable and valid.

*Reliability:* Different researchers give different definitions of reliability. According to Dessler "Reliability is the consistency of scores obtained by the same person when retested with the identical or equivalent test" or simply, "reliability refers to the stability of the measure" (Ghuri & Gronhaug 2012). For example, if one applicant did an intelligence test on Monday and got 60 points for that and that applicant did the same test again on Tuesday and got 100 points. This means the tests are not reliable or does not have reliability.

*Validity:* is concerned with whether the findings are really about what they are supposed to be about (Saunders et al. 2012). Besides, Robert (1987, 199-213) stated differently is that "validity refers to the confidence one has in the meaning attached to the score". Dessler demonstrated the test's validity in two ways: *criterion validity* means confirming that those who do the test well also do the job well and reverse; while employers can prove the *content validity* of the test by showing the test constitutes a fair sample of the content of the job.

*Steps to validate a test* (Dessler 2009, 150)

- a. Analyze the job: job description and specification
- b. Choose the test: based on the job analysis, experiences, previous research, etc and make the test that can measure the attributes for the job.
- c. Administer tests: before candidates are hired

- d. Relate Scores and Criteria: determine whether there is any relationship between scores(predictors) and performance(criterion)
- e. Cross-validate and Revalidate: perform the test again and again to validate.

## **2. Test at work**

Employers always want to use tests to measure a wide range of candidates' abilities. However, depending on requirements of each position, employers will give a suitable tests to evaluate their candidates' attributes. Following are some examples:

*Test of Cognitive Abilities:* This test will be used to those candidates who are applying for job's paperwork or bookkeeper for instance. Employers can assess candidates' cognitive or mental abilities and their intelligence.

*Test of Motor and Physical abilities:* these tests are mainly used to assess abilities of those candidates applying for physical work such as police or machine operators.

*Measuring Personality Test:* Barbara Townley (1990) claimed that behavioral and attitudinal characteristics can be identified by personality test. Lewis (1985, 157) said "this method provides recruitment and selection with an overlay of scientific respectability. It isolates the psychological dimensions of a candidate and attempts to accurately measure them". Therefore, even though mental and physical tests are important to check candidates' abilities, personality test is able to assess candidates' performance , motivation or interpersonal skills.

Besides, there are many more effective tests such as: achievement test, computerized and online testing, etc.

*Biodata or Personal history inventory:* is considered as an extended application form or questionnaires. Biodata seeks for the information on the kind of experiences that some current employees of the company already existing, then it builds up a profile of candidates to be measured against those successful employees in company. However, Robertson and Makin (1986) found out that there is only 6 percent of organizations used this method in selecting process.

### **3. Interviewing candidates**

The interview is the important step for both employers and candidates in the hiring process. It offers both parties the opportunities to meet and talk to one another as well as exchange information and come to final decision whether candidates will be hired or not.

There are *structured* (lists of prepared questions) and *non-structured* (questions come to mind) interviews that interviewers can both use. Most interviews are *one-on-one* interview means only one interviewer and one interviewee meet alone. Moreover, there is *sequential interview* with several interviewers and only one interviewee. Besides, some interview can be done by *video or phone*.

Questions used in the interview can be divided into three main types: *situational questions* (interviewees are asked to solve a given situation), *behavioral questions* (interviewers will ask candidates about how did they behave to a certain situation in the past) and *knowledge and background questions* (are questions to validate job-related knowledge and experience of the candidates).

#### **Steps in conducting an effective interview**

- a. Structure the interview: assure the consistency
- b. Plan for the interview: prepare the suitable place and environment
- c. Establish rapport: build a friendly atmosphere to achieve the best rapport.
- d. Ask questions: raise question or follow the prepared questions
- e. Take brief notes during the interview
- f. Close the interview: leave time to answer the questions from candidates
- g. Review the interview

#### **4. Other selection techniques**

- Background investigation and reference check
- Honesty Testing
- Medical exams and Drug screening

## 5. Evaluating the Selection Process

It is important for employers spending time to evaluate how effective their recruitment and screen processes are. Following table is the summary of the validity, cost, potential adverse impact of some popular selection methods.

**Table 1.** Evaluation of Assessment Methods on Four Key Criteria (Dessler 2009).

Assessment Method	Validity	Adverse Impact	Costs(Develop/Administer)	Applicant Reactions
Cognitive ability test	High	High (against minorities)	Low/low	Somewhat favorable
Job knowledge test	High	High (against minorities)	Low/low	More favorable
Personality test	Low to Moderate	Low	Low/low	Less favorable
Biographical data inventories	Moderate	Low to high for different types	High/Low	Less favorable
Integrity test	Moderate to High	Low	Low/low	Less favorable
Structured interviews	High	Low	High/High	More favorable
Physical fitness tests	Moderate to High	High (against females & older workers)	High/High	More favorable
Situational judgment tests	Moderate	Moderate(against minorities)	High/Low	More favorable
Work samples	High	Low	High/High	More favorable
Assessment centers	Moderate to High	Low to Moderate, depending on exercises	High/High	More favorable
Physical ability tests	Moderate to High	High (against females & older workers)	High/High	More favorable

Table 1 shows that almost all methods have medium to high validity, except the personal test and this method is also less favorable to the applicants. This is understandable because it is a sensitive and personal issue. Employers can choose other better methods among those.

### **2.3.1.3 Training and Developing Employees**

After hiring new employees to work in different positions in a company, the new employees will be oriented and trained to have sufficient information and knowledge about company and their own works.

#### **1. Orienting Employees**

*Employees Orientation* is defined as a procedure for providing new employees with basic background information about the firm (e.g. company rules) to perform their jobs effectively (Dessler 2009).

*Purposes* of an orientation for new employees should contain four main points. Firstly, new employees feel welcome to a new working place. Secondly, their basic knowledge about company (past, present, culture, vision of company) and also key facts about company's rules, policies and procedures will be enhanced. After that, employees should be clear about what the firm expects them to behave and perform. Finally, employees will transfer what they get from their orientation to actions.

However, according to a research about the orienting for new employees of Jeff Brechlin and Allison Rossett, there are a few *challenges* to this orientation:

- No information: Obviously, new employees have a lot of questions about the new company, new jobs, and their benefits or obligations when they are now becoming members of this company. Hence, it is very important to provide necessary basic information in the beginning of the orientation.
- Too much information: Some companies understand the importance of providing good information to new employees in their first orientation, however, they utilize

the orientation to be the place for the company's advertising. It makes the employees cannot classify the information and choose the needed one.

- Conflicting information: If the information is not clear enough to the newcomers, it will make them disoriented and confused.

## **2. Training's purpose and process**

After the first orientation, new employees officially start their jobs in the new place. However, their previous background might not be enough to support for their new tasks. Training is applied to teach them the basic skills and knowledge that they actually need to perform their jobs.

### **Training today**

The technological situation today: "we are living in an era of increasing use of diverse technology in all aspects of life and we investigated the pace and impacts of technology development, projected to 2015, and concluded that the world is undergoing a global technology revolution that is integrating developments in biotechnology, nanotechnology, materials technology, and information technology at an accelerating pace." (Richard Silbergitt, Philip S. Antón, David R. Howell, Anny Wong, 2006)

Consequently, technology revolution does have a big impact on characterizing training today. The changes in technology leads to changes in the whole control system in any organization. Therefore, there are several authors who have defined training and its roles to follow the changes of technology in the operating system. Schonberger (1986) describes training as the catalyst for such changes and goes on describing what it should and can achieve; while Senker (1985) stated that in order to make the workforce can be trained to operate and maintain the new system, managers have to adopt a "strategic approach" to planning for changes of this types. As the result, Nicholas Kinnie (1989, 147) identified four potential areas for training contributions. Firstly, technical training is demanded to afford users to operate new control systems. Secondly, learning about how to use the new control system is not sufficient, there is a need of training in ability to



interpret and analyze the information produced by the system. Thirdly, managers, supervisors and even new employees will need training to enable them to cope with their changed relationship with their superiors and subordinates. Finally, training is needed if roles are changed.

### **Training and development process**

Training needs task analysis means the study of job to figure out the required skills and techniques is created in order to institute an appropriate training program. Training needs performance analysis means to verify the performance deficiency and how to solve that.

### **Evaluating the training and development method**

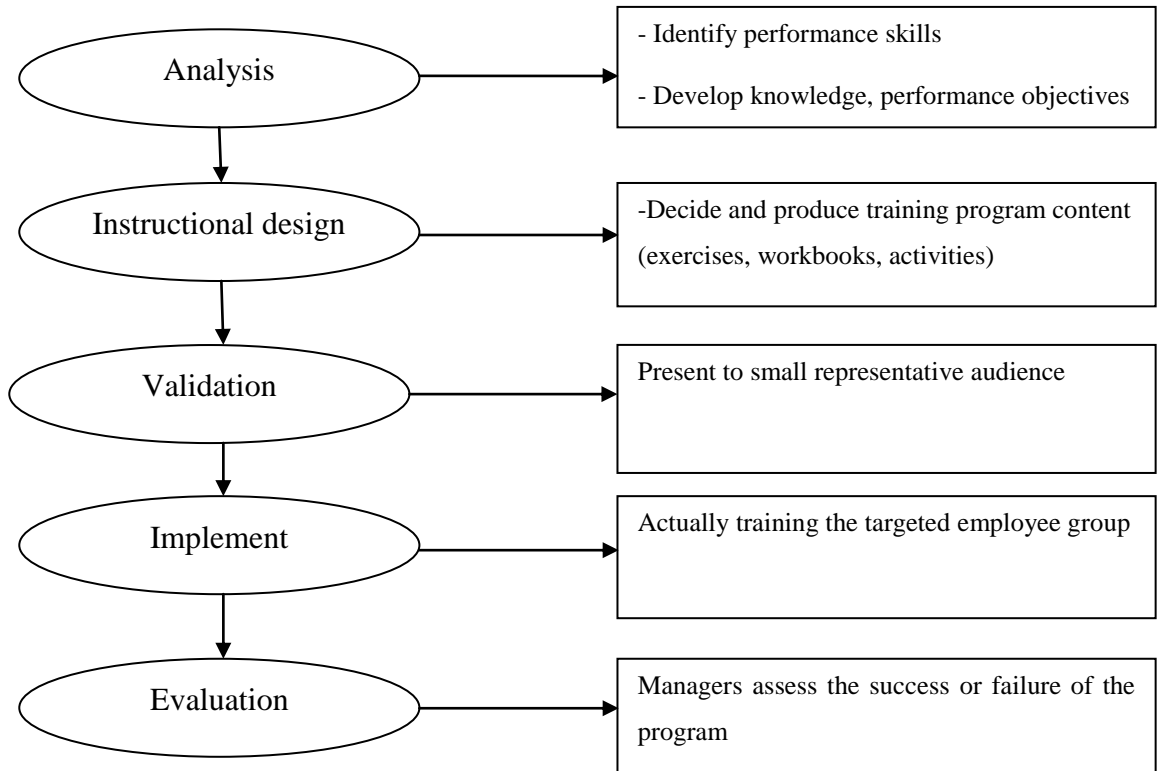
According to Dessler (2009), there are two basic points to use when evaluating a training program: use controlled experimentation and what training effect to measure.

*Controlled experimentation:* is a formal method used to test the quality of training program, preferably with before-and-after tests and control group (not training group). This is a basic and simple method because it can measure improvement of the trained group by comparing the difference between their knowledge and performance before and after training.

*Training effect to measure:* four basic categories of the result of training can be measured:

- Reaction: reaction of trainees to the program
- Learning: test whether employees learned what they were supposed to learn
- Behavior: ask whether the employees' behavior to their jobs changed after the training
- Results: did the trainees get the final results of the training in order to achieve the objectives that were previously set.

Figure 4 is the illustration in details of five steps in training process. All those steps need to be in order because each of them has specific roles. A good manager is the one who can employ this process efficiently to figure out the best abilities and potential ability of his employees, then provide the best solutions to develop them.



**Figure 4.** The training and development process (Dessler 2009).

### 2.3.2 Appraising and Compensating Employees

Appraising and compensating are also important steps after hiring new employees. Therefore, everything related to appraisal as well as performance management and its program. After that, the compensating system of employees will also be discussed.

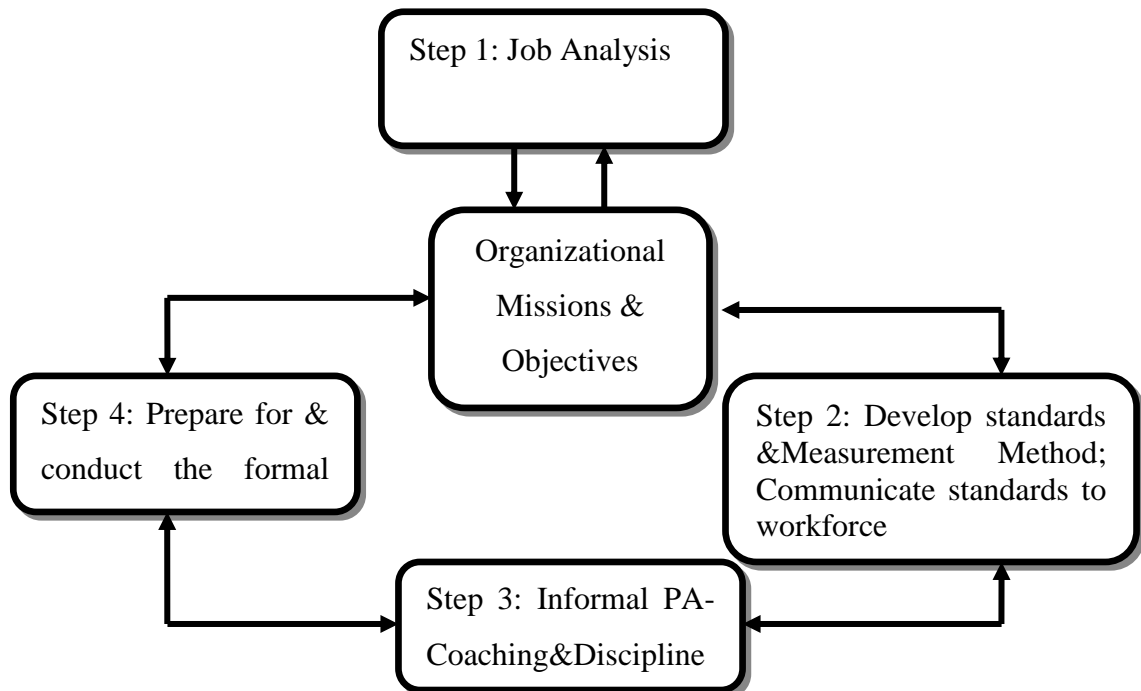
### 2.3.2.1 Performance Management and Appraisal

Managing human resource does not only include selecting and recruiting employees, but also training and evaluating employees' performance, thus finding out the solutions to keep and develop the quality of those performance at work.

*Performance Management:* is the process of identifying, measuring, managing, developing the performance of the human resources in an organization and aligning their performance with the organization's goals (Mondy 2010, 285; Dessler 2009, 212)

**1. Performance appraisal:** According to Mondy (2010), performance appraisal is defined as the ongoing process of evaluating employee performance. Dessler (2009) determined in a more detailed way that performance appraisal means evaluating an employee's current and/or past performance relative to his/her performance standards. Hence, performance appraisals are review of employee performance overtime, means that performance appraisal is just one part of performance management. (See Figure 5)

#### Performance Appraisal Process



**Figure 5.** The Performance Appraisal Process (Mondy 2010).

*Step 1: Job Analysis.* This step is logically set as the first step because in order to evaluate the employee's performance, it is a "must" to know basic information about their jobs.

*Step 2: Develop standard and measurement methods.* The valuation have to base on an unique and mutual standard of the firm. Besides, measurement methods should be used to evaluate the performance validity and reliability.

*Step 3: Informal performance appraisal - coaching and discipline.* Performance appraisal is an ongoing process, thus employees need regular feedback on their performance to know how well they are doing. In other words, coaching and discipline is special methods of measurement and how to discipline employees' performance.

*Step 4: Prepare for and conduct the formal performance appraisal.* It is common practice to have formal performance review by the boss about twice a year.

### **Purposes of Performance Appraisal**

- Is used to make Promotion and Salary raise
- Make plan to correct and develop any deficiencies that might occur
- Serve a useful career-planning purpose

### **Who should assess the Performance Appraisal**

*Supervisor:* usually the best choice to be the evaluators for the employees under their control because they are supposed to know and understand what their subordinates are doing. However, in reality, supervisors can be not in the same place with their employees and have awkward personality, thus they cannot evaluate accurately how their employees' performance are. In this case, it is necessary to have another options are other appropriate evaluators are able to do the job.

*Peer Appraisal:* this is more popular with firms which use self-managing teams. It means, peer or co-workers of the supervisors can also be appraisers when the main supervisors are absent.

*Subordinates:* This frequently happens in managerial level. Thus, subordinate evaluation can give valuable information and good sight into the managerial practices and potential missteps of people who control other employees.

*Self-rating:* some employers also collect employees' self-rating which compatible to supervisor's rating. However, some employees usually rate their performance high than their actual ones is one disadvantage of this method. Nevertheless, it is also a good method to evaluate the ability and honesty when self-evaluating of employees.

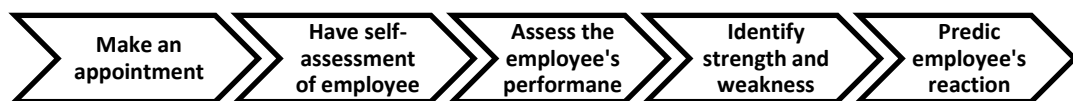
*Customers:* customers are asked to evaluate the inside employees who are frequently in contact with the organization's customers.

*360-degree feedback:* This is a mix appraisal from peer, supervisor, customer, subordinate, etc to evaluate their employee's performance.

### **Appraisal Feedback Interview**

An appraisal is finished with an appraisal feedback interview. Figure 6 in the next page describes steps of an appraisal interview from preparation to conduction.

#### *Preparation for the appraisal interview*



#### *Conducting the appraisal interview*



**Figure 6.** The Evaluation Performance Appraisal Interview (Mondy 2010).

## **2. Performance Management**

There are three main reasons to make employers migrate from performance appraisal to performance management:

*Total Quality:* As mentioned in the definition, performance management is a quality-oriented process. While performance appraisal focuses mainly on problems that employees have, performance management concentrates more on using feedback to make necessary changes to the management system (training, procedures, etc) to improve performance.

*Appraisal issues:* performance appraisal is useful in a way of pointing out problems of employees, however, appraising employee opportunity happens once or twice per year only. Therefore, employers cannot wait half a year to make a change. Performance management requires continue feedback.

*Strategic planning:* performance management used to avoid strategic miscommunications. Employees can get clear goals from company's strategy.

### **2.3.2.2 Compensating employees**

**Employee Compensation** refers to all forms of pays or rewards from employers to employee in firm in return for services. It contains three main categories: direct financial payment (salaries, wages, bonuses, etc), indirect payment (other benefits, vacations, etc) and nonfinancial compensation (satisfaction that employees get from their jobs themselves).

#### **Basic factors have influences on the pay rates:**

*Legal:* Dessler (2009) introduces some important compensation laws:

- Fair Labor Standards Act (1938): regulate the minimum wages, maximum hours, overtime pay and child labor protection. This Act covers most employees.
- Equal Pay Act (1963): this act is specially for equal payment for women.
- Civil Rights Act of 1964, Title VII: "law that makes it unlawful practice for an employer to discriminate against any individual with respect to hiring,

compensation, or privileges of employment because of race, color, religion, sex or nation".

- Other discrimination laws: the author also mentioned that there are various discrimination laws can have affections on the decision making of compensation.

*Union:* Unions always try to have big influence on the welfare of their members or their own strength and security. In addition, unions also attempts to influence employers in hiring, placement and retention decisions, thus they also want to affect all of compensation decisions that affecting their members. For example, they successfully tried to change the wage gap between the unionized companies in the same industries. (Thoma J, David W, David J 2010)

*Compensation policies:* many policy are established to make the rules in various fields in organizations. Therefore, it is obvious that compensation policy is created to restrict compensation of employees.

*Equity and its impact on pay rates:* external and internal equity are both vital factors to decide the pay rate.

### **Steps to establish the pay rates**

*Step 1: Conduct the Salary Survey:* Paying people fairly and suitably to their positions in firms is very important. Thus, companies use salary (compensation) survey which is formal or informal survey of what employer is paying for similar jobs. This plays a vital role in pricing the jobs. A salary survey helps the employers to price the benchmark job or the standard jobs. After employers define the standard price for their job positions, employers will be able to compete with other comparable firms which are paying for other comparable jobs by pricing 20% or more of their positions. (Dessler 2009). The last advantage of using salary survey is that employers can collect data on benefits of employees.

*Step 2: Job Evaluation.* In order to pricing fairly any position or any job, it is necessary to evaluate that job. Job evaluation is used as a formal and systematic comparison of jobs to determine those jobs are worth to exist or not; or which jobs

are worth to be priced higher than others. There is one basic and simple method to evaluating the job and that is the *ranking method*. This method is usually based on some compensable factors such as the job difficulties.



**Figure 7.** Job ranking by salaries for MBA (MBA and Salary 2007).

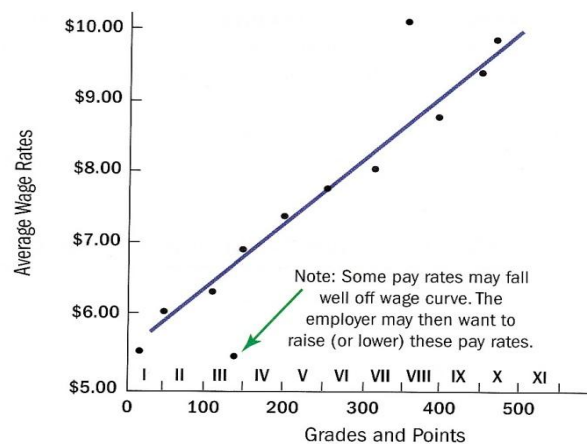
It is logical that different jobs specify different salary level. The highest rank belongs to CFO position with 125.759\$ in America. The lowest rank is Financial analyst with 57.331\$. Even though, these jobs and positions shown in the picture are all high position in society.

*Step 3: Group similar jobs into Pay Grades.* is a unit in systems of monetary compensation for employment (Wikipedia). And a *pay grade* includes jobs are in the same difficulty or important level as defined in the job evaluation. There are a few methods used for Pay Grade, such as: point method (pay grade consists of jobs falling within a range of points), ranking plan (pay grade will fall within two or three rank) or classification system (jobs are already categorized into classes or grades).

*Step 4: Price each Pay Rate.* After the Pay Grade is determined, those average pay rates should be assigned to each of the pay grades. Wage curve is used to express the relationship between the relative value of the job and the average wage paid for that job. (Dessler 2009) See Figure 8 in the next page.



Those dots are the points that the average wage rates and correlative grades and points match one another. Hence, employers can adjust the average pay rates based on what the graph shown.



**Figure 8.** Plotting a Wage Curve (Dessler 2009, 256).

*Step 5: Pricing Managerial and Professional Jobs.* Managerial and professional jobs are different than other jobs. Thus, the pay rates of these positions do not basically depend on the job evaluation. Managerial and professional jobs are mainly judging and solving problems more than producing job. Consequently, the tendency to define the pay rates for these jobs should be based on their performance, on what competitors are paying for them and on what they are able to do.

### **Employee Benefits**

*Benefits:* According to Bob Marsh and Brian H. Kleiner's research (1998), employee benefits represent almost in any form of compensation provided such as: in direct form of employee's compensation and benefits are paid for employee in whole or part by employers or third parties (e.g. Governments, Insurance companies, etc). These two authors also divided the whole benefit packages into five basic categories. The first category is the legally required benefits which belong to Social Security such as unemployment and workers' compensation,

compulsory disability insurances, retirement benefits, etc. The next category includes compensations related to pension such as: life insurance, death benefits. The third and fourth groups consist of compensation for non-production time while on job (break time, lunch time) and payments for not-working time (vacation, holiday) respectively.

### **2.3.3. Employee and Labor relation**

Employee rights, fair treatment at work, relationship between employee and unions... and the ways to improve occupational safety, health and security at work will be discussed in this sub chapter.

#### **2.3.3.1 Ethics, Employee Right and Fair Treatment at Work.**

Workplace as well as society consist of participants who contribute to the mutual success and the improvement of it. Similarly, employees are human in their own society called workplace and they also need to be treated fairly as much as any citizen in that society does. However, before talking about fairness and unfairness at work, the definition of fairness should be explained. The study of Anne-Marie Kontakos (Anne-Marie 2012) defined that *fairness* in organization is made of the basis of perception and reality. Moreover, fairness exists in many forms in workplace (implementation of policies, procedures and unions) and also can be seen and felt in all level of organizations. Therefore fairness would be rather confirmed real than perceived. Continuously, a few questions are raised after the definition are that "Why do we have to keep the fairness in working place?" or "what are the effects of a unfair workplace organizations?". Hence, some bad effects of an unfair workplace are listed: Employees who realize the unfairness in their workplaces can undergo the feelings that they are lack of others' respect and recognition, under appreciation. The unfairness makes the employees to report lower job, life satisfaction and increase higher stress. In addition, this also break the relationship between employer and employee and other working teams. (Axelrod 2000; Dessler 2009). In order to avoid these problems or reducing them, the principal of "ethics" was brought up.

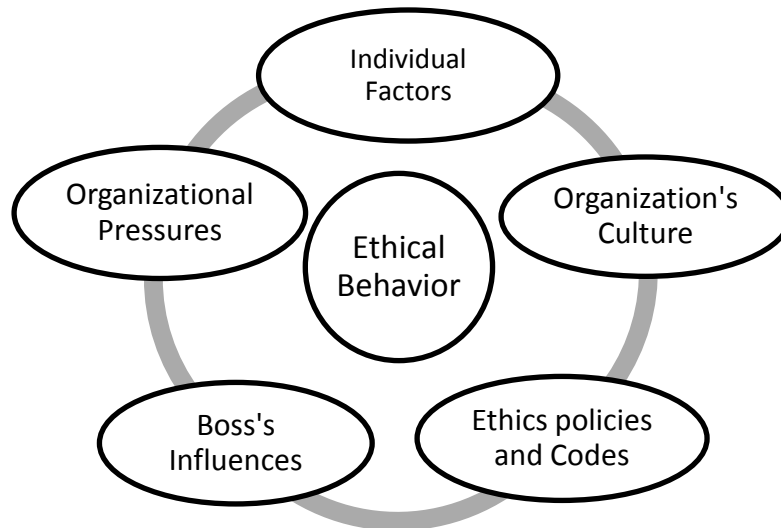
## **1. Ethics at work**

There are many definitions of ethics, for example, ethics are the principle of conduct regulating an individual and group (Dessler 2009) or according to many ideas from Wikipedia, "ethics are known as moral philosophy, is a branch of philosophy that involves systematizing, defending, and recommending concepts of right and wrong behavior" (Wikipedia). Another author gave a short conclusion about ethical nature in human resource management as "all HR practices have an ethical foundation. HR deals with the practical consequences of human behavior." (Johnson 2003) or "the entire concept of HRM is devoid of morality" (Hart 1993, 29). However, Dessler considers that ethics in workplace do not define all types of behavior as ethics in general. Ethical decisions come from part of morality. Morality means society's accepted standards of behavior. (Dessler 2009)

### **Ethical behavior at work**

In reality, many people act ethically because they are afraid of doing illegal things and get caught. However, not all of workers, employees or even employers act ethically all the time. Thus, in order to examine whether they act ethically or not is a problem in managing resources. Consequently, managers should firstly have a look at the factors can shape ethical behavior at work.

*Individual factors:* Moral as well as ethics do not have the standards to examine in which level is considered as wrong or right. Thus, each employee bring their ideas and thought and standards about what is moral right or wrong. For example, honesty testing is given to employees or employers to take and the result shows that age is one factors to generalize about the characteristics of ethical and unethical people: the older they are, the stricter they think about ethics. (Dessler 2009)



**Figure 9.** Factors shape ethical behavior at work. (Dessler 2009).

*Organizational Pressures:* Organizational pressures are very complex issues, especially for large companies or organizations. Employees working in those companies are usually under the pressures that their bosses put on them such as: raising sales, helping company survive, etc. As a result, many companies install the heavily commission-oriented incentive system for its sales force and increase the sales people's pressures to make bribes; or another corporate system aimed to tighten the costs, thus production managers have no choice except for using inferior materials or cutting down the workforces or their wages. (Business ethics 2012)

*The boss's influences:* This is also one problem in shaping employees' ethical behavior or the ethical behavior of their bosses. Employees usually want to have a good relationship between them and their employers because they have too big authority in workplace.

*Ethic policies and codes:* Ethic policies and codes is necessary in managing human resources in firms, especially large firms. It shows that those firms are serious about ethics. However, those policies and codes are not always useful, especially in Asian countries according to my own experiences. Employees are the ones who have to follow those polices carefully the most because they are

judged by their supervisors. However, "how about the supervisors, employers or bosses in general?" is still one problem needs to be solved.

*The organization's culture:* is defined as characteristics values, traditions and behaviors a company's employees share. (Dessler 2009) And each organization's culture includes its ethical climate which is the shared set of understandings about what is right or wrong behavior and how ethical issues should be managed. This climate also places the tone for decision making at all levels and in all cases.

## **2. HRM's role in ethics and fair treatment**

Unfair treatment and unethical behavior can occur randomly in any step of managing human resource or even in all those steps. Consequently, human resource managers have to ensure the ethical behavior by their employees in each step. For example:

*Staffing and Selecting:* In order to increase ethics in an organization, the first possible step is hiring or selecting more ethical people. (Krohe & May 1997) Managers can use some honesty test and other tools as background check to examine the ethics of their candidates even when they are not employees of the organization yet. Moreover, some questions related to behavior can be added into the entrance test. (Dessler 2009)

*Training:* Training does not mean to improve employees working skills only, but also showing employees how to recognize ethics and how to use ethic framework in organization.

*Performance appraisal:* employees can be easily treated unfairly in the step by employers. Therefore, employee's benchmark should be clear to all employees in firm. Besides, employees also need to understand the basis of this process. Furthermore, employers should perform their appraisals clearly and fairly in front of all their employees. (Weaver & Trevino 2001)

In conclusion, human resource managers need to be always fair to their employees in all circumstances. Moreover, employers also need feedback from others to

know others opinions about company, management and working life in organization. Then employers can improve the strong points and reduce the weak points that they are having now. Additionally, incentive programs as well as employee discipline should be implemented at the same time to encourage employee behavior at work.

### **2.3.3.2 Improving Occupational Safety, Healthy and Security**

#### **Accidents at work**

A good human resource managing does not mean that the managers or employers can select the best employees for their companies only, but a good manager also need to care about the benefits of their employees, especially the employees' safety, health and security.

First of all, what accident can be called as "Work Accident" or in other word, what is the definition of "Work Accident"? Wikipedia defines *work accident* (occupational accidents or accidents at work) as discrete occurrence in the course of work<sup>1</sup>, which leads to physical or mental harm. (Wikipedia).

Secondly, the answer of the question "what is the impact of occupational accidents?" is also the key answer to the following one: "why employee safety and health are important in an organization?"

The statistics given by a national independent watchdog for work-related health, safety and illness in Great Britain (HSE-Health and Safety Executive) shows the current situation of work accidents as below:

- **1.2 million** working people were suffering from a work-related illness.
- **175** workers killed at work.
- **115 000** injuries were reported under RIDDOR.
- **200 000** reportable injuries (over 3 day absence) occurred (LFS).
- **26.4 million** working days were lost due to work-related illness and workplace injury.

**Figure 10.** Key annual figures 2010/11 (Safety and Health statistics, 2011).

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<sup>1</sup> Course of work: the time during the course of work or at work even the accidents occur outside the company or caused by the third parties. (EuroStat) or accidents happen while employees engaging with the firm's activities or carrying on the business. (ILO)

Moreover, the International Labor Organization also have their statistics about the international accident issue at work:

**Table 2.** Statistics about accidents at work (Safety and Health at Work, 2012).

Every	Works related accidents (workers)	Die from work-related accidents (workers)
<b>15 seconds</b>	1	160
<b>A day</b>		6300
<b>A year</b>	$317 \times 10^6$	$2,3 \times 10^6$

Also according to the International Labor Organization, the human cost of poor occupational safety and health practices is estimated at 4% of global GDP each year. Besides, the safety and health of employees or workers are various in different countries, regions, economic sectors and social groups. Death and injuries occur the most in developing countries and the poorest and least protected are women and children throughout the world. (Safety and Health at Work, 2012)

Therefore, there is a list of other bad effects from these occupational accident examples above and they will be the answer why do company and managers have to care about employee's safety and health: National & international costs (Amati & Scaife 2006) and Psychological effects such as:

- Psychology consequence
- Behavioral consequences
- Social consequences
- Vocational consequences
- Economic consequences (Amati & Scaife 2006)

After all, what are the reasons behind those accidents have to be investigated. There are three main reasons that cause accidents at work: chance occurrences, unsafe working conditions, unsafe acts by employees. (Dessler 2009) However,

while chance occurrences<sup>2</sup> are out of management's control, other two causes can be avoided.

*Unsafe working conditions.* This is the main reasons result in unexpected accidents. Some examples of unsafe working conditions are mainly the physical and mechanical conditions (limited space, lack of protective equipments, unsafe storage due to overloading, faulty scaffolds in building, etc.) or accidents occur due to over-working schedule when workers get fatigue.

*Unsafe Act.* Even though the unsafe working conditions cause a lot of accidents at work, unsafe acts are still one of the most important reasons of that. For instances, using wrong tools, equipments; lack of knowledge about their works due to lack of training and bad working habits due to employees' attitudes and personalities.

After figuring out what an occupational accident is, reasons of it and its bad effects to the employees as well as employers and other parties, many effective solutions should be suggested:

*Establish Safety Policy.* Company should emphasize that safety is the vital concern in company's business and make clear company's expectations to employees about their safety as well as the rules and disciplinary actions. After that, the formal Safety Policy and the procedures can be put in place.

*Organize Safety Committee that is in charge of safety in company.* This team will be trained and hired mainly to analyze situations and related information of each jobs, then give solutions accident preventions.

*Regularly examine facilities.* It is necessary to ensure that the staff is still following safety rules of company.

*Put the right tools in the right places for specific works.* This helps to prevent using wrong tools because the lack of those equipment at work.

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<sup>2</sup> Chance occurrences: accidents caused by not-on-purpose reasons or outside of working conditions effects. For instance: walking pass the door just when somebody pushes a cart through it.



*Providing updated training courses.* Employees and workers should be trained and all information and skills to manage and execute their jobs in any circumstance updated.

*Foster a culture of safety or create incentive program about safety.* Organizational culture has a big impact on the behavior of employees as mentioned in those previous chapters, therefore a culture of working safely can be effective and encourage them to work and follow the safety instructions and policies.

### **Employee Health**

Employee health hazards are one more problem that managers have to deal with in managing human resources. There are clear hazards such as unsafe equipments or slippery floors can affect employees' health, however, there are many more unseen hazard or other hazards that employees create it for themselves such as drug abuse, alcoholism, etc.

*Alcoholism and Substance abuse.* Substance abuse and alcoholism are serious problems in workplace. Substance abuse or substance misuse refers to using of illegal drugs, prescribed drugs, alcohol and substances such as solvents. (Healthy Working Lives) Some statistics showed that substance misuse results in health problem of employees and obviously their performance at work. Some surveys from Health Working Life website stated that 25% of all accidents at work are involving in alcohol in some ways and 45% of male plus 28% of female heavy drinkers admitted that the after-effect of their drinking effected their performance on the next day at work (Healthy Working Lives). Thus, how manager deal with these problems. Dessler (2009) suggested a drug-free workplace program which consists five components: a drug-free workplace policy, supervisor training, educating employees, employee assistance and drug testing.

*Job Stress.* First of all, readers should have a clear understanding about stress. Stress is the fact of nature force affecting individuals. Stress can be created by both internal and external factors. External factors can be physical environment

such as job, home, expectation, challenges and all other situations. Internal factors refer to the ability that individual's body answer to external factors to deal with those problems (Marks, 2011). Hence, those problems such as alcoholism or drug misuse can be external factors cause stress or stress at work - job stress. There are many examples of job stress: working schedules, requirements of the job, workplace noise, etc. However, it is internal factors that will differentiate reactions from different people. There are some consequences of job stress: employees will get anger, depression, anxiety, headache, etc and these consequences will lead to dismissed performance at work and has bad effects on company. In conclusion, stress influence both employers and employees, thus the responsibility of reducing stress belongs to both parties. Employees themselves should avoid stress by simple activities such as finding a suitable job, getting more sleep and relaxing time, have clear and suitable plan for each day, etc. Besides, employers should build a good relationship between them and their employees.

*Computer Monitor Health Problems.* Health problems caused by computer monitor can be divided into several groups: Back, neck and shoulder problems; Vision problems (eyestrain, eye fatigue, eye irritation); Radiation problems. There are several suggestions to reduce those problems above (Health Hazards):

- The working area should be well-organized means everything important should be within the reach.
- Learn to adjust the lighting levels appropriate to the position and task.
- Adjust workstation means computer is placed according to the comfort of employees.
- Contact and examine eye doctor periodically.
- It is important to take a break every 30 minutes or so.

## **2.4 The Changing Environment of Human Resource Management**

As well as the rapid change in the organization system and other external factors (economic, technology), the managing human resource also changes to be able to adapt to the new trends and compete to other competitors. Dessler (2009) found

out that competitive, demographic and workforce trends are directing businesses to change the way to do things.

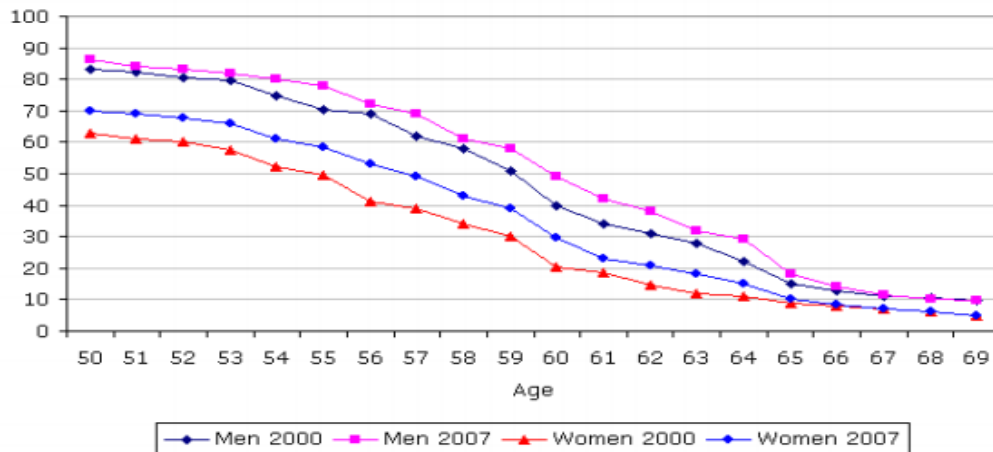
*Globalization and competition.* Globalization is a product in industrial revolution and it refers to the developing of economic integration of the world. For example, trade, investment, money, labor force are increasingly crossing international border (Steve 2007). Economists consider globalization as the key trend of economy of the world and it brings more competition. This means that companies who want to be competitive, they should become "world class" and be able to satisfy managing lower costs but more productive.

*Outsourcing.* In order to manage lower costs to be competitive, companies need outsourcing or export more jobs to lower cost locations such as poor or developing countries: India, China, other Asian countries, African countries.

*Technological Advances.* As mentioned in the previous chapter, technological advances create a big jump in doing businesses. Technology helps to reduce the cost of human resource and bring more conveniences to the customers. For instance, the amount of people hired to work in office in bank can be reduced when net banking system were created. Customers do not need to go to the bank for help because they can get their answers through network.

*Service jobs.* Because of the fact that technology can affect how businesses have been done recently, service jobs also have been increasing dramatically. Dessler (2009) said that there are two third of U.S. workforce is hired to deal with producing and delivering services. Therefore, the better the services are, the more customers and benefits those companies will get.

*Demographic and workforce trends.* Demographic and workforce are also following new trends. For instance, there are three medium-term trends: an aging workforce, a feminization of the workforce and the growth of migrant workers. The following figure is the example of the aging workforce in Europe: (Demographic change)



**Figure 11.** Employment rate of people aged 50-69 years, by gender and age in year 2000 and 2007. (Demographic Change).

As the figure shows, the number of male and female workers both increased (men from 82%- 88% while women from 61%-70%).

**Important Human Resource Management Issue: Strategic human resource management**

In order to understand what is strategic HRM, we need to know firstly what strategy is. Each single company needs strategy which is the long-time plan to balance the strengths and weaknesses of company itself and then combine to its external threats and opportunities to enhance the competitive points of company. (Dessler 2009)

Nowadays, there are a lot of changes in the way to do businesses, thus many organizations have been restructured and downsized. In addition, more employees are required to work in teams, therefore, they have to improve their skills such as problem-solving, decision-making and other personal skills in order to be able to deal with the changes. (Grieves 2009) As a result, human resource managers have to make *strategic planning* which uses human resource management methods to formulating and executing human resource policies and practices to bring out the employee competencies and behaviors the companies need to reach its main

targets. (Dessler 2009) That is the meaning of strategic human resource management.

## **2.5 Chapter Conclusion**

This chapter has reviewed the basic framework in managing human resource in organizations. Firstly, this chapter helps the readers get familiar with some vital terms and their definitions as well as examples and explanation of their functions in human resource management such as: managing, manger, line and staff managers, what does "human resource management" mean, etc. Secondly, the main part of this chapter, does not only introduce, but also explain in detail the framework of human resource management includes some basic steps: from staffing the organization (planning recruiting, selecting, training, appraising and compensating employees). Moreover, some other important issues that a good managers have to know, control and apply efficiently such as ethics, employee rights and fair treatment or employee's occupational safety, health and security issues. Lastly, chapter also mentions briefly about trend of human resource management recently, how does it change and how it should be changed.

### 3. HUMAN RESOURCE MANAGEMENT IN VIETNAM

The "Doi Moi" policy succeed to change the country's business landscape. As mentioned in the introduction of this research, this policy helped to free the enterprises from the direct involvement of the state and then to give them more rights to manage them in order to cope with the on-going market economy. This leads Vietnamese economy to go in the right track. In spite of that, most of the Vietnamese economy is still about agriculture and industry while service plays a very important part and should be developed. The table below shows the illogical distribution of human resources via the official plan for year 2001 and 2005

**Table 3.** Sectoral composition and distribution of labor in Vietnam (CIEM 2003).

	2001	2005
% Share of GDP		
Agriculture	23,3	20,0
Industry	37,8	38-39
Services	39,0	40-41
% Labor utilization		
Agriculture	60,5	57-58
Insudtry	14,4	20-21
Services	25,1	20-23

Based on the statistics in Table 3, Vietnam was developing in the Services and this industry requires almost the least labor workforce. On the other hand, agriculture contributed the least into the % share of GDP in 2005, but it still needs a huge amount of labors. This result proves that Vietnam needs to focus more on adjusting the distribution of the labor.

In 2012, the number of workforce in Vietnam reaches 50 million people of working age, about 58% the population of Vietnam. However, in order to meet the needs of industrialization and international integration, the human resource management system of Vietnam has to find solutions for the problem that two thirds of those working people above have not been trained and three fourth of them just have uncertainty jobs with low income. Therefore Vietnamese

workforce ranks 11<sup>th</sup> out of 12 Asian countries based on the number of skilled workers and highly qualified experts. (Human Resource Development 2012)

### 3.1 Management system before the renovation period

Before 1986, Vietnam followed a centrally planned economy which means that the Central State Planning Committee decided the resource allocations in the country. The strategy and plan for the whole country were determined only by this state organ. Furthermore, each lower level had to follow the strict bureaucratic and hierarchical system. This led to the fact that all managers in state-owned enterprises did not have any chance to practice their own leadership and management competencies, except for just comply with orders coming down from the centre. The key features of that management system is shown in table below (Quang & Vuong 2002)

**Table 4.** Characteristics of the management system before the renovation period in Vietnam. (Quang & Vuong 2002).

Item	Characteristics
Planning term	Short range (1-2 years)
Control devices	(Time) punching olocks; frequent observation
Quantity control	Some quality control
Authority definition	Unclear; collective responsibility
Degree of decentralisation/delegation	Low
Leadership style	Paternalistic - autocratic
Trust and confidence in subordinates	Medium; 'men of the system', 'organisation men'
Personnel policy	Not stated, not transparent, regulated and standardised
Communication pattern	Top-down
Training programmes	Many (e.g., on-the-job training), but often not effective and relevant
Motivation	Monetary and psychological
Employee morale	Not always high
Absenteeism	Low to medium
Productivity	Low

### 3.2 HRM in transition

The government of Vietnam set many targets that Vietnam has to achieve for development such as: becoming an official member of WTO in 2005 and becoming an industrialized country in 2020. In addition, Vietnam is not a poor country in terms of workforce, however, Vietnam still lacks of skilled personnel, capable of handling work required in industrial countries. Consequently, this

required the change in the way of thinking and acting of human resource management system. As a result, human resource management changed through the phases of the country's transition into a market-oriented economy.

The changes were illustrated through the difference in the levels of HRM practices in three sectors:

*In the state-owned sector:* The SOE's is the only sector that had a little improvement to its current system because of its incompetence and very high resistance to change.

*In the private sector:* There are many SMEs that are established and run by young and dynamic entrepreneurs. They are willing to learn and change to work better but they often lack managerial and strategic experiences, especially in HRM.

*In the foreign-invested sector:* this sector which includes joint ventures and 100 percent-owned foreign companies, is the leading group in HRM practices. However, there are still few conflicts with local partners due to the differences between countries. (Quang & Thang 2004)

### **3.3 Current Human Resource Management in Vietnam**

Modernization of HRM has just started to be noticed in Vietnam. The MBA about human resource management is added as the core subject (Quang 1997, 276). These programs provide regular and short training courses that help to improve the key skills of suitable managers to market economy principles and modern managerial techniques.

Quang and Thang (2004) made a small cross-sector survey to know the relationship between the organization's corporate cultures and the HRM effectiveness. This table below will show the result of their survey:

Some illustration for criteria of three elements above:

*Awareness:* Understanding of the strategic role of HRM & there is a physical HRM function or department. (See Table 5)



**Table 5.** HRM status across sectors in Vietnam (Quang & Thang 2004).

<i>Sector</i>	<i>Awareness</i>	<i>Practice</i>	<i>Strategy</i>
Government agencies	Low	Low	Low
State-owned companies	Low–Medium	Low	Low
Private-owned companies	Medium	Low	Low
Joint ventures	High	Medium–High	Medium–High
100% foreign-owned companies	High	High	High

In this result, it is still obvious that all companies related to government, or partly controlled by government will be more out-of date and under-developed compared to other joint ventures and 100% foreign-owned companies. This is the warning to those governmental companies to make a good strategy to be able to adapt to the rapid changes in the world.

*Practice:* The HRM manage all or part of the HRM activities; the level of professionalism in organization (staff, process, etc.)

*Strategy:* - the head of HRD department sits on management board

- HRM strategy is integrated in the company's strategy

- HRM plays an important role in development and implementation of the company's strategy and company's strategy also focuses on HRM.

### **3.4 Key challenges to HRM in Vietnam**

The economy has been always changed rapidly, thus it also requires a quality management system to each single company or firm to help company to be able to adapt to those changes. Because of this fact, there are many opportunities as well as challenges companies have to cope with in the coming years: (Quang & Vuong 2002)

- Proactive search for qualified personnel
- Pay more attention on the employees retention
- Using training and development as mean to build competitive edge

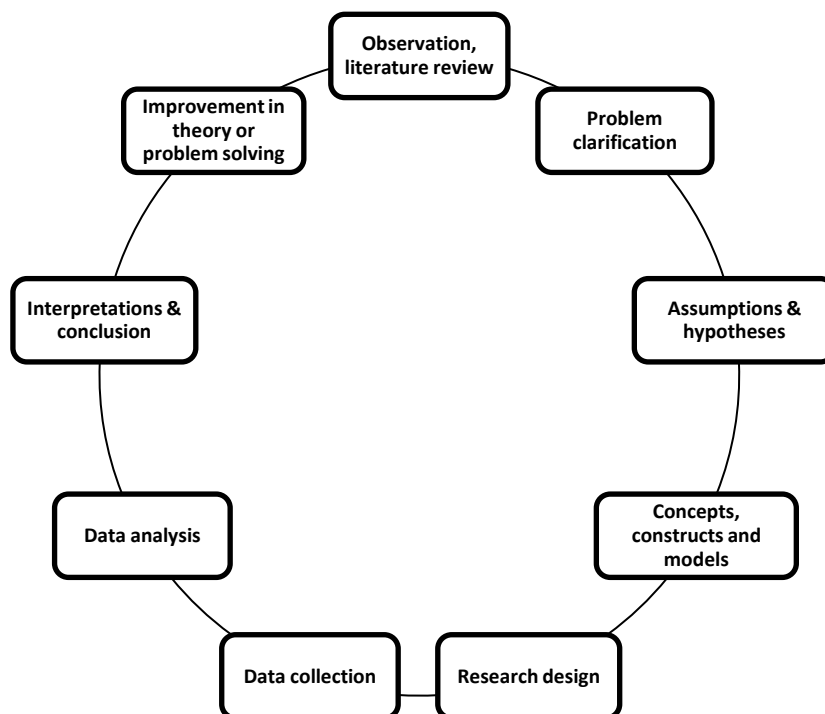
- Building HRM professionalism
- Emphasizing the task of management development
- Partly or fully release government control and intervention on HRM activities of enterprises.

### **3.5 Chapter conclusion**

Facts about Human Resource Management system in Vietnam before the "Doi Moi" policy was introduced and this chapter also discussed how the old human resource management changed and how the new managing system in Vietnam is. In addition, there are several suggestions for new challenges that HRM in Vietnam have to deal with in to be able to support for enterprises in this new economic situation.

## 4. RESEARCH METHODOLOGY

A thesis, is somehow also called a research paper that conducted by a student who becomes a researcher in this case. Before different approaches and techniques of a research are discussed, it is essential to address the basic definition of a research. The most simple and realistic definition of a research is what "people undertake to find out things in a systematic way, thereby increasing their knowledge" (Saunders et al. 2012). Another definition of research comes from Ghauri and Gronhaug (2010) that "research is done to achieve specific goals, relies on specific methods and is done systematically". However, the readers can be satisfied with a more comprehensive way of defining research as "A focused and systematic enquiry that goes beyond generally available knowledge to acquire specialized and detailed information, providing a basis for analysis and elucidatory comment on the topic of enquiry" (White 2003, 21). All these definitions are good explanation and also provide a basic understanding about research and enough to understand researching is a non-stop process.



**Figure 12.** The wheel of research (Ghauri & Gronhong 2010, 19).

Following are some features of this thesis similar to some key issues of a research from White's (2003) point of view:

*Focused and systematic:* The chosen topic has been narrowed down to investigating human resource management in a specific bank. Moreover, this thesis is managed in a structured way, step by step: literature review, organized information grouping for analysis purpose (definition of key words, framework of basic HRM, etc.), conclusions are conducted based on the analysis and existing knowledge.

*Beyond generally existing knowledge:* the topic already has a lot of attention in business field, however, HRM in the company case still needs to research about and analyze, then give a good conclusion and innovative solutions to be able to adapt the rapid changing in business environment in general. Therefore, the writer is still hoping that this research paper can help effectively the company case with given theoretical analysis and practical solutions.

*Analysis and conclusion:* As mentioned above, the conclusions are based on the theoretical knowledge and the analysis of collected data.

## **4.1 Research data**

Research data are basically divided into two main types: secondary data and primary data. As mentioned above in the Introduction part, both types of data will be employed in this thesis.

### **4.1.1 Secondary data**

Before giving any definition of secondary data, following example the readers will make it easier to understand: a researcher doing a research about the development of a company can use the statistics about the annual revenues in recent years of that company which can be found via many sources. Those data are collected by other sources but that researcher can use them to find the answers for his own questions. Consequently, secondary data can be defined as information collected by others than the researcher himself with different purposes (Ghauri & Gronhaug, 2010).

In reality, secondary data is the first type of information that help the researchers to get familiar with their research problems. The literature review in the theoretical background of this research paper is the typical example of secondary data. Research can obtain secondary data through various sources. Saunders, Lewis & Thornhill (2012) divided secondary data into three main sub-groups: documentary data (books, journals, media accounts), survey-based data (information obtained via survey ways) and those compiled from multiple sources (combination of those two sub-groups above). Others like Ghauri and Gronhaug (2010) have their own way to categorize secondary data: internal source and external source. They also claimed that always "start with secondary data and only when it is exhausted proceed with primary data" (Ghauri, Gronhaug 2010).

Practically, secondary data also have big impact on this thesis's topic, understanding research problems and figure out the ways to analyze them. All subjects, courses, materials related to human resource management at school suggested the author to create the first idea about the thesis topic. Then, the intensive reviews of academic books, journals and electronic sources helped to narrow down the topic and point out the research problems of a specific case in Vietnam. Moreover, without secondary data that provided by the case company via electrical sources (general information about company, annual report, etc) and publication (existing regulations, news), this thesis will not be able to come up with or finish.

#### **4.1.2 Primary data**

As Ghauri and Gronhaug (2010) stated, primary data will replace or continue the secondary data's tasks in research process when those secondary ones are not available to help answering the research questions in more details. Therefore, while secondary data are collected via others' sources, primary data are the information that the researchers collect by themselves and more relevant to their particular studies and research problem.

As well as secondary data, primary data also have numerous types: demographic data, psychological data, attitude & opinion data, awareness data, data on

intention motivation and behavior (Ghauri, Gronhaug 2010). Even though primary data are superior to secondary data as discussed above, primary data have some certain disadvantages such as: takes long time and high costs to collect; researchers have to face to the difficulties in getting access and are entirely dependent on the willingness of the respondents in survey method.

In fact, primary data are also very helpful in this thesis. The main purpose of this thesis is comparing the differences between the old and new human resource management in a transitional economy in order to find out the suitable innovation in managing human resource. It is clarified that theoretical part and general information about HRM can be obtained as secondary data via those mentioned sources. However, this research also focuses on the evaluation of employees, employers to the management of human resource and those data cannot be found via any sources above. Thus, these kinds of primary data also encourages research students to apply their theoretical knowledge into the practical environment, hence primary data are completely essential factor to contribute this thesis.

To conclude, even though secondary data and primary data have different definitions, functions and ways to be collected, both of them are truly useful and cannot be insufficient in one research.

## **4.2 Data Collection Methods**

Before going further into discussing about those different collecting methods, definitions of research methodology and research method should be clarified. Whereas methodology performs as a "philosophical basis" of a research, the method is actually plays as particular techniques that researcher uses to collect information and data (White, 2003). In another argument from Grauhi and Gronhaug (2010), research method is defined in more academic way as a systematic, focused collection of data used to obtain information to answer and solve the research questions or problems. Secondly, a distinction between methods and techniques of data collection should also be clarified. Methods refers to data collection through analysis, surveys, historial review, while technique of

data collection means the procedure step-by-step to gather research information. (Ghauri, Gronhaug 2010)

Fundamentally, qualitative and quantitative methods are two essential options for a researcher to collect the primary data based on his/her own purposes. There is no way to make a suitable comparison between these two methods to figure out which one is more scientific or better than the other one. However, there is a good way to utilize them effectively is understanding clearly the main purposes of the research in order to make the correct choice of them.

Nevertheless, there is one more research method called mixed methods research which is the combination of two existing methods research above into one single research. This method is preferable to the researchers these days because of many advantageous (Saunders et al. 2012):

- It will be more useful to a study that contains different purposes.
- It can multiply the likelihood of unanticipated outcome
- It also decreases the "method effect" but increase the validity and reliability of the study's conclusions.

Consequently, this thesis has chosen the mixed method to apply as the best method to collect primary data. As mentioned in the Introduction chapter, quantitative method will be used to evaluate the human resource management's actual effects on employees of Vietinbank by providing a questionnaire to random employees working in Vietinbank. This questionnaire will help to figure out the quality of recruiting, training and compensating shows on the quality of employees themselves. On the other hand, qualitative method will be made to gain a deeper understanding and facts about the actual human managing in the case bank as well as the SWOT analysis of HRM in Vietinbank from interviewing human resource manager. The results will be the corporation from both research methods to analyze the current situation of Vietinbank, then make conclusion and give some helpful recommendation to human resource management in the future.

#### **4.2.1 Qualitative method**

Qualitative method in business management research means the descriptive and non-numerical way to collect and interpret data. White (2003, 28) argued that the researcher also can "observe a great deal and any results are mostly descriptive in nature rather than sets of numerical data".

There are various qualitative techniques have been being used over years from many researchers. Recently, there is an increasing number of different techniques have been developed from time to time. Some of those best known techniques will be discussed in this study research such as: interview, focus group and observation.

Interview or in-depth interview is an useful way of collecting data for any research, especially this study research. In-depth interview (IDI) is defined as "conducted usually on one to one basis, an IDI is designed to reveal the underlying motives of the interviewee's attitudes, behavior, and perceptions" (Business Dictionary). Interview can be used in diversity of contexts and situations. It also requires a real interaction between researcher and respondent as Ghauri & Gronhaug argued. Hence, interview brings a lot of advantages to researchers:

- Face-to-face interview with the interviewee helps researcher to clear up any misunderstanding from the interviewee instantly.
- In addition, the interviewer also can ask the respondents about what they do not understand directly.
- Moreover, questions are more flexible and can be re-worded and re-ordered according to the conversation or interview.

Other two techniques focus group and observations are also useful but not suitable to this thesis because they both require a large population whereas this thesis study focuses on getting in-depth understanding about human managing in case company from only two managers (one human resource manager and one project management manager). Ghauri and Gronhaug (2010) also argued that qualitative technique is more suitable and has greater effects for inductive and exploratory



research because it can help to build up hypotheses for analysis purposes. However, research in deductive way also can employ this technique efficiently. For instance, this thesis works in a deductive way with several clear research problems found in the beginning, then seeking for information and data to make specific conclusions to summarize and solve the research problems mentioned above. And the collecting technique here actually proves to be an essential assistance in some ways: even though the interview will be held several times because of the distance and difference in time zone between Vietnam and Finland, well-structured questions can help the interviews get satisfying results with better knowledge, figures about the current human resource management as well as some facts of HRM in the past and trends to improve in the future. This primary information can be achieved from managing level by the qualitative technique only.

Practically, this thesis chose the telephone interview method to collect the qualitative data because of the distance prevents organizing direct interview. Phone interview were conducted between the author and two managers in two different departments in Vietinbank: human resource manager (Mrs. Tran) and project management manager (Mr. Pham). Different questions were given to each of them due to the different purposes of each phone interview. The aim of interviewing a human resource manager is learning both general and in-depth practical knowledge about Vietinbank's HRM situation and its process in professional point of view. On the other hand, the interview of the project management manager gave closer information about human resource management in lower unit level. This interview focused more on the relationship between managers and employees in order to evaluate the real effect of managing method in this case bank from employees' points of view. The interviews were carried out on 02/12/2012 with the project manager and on 08/12/2012 with the HR manager. Both interview dates were chosen in weekends in order to reduce the work pressure from those two managers. Besides, both of them have more free time in weekends and this created a comfortable atmosphere when interviewing. The author prepared specific questions related to the aims of the interviews in Vietnamese and their answers are also in Vietnamese. After that, both questions

and answers were translated and analyzed in English (see Appendix I, Appendix II).

#### **4.2.2 Quantitative method**

The other vital collecting method is quantitative method. The name partly defines itself: the results from this type of research are given numerical values and the researcher will employ a mathematical and statistical treatment to evaluate and summarize the results (White 2003). For instance, a researcher wants to claim that employees who use drugs show that they are more stressful at work than the others who do not use drugs. In order to give a persuasive conclusion about this, researcher will investigate the level of getting stressful at workplace as well as the number of using-drug employees and non-using drug employees in the last five year. After that, the basic knowledge of mathematic ad statistics will help the researchers to calculate and evaluate the relationship between stress and using drug of employees. Thus, statistical analysis is usually used to test some hypotheses.

A typical quantitative method is using survey which utilize both questionnaires or interview technique (same as qualitative method) in order to record verbal behavior of respondents. Therefore, survey is a good way to test or get information about opinions, attitudes or to seize the cause-and-effect relationship (Ghauri and Gronhaug, 2010). However, survey cannot be carried out without choosing suitable sample which represent for the population to minimize bias as well as enhance the validity and reliability of the research (White 2003).

There are two basic ways of choosing sample: random (probability) sampling and non-random (non-probability) sampling. This thesis uses quantitative method with the purposes of understanding more deeply about how employees react to their jobs under the managing of their employers. Hence, employees in the whole company will be the population and they have equal chance of being selected. As a result, random sampling will be chosen (White 2003).

As we all know, a questionnaire includes a series of questions in given order that provide respondents numbers of fixed-response alternatives to choose as their answers (White 2003). Using survey method give the researcher the comfort to choose the way to approach the target respondents. Survey method can be in-depth interview (face-to-face interview) or quantitative interview which the researcher can conduct via mail or telephone. Consequently, a questionnaire has many advantages such as time and money saving. Moreover, instead of interviewing one by one respondent, questionnaire can conduct results from many respondents at the same time (Saunders et al. 2012).

In this research, a well-structured questionnaire was sent via email to 35 randomly selected respondents who are working in the case bank in different positions and departments. However, only 15 respondents replied, 9 female and 6 male employees. They are working in 6 different departments: human resource, risk management, IT strategy development, accounting policy, cash payment and consumer banking departments. Questionnaires were sent in both Vietnamese and in English. Answers from the respondents were collected within one week from 29/11/2012 to 05/12/2012. Bankers are usually busy at the end of all periods of time, especially at the end of the year. By knowing that, the time between the end of November and the beginning of December was the most suitable time of collecting data for both the author and respondents. The questions in the questionnaires were created with the purposes of getting the employees' evaluations to the workforce management process and policy of Vietinbank (see Appendix III). After that, results retrieved from the response analysis will be presented in the empirical chapter.

### **4.3 Validity and Reliability**

Reliability and validity are the key characteristics of research quality. It concerns to the ethical and access issues of the thesis. While validity refers to the research approach which is utilized to conduct valid data, reliability related to the result consistency (Saunders et al. 2012). However, ensuring reliability and validity of a research is not an easy work. There are several obstacles occur in the way of

validity and reliability measurement. The following is numbers of threats to reliability: (Saunders et al. 2012)

- Participant error: respondents or participants who are asked in different times may conduct different results.
- Participant bias: respondents may not be truthful completely to in all the answers because of some fears.
- Researcher error: dues to researcher's side. For instance, researcher or the observer may be tired and not sufficiently prepared that lead to some misunderstanding between researcher and respondents.
- Researcher bias: different researchers interpret the findings differently from each other because of their own bias.

When doing this thesis study, the author always keeps in mind the validity and reliability of the thesis and always tries to eliminate those certain obstacles. The first threat "participant error" will be eliminated because all the respondents are informed about the interview and survey beforehand, thus they can choose the most suitable and comfortable time for them (after working time and especially at weekends). This can give them a relaxed feeling to answer those questions without any stress from work and others. Participant bias will also be eliminated because all the respondents are willing to participate because there are not so many survey related to human resource management were carried out before, thus they also look forward to the results of this research. On the researcher's side, all the content and analysis of the interview and questionnaire are based directly on the theoretical and methodology parts. This leads to a fair and truthful findings and the author believes that other researchers also have the same conclusions after carrying on the research at the same offices and time.

Similarly, there are numbers of threats to the validity of a research should be determined: (Saunders et al. 2012)

- History means past or recent events occur and have different impact on researcher's perceptions and make some changes.
- Testing: information about the research will affect the respondents in some ways.
- Instrumentation: Some changes in a research instrument between different periods or stages of research project can affect the comparability of results.
- Morality: Participants lay-off in the middle of study's process.
- Maturation: some sudden changes during the research.

Reflecting those obstacles above to the validity of this research, the thesis is fairly declared to not only be reliable but also valid. The history, instrumentation, morality and maturation do not appear during the research because all two managers and chosen employees will take part in the whole interview and the process of answering questionnaire. However, the testing effect can somehow exist because the researcher have to inform and ask for permission from all participants about the survey and therefore, the participants can decide the best time for them as mentioned above. In order to minimize the negative effects, the researcher ensures all the respondents that this study is anonymous and secret information.

Furthermore, this research receives benefits from mixed method (using both qualitative and quantitative methods) which also emphasizes the validity and reliability. The analysis of this thesis is not based on the primary data, but also secondary data is gathered and interpreted. Besides, those secondary data, as discussed above, are collected from many public and reliable sources (academic books and articles as well as annual reports, policies, etc) and cannot be imitated or copied from other researchers or respondents illegally.

In conclusion, most of certain impediments have been proved to be solved, thus this thesis is confident to be considered as a valid and reliable research.

#### **4.4 Limitation**

Limitations are determined as the impediments to hinder the perfection of a research. First and foremost, even though human resource management is not a completely unknown topic in business management, it is still new issue to doing business in Vietnam. As the result, there is difficulties in seeking the information and data about human resource in the past in Vietnam to make the comparison.

Secondly, the data secrecy and overprotection culture in Vietnamese business also narrow down the ability to collect data and figures from the case company. It is possible to get general figures and information via websites and online sources or materials, however, the valuable findings have to base mainly on the interview with the managing level.

Finally, cause and effect relationship between managing in business sector and government is also a difficulty to the researcher to find the actual statistics or facts.

#### **4.5 Chapter conclusion**

Important terms in research methodology are respectively introduced in detail in this chapter. Moreover, the author also gives a deep explanation about definitions, types of research data as well as "how" and "why" qualitative and quantitative data collection methods are chosen. In the last part of this chapter, research ethics were discussed with mentioning the validity and reliability of a research. Besides, the limitations of this thesis were also presented. The most important things in this chapter are that all the reflection from the theoretical methodology are also related and explained with the practical actions of research procedure.

## **5. EMPIRICAL STUDY**

Even though human resource management sounds familiar to many people, not everybody has a clear understanding about its basic notions. Therefore, some background knowledge that are linked directly to the problem will be introduced and discussed in the next chapter. Also in this chapter, all crucial concepts, processes and all kinds of criteria are demonstrated and focused on staffing organization, appraising & compensating employees, employees & labour relations. The third chapter is completely about the research methodology that was utilized for conducting this research. This report uses both secondary and primary data as well as qualitative and quantitative method.

This section will entirely concentrate on dealing with the practical application of the literature and theory, as well as the research findings in order to solve the research problem raised in this study. A small introduction about the investigated bank, its history, strategy and achievements so far will also be presented. The most important part is an insight into human resource management, evaluation of the managing and analysis of the success and failure in managing human resource management in Vietinbank will conclude the chapter.

### **5.1 Overview about Vietinbank**

Vietinbank was separated from State Bank of Vietnam in 26/03/1988. At that time, being one of four largest stated-own commercial banks of Vietnam, the total assets of Vietinbank accounted for 20% market share of the whole Vietnamese banking system (Vietinbank main website). The development of Vietinbank can be seen through 4 main periods as following:

*Period 1 (7/1988 - 1990):* this period is the beginning period. After separating from the State Bank of Vietnam, Vietinbank lack a logical system of managing and still depended too much on State Bank. Moreover, because of being inexperienced, employers as well as employees were both unwell-trained and unwell-educated.

*Period 2 (1991 - 1996):* pursuant to establish and operating permit 402/QĐ issued on 14/11/1990 to re-establish Vietinbank and to affirm that Vietinbank is a trade

bank that works individually, completely separated from State Bank. Staffing and managing were changed with mainly managing in Transaction Centre. Branches were encouraged to work actively within the control of the Managing Board.

*Period 3 (09/1996 - 28/02/2009):* The managing system did not make any big change and concentrating on widening the sphere of action of Vietinbank in the whole country. Vietinbank was managed by Board of Director and General Manager in the Transaction Centre. Vietinbank established many branches, transaction offices all over Vietnam.

*Period 4 (2009 until now):* pursuant to the establishment and operating permit 142/GPNHNN issued on 3<sup>th</sup> July 2009 of the State Bank, Vietinbank became officially known as joint-stock commercial bank called Vietnam Joint Stock Commercial Bank for Industry and Trade in order to catch up with the rapid increasing of the international economics (Annual Report 2011)

After more than 20 years, Vietinbank has developed an operation network includes 1 Transaction Centre, 150 branches with over 1000 transaction offices or savings offices in the whole country. In addition, Vietinbank also establishes correspondent relationship with 900 banks, financial institutions of 90 countries and other areas all over the world. Vietinbank is also diversified with 7 independent accounting subsidiaries: Vietinbank Leasing Company, Securities Company, Asset Management Company, Insurance Company, Fund Management Company, Gold and Jewellery Company, Global Money Transfer Company and three other non-profit making units which support for all other Vietinbank's companies.

Some key figures of Vietinbank's development until 2011 are shown in the table below:



**Table 6.** Some key Operating Indicators (Annual Report 2011).

	Unit	31 December 2011(+)	31 December 2010	31 December 2009	31 December 2008	31 December 2007
<b>Total assets</b>	Billions of VND	460,604	367,731	243,785	193,590	166,113
<b>Shareholders' equity (1)</b>	Billions of VND	28,491	18,201	12,572	12,336	10,646
<b>Charter Capital</b>	Billions of VND	20,230	15,172	11,252	7,717	7,608
<b>Mobilized funds</b>	Billions of VND	420,212	339,699	220,591	174,905	151,459
<b>Total loans</b>	Billions of VND	293,434	234,205	163,170	120,752	102,191
<b>Before tax profit</b>	Billions of VND	8,392	4,638	3,373	2,436	1,529
<b>ROA (2)</b>		2.03%	1.5%	1.54%	1.35%	0.76%
<b>ROE (3)</b>		26.74%	22.1%	20.6%	15.7%	14.12%
<b>NPL ratio</b>		0.75%	0.66%	0.61%	1.58%	1.02%
<b>CAR</b>		10.57%	8.02%	8.06%	12.02%	11.62%
<b>Dividend (calculated based on year-end charter capital)</b>		20%	13.47%	6.83% (last 6 months)	-	-

### **Mission of Vietinbank**

"To become the leading financial and banking corporation in Vietnam that operates in diverse areas, as well as provides products and services that conform to international standards, aiming to improve the values of life." (Vietinbank, 2012)

### **Vision of Vietinbank**

"To become one of the most modern and effective financial and banking groups in and outside the country." (Vietinbank, 2012)

As well as other specific strategies of each field in Vietinbank's activities and services, the strategies of human resources also aim at developing and enhancing the human resources of Vietinbank such as: (annual report 2011)

- Standardize and develop staff
- Regenerate and improve upon mechanism of utilizing employees and compensations.
- Build a competent and professional workforce
- Carry out international work procedures and remain by corporate culture.

## **5.2 Human Resource Management in Vietinbank.**

The previous chapter presented a general understanding of the history of the establishment and developing process of Vietinbank. After that, the following chapter will describe Vietinbank's human resource management and the results conducted from the in-depth interviews as well as the author's evaluation.

### **5.2.1 Organizational Structure**

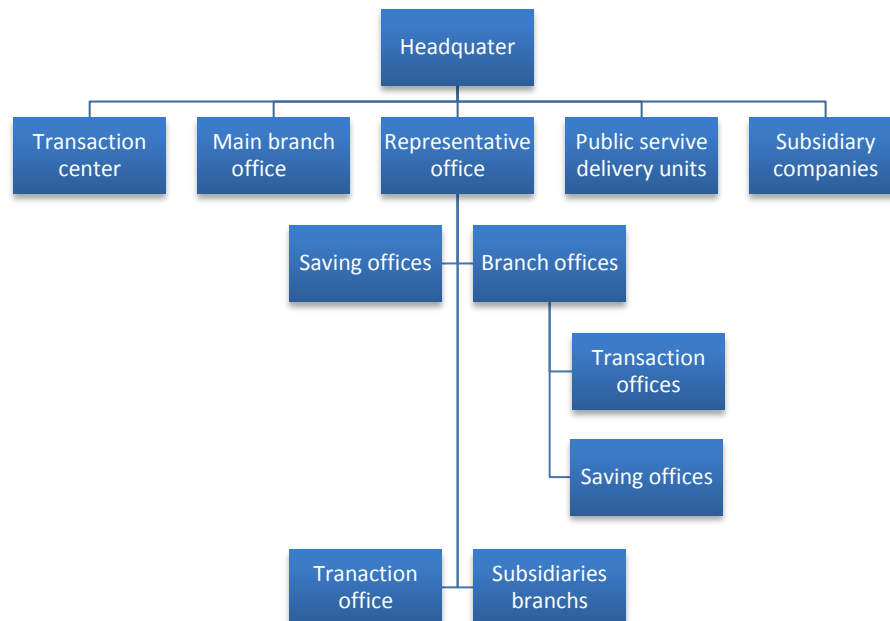
Staffing and managing human resources have been changed and adjusted in order to be the most useful and supportive to the bank's activities in each different period of the changing time of Vietinbank. From 2006, board of directors and general manager made a decision to alter some main functions and tasks of several departments in the headquarter. In addition, some new departments were established and the whole organizational structure was changed. The purpose of these changes is leading Vietinbank to become a modern commercial banking model that is organized based on its products, target customers. All departments are responsible for their own different special functions. For circumstances, Vietinbank is divided into many separate committees (Risk Management, HR and Remuneration, Policy, IT Strategy and Development, etc.) in order to easily and fairly manage and evaluate the success or failure, expense or income, etc.

### **Administration in Headquarter of Vietinbank**

#### **a. Board of Directors:**

The Board of Directors has all obligations and rights to design and decide the strategies, long-time plans, managerial plans. Moreover, the Board of Directors is also able to examine all annual financial reports and oversee the General Manager's activities. This board always works in team and each member has to be

responsible for his given tasks in front of Governor and Vietnamese law about decision-making of the Board of Director and success or failure of Vietinbank.



**Figure 13.** Organizational chart of Vietinbank. (Vietinbank, 2012).

Vietinbank has only one Headquarter which is the leading place of the whole bank system. All transaction centers, branches, representative offices, etc are controlled by the headquarter. The representative office is divided into smaller saving offices and branch offices and so on. The organizational chart of this bank is well-organized with full support branches and offices from lower level to higher ones. This helps to manage the entire bank system more easily and logically.

b. Board of Supervisor:

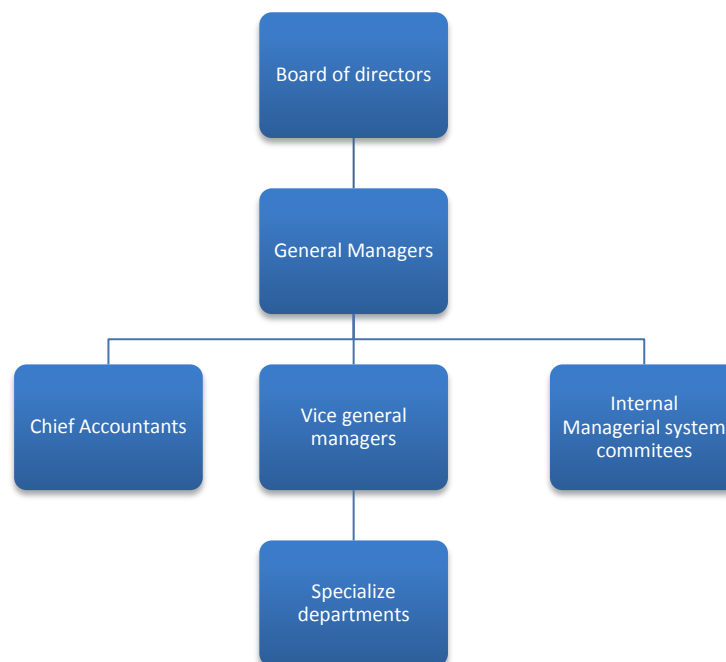
The Board of Supervisors was established supervise the Board of Directors in finance, accounting and also helps them in making decisions to ensure the safety in business. Furthermore, the Board of Supervisor is also the internal auditor in each different period of time, each field in business of Vietinbank in order to correctly examine the actual financial situation of Vietinbank.

c. Board of Management:

The General Manager holds the supreme power in managing the entire bank. He has to be responsible in front of the Board of Director and Vietnamese law for his decisions and actions. The General Manager has the assistance from the Vice General Manager in managing all the business activities of Vietinbank.

d. Chief Accountant:

The General Manager also needs special help from the Chief Accountant in activities related to accounting and statistics in order to make sure that all accounting and financial activities completely follow the law and statistical accounting rules.



**Figure 14.** Organizational chart of Managerial System in Headquarter (Vietinbank 2012).

### 5.2.2 Characteristics of Human Resource in Vietinbank.

a. Types of human resources in Vietinbank

**Employers:** include all kinds of managers such as chairman, general manager, vice general manager, chief accountant and managers of different departments.

From 2006 until 2012, the total employers in Headquarter of Vietinbank has increased from 12 people to 21 people within 6 years. (Vietinbank, 2012) They are all employers that are the most powerful in the Headquarter of Vietinbank in decision-making, create, point out and manage short-term plans and long-term plans for Vietinbank.

In general, this group is the group that has the biggest impact on the quality of the result, direction of the development of each branch and the entire bank. Therefore, success requires this group to catch up with the suitable opportunities to organize all business plans in the most successful ways to achieve the best result.

**Specialist employees:** these employees are people who have to fulfill their tasks based on their ability and knowledge as well as working in team efficiently. However, employees still have to follow the requirements and rules of managers and directly solve the specific problems every day. Thus, they are the most crowded group in Vietinbank workforce. In general, the success of achieving the aims of each units, getting high or low prestige from customers depend on this workforce.

#### b. Common characteristics of the workforce

Based on many years of experiences working in human resource management field, Mrs. Tran said "even though Vietinbank has been changing rapidly in order to adapt to the international changing economics, it is still easy to realize three core common characteristics of Vietinbank workforce".

Firstly, human resource in Vietinbank is mental labor. For example, this characteristic is shown clearly by managerial people who mainly work to study, analyze to build up business strategies, short-term and long-term plans, ways of managing and controlling the business. They also work as the internal examiner to verify the quality of the result. Consequently, working in a professional working environment in Vietinbank requires intelligence, an analytical mind, managerial ability and experiences. Besides, not only managers need those typical skills, but also other specialists need to be skillful in their own professional specialty.

Secondly, employees and employers are well-educated. Most of them have graduated from specialized universities in banking and economy. Moreover, English skills are also reinforced to all employees in order to conform to the globalization. In addition, the manager team is trained in higher level with master and doctored degrees. Together with the banking specialized knowledge, this group can prove their other abilities in practical working life with full of experiences.

Finally, Vietinbank workforce has a wide knowledge system that gathers all fields related to banking, economics, politics, language, technology as well as communication and persuasive skills.

### **5.2.3 Human Resource Management in practice in Vietinbank.**

This chapter follows with the in-depth interview's results from the manager of Human Resource Department. A clearer understanding about how this bank organize and manage its own workforce will be presented.

#### **5.2.3.1 Recruitment**

Recruitment planning is the first and also the crucial step in the recruitment process. Planning of recruiting is based on job description, previous results of running business and near future targets (capital, debts, customers, etc.) of the bank. Moreover, in order to get the most exact amount of needed new employees, recruitment plan has to consider the changing workforce ratio (due to retirement, rotation, etc.) and changes in scale of business (e.g. open new branch, corporate with other companies, etc.). "After that, the new recruitment policy of Vietinbank is employed with the new trend of publicity and fairness", said Mrs. Tran.

a. Concentration on the quality of the entrance by recruiting students who have graduated and are studying at universities related to economics, finance, banking, business management, information technology within country and abroad. Besides, Vietinbank is also interested in experienced employees from other banks or companies.

b. Job description and specification are also focused on ensuring that the correct and suitable candidates will be hired.

c. The style of entrance test is more diverse with various types such as: open competitive entrance exam, examine the specialized skills and knowledge, priority to candidates who are qualified or using recruitment agency. This diversity makes it easier and faster in finding suitable candidates into the correlative positions.

Mrs. Tran also mentioned that Vietinbank has been starting focusing on organizing job fairs and other recruiting events to attract more qualitative workforce. However, the recruiting standards still emphasize strongly on "the higher the certificates are, the better", for example, master degree or doctor degree are preferred over the communication, specialized skills creative ability and team-work skills.

In general, the recruitment policy of Vietinbank has brought the development in both quantity and quality of the bank's workforce.

*Quantity:* The workforce of Vietinbank is approximately 11.806 labors per year. The female workers is 67,43% with 7.960 people; managerial workers is 16,67% with 2.357 people and specialized workers is 80,03% with 9.448 people. (Mr Pham 2012)

*Quality:* The amount of workers with a doctored degree is 1.8%; master degree and bachelor is 55.77%; diploma level is 6.36%. The average age in the whole banking system is 38 years old. The amount of managerial workers is 2,357 people with 148 workers (6.28%) in the headquarter and 2,206 workers (93.72%) in other units.

The average age is getting younger year after year and the average number of high educated level is over 57.57%. This fact is an advantage for Vietinbank workforce to studying and applying the innovative scientific technologies and other new business technologies.

### **5.2.3.2 Managing and employing**

In the past, human resource managing and employing were not standardized, thus all the employees were managed and used based on State's policies applied for general employees. As the result, the process and procedures of human resource managing were not professional, democratic, public and fair. This lead to the low quality in workforce management.

From 2004 until now, Vietinbank has made many changes and innovation in the Appraising Policy in order to be able to utilize efficiently the workforce as much as possible.

#### **a. Appraising**

The purpose of appraising employees are examining ability, level, results, efficiency, strengths and weaknesses in accomplishing their tasks; conduct and responsibility of following rules and policies in their workplaces. According to the result of examination, there will be different solutions to train, rotate, scheme, reward or discipline the employees to build a better workforce.

The appraising process is carried out gradually once per 6 months with three levels: not accomplish, accomplish and successfully accomplish the given tasks. There are several basic methods to evaluate employees: managers to employees, voting individually in team. Therefore, each individual is aware of his/her responsibilities and benefits to try to finish their work successfully.

However, due to the poor and not practical standard of appraising as well as the impact of the out-of-date culture that make the results less reliability. Hence, Vietinbank has decided to apply KPI (Key Performance Indicators)<sup>3</sup> to the appraising process. (Dr. Nguyen)

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<sup>3</sup> KPI (Key Performance Indicators): is a tool to measure the success of performance. KPIs are commonly used by organizations to measure the engaged particular activity or their general success. (Wikipedia)



## **b. Arrangement**

Mrs. Tran stated that "possessing the best employees is not as good as possessing good employees and put them into the correct positions in which they can perform their abilities the most". She emphasized that young employees, women and well-educated and well-trained employees are focused on because they are easy to learn and adapt new changes and innovation. They are also creative and enthusiastic about their jobs. As well as trying to switch the current workforce into younger generation working in Vietinbank, firing and replacing those employees who are lazy and have weak performance with bad conduct or not following the common rules.

There is one problem that Vietinbank has to consider is the lack of qualified employees working in rural areas and remote mountain villages. In order to deal with this issue, Mrs. Tran suggested that Vietinbank will have some programs to train employees who work in those areas and recruit more young voluntary employees to work there with equivalent encouragement.

## **c. Scheming**

Based on the gradual evaluating results, scheming is another step in managing human resources, means picking the best or most potential employees and put them into their own suitable groups. After that, these groups can take the advantage of being trained more with professional specialists to improve their specialized skills, language and other technical skills. The group that has the most people (2.180 people) to have that opportunities is managerial group with all managers and vice managers from all departments from both the headquarter and branches. (Mr. Pham 2012)

## **d. Nomination and Rotation**

Rotation is a very efficient way to refresh the workforce themselves. Rotation within company is an opportunity for the employees to try to work in another positions with different jobs, different tasks. This may help them to realize which position is the most suitable to their abilities. In addition, moving from their

current positions to another ones can widen their knowledge and help employees can understand the entire working process about banking and banking services.

Nomination can be considered as one part of rotation. There are two main purposes of nomination. Firstly, nominating people who are talented, potential good conduct and experiences into managerial positions to manage each unit or the whole banking system can work fluently and successfully. Secondly, being nominated is for individuals the proof of their good performance, achieving prestige from colleagues and managers. This can be considered as the biggest encouragement to the devotion to the mutual success of Vietinbank. Moreover, nomination is also the motivation to others to try their best to be nominated to a better position.

#### **e. Results of employing the workforce in new ways**

The Revenues/Worker ratio has been rapidly increasing 100% even in period 2002-2006 from 356,037,552 VND to 712,446,264 VND. The average increasing speed is 19.09% per year. This shows the bigger and bigger contribution of the workforce to the whole revenue of Vietinbank. (Mrs. Tran 2012)

Secondly, the Profits/Worker has also been increasing sharply every year. In 2002, the target is 19,996,642 VND. In 2006, it went to 56,325,614 VND, increased 181.81% with the average increasing speed is 35,85% per year.

The next ratio is Profits/Wage Expenses has been rising gradually every year. It rose 12.16% from 74% in 2002 to 83% in 2006. The average increasing speed is 2.93% per year. These figures show that the ratio of average profits earn from wage expense of one worker has been increasing.

In general, the business profits in employing the workforce of Vietinbank in recent years are positive. This is the results of applying better recruiting, managing, training and developing policies of Vietinbank.

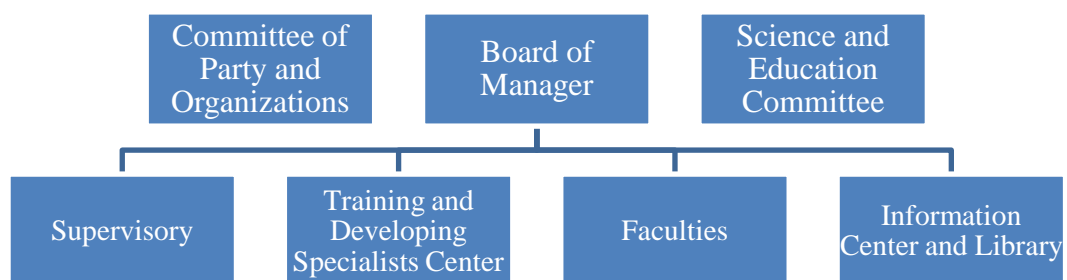
### 5.2.3.3 Training and Developing the workforce

The quality of workforce is the key to be successful in this competitive business environment. "Training and developing are the activities to maintain and improve the quality of the workforce, thus Vietinbank consider training and developing is the strategic plan to compete to other banks in Vietnam".

Forecasting the new trend for the young generation of Vietinbank workforce, Vietinbank Human Resource Development and Training School was established on 19/09/2008 with the main purposes are training and developing the workforce of Vietinbank, creating scientific events, providing the financial counseling services, organizing international corporation related to banking businesses and other tasks from the Board of Management of Vietnam Trade Bank.

#### **Mission:**

Providing high quality products and services of training, scientific research, financial - banking counseling that strongly combine theory to practice, specialized banking to practical skills both internally and internationally to satisfy all requirements of developing the workforce of Vietinbank and society. (Vietinbank 2012)



**Figure 15.** Model of Vietinbank Human Resource Development and Training School in period 2016-2020 (Vietinbank, 2012).

This is a very modern model of a school in Vietnam. It is the combination between teaching and doing business with board of manager as the leader and also arrange and control the school according to other smaller units with specific tasks.

**Vision:**

Becoming professional Vietinbank University that will be the leader in building a new brand name: modern, efficient, prestigious Vietinbank University in Vietnam and internationally. (Vietinbank 2012)

**Strategy** (Vietinbank 2012)

- Focus on improving the facilities, complete the managing system and building a professional, modern environment of education.
- Building and developing the method and content for education
- Developing the research and application activities to support to the education of advanced banking managing.

**5.2.3.4 Maintenance of Vietinbank workforce.**

After recruiting and developing employees, maintaining the quality and keeping them to stay working for Vietinbank are the next important steps. Employees are humans and they also need to be ensured about both tangible and intangible benefits via wages and wages policy. Salary is not only about money, but also a method to invest in humans to improve the quality of the workforce.

According to Mrs. Tran (2012), Vietinbank still applying the wage policy that issued in 2000 (permit 125/QĐ-HĐQT date 10/10/2000).

**a. Wages policy**

Basic Salary (V1) is calculated based on the level, allowance and working days according to the State's law.

Business Salary (V2) is calculated based on the results of performance of each person. The salary amount of each person also depends on the business results of each branch.

This policy is more fair and clearer to different efforts of different people. "The better you work, the higher salary you get", said Mrs. Tran. This is a logical method to pay the correct amount to correct effort of working. Besides, this policy also create motivation for employees to work more efficiently and competitively to achieve better benefits for themselves.

According to the financial report (2010, 2011), Vietinbank is the leading bank that pay the highest salary rate to employees. In the last three year, the average income of one employee per month in Vietinbank was respectively 16,11 millions VND (2009), 18,52 millions VND (2010) and 20,27 millions VND (2011). Thus, the average income per person per month has been increasing 15% per year (Tue 2012). Mr. Pham agreed that this fact attracted a lot of candidates to apply for jobs in Vietinbank recently.

#### **b. Other benefits**

Another tangible benefits from Vietinbank to maintain the motivation of staying working efficiently are awards and allowances. Two main award fund and allowance fund have been increasing 330% from 23 billion VND to 99 billion VND in four years; the average increasing speed is 45%/year. Employees will be awarded in these cases: annual, according to the voting gradually 6-month period and one year period and for great sudden achievements.

The allowance fund is used in many cases such as: usual allowance for female employees, living in poor condition; sick leave, maternity, vacation, holiday, etc. Besides, 100% of the employees are ensured to get the minimum salary level according to the State's laws; ensured about working schedule, working time and working conditions as well as all default insurances such as social insurance (for retirement), health insurance for work accidents, etc.

Tangible benefits are big but not enough to support, encourage and motivate employees to work perform their works better and completely devoting to the success of the bank. Hence, mental working life of employees is also strongly focused. There are many events, parties, sport events are organized to create a

relaxing gap for employees when they get stress from work. In addition, those events and programs are also the encouragement and motivation to employees to work better and the connection between employers, employees and colleagues with one another.

### **5.3 Evaluation about Human Resource Management in Vietinbank.**

The in-depth interviews with two managers in Vietinbank were extremely useful with intense answers directly to the given questions and gave out many statistics as the best proof. Following the information in previous sub-chapters, together with findings in another quantitative interviews to random employees, the author can make some general evaluation of human resource management in the case company. After that, the evaluation will also be analyzed to figure out what weaknesses still remain.

#### **5.3.1 Achievements**

In recent years, the quality of the human resource management in Vietinbank has been risen dramatically, achieved many impressive results and basically satisfy the requirements in banking businesses and services. These comments are not one-side evaluation from managers or from single individual's ideas. According to the results obtained from the interviews with Vietinbank employees, there are 100% answers from 15 respondents that agree that the human resource management in Vietinbank is professional and useful.

##### **a. Size of the workforce has been enlarged**

The amount of employees has been increasing gradually every year in order to be able to adapt to the enlargement of the businesses. Until the fourth quarter in 2011, the number of employees working for Vietinbank is 18,094 people, increased more than 1,000 people compared to the previous year (Tue 2012). It is not only the amount that is bigger, but the quality is also higher. Employees' abilities, specialized skills, technical skills improved and most of them also changed the way of working from very old styles in the System of Budget Subsidize to new styles that are more innovative, flexible and productive.

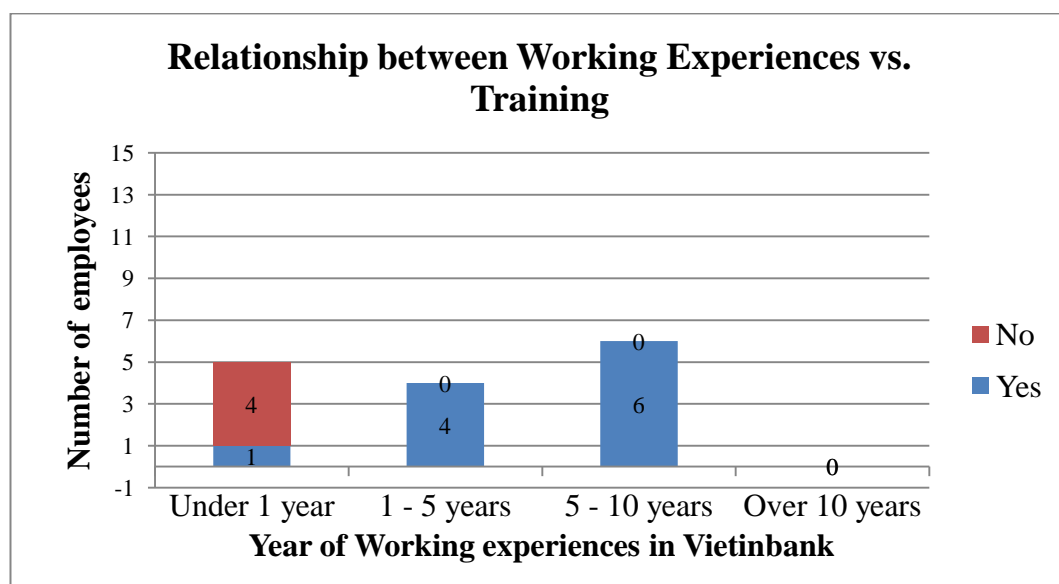
The recruitment policy are getting closer to the international standard to attract young candidates who are well-educated, have a large knowledge, are creative, active and can easily adapt to the changes and innovation.

**b. Managing and employing workers are more efficient**

Human resource management starts to be standardized and slowly becomes a part of normal working life. The promotion, rotation and arrangements are being executed reasonably based on the results of the logical and fair evaluations of the employees' performances. The quality of the workforce are strongly enhanced and improved.

**c. Training and developing the workforce**

Training and developing the labor force are set as a long-term plan. However, Vietinbank managed to run the school that is specializing in educating and developing its own workforce. After that, the long-term plan includes earning benefits not only from the well-trained employees from the school, but also earning from another source of income with the educating businesses. This is a big further step in comparison with other banks in Vietnam.



**Figure 16.** Relationship between Working experiences and Training (Research results, 2012).

In this research data, there is no answer from employees who has over 10 years working in Vietinbank. The reason might be because of the older generation do not pay enough attention to the importance of HRM and researches related to HRM. Even though there are not 100% the answers to the question "Are you well-trained by Vietinbank before starting working and during working for Vietinbank" said yes, but there are 11 yes out of 15 answers which is 73% the respondents are well-trained by Vietinbank. All those 4 employees who do not have the training courses belong to the "Under 1 year" of experience group (See Figure 16). To conclude, employees who work for longer time in Vietinbank, are all well-trained by Vietinbank. In the other words, the longer they work, the more experiences they gain by both theoretical and practical training from Vietinbank.

**d. The maintenance of the workforce is more focused**

There are six employees feel satisfied (40%), 7 employees are just fine (47%) and 2 employees (13%) are not satisfied with the salary, allowance and reward policy.

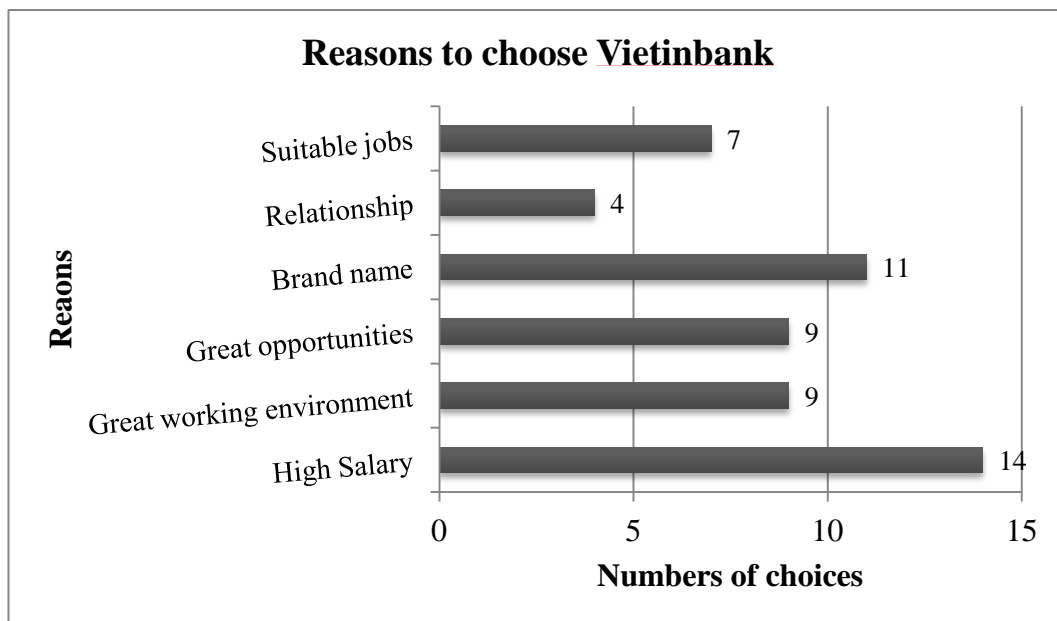


**Figure 17.** Satisfaction of employees about wage and award policy (Research results, 2012).

This result is reasonable because the satisfaction about these sensitive issue depends on both inside (individual) and outside factors. However, almost half of the interviewees agree with how Vietinbank work to encourage and keep its employees' motivation.



However, the impressive average salary for employees per month (approximately 20 million VND) is a very huge factor to attract more people to apply for jobs in Vietinbank, especially highly qualified candidates. This is also reflected in the interview result with 14 respondents chose *good salary* is one of the conditions that motivate them to send their applications.



**Figure 18.** Reasons to choose Vietinbank from employees' ideas (research results 2012).

Moreover, based on the result above, Vietinbank has been building great brand image that has big impact on the decisions of applicants' thinking.

### 5.3.2 Weaknesses

Vietinbank is currently in the developing period, thus there are still many weaknesses that the bank needs to overcome.

#### a. Planning for recruitment

Even though the managers understand the importance of making plan for the recruitment before doing it, the planning is still quite poor with the forecasting of needed workforce in only near-future. It decreases the stability when applying the

recruitment. The job description and specification should be described more clearly to decrease the wasting time for candidates who are confused about it.

### **b. Enlarging the size**

The strategic plan of enlarging the scale of Vietinbank workforce is firstly changing to younger generation. This has to deal with many problems because the number of old employees still exists in large amount and they cannot be replaced due to the social policy. Therefore, the issue of lacking young and well-trained employees exists at the same time with the excess of old styles and cannot be trained employees in many places.

The second issue is that the knowledge standard is different between urban, suburban and remote areas. This results in the imbalance within the whole banking system.

### **c. Managing and employing**

Rules about standardizing employees is incomplete. There are some positions that require the employees to be member of Communist Party of Vietnam to be nominated. This is the room in utilizing talented people.

### **d. Impact of the old culture still exists**

The impact of society and culture on normal life and working life of Vietnamese people still exist. For example, Vietnamese people are very rich of hospitality and always not choosing the straight way to think and express their ideas about anything. Therefore, the relationship between employer and employee still has a big gap. Even though the Manager of the Project Management Office in Vietinbank - Mr Pham answered that he always respects his employees and trains them as much as he can, the answer from 15 employees said that there is still a virtual gap between them. In reality, it is rare that employees will express their disagreements to their managers even when they definitely know that their employers are wrong. This does not help to improve the quality of the human resource in general.

Moreover, the biggest weakness is that the old culture and society pressure affect the working life and also the relationships in the workplace. This is clearly shown in the interview results conducted from 15 employees' answers: all the answers are divided respectively for scale 3, 4, 5 which mean the highest effect from the old bad culture. An example of that culture is that the under-qualified candidates can still be chosen because they have a relationship with one of the supervisors or managers working in that company. The same theory also works inside the company related to the rotation, nomination, etc. This issue is still quite popular in the Vietnamese society in general and Vietinbank in particular.

### **5.3.3 Reasons of remaining weaknesses in HRM**

#### **a. Subjective reasons**

The first and also the biggest reason is the limitation of managing ability of the managerial and supervisory staff, especially knowledge about the entire banking services or businesses. Most of them become a manager because they have been working in Vietinbank for a long time and skillful in their own fields in specialized banking. Therefore, they lack the advanced knowledge about human resource managing. The techniques in managing is still low and not up-to-date, and results in difficulties in managing the workforce efficiently.

The second reason is about the system restructuring is still affected by the some old rules. These rules make a huge loss of talented workers. As mentioned above, some high positions require members of Community Party of Vietnam to be promoted to those positions. The organizing and creating departments in the whole system are not logical. This created many duplicated departments with mutual jobs and mutual tasks. This does not only add more complication into the managing and working, but also waste of time and money to Vietinbank. The final business results will be directly affected.

Thirdly, the effects remain from the past with old labor force that are not easy to adapt to the rapid changes, weak in foreign languages and technical skills. They can be trained but it will take a long time and that means more money is wasted. There is one small issue that the research via questionnaire pointed out

The next reason is that human resource management is still not considered as important as other business issues. This is completely incorrect because the business issues cannot be done successfully without well-trained and skillful workforce. Obviously, managing human resources should be the first issue to focus on.

#### **b. Objective reasons**

The Labor Law includes rules about firing workers (Issue 85) and rules about terminating the contract from the employer only (issue 38) are both out-of-date and not suitable to the current economic situation. Those rules cause many difficulties in managing the labor, especially limits the ability to fire those employees who has low responsibility, lack of knowledge and being lazy.

A rule about the minimum salary level is not suitable with the speed of inflation and current economic situation. The labor cannot be ensured about their income or retirement salary, thus they cannot concentrate on only one job. They will look for another better jobs until they find the most suitable one. This can have an impact on the stability of the workforce in company.

#### **5.4 Chapter conclusion**

The managing process was also described in detail step by step: planning, recruitment, training and developing, appraising, maintaining the labor with the actual statistics came from both qualitative and quantitative methods: phone interview and questionnaires. The author also gave the results and self-evaluation based on research findings. In conclusion, HRM in Vietinbank got several dramatic achievements that showed in the business results. However, in order to earn more benefits and complete those long-term plans, Vietinbank still needs to overcome some pointed out disadvantages and weaknesses.

## 6. CONCLUSIONS

The entire 80 pages that the readers have just gone through introduced human resource management in Vietnam Joint Stock Commercial Bank for Industry and Trade - Vietinbank. This thesis starts with some research background information that attracted the author's interest in this specific field. As a Vietnamese person, the author completely understands the current economic situation in Vietnam. The raised big question is that "How those companies can deal with this transitional situation when running businesses in Vietnam is total chaos?" The reason behinds the selection of this topic is also a key to answer the question above.

In brief, human resource management is a crucial factor in contribution to the success of any business. The basic framework of HRM includes a complete process from staffing, appraising and compensating, employee and labor relations. There are several important steps that all companies should be able to apply to their own businesses. In the staffing part, before processing any recruitment, preparing a good plan about current human resource situation and forecasting the resource the quantity and quality of the resource needed. Research about job description also needs to be made carefully because nobody can have knowledge about everything, especially the field that they are not specialized at. Selecting employees should based on the results from the entrance exam and follow some special techniques. After that, selected candidates should be welcomed in the well-prepared orientation day where they can get all of the most important information relevant to company, their new jobs, obligations, rights and benefits. Before starting their new jobs or during working, employees will have some intense and advanced training about their tasks to enhance and improve their knowledge and skills to perform their works successfully. The process will never be completed without appraising and compensating employees. Employees cannot be improved if nobody knows how they work, include themselves. Hence, appraising is very important step to evaluate the performance of employees gradually in order to make some suitable changes for better way of working for both managers and employees. A smart and modern style of managing human resources recently is concentrating on compensation and the mental working life

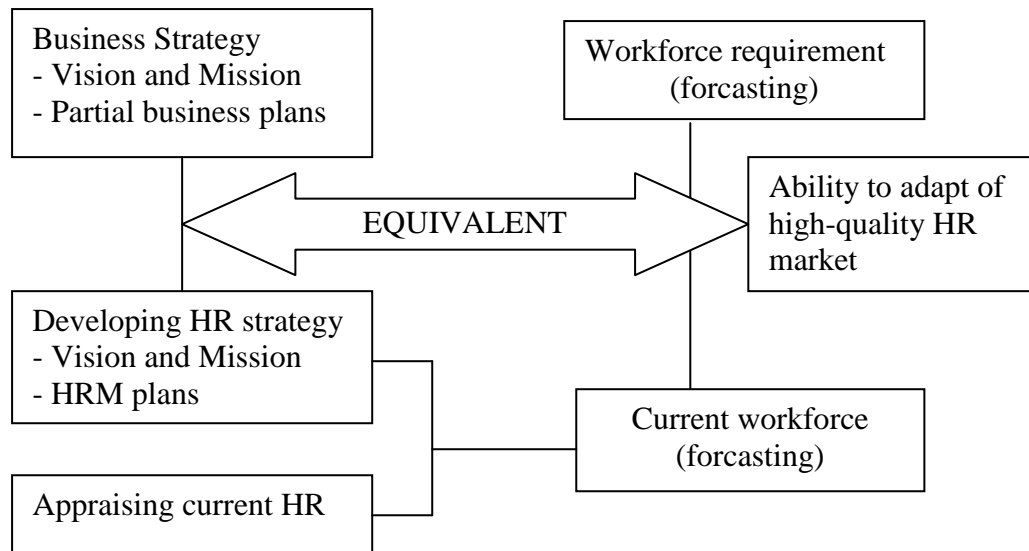
of the labor. This has been becoming a hot trend in workplaces to attract young employees because they feel safe and stable for their living when they work for those companies that focus on those things. A good HR manager also cares about health, safety and conduct of his/her employees.

After the basic HRM in theory is the practical section of factual practices and information in the bank. The case bank is Vietinbank which is one of the first Commercial and Trade bank. Vietinbank is always a leader bank in the revenues, salary for the labor and establishing new hot trend. Even though Vietnam is now in transition of economic and there is a huge distance between companies in Vietnam and others in developed countries, HRM in Vietinbank still basically follows the international theory on HRM. Those steps in the process are followed almost exactly and already got some achievements. However, the weaknesses in managing human resources cannot be prevented. Consequently, some suggestions and innovative ideas about how to complete the managing system and overcome or at least reduce those weaknesses.

## **6.1 Recommendations for all commercial banks**

### **a. Building a suitable business strategy**

This suitability should be satisfied three-way matching based on three important factors in a business strategy includes: the first one is matching between vision and mission of the business strategy with vision and mission of developing the high-quality human resource. Secondly, this matching is the connection between the evaluation of current situation of bank according to the SWOT analysis and the evaluation of the current situation of the high-quality in the bank. The last one is the matching between all business plans to carry out the strategy (R&D plan, capital plan, credit plan, risk management plan, etc) and plans to manage the human resources (recruitment and selection, structuring and appraising, educating and developing, etc.). (See Figure 16)



**Figure 19.** The equivalence between a business strategy and strategy of developing HR. (To & Nguyen, 2012).

### **b. Forecasting the workforce needed.**

This step is very important to a successful recruitment. This helps banks to recruit the most exact amount of workforce needed to reduce the costs and time spent for recruitment process.

There are many ways of forecasting the number of human resources, for example the Delphi technique, sample Markov, etc. However, there are four factors that should be considered when choosing the methods of forecasting: environment of company, size of company, variables forecasted in the economic, competitive factor. (Dr. To; Nguyen, 2012).

### **c. Building high-quality HRM system**

*Recruitment and Selection:* Both recruitment and selection need to exactly follow the HR development strategy with the suitability of the size and the structure. Make a clear plan about the recruiting and selecting method, especially to the high-quality workforce such as specialists and managers.

Moreover, the recruitment should be combined with other education centers to minimize the expenses and time of selecting based on the reflection of forecasted human resource. In addition, companies or banks should pay more attention to

students because they are the potential groups with high-education, enthusiasm and cheaper cost.

*Arrangement and appraising:* All job description and position standards have to be specified carefully. This can be evaluated using a grading model. Therefore, the appraising can be based on the grade/score and the evaluation of direct manager/supervisory. Evaluating has to be public, correct, fair and voluntary.

*Training and developing:* all companies should know exactly the ability of candidates in the recruiting process in order to create or choose the most suitable training program for each position. This is the best solution to not repeat the same mistake was "who is good at specialized jobs will become manager" before.

*Awarding policy:* should change entirely to the paying salary according to ability. Hence, the grading plus the evaluation of managers will be the method to build the wages policy. Besides, the salary level of high-quality specialists should be put equal to the salary level of manager in order to create the fairness in evaluating job performance via compensating and awarding.

*Minimizing the impact of bribery in workplace:* this issue is still popular in every official workplace in Vietnam, especially banks or other business companies. This creates an unfairness in the whole process in HRM. A successful bank or company cannot work based on people who are not deserved to work or are working in wrong position because of their relationship or financial ability. Banks or companies should set a policy specialized about this issue with very strict rules of compensating, strong discipline or firing.

In conclusion, building a correct strategy of HR development is very essential. However, in order to establish an efficient management system, there should be a corporation between big organizations such as State Bank, Ministry of Education and Training, etc.



## **6.2 Recommendations to further studies**

Human resource management is an interesting topic not only to the author but also to many other readers. This research topic was originally related to the comparison of HRM in Vietnamese companies before and after changing from Stated Own companies to Joint Stock company. Comparison can always make clear or emphasize the problem that we want to mention about successfully.

Even though this study also basically mentioned, analyzed and dealt with the basic and most important issues that HRM includes. However, due to the limited time and scopes, this study cannot study further and intensively about the effects to HRM from the typical Vietnamese cultures or from the Government.

It would be great to see further analysis about HRM but in other dimensions related to other sensitive issues.

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### TELEPHONE INTERVIEW GUIDE 1

(Mrs. Tran Thu Huyen \_ Manager of Human Resource Management Department)

*This interview's content is confidential and serves the purpose of collecting data for the final thesis. The researcher guarantees not to disclose the bank's and the respondents' identities in the work.*

#### **Respondent's profile:**

- Name
- Gender and Age
- Position
- Years of experience with this Vietinbank.
- Years of experience in HRM
- Education or international exposure

#### **General Question**

Tell briefly about HRM in Vietinbank and describe your jobs and responsibilities.

#### **Questions related to HRM in Vietinbank**

1. Describe the organizational structure of Vietinbank.
2. Describe process of HRM in details, include:
  - Recruitment and selection of candidates
  - Appraising and Developing employees
  - Wages, awarding and allowance policy
3. How important the working environment in Vietinbank is?
  - The importance of working condition (modern, convenient, safe)
  - The importance of encouraging the mental working life



4. What are the main changes in HRM in comparison between current time and the past?
5. What are the main factors caused those changes?
6. What are the most difficult in managing HR nowadays?
7. How to control the impact from bad old culture in working place? (bribery, relationship between employers & employees)?
8. What are the strategies and targets of HRM in Vietinbank in 5 more years?

**TELEPHONE INTERVIEW GUIDE 2**

(Mr. Pham Huy Trung \_ Manager of Project Management Department)

*This interview's content is confidential and serves the purpose of collecting data for the final thesis. The researcher guarantees not to disclose the bank's and the respondents' identities in the work.*

**Respondent's profile:**

- Name
- Gender and Age
- Position
- Years of experience working in Vietinbank
- Years of experience in HRM
- Education or international exposure

**Questions related to HRM in Vietinbank**

1. How do you manage or treat your old and new employees?
2. How can you evaluate exactly the actual ability of your employees?
3. What do you think about the relationship between you and your employees?
4. How important of listening and respecting your employees' ideas?
5. Does Vietinbank focus on training and developing the managerial skills for you and how?

**QUESTIONNAIRE**

*This questionnaire's content is confidential and serves the purpose of collecting data for the final thesis. The researcher guarantees not to disclose the respondents' identities in the work*

1. Your gender are:..... 2. Your age is:.....

3. Department that you are working at is:.....

4. Your main duties are:.....

5. Your experience working in your main duties in Vietinbank:

Under 1 year..... 1 - 5 years.....

Over 5 years - 10 years..... Over 10 years.....

6. The reasons that you chose Vietinbank are: (multiple choices)

High salary..... Great opportunities.....

Great working environment..... Brand name.....

Relationship..... Suitable jobs.....

7. How do you think about human resource management in Vietinbank? (multiple choices)

Professional..... Out-of-date.....

Innovative..... Efficient.....

8. How big the gap in relationship between employers and employees is? (choose from 1 - 5 in which 1 is the smallest gap and 5 is the biggest gap):.....

9. How do you evaluate the working condition in Vietinbank (choose from 1 - 5 in which 1 is the worst condition and 5 is the best condition):.....

10. How do you think about the working environment in Vietinbank? (multiple choices)

Active.....

Professional.....

Friendly.....

Competitive.....

Boring.....

Unfair.....

11. Did Vietinbank send you to some training courses before your starting and during your working?      Yes:.....                      No:.....

12. How are you satisfied with the salary, allowance and awarding in Vietinbank? (choose from 1 - 5 in which 1 is the least satisfied and 5 is the most satisfied):.....

13. How bad the effect of old bad culture (e.g. relationship, bribery) to your work can be? (Choose from 1 - 5 in which 5 is the worst effect and 1 is no effect):.....

**Thank you for your great contribution!**