

# Management of Human Resource in Small and Medium Enterprises in Vietnam

by MEcon. LÝ MINH CHIÊU

**A**t present, there is no denying that the human resource is an important factor in success of an enterprise. A manager who knows how to make the best use of his/her employees and encourage them to strive for corporate goals could help an organization make good progress and stand any competition. In 2007 when Vietnam becomes a full member of the WTO and AFTA, local managers should estimate exactly their human resources; thereby adopting plans to train, develop or recruit employees with a view to beefing up their competitive edge in the era of international integration.

In Vietnam, small and medium enterprises (SMEs) account for some 26% of the GDP; 31% of the industrial output; 78% of the total retail sales; 64% of volume of goods transported; and attract some 64.8% of the working population and directly create 700,000 new jobs every year. In spite of their remarkable contribution to the economic growth, SMEs meet with a lot of difficulties in doing and developing their businesses, along with many opportunities in store for them.

With small and medium size, their biggest advantage is the ability to adjust quickly their business plans to changing conditions. Most SMEs in Vietnam, with small capital and scope of operations, could make changes or transform their plans easily. During the 1997 Asian financial crisis, Taiwan was a good example of a flexible economy that could avoid losses and bad effects because most economic concerns in Taiwan were SMEs. On the

other hand, the big size of such groups as Daewoo, Hyundai and Samsung forced the South Korean economy to suffer great damage because of its heavily dependence on foreign investment and technology.

## **1. Characteristics of human resource management in local SMEs**

### **a. Advantages**

The Vietnamese population is young and 90% of it is literate. The working population is big. Vietnamese laborers are eager to absorb new knowledge and techniques.

b. Disadvantages: Most managers lack managerial skills because they are not well-trained. Most managers of SMEs put their own money in their businesses and run them according to their experience. They tend to consider employees as members of their families, therefore they sometimes make decisions based on their sentimentality and fail to use right persons for right places. Their biggest shortcoming is the lack of supervision: they usually give orders and let employees to do the job without supervision; and when everything ends in failure, their efforts to handle the situation prove too late.

Although the supply of labor is abundant, 72.8% of laborers are from rural areas and lack training. These laborers don't know how to work in an organization and don't like disciplines. Their poor productivity could hardly meet requirement by development of the business. In addition, most SMEs have no ability to offer high salaries to attract skilled laborers while many laborers

with some training couldn't do jobs they were trained in. This situation comes from the fact that the quality of vocational schools or universities is poor. They pay too much attention to quantitative results instead of quality of their service.

Many characteristic of the old-fashioned lifestyle prevent them from adopting industrial work ethics. That is why most laborers tend to be content with moderate performance, love long vacations, and take a break when their superiors are absent.

Most local laborers are new to team work. They don't know, and don't like, cooperation with others while most laborers in other Asian countries, such as Japan, China, and South Korea, are very good at team work. It will take a long time to deal with these shortcomings and change this lifestyle but it could be done as well.

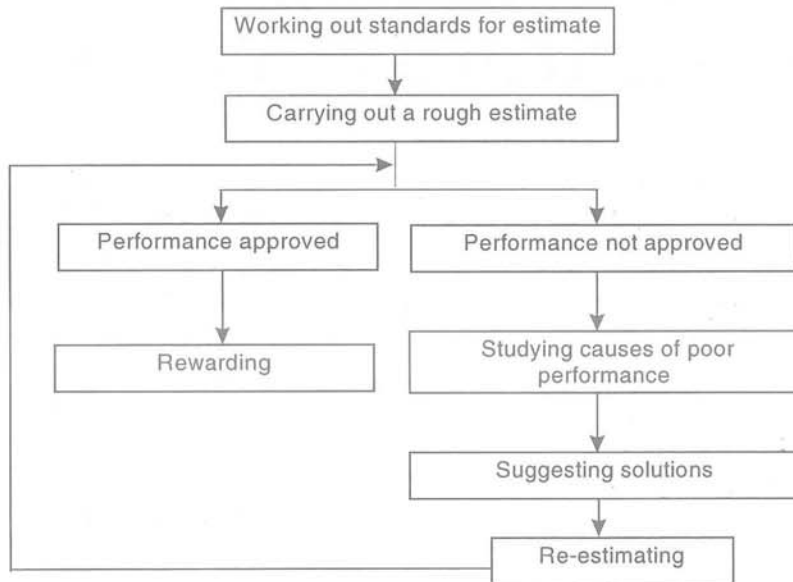
In most SMEs, employees don't feel attached to the company and never consider it as their second family. They are ready to quit for better pay after getting some training, experience or skills because they see no opportunity to get promoted because most SMEs are run like a family in which important positions are held by relatives of the director.

## **2. Measures to beef up the human resource management**

- Re-estimating employees: The first task is to re-estimate the workforce and this could be done by following the process presented in the following figure.

- Standardizing positions and organizing team work: To stan-

**Figure 1: Process of re-estimating the workforce**



dardize positions, the manager should analyze jobs and tasks, work out job description and standard performance for each job. However, establishing description of team work and assigning work to team could lead to better performance because group members will cooperate with one another to fulfill the job and assign tasks to the most suitable members. This approach also allows the manager to identify incompetent employees in each group.

- Perfection assignment of tasks: The second step is to put right employees in tasks omitted by the old process, put an end to overlapping tasks, and get ready to fire incompetent employees.

- Training and developing the human resource: The following are the most important measures to deal with human resource problems.

+ Requiring employees to take training courses in skills needed for fulfilling task assigned.

+ Helping them to do team work, and allowing them to try at different jobs of the work or take over another's duties when necessary: This measure aims at train-

ing multi-skilling laborers – a decisive factor of the development in the 21<sup>st</sup> century.

+ Keeping employing laborers with good skills and health, including ones at the retiring age, as key workers of teams.

+ The wage scale must ensure a reasonable living standard for employees, fair treatment for all and fair competition among workers. Besides wages, bonuses and other benefits may cultivate employees' attachment to the company.

+ Adjusting wage of workers to results of the periodical estimates of performance in order to encourage them to make improvements in their tasks.

+ The manager should hold regular meeting and discussion with employees about performance and rewards. Employees could be encouraged to make self-assessment and suggestions about any problems to the manager.

+ The manager should make timely decisions on rewards for innovations and contributions to corporate success. Financial incentives always have their effects.

+ Raising wages for employees after their finishing some training courses: This measure makes them proud of, and satisfied with their duties and positions. Experience shows that employees who take training courses at the company's expense will be more loyal to the company.

+ When the company is strong enough, it may go public and sell shares at preferential prices to employees. This is one of the best measures to encourage them to work for the company for life.

+ Policies on delegation of rights and duties should be made known to all employees with a view to helping them become more flexible in fulfilling their tasks as stated in the job description.

+ Promoting competent employees with work ethic to higher positions in order to make them more attached to the company.

+ Educating employees in objectives and missions of the company in order to make them feel confident in and proud of the company's achievements.

### 3. Some suggestions to governmental bodies

- Reforming the training programs and service quality in vocational schools with a view to helping learners fulfill tasks assigned to them after graduation.

- Building more technical and vocational schools to deal with the shortage of skilled laborers: Learners could pay tuitions in installments after graduation from their wages.

- New policies on tax incentives to SMEs that invest in the training of human resource must be adopted.

- Increasing the outlay for education and training services to a level equaling to ones adopted by developed countries because investment in this service is always associated with economic growth in future.■