

**EVALUATION OF TRI-BUSINESS
CORPORATE CULTURE AND
MANAGERIAL EFFECTIVENESS IN
VIETNAM PRIVATE COMPANIES**

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VIETNAM PRIVATE COMPANIES

NGUYEN THANH PHUONG

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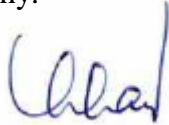
ABSTRACT

Corporate culture is the intangible asset of every business, and despite its complexity, corporate culture building is increasingly becoming acknowledged in developing countries, especially in today's age of globalisation. Corporate organisations must integrate into a new culture to survive in the competitive market of product and services innovation. Private corporations are not excluded; these premises need to deepen their international assimilation to expand their business outside of the country, gain local and worldwide acceptance and become sustainable businesses. The various internal challenges, coupled with the intense external competition, are important reasons for every business establishment to build a feasible corporate culture. Furthermore, the researcher also believes that an excellent corporate culture contributes to the company's managerial effectiveness. Hence, this study's primary objective is to investigate the relationship between corporate culture and managerial effectiveness. The study applied a mixed method of qualitative and quantitative research to test the research model's scale. This study starts with the qualitative method through semi-structured key informant interviews with fifteen managers and professors in Vietnam. The study then applied the quantitative method by involving 400 survey respondents working in private enterprises from March 2020 to August of the same year. The qualitative and quantitative analysis in this study indicates that the four/five PERMA model factors (Positive Emotion, Relationship, Meaning and Accomplishment) positively impact the corporate culture. Meanwhile, another factor (Engagement) is not influenced by corporate culture. Furthermore, corporate culture is positively related to managerial effectiveness, so the hypotheses of H1, H3, H4, H5 and H6 are supported. However, the quantitative result in this research could not find the difference between the corporate culture and managerial effectiveness of the various company types of production, distribution and service (H7 is not supported). The conclusion, recommendation, limitation and suggestion for further study are also discussed in this study.

Keywords: PERMA model, Corporate culture, Managerial effectiveness, Vietnam private companies

APPROVAL

I certify that I have supervised/read this study and that, in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, as a thesis for the fulfilment of the requirements for the degree of Doctor of Philosophy.



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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part for a degree at this or any other university. In making this declaration, I understand and acknowledge that any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

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TABLE OF CONTENTS

ABSTRACT	ii
APPROVAL	iii
DECLARATION	iv
ACKNOWLEDGEMENTS	vi
CHAPTER 1: INTRODUCTION	1
1.1 Background	1
1.2 Problem statement	5
1.3 Research questions	8
1.4 Objectives of the study	9
1.5 Research hypotheses	9
1.6 Scope of the study	10
1.7 Limitation of the study	10
1.8 Significance of research	11
1.9 Organisation of thesis	11
CHAPTER 2: LITERATURE REVIEW	13
2.1 Introduction	13
2.2 Vietnam: its economic background and private enterprises	14
2.2.1 Overview of Vietnam's economy	14
2.2.2 How does the Vietnamese economy change itself?	21
2.2.3 Overview of private enterprise development progress in Vietnam	28
a. Turnover in total assets	31
b. Movement in total social investment	36
2.3 Culture and corporate culture	37
2.3.1 The definition of culture	37
2.3.2 The components of culture	42
i. Language	42
ii. Religion	44
iii. Values and attitude	45
	vii

iv. Customs and ethical standards	45
v. Physical life	47
vi. Aesthetics qualities	47
vii. Education	48
viii. Social structure	49
2.4 Corporate culture	53
2.4.1 The definition of corporate culture	53
2.4.2 Characteristics of corporate culture	62
2.4.3 The elements of corporate culture	63
2.4.4 The models of corporate culture	67
2.5 Overview of the corporate culture in Vietnam enterprises	78
2.6 Previous studies on corporate culture	87
2.7 Managerial effectiveness and corporate culture	91
2.7.1 Culture and planning	94
2.7.2 Culture and organisation structure	94
2.7.3 The manifestation of corporate culture	95
2.7.4 Culture and leadership	95
2.7.5 Culture and inspection	96
2.8 The international experience and the lesson for Vietnam companies	97
2.8.1 Samsung (Korea)	98
2.8.2 Honda (Japan)	99
2.8.3 Unilever (the United Kingdom and the Netherlands)	99
2.8.4 Lessons for Vietnam companies	100
2.9 Research framework and hypotheses	102
2.9.1 Positive emotion	103
2.9.2 Engagement	104
2.9.3 Relationships	105
2.9.4 Meaning	106
2.9.5 Achievement	107
2.9.6 The relationship between corporate culture and managerial effectiveness	108

CHAPTER 3: RESEARCH METHODOLOGY	111
3.1 Introduction	111
3.1.1 Research methods	111
• Qualitative method	113
• Quantitative method	115
3.2 Qualitative analysis	120
3.2.1 Participants in the study	121
3.2.2 Instrumentation	121
3.2.3 Interview process	123
3.3 Quantitative method	124
3.3.1 Population and sample	124
3.3.2 Theoretical framework	125
3.3.3 Statistical analysis	129
3.4 Research design	133
CHAPTER 4: FINDINGS AND ANALYSIS	134
4.1 Qualitative analysis	134
4.1.1 Respondents' profiles	134
4.1.2 Results and findings of the qualitative research	135
i. Corporate culture	138
ii. Positive emotion	141
iii. Engagement	143
iv. Relationship	146
v. Meaning	149
vi. Accomplishment	150
vii. Managerial effectiveness	151
4.1.3 Hypothesis generating	156
4.2 Quantitative result	164
4.2.1 Demographic information	164
4.2.2 Observation variable scaling	167

4.2.3	Reliability analysis	168
4.2.4	Explored factors analysis (EFA)	170
4.2.5	Correlation analysis	171
4.2.6	Hypothesis testing	172
	i. Regression analysis of PERMA factors affecting corporate culture	172
	ii. The relationship between corporate culture and managerial effectiveness	175
	iii. Testing the difference in corporate culture and managerial effectiveness between company types (production, distribution and service)	176
4.3	Discussion on results	177
CHAPTER 5: DISCUSSION AND RECOMMENDATION		182
5.1	Conclusion	182
5.2	Discussion of implication	183
5.2.1	Academic implication	183
5.2.2	Managerial practice	185
5.3	Recommendations	191
5.3.1	Recommendations for private enterprises	191
5.3.2	Recommendation for the government	200
5.4	Limitations and suggestions for future research	208
REFERENCES		210
APPENDIX A:		
	Invitation letters to interview session (Vietnamese)	222
	Invitation letters to interview session (English)	224
APPENDIX B:		
	Questionnaire (English)	226
	Questionnaire (Vietnamese)	229

LIST OF TABLES

Table		Page
Table 2.1	Gross Domestic Product at Current Prices from the Year 2010 to 2015	18
Table 2.2	Percentage of Private Enterprises by Type of Economic Activities in 2012	30
Table 2.3	The Share of Private Enterprises by Enterprise Size	31
Table 2.4	Definitions of Organisational Culture by Various Scholars	57
Table 3.1	The Difference between Qualitative and Quantitative Research	119
Table 3.2	List of Management Level Subjects Interviewed for the Study	121
Table 3.3	Interview Questions	122
Table 3.4	The Structure of Variables	126
Table 3.5	Research Hypotheses	128
Table 4.1	Participants' Background in the First and the Second Round of Interviews	135
Table 4.2	Participants' Background in the Third Round of Interviews	135
Table 4.3	Summary of Result	136
Table 4.4	The Result on Respondents' Agreement of the Research Hypotheses	163
Table 4.5	Demographics of Survey Respondents	166
Table 4.6	Descriptive Statistics	167
Table 4.7	Reliability Analysis	168
Table 4.8	Explored Factors Analysis	170
Table 4.9	Variables Correlation	171
Table 4.10	Model Summary	172
Table 4.11	Analysis of the Variation of Multiple Regression Models	173
Table 4.12	Multiple Regression Results	174
Table 4.13	Regression of Corporate Culture and Managerial Effectiveness	175
Table 4.14	The Difference between Company Types (in Corporate Culture and Managerial Effectiveness)	176
Table 5.1	Aspects of Corporate Culture Development in Vietnam	187

LIST OF FIGURES

Figure		Page
Figure 1	Vietnam's GDP Growth Rate between the Years of 1976 to 2015	22
Figure 2	Vietnam's GDP Growth Rate between the Years of 2005 to 2016	23
Figure 3	Vietnam's Economic Structure in 1986	24
Figure 4	Vietnam's Economic Structure in 2016	25
Figure 5	Vietnam's FDI from the Year of 2004 to 2016 in Billions (USD)	26
Figure 6	Vietnam's Export Turnover from the Year 1990 to 2016 in Billion (USD)	27
Figure 7	The Number of Non-State Enterprises in Operation and Vietnam's Growth Rate for the 2000-2012 Period	29
Figure 8	Turnover on Total Assets of Enterprises for the Period of 2001-2012	32
Figure 9	Gross Domestic Product by Ownership	34
Figure 10	The Relationship between the Owner's Optimism, Corporate Culture and Managerial Effectiveness	103
Figure 11	Research Model	128
Figure 12	Research Design	133
Figure 13	Integrated Talent Management	154

LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
BBA	Bachelor of Business Administration
CC	Corporate Culture
CEO	Chief Executive Officer
EFA	Explored Factor Analysis
EU	European Union
FDI	Foreign Direct Investment
FTAs	Free Trade Agreements
GDP	Gross Domestic Product
GSO	General Statistics Office
HCMC	Ho Chi Minh City
HDI	Human Development Index
MAR	Market Orientation
MBA	Master of Business Administration
MDGs	United Nations Millennium Development Goals
ME	Managerial Effectiveness
ORG	Organisational Integration Orientation
PEO	People Orientation
PERF	Performance Orientation
PEs	Private Enterprises
PhD	Doctor of Philosophy
RCEP	Regional Comprehensive Economic Partnership
RQ	Research Question
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States Dollar
VND	Vietnamese Dong (National Currency of Vietnam)
WTO	World Trade Organization

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Vietnam is a developing country that is transitioning from an agrarian-based economy to industrialisation and a market-based economy. The country's economy has been improving since the 1980s and has been thriving ever since. The government has recognised initiatives to reform the country's economy continuously.

According to the World Factbook of the CIA,

...to continue its trajectory of strong economic growth, the government acknowledges the need to spark a second wave of reforms, including reforming state-owned enterprises, reducing red tape, increasing business sector transparency, reducing the level of non-performing loans in the banking sector, and increasing financial sector transparency. Vietnam's public debt to GDP ratio is nearing the government-mandated ceiling of 65%. (The World Factbook, 2018)

One of the fields worth studying to support the government endeavours is to explore the corporate culture in Vietnam's private firms. Corporate culture is intangible and yet significant for all establishments. As a country with a socialist orientation, corporate culture is essential for its institutions. Domestic corporations with a sensible corporate culture will contribute vastly to Vietnam's integration into the international economic setting and develop its market economy.

The various concepts in corporate culture are built up during the survival and development of enterprises. Corporate culture establishes a system of values for people working in businesses where they accept, uphold and behave according to the same

principles. This values system distinguishes firms in the same country and every other (MacIntosh & Doherty, 2010).

In the United States, the researchers looked at the relationship between the activities of the business and the achievements, and they found that the most successful companies in manufacturing and trading maintained and preserved their cultural identity in their companies (Powell, 2003; Moran, Abramson & Moran, 2014; Ward, 2016). In Japan, after World War II, Japanese companies created a culture where workers would vow to work in a company for a lifelong period. The companies inculcate awareness amongst every employee to work as a family (Abramson and Moran, 2014). Company leaders in Japan are always involved in their subordinates' activities. This involvement conforms to Japanese corporate culture's two fundamental characteristics: improving productivity, product quality, and staff training efficiency.

In Western countries, shareholders of an establishment hold the primary influence in determining the business's outcome. In most cases, shareholders would push their managers' line to expand their productivity within a small time frame. However, contrary to the westerners, the Japanese operate their business with active conformity to social responsibility. Japanese enterprises instil a sense of connection amongst all employees in the overall work relationship. "The Japanese are concerned about the interests of enterprises as well as workers in the enterprise, rather than only focusing on profits" (Moran, Abramson & Moran, 2014; Ward, 2016). This indoctrinated concern is also closely related to Japanese organisations' quality and productivity improvement. The unity between businesses and the people working in the enterprise creates loyal employees.

Corporate culture has many definitions as it is heavily influenced by; the industry in which it operates, geographical location, history, and employees'

personalities. Several similar essential elements of corporate cultures include; a clear corporate vision supported by corporate values consistent with its aims and aligned with organisation members' values. Also, an excellent corporate culture places a high value on employees at all levels, and there is extensive employee interaction across many levels. A few other corporate culture elements are adaptable, consistent cultures that adjust to external conditions and treat all employees equally and fairly (MacIntosh & Doherty, 2010).

Over the past few years, the private sector has played an essential role in promoting internal resources in its socio-economic development, increasing export turnover and growing budget revenue. Furthermore, the private sector has also efficiently supported eliminating social issues by creating job opportunities and reducing Vietnam poverty. The private sector's contribution is evident because private businesses attract approximately 51% of the country's workforce and create about 1.2 million jobs a year. During the period of economic integration from 2011 to 2015, Vietnamese ventures, most of which are private enterprises, have significantly contributed to their economic development. The General Statistics Office of Vietnam (GSO) projection states that by 2015, the private sector added about 30% to the budget and an estimated 40% of its GDP.

The Vietnamese government has always defined the private sector's role as a driving force to the nation's economy. In the report submitted to the twelfth National Congress Party (2016), one of the government's emphasis was "to maximise domestic resources while actively integrating into the world, mobilising and effectively using external resources to develop Vietnamese enterprises, especially private ones. These efforts will act as a driving force to raise the competitiveness and autonomy of the economy".

The strategy document on a socio-economic plan for 2016 to 2020 has put forth viable initiatives in developing private enterprises and distinctly acknowledges private businesses' role.

Private enterprises were the masterminds behind the Vietnamese brand, creating the autonomy of the Vietnamese economy. These private enterprises have established the quality of Vietnamese brands. These brands subsequently lead to the liberality of the Vietnamese economy. The justifications for these vastly growing Vietnamese businesses' ability to dictating the country's economy are as follows. First, private firms can afford to utilise advanced technologies in operating. Secondly, private enterprises are the most noteworthy employers in the economy. Therefore, as notable establishments, naturally, these businesses undertake the best practices to cater to the vast number of trades from the city to the countryside.

More importantly, the private sector forms the basis of the Vietnamese economy's competitiveness through its efficiency and dynamism. For the Vietnamese economy to be competitive, the private sector must be strong.

The 11th National Congress of the Communist Party of Vietnam listed perfecting mechanisms and policies to develop the private economy as one of the driving forces of the financial system and summarises the country's goals as:

- i. to actively develop private economic forms in almost all commercial branches and domains according to the planning and law provisions.
- ii. to create conditions for the formation of state economic groups.
- iii. to attract foreign direct investment in industrial sectors, in line with its development planning and strategy, especially in hi-tech fields.
- iv. to support small and medium enterprises, farms and business households, especially in agriculture and rural areas, meeting the

requirements of developing the market economy and international economic integration (p. 3 - p. 209).

The Constitution of 2013 also stipulates that economic sectors are an essential component of the national economy when it states, “The state encourages and creates conditions for business, enterprises, individuals and organisations” (Item 3, Article 51). With the party’s policy and state on the private sector’s development, the researcher believes that it will further promote the economic engine of market-based businesses in prospering the country. Furthermore, the private sector will contribute significantly to Vietnam’s industrialisation and modernisation.

1.2 PROBLEM STATEMENT

Profit is the primary objective for companies to thrive. However, a company’s goal may not be solely for revenue and economic development, which is in the country’s interests. Additionally, some companies in Vietnam were initiated by ambitious Vietnam citizens who are driven to succeed in business for a better quality of life while directly contributing to the country’s betterment. Unfortunately, other researcher’s statements claims were Vietnam entrepreneurs are unlike those in developed countries. They are business persons who are equally resilient and intelligent but unfortunately still suffer from backwardness due to still having an underdeveloped-country mindset. (Stenholm, Acs & Wuebker, 2013). The researcher agrees that the development of enterprises improves the district’s socio-economics and industrialisation. The purpose is being expressed more clearly in the development strategy of each enterprise in recent years. Private enterprises are producing high-quality goods to be consumers’ preference.

However, each businessperson's goal in business endeavour varies. Sociological studies reveal different objective in pursuing professional success. For some, it is mainly to earn income, but for others, the ability to be associated with a reputable establishment and gain high social status. Certain successful entrepreneurs are in the business to continue their family's venture, while others do it for the sake of individual accomplishments. Some even do it as initiatives for societal freedom in the new social regime, and so on.

Secondly, corporate culture requires close monitoring of business performance and conforming to humanities in business. A corporation would not be sufficient by overlooking ethics and moralities, such as respecting people and protecting the environment.

It is crucial to enhance the spirit of the community in all business activities of enterprises. A characteristic of the corporate culture that we need to build is to promote self-determination, self-improvement, and self-reliance while mobilising the community and traditionalism of the nation (Redding, Bond and Witt, 2014). Businesses should also participate in social activities, such as poverty reduction, disaster relief, and charitable activities (Busse, 2014). Besides, everyone wants happiness. Happiness increases a person's productivity, which causes them to build meaningful relationships with those around them and feel great, leading to building a corporate culture. According to Seligman (2002), positive psychology has three primary concerns. The first is to specify and measure positive traits 'that transcend particular cultures and politics and approach universality' (Seligman, 1998, p. 1).

The Vietnamese government has always viewed culture as the values that bring dynamism in achieving its development. Hence, the country regards cultural conservation as its aspiration. More than ever, current modernisation, globalisation and

Vietnam's integration into the international economic arena are sound reasons for the country to enlist cultural conservation as its goal rapidly. Although Vietnam's private enterprises face significant challenges after joining the WTO, they were presented with new opportunities. One of the problems is developing a culture and using it as a driving force for the enterprise's development (Nguyen, 2014). The researcher views that Vietnam has yet to develop a robust corporate culture, and these factors may be the cause. Firstly, many Vietnamese businesses have not identified essential business principles, and as a result, these enterprises do not have clear objectives, and employees' awareness is too vague (Diez, 2016).

Moreover, the businesses have not established a standard sustainable behavioural system where leadership attributes are not uniform due to having young managers and directors (Tuan, 2015). According to Mr. Ho Anh Tuan, who is Chairman of the Vietnam Association for the Development of Corporate Culture, developing a favourable business culture nowadays is challenging. Many businesses pay little attention to building and developing corporate culture due to prioritising personal interest and profit and sole concern for the short-term benefit. As such, less attention is paid to building and developing corporate culture as an endogenous strength, building the foundation (Tuan, 2019).

The most fundamental difficulty in developing corporate culture today is the inadequate awareness of corporate culture's role, position, and importance. According to President Ho Anh Tuan, reputable brands have built up an excellent corporate culture in the business system except for several large enterprises. Many businesses have not paid attention to this. In this angle, expert Le Quoc Vinh, with much experience as a consultant in corporate culture development, said that many enterprises claim to have a corporate culture formed by business leaders. However, they do not

fully understand the nature of corporate culture (Vinh, personal communication, 2019).

Different types of businesses have different realisations and actions in processing corporate culture. As such, Vietnam's weak corporate culture motivates the researcher to study its effect on Vietnamese companies.

Furthermore, this paper aims to study Vietnamese private establishments of different business nature on their comprehension of corporate culture and its effect on managerial effectiveness. Seligman (2011) suggests five components of well-being and developed a new model of well-being, PERMA. PERMA is an acronym formed from the first letters of each domain defined by Seligman as a determinant of well-being. Seligman's new theory posits that well-being consists of nurturing one or more of the five following elements: Positive emotion, Engagement, Relationships, Meaning and Accomplishment. However, there is no research study on the relationship between the PERMA model and corporate cultures and its relationship to managerial effectiveness. Furthermore, no research has compared the corporate cultures of Vietnam's three types of private businesses: production, distribution, and service companies.

1.3 RESEARCH QUESTIONS

The study will address these three questions:

- i. RQ1: Is there a relationship between the PERMA model (Positive emotion, Engagement, Relationships, Meaning and Accomplishment) and corporate culture?

- ii. RQ2: Is there a relationship between corporate culture and managerial effectiveness?
- iii. RQ3: Is there a difference between Vietnam's production, distribution, and service companies' corporate culture and managerial effectiveness?

1.4 OBJECTIVES OF THE STUDY

This study's primary objective is to investigate the relationship between the PERMA model and corporate culture and managerial effectiveness in Vietnamese private (production, distribution, and service) companies. More specifically, the purpose of this study is as follows:

- i. To identify the PERMA model's relationship (Positive emotion, Engagement, Relationships, Meaning and Accomplishment) and corporate cultures.
- ii. To determine the relationship between corporate culture and managerial effectiveness.
- iii. To determine if there is a difference between the corporate culture and managerial effectiveness in Vietnam's different types of private companies.

1.5 RESEARCH HYPOTHESES

The researcher formulated the following research hypotheses based on the research questions:

- i. H1: Staff's emotional positivity in private companies constructively relates to the companies' corporate culture.
- ii. H2: Staff's engagement in private companies positively relates to the companies' corporate culture.
- iii. H3: Relationship among staff in private companies positively relates to the companies' corporate culture.
- iv. H4: Sense of meaning among staff in private companies positively relates to the companies' corporate culture.
- v. H5: Accomplishment among staff in private companies positively relates to the companies' corporate culture.
- vi. H6: There is a relationship between corporate culture and managerial effectiveness.
- vii. H7: There is a difference between production, distribution, and service companies' corporate culture and managerial effectiveness.

1.6 SCOPE OF THE STUDY

The study will investigate the factors influencing the corporate culture in private enterprise in Vietnam. Specifically, the study delves into three types of enterprises: production, distribution, and service.

1.7 LIMITATION OF THE STUDY

This research on corporate culture and the scope of the topic are limited to private companies in Vietnam. Therefore, the results of the research cannot be generalised for