

# RESEARCH AND PRACTICE IN HUMAN RESOURCE MANAGEMENT

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## Management Styles and Organisational Effectiveness in Vietnam

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### Abstract

The paper identifies the management styles that are prevailing in companies located in the northern part of Vietnam. Managers of three selected enterprise sectors: state owned, private and joint venture enterprises participated in the survey. A comparison in terms of management practices in these enterprises was also conducted to find out whether there are any differences among them. The findings illustrate that there are differences in management styles among companies in the three sectors under study. The managers' practices also differ significantly, especially in their leadership styles. The findings also show that management perceptions about organisational effectiveness vary considerably in each enterprise sector. On the basis of these findings, recommendations for improving the management style and practices are suggested.

### Introduction

Vietnam's Renovation Policy (doi moi), which effectively started in 1987, has encouraged investments both from inside and outside Vietnam. It has significantly boosted the country's economy and the living standard of the Vietnamese. Opening up the market brought both threats and opportunities. Some businesses thrived in the new business environment and were able to improve productivity, product quality, and ultimately profit. Others failed to meet the new challenges and declined. However, there has still been no systematic study of management styles in Vietnam and how they contribute to the effectiveness of organisations in the Vietnamese cultural context (Ralston et al., 1999). This paper attempts to fill this knowledge gap by dealing with the following issues:

- Which management styles typically prevail in Vietnamese companies?
- Are there any differences in management style between state-owned enterprises (SOEs), private companies and joint ventures?
- What is the relationship between the management styles and organisational effectiveness of these companies?

### Definition of Management Style

The term management style can be understood simply as a way to manage an organisation. According to Schleh (1977: 10), management style is "The adhesive that binds diverse operations and functions together. It is the philosophy or set of principles by which you capitalise on the abilities of your people. It is not a procedure on 'how to do,' but is the management framework for doing. A management style is a way of life operating throughout the enterprise. It permits an executive to rely on the initiative of his people."

In terms of management functions, Khandwalla (1995b: 48) defined management style as the distinctive way in which an organisation makes decisions and discharges various functions, including goal setting, formulation and implementation of strategy, all basic management activities, corporate image building, and dealing with key stakeholders. Depending on an organisation's operating conditions, styles vary.

A variety of formal styles of management have been described since the 1950s. Likert (1961, 1967) defined four styles that constitute a continuum from authoritarian to participative. Burns and Stalker (1961) introduced the organic and mechanistic styles of management. Mintzberg (1973) described the entrepreneurial, the planning and the adaptive type of strategic planning. Following Japan's economic success, other scholars studied the Japanese

style of management, which emphasises paternalism, lifetime employment, seniority, life long learning, collective decision making, hard work, cooperation ethics, continuous adaptation and improvement (Pascale & Athos, 1981; Williamson & Ouchi, 1981; Wilkins & Ouchi, 1983). In the mid 1970s, having drawn findings from several studies of American, Canadian and Indian firms, Khandwalla (1995a, 1995b), conceptualised five dimensions of management style, namely risk taking, technocracy, flexibility, participation, and authoritarianism and suggested that these be the building blocks of most styles. In the early 1980s, Peters and Waterman (1982) came up with a typical management style of American companies whose traits differed sharply from those of the idealised Japanese style, and which focuses more on core values, highly flexible structures, business unit autonomy, interactivity and innovation. More recently, de Geus (1997) advocated the adoption of the management of tolerance for learning organisations and knowledge-based companies instead of the 'action-oriented' management style. But in their search for ideal styles, most scholars have overlooked the applicability of a management style to a given organisation (Khandwalla, 1995b).

## **Management Styles and National Culture**

It is important to identify the most suitable style of management to the specific operating circumstances of an organisation. There is a belief that management styles are profoundly influenced by the social cultures in which organisations operate. Thus, the Japanese have a distinctive management style, as have the Indians, the Americans, the British, the French and the Vietnamese. It is asserted that there is a 'core style' that reflects the values and norms of a culture and this is practiced in every organisation in that culture, although with needed local variations (Evans et al., 1989).

In reality, management styles seem to vary sharply even in a given culture. For instance, in a study of 20 organisations in Britain, two widely contrasting styles were identified (Burns and Stalker, 1961); in another study of 103 Canadian companies, seven differing styles were classified (Khandwalla, 1977); and a survey of 90 enterprises in India led to the conclusion that significant differences in management styles were found not only between industries, but also within each industry (Khandwalla, 1980).

Management styles vary due to firm characteristics, such as organisation type, business purpose, size, operating environment, corporate culture and heritage. Given this diversity, it seems impossible for all organisations to be managed in the same way, even though in authoritarian societies attempts are often made to impose a uniform management style upon all organisations belonging to the system. Based on practical observations of 11 countries of different political and economic systems, Davidmann (1995) found that styles of management depend to a considerable extent on management. In a smaller or medium size company, it is possible for the owner or the chief executive to impress their own personal style of management on the rest of the organisation.

In recent years, tremendous advances in the field of information technology and communication have had profound effects on the choice of a management style for an organisation. In many cases, the new devices and systems (e.g. cellular telephones and the Internet) can facilitate the adoption of a particular style, such as the quantitative and systems perspectives (Lewis et al, 2001). However, as warned by these authors, this would force the organisation to undergo a change. From a more market-oriented point of view, Dolan et al. (2002) argued that in an increasingly global, complex, and professionally demanding world, which is constantly changing and oriented toward quality and customer satisfaction, a new model is needed.

## **Management Styles and Organisational Effectiveness**

Management style is one of the important factors that affect organisational effectiveness. A good match between the style of management and the operating realities of an organisation will substantially influence its level of effectiveness. In each organisation, management style influences the performance of individual employee and work groups, and thereby the whole organisation's performance. In other words, the effectiveness of the organisation is greatly determined by the way work is organised and by the way people work with or against each other as well as how people cooperate with each other, with the leadership and with the community, and the extent of their commitment to their organisation very much depend on the style of management (Davidmann 1995).

Culpan and Kucukemiroglu (1993) and Khandwalla (1995a, 1995b) developed two separate models to study management styles, containing six principal dimensions for comparing management systems. They are: supervisory style, decision-making, communication patterns, control mechanism, interdepartmental relations, and paternalistic orientation (Appendix 1). These authors attempted to establish a link between management style and organisational effectiveness by comparing United States and Japanese management systems. The findings showed that while American managers emphasise supervisory style, decision making and control mechanism, the Japanese are more concerned with communication processes, interdepartmental relations, and a paternalistic approach (Culpan & Kucukemiroglu, 1993: 27-38).

Based on an empirical study of 90 Indian organisations, Khandwalla (1995a: 43-46) defined ten different normal styles in association with ten defective styles, namely conservative, entrepreneurial, professional, bureaucratic, organic, authoritarian, participative, intuitive, familial, and altruistic (Appendix 2).

These models can help identify the main characteristics of each management style, and therefore can be useful in defining what styles are prevalent in a given country. However, as these models use a wide range of criteria, it is

difficult to compare the management practices between companies in different industries and economic sectors. To fill this void, the model used for the study of the Vietnamese management style has been developed by combining the two conceptual frameworks of Culpan and Kucukemiroglu (for analysing the management style) and Khandwalla (for defining the management practices) as described above. However, to better reflect the evolution from a centrally planned (mechanistic) towards a market economy (organic) system, only seven of Khandwalla's identified ten management styles in India were used. They are: bureaucratic, familial, conservative, participative, authoritarian, intuitive and entrepreneurial.

## Some Traits Of The Vietnamese Culture

Vietnam has a deep cultural heritage, which has been developed over 4000 years. In general, the Vietnamese people are hospitable and industrious. In particular, people in the north of the country are characterised as politically sensitive, hard working and risk avoiders (Quang, 1977; Ralston et al., 1999). The northern part of Vietnam was strongly influenced by the Chinese culture due to a 1000 year period of dominance of the Chinese feudalism. In addition, Vietnam and China have been part of the socialist camp for many decades. The history and geographic vicinity meant that Vietnamese people share many of the cultural and business practices of their Chinese neighbours. In the words of Hofstede (1980), the Vietnamese culture can be described as high power distance, high collectivism, moderate uncertainty avoidance, and high context (Swierczek, 1994, Quang, 1997; Ralston et al., 1999).

The high power distance characteristic is present in the daily life of Vietnamese as well as in business. In the family, sons and daughters have to obey parents' orders. In organisations, there is a clear subordinate-superior relationship. Titles, status, and formality are very important in Vietnamese society. Collectivism has existed for a very long time in Vietnam. It is characterised by tight social frameworks and self-functioning communities. People expect 'in groups' to look after their members to protect them, and provide them with security in return for their loyalty. Vietnamese people place importance on fitting in harmoniously and avoiding losing the other's face. In conflicts, they prefer to come out with a win-win situation. Vietnamese culture displays moderate uncertainty avoidance. People in society feel threatened by ambiguous situations and try to avoid these situations by providing greater job stability, establishing more formal rules, and rejecting deviant ideas and behaviour. One of the distinctive features in the Vietnamese society is indirect speech, resulting from the importance of saving face. In compensation, the Vietnamese have a very good sense of humour that surfaces often in every opportunity and conversation.

## Vietnamese Management Style Prior To The Renovation Policy

Before 1986, Vietnam followed a centrally planned economy in which the Central State Planning Committee determined the resource allocations in the country. This state organ developed strategies and plans for the whole national economy. Performance targets were distributed to the production units following the strict bureaucratic and hierarchical management system. Under such working conditions, managers in the state owned enterprises used to comply with orders coming down from the centre, having very little room to exercise their own leadership and management competencies. The key features of such a management system is described in Table 1.

Table 1  
Profile of Vietnamese Management System before the Renovation Policy

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

## Research Method

The survey was conducted in January 1998, a decade after the introduction of the Renovation Policy. Top and middle managers from the three target sectors were selected on a personal title basis from a published list of registered businesses in Hanoi, the capital of Vietnam, to participate in the survey. In total, 210 questionnaires were sent by mail (and by hand delivery); 70 sets for each sector. In many cases, the researcher discussed, when needed, with the respondents to clarify the context of the questions to facilitate the completion of the questionnaire, which was structured after the models of Culpan and Kucukemiroglu (1993) and Khandwalla (1995a, 1995b) as previously mentioned.

Forty one responses were returned (or collected by the researcher) from the state enterprise sector (58.6% yield rate) and thirty six managers in each of the other two sectors responded to the survey (51.4%). On the whole, respondents from the state sector accounted for 36.2 percent of the total; the remaining 62.8 percent was shared equally between respondents from the private and joint venture sectors. As shown in Table 2, the sample represented a wide range of managers working in selected business sectors. They were tourism and services (45%), transport (15%), informatics (9%), heavy industry (8%) and construction (7%). The rest (16%) were electronics, post and telecommunications, and trading companies.

Most private enterprises in the sample were small in size, employing less than 50 employees (77.8% of total), whilst most of the state owned enterprises could be classified as medium or large size on the basis of the larger number of workers employed (41.5% and 56.1% respectively). Similarly, almost all enterprises selected in the joint venture sector were of medium and large size. The profile of the respondents is presented in Table 2. Most of the managers were male, making up 90.2 percent in the state sector, 83.3 percent in the private sector, and 86.1 percent in the joint venture sector. The average age of the managers was highest in the state sector (48 years), which reflected the seniority system, as they have 10 years of experience on average.

Managers in the private and joint venture sectors were much younger on average (38 and 42 years old respectively) and therefore less experienced than their counterparts in the public sector (with 7 and 6 years average experience respectively). In terms of education and professional skills, most of the respondents had a technical background and only a small number of them (7-8%) had obtained some education in business administration and economics. Many of these qualified managers worked in the private sector (22.2%).

Table 2  
Profile of the Respondents

	State Enterprise (N=41)		Private Enterprise (N=36)		Joint-venture (N=36)	
	No.	%	Mean (S.D.)	No.	%	Mean (S.D.)
<b>Age</b>						
<30	1	2.4		10	27.8	5 13.9
31-35	4	9.8		12	33.3	8 22.2
36-40	6	14.6		4	11.1	6 16.7
41-45	9	22.0	48 (1.67)	8	22.2	38 (1.28) 6 16.7 42 (1.67)
46-50	6	10.5		2	5.6	4 11.1
51-55	6	14.6		-	-	4 11.1
56 and above	7	17.1		-	-	3 8.3
<b>Gender</b>						
Male	37	90.2		30	83.3	31 66.1
Female	4	9.8		6	16.7	5 13.9
<b>Current position</b>						
Senior supervisor	5	12.2		2	5.6	3 8.3
Manager	30	73.2		12	33.3	24 66.7
Deputy director	3	7.3		4	11.1	6 16.7
Director	3	7.3		18	50.0	- -
Director general	-	-		-	-	3 8.3
<b>Years of experience</b>						
< 5 years	13	31.7		18	50.0	24 66.7
6-10	17	41.5		18	50.0	12 33.3
11-15	4	9.8	10	-	-	7 - - 6
16-20	3	7.3		-	-	- -
21-25	3	7.3		-	-	- -
> 30	1	2.4		-	-	- -
<b>Field of education</b>						
Engineering	35	85.4		14	38.9	21 58.3
Business	3	7.3		8	22.2	3 8.3

	State Enterprise (N=41)			Private Enterprise (N=36)			Joint-venture (N=36)		
	No.	%	Mean (S.D.)	No.	%	Mean (S.D.)	No.	%	Mean (S.D.)
<b>Age</b>									
Social sciences	-	-		8	22.2		6	16.7	
Sciences	1	2.4		4	11.1		-	-	
Others	2	4.9		2	5.6		6	16.7	

## Research Findings

### Management Styles in the Three Sectors

Multivariate analysis of variance (MANOVA) was used to test the differences and relationships in management styles among the sectors. In the model, the dependent variables are the seven-selected management styles named earlier. The sector in which managers were working is used as the factor variable.

The results of the MANOVA are shown in Table 3. A difference in management style among the three sectors was significant. However, the figures also point to the fact that these differences are not significantly large. The MANOVA results for each group of variables are also presented, showing that managers in the three sectors have different views on how to run a business.

Table 3  
Summary of MANOVA Analysis of Management Styles in Three Sectors

Source	F Ratio	Degree of Freedom	p
Sectors	3.40	40,154	.000
<b>Analysis of Group Variables</b>			
1. Conservative	3.69	6,214	.002
2. Entrepreneurial	3.45	6,214	.197
3. Bureaucratic	4.86	6,204	.000
4. Authoritarian	3.89	6,214	.010
5. Participative	4.39	8,212	.001
6. Intuitive	4.09	4,121	.003
7. Familial	7.29	4,213	.000

Table 4 shows the means, standard deviations and the rank of seven management styles in each enterprise sector. Statistically speaking, there is no significant difference between the first cluster of style characteristics (bureaucratic, familial and conservative), with the highest mean varying between 5.97 and 6.28 (on a 1-7 scale), due to statistical errors rather than statistical significance at a significant level of 0.05. Typically, the bureaucratic management style was most widely used in the state owned enterprises, with a score of 6.28. This high score is understandable given the fact that most of the enterprises under study were medium and large size, characterised by a complex and mostly undefined organisation where central planning and the ministry patronage/subsidy system had been the rule of the day. The familial style ranked second (6.21) showing the patriarchal influence on business in the Vietnamese traditional culture. The conservative, participative and authoritarian styles were also popularly used, ranking third, fourth and fifth respectively, with the mean scores ranging from 5.18 - 5.97 among state owned enterprises. This reflects the characteristics of both the old traditional values and the socialist principles of today's society.

In the private sector, the familial style was mostly used, with a mean score of 6.39. Most private enterprises are of small size, developed from family workshops or family stores. Members in the enterprises had a close relationship, as they were often relatives or friends of the managers. The latter preferred to build their enterprises as a big family. The bureaucratic, conservative and authoritarian styles also ranked high in this sector (means ranging between 5.65 and 4.91).

Table 4  
Differences in Management Styles between Sectors

Management style	State enterprises N=41		Private enterprises N=36		Joint ventures N=36	
	Mean (S.D.)	Rank	Mean (S.D.)	Rank	Mean (S.D.)	Rank
Bureaucratic	6.28 (0.61)	1	5.65 (0.67)	2	6.06 (0.32)	1
Familial	6.21 (0.33)	1	6.39 (0.12)	1	5.79 (0.18)	3
Conservative	5.91 (0.09)	1	5.40 (0.82)	2	5.52 (0.64)	3
Participative	5.21 (1.09)	4	4.63 (1.05)	4	6.11 (0.48)	1
Authoritarian	5.18 (0.91)	4	4.91 (0.59)	4	5.31 (1.13)	3
Intuitive	3.84 (1.29)	6	3.58 (0.67)	7	3.08 (1.65)	7
Entrepreneurial	4.96 (1.25)	6	4.86 (1.23)	4	4.73 (0.89)	6

Scale between 1-7 (1 = strongly disagree; 7= strongly agree)

Significant at 0,05; Note: the differences in the means of variables are due to statistical errors  
Not statistical significance at significant level of 0.05.

Conversely, the participative management style prevailed in the joint ventures (mean score of 6.11). The managers in this sector were generally younger and were keen to learn from their foreign business partners on how to manage business in a market economy. They were more willing to encourage horizontal coordination and cooperation, to build an open communication system, and allow subordinates to participate in decision-making processes. In these work settings, company trips and family dinners are often organised to promote a sense of belonging and loyalty to the company.

The incidence of the 'bureaucratic' style in joint ventures (mean of 6.06) was a surprising response. It can be explained by the fact that most Vietnamese partners of the surveyed joint ventures were state owned enterprises, which still retained their inherent organisational characteristics and management styles.

The 'intuitive' management style was the least preferred form in all the three sectors, with mean scores of 3.08 in joint ventures, 3.58 in the private sector and 3.84 in state owned enterprises. In this regard, the Vietnamese managers seemed not to rely on intuition, but rather on rationality in managing their organisations. Similarly, a smaller proportion of managers agreed that the entrepreneurial style would be the most appropriate in their situation, with the scores differing slightly between 4.98 and 4.73 in the three sectors. This reflects the lack of a more dynamic and innovative generation of managers in the transition economy in Vietnam.

From the MANOVA analysis, it can be observed that there are indeed differences in management styles among the three sectors, albeit not very significant. In spite of discrepancies in functions, educational backgrounds, ages and sector, management style is to some extent the product of the prevailing culture in which the managers were operating. Hence, since the Vietnamese economy is in the transformation phase, many 'traditional' and 'socialist' values are still active in most organisations, especially in the northern part of Vietnam.

## Management Practices in the Three Sectors

In this section, managerial practices in the three enterprise sectors are analysed according to the six managerial dimensions as previously presented. The same MANOVA technique was conducted in each sector to point out any difference regarding this aspect among the sectors under study. Table 5 shows that only the leadership dimension differs significantly between the target sectors. The rest, namely decision-making style, communication pattern, control mechanism, interdependent relations, and paternalistic orientation did not differentiate much in level from one sector to another.

Table 5  
Differences in Management Practices in the Three Sectors

Dimension	F Ratio	Degree of Freedom	p	Difference
1. Leadership style	3.46	16,178	.000	Yes
2. Decision making	1.73	16,188	.077	No
3. Communication pattern	1.71	10,204	.080	No
4. control mechanism	1.63	10,210	.092	No
5. Interdepartmental relations	1,54	8,210	.120	No
6. Paternalistic orientation	1.36	4,218	.247	No

## Leadership Style

In the state owned sector, most managers tended to adopt a paternalistic approach in their management, by keeping close supervision over their subordinates (mean score of 5.78 on 1-7 scale). They often gave a great deal of direction to ensure that the work is done well. Managers in this sector were also less willing to provide freedom and delegation to their subordinates in deciding their course of actions (mean scores of 3.88 and 3.78 respectively). They seldom consulted subordinates' opinions before making decision (mean score of 3.83).

The situation in the private sector was almost the same as in the state sector. However, the managers in this sector were inclined to pay more attention to the interest of their subordinates (mean score of 5.94). At the same time, more concern seemed to be centred on the productivity of the employees/workers by exercising much closer supervision than their counterparts in other sectors (mean score of 5.83 versus 5.78 in the state owned sector and 5.47 in joint ventures). In the joint ventures, managers particularly favoured the participative management approach by stimulating teamwork (mean score of 5.47 versus 3.22 in the state owned sector and 3.58 in the private sector) and giving more freedom to subordinates in deciding their working schedules (mean score of 4.44).

In brief, many Vietnamese managers still displayed the authoritarian and familial styles of management. However, in the transition toward a market economy, there is high interest among the younger generation of managers, pioneered by those in joint ventures, to adopt and practice a participative style of management. A comparison is shown in Table 6.

Table 6  
Differences in Leadership Style

Styles	State Enterprises N=41		Private enterprises N=36		Joint ventures N=36	
	Mean	(S.D.)	Mean	(S.D.)	Mean	(S.D.)
Leader pays attention to employees' interests	5.73	(1.37)	5.94	(1.19)	5.92	(1.52)
Close supervision	5.78	(1.19)	5.83	(1.11)	5.47	(2.09)
Encouraging work team	3.22	(1.27)	3.58	(1.20)	5.47	(1.24)
Amount of direction given from the top	4.56	(1.43)	4.67	(1.66)	4.33	(2.08)
Giving freedom to subordinates	3.88	(1.29)	4.03	(1.32)	4.44	(1.56)
Consulting subordinates' opinions	3.83	(1.77)	4.17	(1.11)	4.37	(1.86)
Delegation of authority to subordinates	3.78	(1.06)	3.75	(1.57)	4.11	(1.19)
Scale between 1-7 significant at 0.05		(1=strongly disagree;		disagree;	7=strongly agree)	

## Decision-making

Table 7  
Differences in Decision-making

Item	% Respondents reply		
	Top two	Medium	Bottom two
Degree of employees' participation in decision-making.	48.7	39.0	12.3
Degree of functional departments' contribution to decision making	16.0	38.1	45.9
Degree of applying new methods/technologies in decision-making.	16.1	36.6	47.3
The support of employees to top management's decision.	16.0	25.6	57.5
Scale between 1-7 (1=strongly disagree; 7=strongly agree)			

One of the common characteristics regarding the Vietnamese leadership style is that management usually does not promote employee participation in the decision making process. Accordingly, almost half of the respondents in this survey agreed that the degree of employee involvement in this matter was very low. Only 12.3% of the interviewees, most of them working in the joint ventures, would favour this democratic practice of management.

On the positive side, many managers tried new methods of management and technologies, such as upgrading the computerisation and communication systems, to enhance the effectiveness of decision-making. Nevertheless, since the Vietnamese decision-making mechanism was typically top-down, nearly 58% of the respondents shared the opinion that the employees supported the decisions of top management and only 16% disagreed. The statistical results are shown in Table 7.

## Communication Pattern

Table 8  
Differences in Communication

Item	% Respondents reply	
	Top two	Bottom two
Information are provided adequately when needed	11.0	59.9
Leaders understand what are happening in their companies	8.1	58.4
Employees' complaints reaching top management	11.5	30.0
Employees are aware of changes in policies and directives	17.7	24.8
Communication is blocked	50.1	6.3
Scale between 1-7 (1=strongly disagree; 7=strongly agree)		

Table 8 portrays a general picture that communication was functioning without much difficulty in the surveyed enterprises. Fifty eight percent of respondents stated that they could understand very well what was going on in their organisations, and only a small number of managers had some problems with the current state of business communication.

Vietnamese managers appear to appreciate the importance of open communication in the market economy. Sixty percent of the respondents intended to provide sufficient information to unit members when needed. Fifty percent ensured that communication in their companies was not blocked, as opposed to only 6 percent who thought that it was. Two-way communication has been introduced in some companies, which allowed employees' grievances to reach top management.

## Control Mechanisms

The findings of the survey on control mechanisms in Vietnamese companies are reasonably consistent with others revealed earlier. Generally speaking, control was exercised by means of close supervision. An overwhelming 75% of respondents believed that managers should not trust their subordinates and should closely control the latter's jobs. Only 8 percent of respondents were opposed to the idea. The same proportion of the surveyed population emphasised the need to organise controls from both ends, that is, on the process and on the final outcomes. To balance this view, 34% of the managers suggested that control should follow democratic supervision, while about the same amount of respondents were against this view, as partly displayed in Table 9.

Table 9  
Differences in Control Mechanism

Item	% Respondents replied	
	Top three	Bottom three
Strict control	8.0	75.3
Control on the process as well as on the final outcomes	9.3	73.4
Democratic manner of supervision	32.1	34.0

Scale between 1-7 (1=strongly disagree; 7=strongly agree)

## Interdepartmental Relationship

Table 10  
Differences in Interdepartmental Relations

Item	% Respondent replied	
	Top two	Bottom two
Departments are willing to cooperate and exchange information with each other	56.2	5.3
The relations between departments are in bargaining type	77.0	5.4
Departments have conflicts of interests	66.1	6.3

Scale between 1-7 (1=strongly disagree; 7=strongly agree)

Normally a good relationship is seen as a very important factor to ensure best performance in Vietnamese enterprises. Table 10 shows that more than a half of the managers confirmed that the cooperation and exchange of information between departments was effective. Most of the managers believed that interdepartmental bargaining was not a general practice in their enterprises, and a majority of the respondents observed that there were no serious conflicts of interests existing in their organisations.

## Paternalistic Orientation

As in other Asian countries, family values are still predominant in the Vietnamese culture. This feature is visible in the way the Vietnamese managers run their businesses. They are not only concerned with their employees at work, but also are interested, and sometimes involved, in the family life of their employees and usually do their best to provide social support. Managers often give priority in recruiting employees' sons or daughters to work in the company. It is also a practice that funds are created to help employees overcome their financial problems. However, the paternalistic style varied from one enterprise to another. In the survey, 40% of the respondents revealed that they were active practitioners of this approach, and almost the same proportion of respondents thought that they did it to a certain degree.

## Management Style And Organisation Effectiveness

Organisational effectiveness was assessed by managers of the three sectors on how their companies had performed relative to comparable companies in their industry on each of the seven measurement criteria of effectiveness. They were employee satisfaction, profitability, growth rate of sales or revenues, financial strength, the competitiveness of the company's products and services, public image and goodwill for the company, and the ability to utilise new methods or new technologies in production. A test of possible correlations between management style variables and the seven indicators of organisational effectiveness was conducted. As a result, 21 out of 70 in total were identified as statistically significant correlations (at 99% confident, 2-T). This suggests that there was a clear association between management style and organisational effectiveness in the sectors under survey.

As already discussed, there were differences in management styles among managers in the three sectors. In a logical link, the results of the MANOVA analysis presented in Table 11 confirm that the indicators deciding the effectiveness level differed considerably between the enterprises in the three surveyed sectors (F-ratio was 3.78 at  $p=0.000$ ). Hence, one can conclude that a given management style prevailing in an enterprise would reflect in its business performance.

Among the listed indicators, employee satisfaction seems to be the largest difference between the sectors, followed by financial strength and the public image of the enterprise. There is, however, no firm evidence to conclude that the three sectors differ significantly on the remaining indicators.

Table 11  
Summary of Organisational Effectiveness in Three Sectors

Source	F Ratio	Degree of Freedom	p	Difference
Sectors	3.78	14.204	.000	
<b>Analysis of Group Variables</b>				
1. Employee's satisfaction	8.31	2,108	.000	Yes
2. Profitability	2.45	2,108	.091	No
3. Growth rate	1.31	2,108	.272	No
4. competitiveness	0.19	2,108	.830	No
5. Financial strength	5.81	2,108	.004	Yes
6. Public image and goodwill	3.38	2,108	.038	Yes
7. Leader in technology	2.24	2,108	.111	No

Significant at 0.05

Table 12 presents a comparison between sectors on these indicators. Interestingly, the joint ventures came out with the highest scores for all the three indicators of effectiveness (mean scores 4.33, 4.00, and 3.75 respectively). This leads to the conclusion that the enterprises in the joint venture sector were apparently operating more effectively than in the two other sectors.

Table 12  
Summary of Indicators of Organisational Effectiveness

	State enterprises N=41		Private enterprises N=36		Joint Ventures N=36	
	Mean	S.D.	Mean	S.D.	Mean	S.D.
Employee satisfaction relative to rivals in industry	3.46	1.12	3.56	0.84	4.33	0.96
Financial strength relative to rivals in industry	3.54	1.29	2.94	1.19	4.00	1.01
Public image and goodwill relative to rivals in industry	3.73	0.87	3.06	1.19	3.75	1.18

Scale between 1-5 (1=strongly disagree; 5=strongly agree)

Furthermore, the T-test was also carried out for independent samples, namely the state and private sectors. The outcome of this test suggested that enterprises in the state sector would enjoy better financial strength and public image than the private ones. At 95% confidence level, the T-values for this test were 2.09 and 2.81 separately. This is explainable given the relative small size of the private enterprises, as compared with those in other sectors.

## Conclusion

The research study found differences in management styles between the state owned, private and joint ventures enterprises. There was a significant correlation between management styles and organisation effectiveness in these three sectors. A further study covering a larger sample of enterprises and geography may help to prove these initial findings further.

There was no single management style that cut across all the three types of enterprises in Northern Vietnam. Instead, it was revealed that the bureaucratic, familial, conservative and authoritarian styles of management were predominant in the state sector, where the heritage of a centrally planned system was still to be seen. The emphasis was on clear reporting relationships, formal communication and strict control. Such a management style has proven unsuitable for today's competitive environment. The 'familial' style was also widely accepted in Vietnamese enterprises, in the private sector, where businesses were developed from family workshops. The bosses used to treat their company as a big family and often showed a parental concern for their employees. Control and coordination were tight, and were achieved by posting the owners' relatives in key positions. This style seems to be appropriate with Vietnamese culture and can be effective in small-scale organisations. In contrast, the participative management style was often practised in the joint venture sector, where expatriate managers brought in modern principles of management. Both local managers and employees of the joint ventures can benefit from this lateral knowledge transfer.

Leadership styles were also greatly influenced by the management concepts mentioned earlier. Although managers in all sectors claimed to have paid attention to employees' interests, there were some differences in the way they practised it. For example, close supervision, giving limited authority to subordinates and power reserved at the top, seems common in both state and private enterprises. Conversely, managers in the joint ventures were in favour of participative management style, encouraging 'work teams' and giving more freedom to subordinates in selecting their own courses of actions.

It goes without saying that in spite of operating in different work settings, all the three sectors are undoubtedly aiming at the same ultimate goal, which is to survive in the increasing competitive environment of an emerging economy. This requires all enterprises, whether state owned, private or joint ventures, to come up with a more people centred management style and practice, using human resource development as a channel to create a competent and motivated workforce. Such changes in attitude and behaviour should encompass the restructuring of key components of an organisation such as its structure, people and culture.

It should be noted that while several enterprises can claim to have experienced some measurable progresses with the first two components, changing the culture of an enterprise has proven to be most complex and difficult to achieve. To be effective, a comprehensive change strategy, applicable for all enterprises in Vietnam, should be generated and led by a more dynamic and creative contingent of managers who are willing to facilitate active employee participation and to take personal responsibility.

Endnote: Questionnaire can be obtained on request at qtruong@ait.ac.th

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## Appendix 1

Variables used in the model of Refik Culpan and Orsay Kucukemiroglu

	Amount of discretion given to subordinates
	Degree of delegation of authority to employees
	Soliciting for worker inputs
	Freedom of employees to schedule their own work
SUPERVISORY STYLE	Democratic supervision
	Only supervisor handling work problems
	Decisions and work problems delayed in supervisor's absence
	Supervisory back-up for his/her employees
	Amount of direction given from top
	Close supervision
	Soliciting for workers' inputs
	Tackling unusual work problems
	Trying innovative methods and products
	Number of suggestions from the members
	Wasting time and effort by incorrect estimates
DECISION MAKING	Accepting unpopular projects
	Initiating improvements
	Decision delegation to the lowest level
	Consensus decision making
	Employee participation in decision making
	Amount of supervisory direction
	Individual decision making
	Employee freedom to select their own course of actions
	Supervisory awareness of unit performance meeting standards
	Free flow of information
COMMUNICATION PATTERN	Supervisors' awareness of things happening within unit
	Complains reaching top management
	Employee unawareness of changes in policies and directives
	Communication are blocked
	Managers being on top everything
	Emphasising production as a goal
CONTROL MECHANISM	Freedom of workers to schedule their own activities
	Democratic supervision
	Relying the unit without checking
	Following-ups and checking in the goal realisation
	Close supervision
INTERDEPARTMENTAL RELATIONS	Providing assistance to other units for favours
	Making trades and deals with other units
	Bargaining with other units
	Frictions with other units
	Criticised by other units for being uncooperative
	Getting into conflict with other units
PATERNALISTIC ORIENTATION	Involving family matters of employees
	Helping employees with non-work related matters

Source: Culpan and KucuKemiroglu (1993)

## Appendix 2

Variables used in the model of Pradip Khandwalla

MANAGEMENT STYLE	KEY FEATURES
CONSERVATIVE	Bias for preserving and extending whatever has worked. Cautious in innovating and/or changing status quo. Predisposes the organisation to related diversification and growth in familiar directions. Use of traditions that preserve the strengths of the past. Conservationist in character but not necessarily.
ENTREPRENEURIAL	Indulges in calculated risk taking, pioneering, innovation and rapid growth. Necessary for a developing country to diversify its industrial base and expand its output rapidly. Adapts scientific optimisation oriented approach to management.
PROFESSIONAL	Uses sophisticated management tools and techniques. Undertakes long range planning. Useful for managing new and complicated technology-intensive industries in complex, globalisation environments
BUREAUCRATIC	Emphasises orderly management, accountability, and formalisation of rules, regulations, and procedures. Used widely in large organisations and the public sector to ensure accountability, equity, orderliness and operating efficiency.
ORGANIC	Show deep commitment to flexibility, innovation, responsiveness to change, teamwork and interactive, feedback based decision making useful for operating in fast changing environments.
AUTHORITARIAN	Emphasises discipline and obedience. Is archetypal style of great antiquity? Perceived to be useful in situations of weak work ethic and a hostile task environment.
PARTICIPATIVE	Committed to an ideology of collective, consensus-based decision-making. Useful in ensuring that diverse perspective is voiced and that diverse information is shared by those affected by a decision before taking the decision. Known to foster motivation and cooperation.
INTUITIVE	Shows faith in experience, common sense and intuitive judgment based on good rules of thumb or heuristics learned from experience. A style as old as human collective living.
FAMILIAL	Anchored in the notion that for cohesiveness and loyalty to organisation, the organisation must treat its employees like members of the family and look after their needs.
ALTRUISTIC	Believes in the philosophy that the organisation is an instrumentality of some larger social good, not just for profit maximisation. Of particular relevance in developing societies that have embarked on major nation building and poverty alleviation goals.

Source: Khandwalla, P. (1995)