

THE IMPACT OF BUSINESS CULTURE ON KOREAN COMPANIES' PERFORMANCE IN VIETNAM

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1. OVERVIEW OF KOREAN INVESTMENT IN VIETNAM

Korea was one of the first countries invested into Vietnam after the unification in 1975. Since 1991, when Vietnam issued Foreign Investment Law, the investment flow of Korea has been increasing, not only in number of investment fields but also capital value. The main investment fields were textiles, leather, electronics, real estate and infrastructure. Among them, the projects of construction and infrastructure most contributed to the growth of Korean investment in Vietnam.¹ Especially, a number of Korean enterprises investing in Vietnam have risen dramatically since 1995.

Since the Vietnamese Foreign Investment Law was revised in 2005, Korean investment activities were expanded significantly. The value of the Korean direct investment was increasing incessantly. More over, Korea always belongs to the top 5 of biggest investors in Vietnam. Until December 2006, the total direct investment of Korean into Vietnam reached USD 6 billion, accounting for 10% of total cumulative investment in Vietnam; Since 1988, it was only ranked after Taiwan, Singapore and Japan. However, most of Korean projects were medium and small sized

¹ Do Hoai Nam, Ngo Xuan Binh, Sung – Yeal Koo (2005), *Economic cooperation between Vietnam and South Korean in the integration into South Asia*.

ones with the average capital of 6.186 million USD.² There were only some large projects, with value of hundreds of million USD, mainly having the participation of famous corporations, such as: Hyundai, Daewoo, Samsung, LG, POSCO... Another characteristic of Korean FDI flows was the unstable speed of investment. Before the Asian financial crisis in 1997, the investment flows rose suddenly from 1995 to 1996, and this situation repeated in 2002. The total investment of Korean companies has been increased at the average rate of 86.55% per year in the period 2000 – 2006³. Most Korean companies' projects in Vietnam had the duration of ten to thirty years while the other ones had longer term, from 35 to 70 years. The forms of Korean investments were mainly joint venture and 100% foreign owned capital. The other character of Korean investment flows was unequal distribution of the projects, most of them are concentrated in big cities and provinces like Ho Chi Minh city, Dong Nai, Binh Duong and Hanoi, only some are located in other provinces, such as Hai Duong, Hai Phong, etc.

In 2006, Vietnam attracted a special attention of Korean companies, with total foreign direct investment four-fold increase compared to 2005. This result helped Vietnam rank the third, after China and United States of America among countries and territories getting investment from Korean enterprises. A recent survey, conducted by Ministry of Planning and Investment in Vietnam (MPI) showed that, up to 93% of the Korean enterprises running in Vietnam are satisfied with the business result here. In 2006, the leading field of Korean investment is heavy industries (55% of total investment), then new urban areas' construction (20%), hotels and apartment building (10%) and 15% for the other industries. Before the economic crisis in Asia, nearly all Korean investors in Vietnam were big corporations such as Daewoo, LG, POSCO, investing in

2 Tran Quang Minh (April, 2007), *Economic relationship between Vietnam and South Korea: 15 years of cooperation and development*, Magazine of Northeast Asia Research, No 4 (74), Hanoi.

3 Do Hoai Nam, Ngo Xuan Binh, Sung – Yeal Koo (2005), *Economic cooperation between Vietnam and South Korean in the integration into South Asia*.

heavy industries such as iron, steel, electronics and cars.⁴ Since 2000, most Korean investors are small and medium – sized enterprises, investing in high labour intensity industries such as fibers, garments, shoes... But it is only for the 1st stage of investment, we hope it would be changed when the 2nd stage is started. And really, recently there were some Korean projects invested in high technology industries, such as information technology and telecommunication with CDMA technology (SK group).

Among forms of Korean companies' investment in Vietnam, 100% foreign owned companies is the majority, accounting for 87,5%, the next one is joint venture, 12% and the rest is representative office, only for 0.5%. Within 200 projects of Korean enterprises in Vietnam in 2006, there were only 24 new joint venture companies, all the rest of projects were 100% foreign owned companies⁵. With the new investment law came in to effect in 1 July 2006, having no discrimination between JV and 100% foreign owned companies, it can be expected that the number of 100% foreign owned companies would be increased.

2. EVALUATION OF KOREAN INVESTMENT INTO VIETNAM

Achievements

Constant increase in new registered capital

With a power in capital and technology, the investment flows of Korean enterprises into Vietnam grew strongly with large new registered capital day by day. Since 1991, in registered FDI capital per year, Korea often ranked second or third. But in 2006, this country topped over other countries with the total new registered

⁴ Website of South Korean Embassy in Vietnam:
http://www.hanquocngaynay.com/hanviet_detail.php?key=3&g_key=3

⁵ The statistics of Department of Foreign Investment – Ministry of Planning and Investment of Vietnam (2006)

capital of USD 2.78 billion, accounting for 31% the total FDI capital in Vietnam.⁶

Table 1: The investment of Korean enterprises in Vietnam from 1998 to 2006
Unit :USD million

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006
Projects	12	27	34	75	149	171	170	190	207
Capital	9	173.6	75.4	1,163	2,673	3,444	493	5,516	2,780

Source: The statistics of Ministry of Planning and Investment of Vietnam.

Korea top in the total investment capital and projects from 1988 till now.

According to the latest statistics from Foreign Investment Department of Ministry of Planning and Investment, until Dec 22th 2007, Korea has reached the top among the countries and territories investing in Vietnam, with the total registered capital of USD 11.03 billion. The number of activating projects was 1,635, ranking second after Taiwan.⁷ This was really a good signal because South Korea always lied in the top five largest countries investing directly in Vietnam.

Looking at the development tendency of Korean companies' investment capital, along with the move of Korean enterprises in Vietnam in the past time, some economists forecasted that there would be a breakthrough in investment of Korea enterprises in Vietnam.

⁶ Vietnam Chamber of Commerce and Industry (2007), 'Vietnam days in South Korea', page 26

⁷ The statistics of Department of Foreign Investment – Ministry of Planning and Investment of Vietnam (Dec, 2007)

Table 2: FDI of some countries in Vietnam from 1988 to 2007*(Till Dec 22th 2007)**Unit : USD million*

No	Country	Project	Capital	Charter Capital	Performance Capital
1	South Korea	1,635	11,031	4,485	2,946
2	Singapore	525	9,653	3,484	4,068
3	Taiwan	1,719	9,221	4,097	3,172
4	Japan	891	8,718	3,719	5,212
5	Hongkong	424	5,594	2,071	2,326
6	Britain	319	4,649	1,785	1,443
7	USA	354	2,598	1,312	784
8	The Netherlands	84	2,562	1,466	2,241
9	France	190	2,396	1,450	1,152
10	Malaysia	230	1,819	849	1,136

Source: Department of Foreign Investment – Ministry of Planning and Investment

The value of projects continuously increase

Among the 10 biggest FDI projects in Vietnam in 2006, Korean companies accounted for four projects. The value of these projects were all more than USD 1 billion . This has never happened since 1988.

Project No 1: The leading steel corporation, POSCO surpassed the U.S's Intel to become the biggest investor in Vietnam in 2006 with the capital of USD 1.126 billion to build steel factory in Phu Sy II industrial park (Ba Ria – Vung Tau). This project had the total area of 1,300,000 square meters and the total duration of 48 years. This project was divided into 2 stages. In the first stage, POSCO invested USD 340 million, expecting the factory would have been accomplished by 2009 with the capacity of 700,000 tons per year. In the second stage, the expected capacity would be 3 million tons per year and the products would be used in manufacturing cars, household commodities, small diameter pipes

and oil drums. This project could create about 10,000 jobs for Vietnamese people.⁹

Project No 2: The group of 5 big Korean construction companies (Daewoo, Daewon, Kolon, Keangnam, Dongil) invested USD 314 million in the Western West Lake project, constructing the biggest the new urban area in Hanoi.

Project No 3: The POSCO Corporation's joint venture project with VINACONEX company to construct An Khanh urban area in Ha Tay province. During the first stage, the capital has reached USD 211.9 million (the total value of the project was USD 2.1 billion). The project was deployed in the area of 207 ha in Tu Liem district, with the administration centre area of 25 ha, building for 250,000 inhabitants, the commercial centre and offices. This new urban area would be executed in many stages, expecting that by 2020, this project would provide 7.600 apartments, garden houses and villas. Including in this project, the tallest building in Vietnam with 75 floors would be used for business, offices and international exchange.¹⁰

Project No 4: Korean House Construction Company Booyung invested USD 171 million for Mo Lao new urban area project in Ha Tay province. The total area of this project was 43,200 square meter. In the period of 50 years, 6 luxurious apartment building with 30 floors and supporting buildings would be sold and leased. After finished, this new urban area would provide accommodation for 3,000 families and attract about 100 workers.¹¹

Create jobs for Vietnamese people

The activating projects and foreign investment bases of Korean companies were recruiting around 96,000 workers, specifically the

⁹ Vietnam Chamber of Commerce and Industry (2007), '*Vietnam days in South Korea*', page 31

¹⁰ '*South Korea topped the list of countries and territories investing in Vietnam*' (Jul 13th 2007), website of New Hanoi Magazine <http://www.hanoimoi.com.vn/vn/15/137308/>

¹¹ '*Ten biggest projects in Vietnam in 2006*' (Jan 9th 2007), <http://www.hapi.gov.vn/portals/default.aspx?portalid=1&tabid=17&newsid=1343>

average number of workers at shoes factories is 6,729 people and tens of thousand workers in construction and services supply as well as much more labour people in auxiliary industry. 52.24% of Korean enterprises recruited less than 100 labourers to work at factories, 11.44% of enterprises recruited more than 1,000 people.¹² A large number of Vietnamese labourers have been well – educated in administration so that they could replace the foreign specialists.

Some side benefits are brought back for Vietnam

In company with the foreign investment sector, the investment flows from Korean companies had a positive influence on the process of transferring structure, implementing industrialization and modernization, promoting development, increasing export opportunities, putting up national budget as well as creating jobs. Korean enterprises in Vietnam took part in the export activities enthusiastically and quickly affirmed their role in this field. As a result, the statistics of Foreign Investment Department of Ministry of Planning and Investment on export activities of 67 Korean foreign invested companies during the period 2001-2003 showed that both revenue and export turnover increased (USD 523 million in 2001 and USD 630.7 million in 2002). Many export offices maximized their quantity, even 100%. In addition, Korean foreign investment companies annually contributed millions of USD to Vietnamese national budget¹³.

Cheap labour force and ready resources of raw material are main reasons for attracting Korean investors.

In November and December 2006, the survey of 217 Korean enterprises doing business in Vietnam was carried out by Embassy of South Korea, KOTRA in Hanoi and Ho Chi Minh city. 201

¹² Vietnam Chamber of Commerce and Industry (2007), ‘*Vietnam days in South Korea*’, page 32

¹³ Do Hoai Nam, Ngo Xuan Binh, Sung – Yeal Koo (2005), *Economic cooperation between Vietnam and South Korean in the integration into South Asia*.

enterprises among Korean enterprises doing business in Vietnam stated that they were recruiting 96,000 employees. If we calculated the total workers in all Korean companies, the exact number could be over 136,000 people. According to U.S. Department of Labor, the average compensation cost in Korea in 2006 is USD 14.42, in Philippines is USD 1.07, while in Vietnam was only about USD 0.3¹⁴, less than 1/3 of Philippines and equal only 1/50 of Korean. With more than 136,000 workers, Korean companies could save a enormous labour cost. Further more, 72 enterprises in survey said that the total value of raw materials purchased in Vietnam was USD 0.13 billion. 19% of these enterprises would purchase raw and auxiliary materials in Vietnam. With the advantages, the is no wonder that Korean companies would considered Vietnam as an attractive destination for investment ¹⁵.

Limitations

Beside some big achievements and records that investment from Korean companies has obtained, there still contains some troubles that should be settled.

The scale of the projects are still small

Many projects of Korean companies were small and medium sized ones, having average capital from USD 5 to 7 million. Recently, in the investment flow from Korean has appeared some large scale projects, but there are still very few.

Limitations in the process of activity

In the time of acting in Vietnam, some Korean offices had some regrettable arguments with the local labors. The main reason was due to the language misunderstanding and limited knowledge of manners and customs of each other. Besides, mistakes in the administration at Korean FDI companies have led to many

¹⁴ <http://www.bls.gov/news.release/ichcc.t02.htm>

¹⁵ "Vietnam is an ideal environment for South Korean investors" (Mar 7th 2007), http://www.viettrade.gov.vn/portal/index.php?option=com_content&task=view&id=40

continual strikes. Many rights and benefits of staff and workers at these companies have not been met.

Undiversification in fields of investment

In comparison with other countries like Singapore, Taiwan; South Korea mainly invested in manufacture field especially light industry while investment of this country in services was little. Therefore, there was an undiversification in fields of investment, which hasn't exploited the potential in other fields of Vietnam. In some recent years, this matter have been solved when many Korean corporations have focused on construction, traffic transportation, post office, real estate and heavy industry.¹¹¹

3. AN OVERVIEW ABOUT KOREAN COMPANIES' PERFORMANCE IN VIETNAM

In general, most of Korean companies were satisfied with their performance in Vietnam. That is the conclusion taken from the survey of 217 Korean enterprises doing business in Vietnam. The survey was carried out during November and December, 2006 by Embassy of South Korea, KOTRA in Hanoi and Ho Chi Minh city. The survey also showed up to 93.3% of Korean enterprises working in Vietnam feel satisfied with their business result here. Around 63,03% of enterprises considered WTO firm member of Vietnam to be the top favourable while 61.8% believed the business environment in Vietnam would be improved after WTO entry. Vietnam's business environment has been evaluated to be very favourable and open. Vietnamese government much supported Korean enterprises. Among them, 27.54% said that in the beginning of investment, they received much support from offices of trade and investment processing, 23.73% got assistance from ministries and departments, 10.17% were supported by embassy and consulate of South Korea in Vietnam. Consequently, many large scale projects of over USD 100 million from Korean

companies have increased considerably in Vietnam. Notably, appeared some huge scale projects with capital of USD 1 billion. A typical example is that the steel factory project of Korean steel Posco corporation had the registered capital of USD 1.126 billion.

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Mr. Kim Young Woong – General manager of KOTRA stated that the investment environment of Vietnam was better than that of other ASEAN countries and even China. This can be due to a skillful, smart and cheap priced labour source, together with a strong cooperation from the government.

“Normally the investors tend to invest in the countries where they can make more profits than in their own country. And Vietnam can attract foreign investment due to the fact that Vietnam is providing open policies towards market economy”, the president of Korea’s international trade association, Mr. Hee Beom Lee said. In the Korean economists’ opinion, Vietnam has become the most attractive point of investment in Asia, since large Korean corporations such as Posco, Samsung, Lotte, Kumho Asiana and etc... began their new investment wave in Vietnam. Many Korean enterprises are coming to Vietnam to open their business activities, improve their investment in major industries. Besides, a lot of SMES are going to boost their operations in Vietnam by moving some subsidiaries from China to Vietnam. Since June 1st 2007, a Free Trade Agreement between ASEAN and South Korea has come into effect. Up to this agreement, South Korea and ASEAN countries (except Thailand) will remove their tariff barrier towards more than 92% of export and import commodities by 2010. From June 1st 2007, South Korea exempted tax of 7,991 commodities among 12,063 items of tax cut and exemption while ASEAN countries cut down taxes by 0 to 5 % towards 45% of commodity list. The Agreement would help Korean enterprises to improve their performance because import tax of raw materials, machinery

¹⁶ ‘ Vietnam is an ideal environment for South Korean investors’ (Mar 7th 2007), http://www.viettrade.gov.vn/portal/index.php?option=com_content&task=view&id=40

equipment into Vietnam and the export tax from Vietnam to South Korea decreased strongly.¹⁷

Beside the positive results, there are some limitations in Korean companies' performance in Vietnam. Recently, strikes are a serious problem in Korean companies in Vietnam. According to statistics, since 1995 up till now, there have been more than 1,000 strikes, from big to small. Only in the first quarter of 2007, there were 103 strikes in 14/64 provinces, cities with a population of 62,700 or more taking turns having strikes. Dongnai is the province that had the most with 35 strikes, followed by Binhduong with 22 strikes, Ho Chi Minh City with 26 strikes. 98 out of the 103 strikes were for economic reasons¹¹². Since there is not any statistic about the number of strikes in Korean companies, but from the Vietnamese mass media, we can see that Korea and Taiwan are two countries with the highest record for strikes. Reasons for the situation are originated from both sides:

Eager to earn profit in a shorter time, many *employers don't take care enough of workers' right*. Many companies are lack of labour safety, social insurance, the working environment is very poor, no allowance for occupational disease, etc. According to the report of FDI companies in Ho Chi Minh city, till October 2007, there were 39 FDI enterprises from six countries and territories, including South Korea, France, Taiwan, Hongkong, Australia, USA, owing to 9,741 workers a social insurance sum of VND 39 billion¹⁸.

Due to the imperfectness of legal system in Vietnam, some rules are not met with the reality, e.g. the minimal wage appointed in Vietnam Investment law is only USD70/month, disrespected to inflation and recent consumer price rises. Despite obeying rules of

¹⁷ 'South Korea topped the list of countries and territories investing in Vietnam' (Jul 13th 2007), website of New Hanoi Magazine <http://www.hanoimoi.com.vn/vn/15/137308/>

¹¹² http://www.vneconomy.vn/?home=detail&page=category&cat_name=0809&id=452eb1b3a9614e

¹⁸ 39 FDI enterprises still in debt for social insurance of 39 billion VND', Labour Newspaper No 237, Oct 12th updated at 8h29 AM, <http://www.laodong.com.vn/Home/chinhtri/quochoi/2007/10/59436.laodong>

the law, the salary level in many companies is still very low in compare with the average living cost of the workers' life. Therefore, workers feel dissatisfied with the work place and disloyal to enterprises.

A typical case is a strike that happened on the morning of July 25th 2007, at Linh Trung I export processing zone (Thu Duc district, Ho Chi Minh City), by 1,300 workers of Danu Vina company (a Korean wholly owned company) due to the company's unreasonable policy. From July 2007, the company gave a salary increase of VND 50,000, (about USD 3) for 1 to 5 year workers and VND 70,000, (less than USD 4) for 5 to 7 year workers. However, this policy was granted only for workers having contracts before July of the previous year. In addition, a monthly bonus for hard working workers of only VND 25,000 (equal to USD 1.5) was given; much too low as the average meal cost VND 4,000 (equal to 25 US cent) and was of very bad quality. Thievery, cause by unsecured locks, and bad sanitation conditions in the company made workers feel more concerned, upset and angry.

To study the problem, in 2007 the Workers' and Trade Union Institute under the Viet Nam Confederation of Labor has conducted a survey in localities that are home to many FDI enterprises, including Ha Noi, HCM City, and the provinces of Dong Nai, Binh Duong, Ba Ria-Vung Tau, Vinh Phuc, Bac Ninh and Hai Duong. The findings have shown that: in many foreign direct investment (FDI) companies', workers still face low wages, long extra working hours and a hard life. Up to 45 % of FDI companies, workers have complained about low wages; in nearly 16 per cent of the companies, workers were dissatisfied about their extra working hours. Long working hours and low wages, sometimes even lower than in private and state owned companies, are the main part of the problem. Most of workers in FDI companies received a low salary from VND 800,000 (USD 50) to VND1,000,000 (USD 62) a month. Thus, only 30 per cent of the workers in FDI companies can have enough money to offset their daily living costs. To increase

the monthly income for essential daily expenses, 42.5 per cent of the FDI workers have to work overtime, especially those working in garment and leather enterprises¹⁹. In several garment enterprises, the rate of women laborers working extra hours has reached 55%, many of them have to work 16 hours/day, till falling down unconscious²⁰.

The cultural difference and the lack of language knowledge of each other are the other barriers in cooperation. Many Korean enterprises had to face with series challenges after penetrating Vietnamese market. 22.71% of businessmen in the survey said that their difficulties originated from the culture differences, while 18.9% of them met difficulty of language. The real percentage should be much higher, due to the fact that all investors could spend their time and effort to learn the law, finance system of their counterparts but rarely they study the language and culture of the partners. Actually, such misunderstandings could happen every day and easily lead to conflicts and strikes.

A typical case is a strike, happened in Hyundai Vinashin (Khanh Hoa) in 2003 for a reason that Mr. Choi Gyu Ha, a shop vice foreman has dismissed two workers, after catching them talking and laughing with two other workers in working time. The Trade Union representative said that even in 2002, the two workers have been blamed for coming back to work after taking a nap later about 10 minutes, but in 2003 their job performances were evaluated as A level²¹. The case could be considered as cultural misunderstanding. Laughing is very common habit in Vietnam (Borton, 2000), sometimes only to hide an embarrassment. In this case, the four workers had stop working because their machine was broken. They were discussing while waiting for machine fixing.

¹⁹ Report of The Workers and Trade Union Institute, Vietnam General Confederation Labour, 2007

²⁰ Tran Duy, "Female workers falling down unconscious in Korean Company", www.vnn.vn, Saturday January 19/2008

²¹ "Unfair dismissal", Báo Chân, Laodong Newspaper (No188, 2004)

Talking and laughing while discussing about the machine is a very ordinary thing in Vietnamese culture but it's looked as undisciplined behaviour in such uncompromising culture as Korean. The lack of language understanding has deepened the conflict, leading to the regrettable strike.

4. THE IMPACT OF BUSINESS CULTURE ON KOREAN COMPANIES' PERFORMANCE

The findings in this part were taken from our survey about Korean companies in Vietnam, conducted in 2007, divided in three parts:

General information:

In 110 survey companies, there were 58 companies located in Hanoi (56%), 13 in Dongnai (11%) and 19 in Hochiminh City (17%) and 19 in other provinces (Haiphong, Hai Duong, Binh Duong, etc). There were 77 Korean whole companies, only 20 joint ventures, reflected the fact that joint venture is no longer favourable form in FDI in Vietnam (Nhuong, 2006). Most of the companies have experienced in working with foreign partners longer than 5 years (81 companies, equal to 80%). 55 companies (50%) have invested in Vietnam longer than 5 years, then we can expect that the respondents were somewhat familiar with their business environment. In the field of investment, most of the surveyed companies were concentrated in service (20%), garment/textile (14.5%), electronics (11%) and other manufacturing (23.6%). It is in line with the Report of MPI, mentioned above that Korean investment fields in Vietnam are not very diversified. Most of surveyed companies were SME, too: 47 companies (42.7%) have less than 50 employees, 35 companies (31.8%) have from 50 to 200 employees and only 28 companies (25.5%) have more than 200 employees. As it can be expected, in the workplaces surveyed people should work more with Vietnamese people (74.5%) and in most of the companies, managers were Korean (78.2%).

Communication:

The 1st question is that part is about the language used in companies, because language is the bridge for any communication. But we can see that knowledge of each other language is quite poor.

Table 3: Languages used in surveyed companies

Language	Korean		Vietnamese		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
English	9	25%	29	38.7	38	34.6
Korean	4	11%	10	13.3	14	12.7
Vietnamese	3	8%	11	14.7	14	12.7
Mixture	19	56%	25	33.3	44	40
Total	35	100	75	100	110	100

Only 8% of Korean people more less can communicate in Vietnamese, 25% can used English and 56% should used mixture language, including body language. Vietnamese people are a little bit better, 14.7% can communicate in Korean, 38.7% in English and 33% should use a mixture. 8% of Korean and 14% of Vietnamese can use only their mother language. Because the surveyed people are mostly white collar, the foreign language level is not as well as it can be expected. But it seemed both sides did not take the matter very seriously. Only 58.33% Korean and 54.9% Vietnamese people though that language is the main barrier in understanding each other; 16.67% of Korean and 30.14% of Vietnamese were neutral; about 25% of Korean and 15% of Vietnamese did not think so. As foreigner, Korean people seemed to be aware of this problem slightly better with mean of 2.39 in compare with 2.29 of Vietnamese. To explain their idea, a Vietnamese shop manager said: *“Language could matter only in the 1st time. As we’re working with machine, the most important thing*

that we need to know how to maneuver it. After some time working together, we could understand each other even we can not know their language". But in fact it does work only in repeated activities, and could not work when they've got in some conflicts. Furthermore, it limited their social relationship and could not help to improve the business environment.

To answer the question: *"In your company, if you disagree with your colleagues or want to give him a compliment, how do you express it?"*, 65.33% of Vietnamese would express it directly, 4.33% wanted say it indirectly and 29.33% would compromise both. Korean people were more direct, 80.8% would express it directly, 22.2% would compromise both and none of them would like to be indirect. Usually, Asian people are not very direct in communication, they try to imply more than express directly, but it seems that in management, people are more direct, expressly Korean people. One Korean manager said: *"I should say it directly to help them understand it better. But if it is necessary, I'd tell them only vis a vis"*.

With the question *"In your company, subordinates always get a detailed job requirement and instructions to know, what they are expected to do?"*, 84% Vietnamese agreed in compare with 94.4% Korean. It was not in line with other researches, which stated that Korean managers tend to give only general orders and the subordinates should try to figure out (Chang and Chang, 1994; Chung & other, 1997). The Vietnamese, who works in head offices in Korea confirmed it, but the Korean managers in Vietnam said that to avoid a misunderstanding, they should give very detailed requirements.

Organization culture:

To answer the question: *"In your opinion, if someone want to be successful in business, what should he do?"*, 58.33% Korean should plan ahead, 8.4% wanted to be flexible and 33.33% would do both. Vietnamese people are rather more flexible: 41.33% would

plan ahead, 4% are flexible and 54.67 would do both. It is on line with other researches, saying that Korean people are very disciplined and with rather higher uncertainty avoidance (Chang and Chang, 1994; Hofstede, 1997). But with a unstable business environment, Vietnamese are rather to be more flexible to survive. To answer the question "*In your company group cohesion is more valued than individualism*", 56.8% of surveyed people agreed, 33.2% had no idea and only 10% disagreed. There was no significant different between Koreans and Vietnamese opinion.

Another evidence for high disciplined culture is concept of time. As being used of industrialization process, Koreans are famous for their punctuality but Vietnamese are still very flexible (Borton, 2000). But it's seemed Vietnamese employees in Korean enterprises adapted the Korean culture quite well. 77.14% of Koreans said that they should be very on time in working time in compare with 86.5% Vietnamese. It could be seen as odd that Vietnamese cared more of being punctual than Koreans, but it was in line with other researches, too. In fact, people, who are not used to be punctual, would try more to keep with the norm, while the partners would feel more flexible (Anh, 2006).

The next question about disciplined / flexible culture is : "*In your company, a company's rules should not be broken not even when an employee thinks it is for the company's benefit?*", 62.85% of surveyed people agreed, 21.1% were neutral and 16.05% disagreed. There was no significant difference between Vietnamese and Koreans. The findings showed that Vietnamese adapted Korean business culture quite well. Some of Vietnamese complained that the norms are very strict but they should obey it.

Having collectivist culture, Vietnamese and Korean people tend to care of their colleagues. In question "In your opinion, when an employee has some unlucky matters (illness, accident, etc), what is the appropriate way to share with him?", 44% Vietnamese would visit him and contribute some money to help him, 8% would let company's welfare will take care of him and 48% would do both,

visit him and believe that company's welfare will take care of him. But 50% Korean choose visit him and believe that company's welfare will take care of him, 38.88% visit him and contribute some money to help him and 11,1% would let company's welfare will take care of him. From interviews, Korean said that the habit visit some illness/unlucky colleague is quite common in Korea but they don't have the habit to contribute some money to help the colleagues. We can consider it as an cultural adaptation, because both habits are very popular in Vietnam, where the welfare system is still imperfect.

The next question about collectivist culture is: *"In your opinion, if a worker damaged the machine carelessly, he should be responsible for this damage?"*, 54,45% agreed, 18.18% were neutral and 17.27% disagreed, to show that collectivism is still dominant in business culture in the companies. But here is a significant difference in Koreans and Vietnamese answers; The Korean have mean 2.60 at median of 3.00, while Vietnamese have mean 2.01 at median 2.00, to show that Vietnamese tend to be more individualistic than Koreans. It is agreed with other researches about Vietnamese management culture, saying that Vietnamese, especially people from the North, like to clarify individual responsibility from group responsibility (Thuy and Chan, 1997; Anh, 2006).

Originated from masculine culture, gender discrimination is still common in both countries and it was reflected in management. To answer the question: *"In your companies, men should be encouraged to participate in professional development activities more than women?"*, 29.1% of surveyed agreed, 46.4% disagreed and 24.5 were neutral. It showed that there is still strong gender discrimination in those companies, even it could be less than in Korea. The interviewees, who worked in headquarter offices in Korea said that there were very few women, working mainly as secretariat or lower office staff. Women rarely have a chance to be promoted in higher level management. For instance, in College of

Business Administration of Seoul National University are 49 professors but 48 of them are men, only one women (2%)²², while the rate in Foreign Trade University, Hanoi is 33.33%²³. As the mean for both sides in the survey are the same: 3.37 but Vietnamese has median as 3.00, and Korean has 4.00 (some respondents did not fill the question) to show that Korean have stronger gender discrimination than Vietnamese, even they employed many female workers in Vietnam. A Korean lady, who worked in a Vietnamese tourist company, said that at the beginning she was very surprised to know Vietnamese women have got more freedom than Korean ones. She expected as a poor country with Confucian values, Vietnamese women should accept at least the same treatment as in Korea, but it was not. Some Korean male managers said that they try to adapt it, but their thinking maybe still took a deep root. On the other hand, we would expect it to be changed in future, because 23.4% of total people thought that work would be more effectively managed if there were more women in positions of power than now, 67.3% had no idea and only 9.3% disagreed. But once more there is a different idea between Koreans and Vietnamese about gender role. While 25% Vietnamese believed work would be more effectively managed, if there were more women in positions of power than now, there was only 19% Koreans agreed with it.

Many researchers of Korean management stated that in Korean companies major rewards are based on seniority (Chang and Chang, 1994; Chung and other, 1997) and the similar system is still functioned in Vietnam, especially in state section but it does not work in Korean companies in Vietnam. 61.3% of surveyed people said that *in their companies major rewards are based on performance effectiveness*, 6.3% said they are based on seniority and position and 32.4% though they are based on both. Employees in the companies were loyal to their companies too. 50.4% of surveyed people *felt strong loyalty to their company*, 32.4% were

²² <http://cba.snu.ac.kr:1081/faculty/professors.asp>

²³ www.ftu.edu.vn

neutral and only 17.2 did not feel it. In our survey, Korean people felt slightly less loyal than Vietnamese, only 47.22% Korean agreed with it in compare with 52.7% Vietnamese. In the interviews, a Korean employee said that some years ago they used to be loyal but no longer now, especially when they work abroad, while Vietnamese people still like stability, they would not quit their job unless they should do it. Vice versa, most of surveyed people *believe in their companies loyalty toward them* (59.5%), 31.5% had no idea and only 5% did not believe it. It could be considered as a positive factor of the companies' culture. But Korean people believed in their companies' loyalty better than Vietnamese. 76.47% Koreans said that their employers always showed it's loyalty toward employees; 23.53% had no idea and none of them disagreed; while only 54.8 Vietnamese agreed, 37% had no idea and 8.2% of them disagreed. It may originated from the feeling that the companies would protect Korean people more than Vietnamese ones. It was reflected on the next question, too. To answer the question: *"Members of your company usually take a great pride in working for the company"*, while 58.4% Koreans agreed, 38.9% took moderate pride and only 2.78% did not take much pride; only 35.1% Vietnamese agreed, 62.16 took moderate pride and 2.7% did not take much pride. In the interview, Vietnamese said that they don't feel to belong to companies as strong as when they work for Vietnamese company.

Decision making

Another aspect of business culture is decision making way. It could reflect the collectivism level, too.

To answer the question *"In your company, who will make the final decision in doing business?"*, 89.12% of Vietnamese said that "only top manager", 6.86% though it was "group of related people" and 4% though that it's both. The findings of Koreans were different, 71.4% said that "only top manager", 5.6% though it was "group of related people" and 22.86% though that it's both. We can see that collectivism still have strong effect here. The reason, why

Koreans seemed to be more collective here could be risen from lower position of Vietnamese people in management, then they were not allowed to take part on decision making process. About the way to make decision, 40% people said that it should be quick and update, 9.1% said it should be carefully considered and 34.35% though it should be mixtured. There was no significant difference between Vietnamese and Korean idea.

To answer the question: “Which one is the decision making way in your company?”, 69.16 % said that it is “Individual decision making on individual responsibility”, 15.9% thought it was “Group decision making on group responsibility” and 14.9% thought it was “Individual decision making on group responsibility”. Again, it has showed the tendency to adapt a modern management practice, where the leader would have a right to make a decision and take responsibility of it, despite of the tradition of Group decision making on group responsibility. There was no significant difference between Vietnamese and Korean idea here, except Vietnamese tend to have “Individual decision making on group responsibility” more than Koreans (16.67% against 11.43%), maybe it was a heritage of socialistic management, where it used to be the common way of making decision.

Leadership

To answer the question: “In your company, one can be a good manager without having precise answers to most questions that subordinates may raise about their work?”, 39.81% agreed, 35.18% disagreed and 25% were in between. The question was take from Hofstede study, which has shown that the Westerners used to say “Yes” but the Asians often say “No”. In Asia, where seniority used to be very important factor for promotion, before being promoted a manager, workers should work in lower levels and should show their ability for it. We can see there is still diversification in responses here, but with mean of 2.78 at median of 3.00 were more preferable to “Yes” than the Koreans (mean 3.21 at median 3.00). The other researchers of Korean management also

said that normal employee in Korean companies used to be promoted very slowly (Chung and other, 1997) and they should start from a lower level up to understand his job better. It seemed that Vietnamese preferred a different way of promotion.

The next question about leadership was “*In your country, position people of power try to keep social distance from less powerful people*”, 20% agreed, 45.45% disagreed and 34.55% had no idea. We can see that power distance is reduced in management now, most of surveyed people thought that powerful people did not try to keep a distance from the other. But with mean of 3.17 at median of 3.00, Korean people seemed to protest it less than Vietnamese with mean of 3.5 and median of 3, showed a higher power distance.

When asked about their opinion, if “*In your company, subordinates are expected to obey their boss without question*”, 70% agreed, 13.6% disagreed and 16.4% were neutral. It was an evidence of very high power distance in Korean companies in Vietnam. But it was no evidence of different idea between Vietnam and Korea in the question.

Summarizing questions:

There is very positive factor, that most of surveyed people (61%) thought after investing into Vietnam, their company's performance was improved, only 2.7% disagreed and 37.3% said it was remained the same. It was agreed with the survey, conducted by the Embassy of South Korea and KOTRA office in Vietnam in 2006, in which 93.3% of Korean enterprises working in Vietnam said they're satisfied with their business result here. However, in our survey with mean 2.10 at median of 2.00, Vietnamese seemed to be more satisfied than Koreans (mean 2.25 at the same median).

1. The reasons for the success for Vietnamese are listed as:
2. Partner's relationships
3. Expand new markets
4. Cheap labor/ New working skills (Vietnamese took the new working skills)

5. Innovation in management
6. New business culture
7. Improvement of financial situation
8. Innovation in technology
9. New product development

The reasons for the success for Koreans are listed as:

1. Partner's relationships
2. Expand new markets
3. New business culture
4. Improvement of financial situation
5. Innovation in management
6. Innovation in technology
7. Cheap labor/ New working skills (Koreans took the cheap labour)
8. New product development

We can see that both sides valued the “*Partner's relationships*” and “*Expand new markets*” as two biggest advantages of doing business in Vietnam. The next ones were “*Innovation in management*” and “*New business culture*”. Both sides did not value “*Innovation in technology*” and “*New product development*” very much. A surprising here is even “cheap labour” generally is considered as one of the main reasons for Korean investing into Vietnam, but in the survey both sides did not value it very much. A Korean management said that with 40 millions people, Korean is not very big market, then for their company's development, having new market is very important. Naturally while doing business in Vietnam, they need the Vietnamese partners' relationship very much. And Vietnamese people know that as a developing country, just entering to world market, we need to expand to new market and get more partner relationships. Most of Vietnamese said in the interview that they could learn many things

from Korean management and business culture, even sometimes they did not like them. “*Innovation in technology*” and “*New product development*” were not valued very much, because both sides said that they could easily get it by other ways than cooperation with Vietnam/Korea.

Totally, 33.72% of total surveyed people said that they felt more comfortable in working with Vietnamese/Korean partners. A Vietnamese higher manager, who has studied in Pyongyang and could speak Korean very well, said that Vietnam and Korean share many common cultural aspects, such as using chopstick, celebrating the same holidays (Chuseok, Lunar New Year,...), following Confucian values, having similar appearance, etc. Many Korean managers shared the same idea. The another positive factor is very few people disliked to work with Vietnamese/Korean people (15.11%), while 51.16% said that they felt the same as working with other foreign partners. But with mean of 2.84 at median of 3.00, Vietnamese seemed to be less comfortable than Korean (with mean of 2.54 at the same median). In interviews the Vietnamese, having higher education and more experiences in working with foreigners, likely complained more about Koreans. They said that in compare with Western companies, Koreans people were too rigid, less equal and did not care of employees enough. The thing they protested as the most that sometimes they observed Korean manager shouting and humiliating their subordinates officially. Even as foreigners they were treated better but they could not accept it. In the contrary, some Koreans complained that Vietnamese were not very well disciplined. The facts would become a remarkable barrier in Vietnamese – Korean cooperation in future, if both sides don't find the way to overcome them.

5. DISCUSSION AND CONCLUSION

The aim of this sections is to take up for further discussion some of the more interesting issues revealed by the survey and our interviews. The following issues will be discussed:

Adapting to the Partner Culture

As mentioned before, in comparative study of Vietnamese and Korean business culture, the biggest barrier is Vietnam was not included in any profound quantitative research of culture before, then we can only estimate the ranking of Vietnamese culture. From Hostede' study, we that Korean culture has medium ranking in Power distance, Uncertainty Avoidance, Masculinity but low in Individualism and Vietnamese is expected to have similar level, but we could not make any comparison between them. The findings from the survey had help us to understand it better. Firstly, the findings are in line of Hofstede's studies, because they confirmed the ranking of Korea and Vietnam in the four dimensions of culture in Hofstede's study. The findings also confirmed other studies , such as Chang and Chang 1994 or Chung and other 1997 about Korean business culture; Borton 2000, Tuan and Napier 2003, etc. about Vietnamese business culture. But in the other hand, the findings has shown some differences between the cultures, too such as: Korean culture has higher level in power distance and masculinity; other wise, Vietnamese has higher level in individualism but we don't have any evidence about the difference of Uncertainty avoidance. As a consequent, those differences and similarities have influenced on Korean companies' performance as it has been shown in 6.3.4 part.

But the findings also reflected culture change of both sides. With Vietnam culture, it could be because of the influence of globalization process, such as: Vietnamese people tried to follow the companies' discipline better, or cared more of being on time, while Korean people expressed an effort to be flexible in time concept or gender discrimination. With Korean culture it reflected more an effort to adapt partner's culture, as the Roman saying: *"When in Rome, do as the Romans do"*.

The finding on the mutual attempt of Koreans and Vietnamese to adapt of each of their cultures is interesting. It confirms the dominant thesis in the inter-cultural management literature

(Gesterland 1996) that it is essential to adapt to the culture in which you have business activities. But the discussion can and should perhaps be taken further on two dimensions. The first dimension is that of locality, i.e. where are the activities taken place. The second issue is adaptation an organization culture, too. When a Korean manager is in Vietnam, Vietnamese cultural norm are followed. But in the other hand, while working in a Korean company, Vietnamese should adapt the Korean norm also. In the case, maybe the organization culture have a bigger influence than the national one. This makes sense, not just from the conventional thinking of adaptation, but from the fact that while an Vietnamse working longer time in a Korean company, especially when the company's ruler is very strict, he/she is free of the practices (although not the values) at home and can take up new practices. We may call it adaptation, but it seems more appropriate to see it as if the manager has more cultures – or cultures-in-action. As one manager expressed it: “... *when giving a business card to Japanese partners, I should bend my body. For the first time, I felt uncomfortable, the second time it is OK and then I am used to that*”. (Lam 2006). We can see the the evidence in the responses of some questions about decision making or organization culture.

Culture and Management Practice

The study has revealed that in many areas, people of both countries did not show significant differences when it comes to management practices. There are some reason for it. The first one is as mentioned above, while working in Korean companies, the Korean management style should be dominant and Vietnamese workers should obey it. Further more, the Korean and Vietnamese culture are mainly considered as similar. In many official meeting the similarities was taken as a positive factor for cooperation between both sides. But from the findings of our survey and some previous studies about Vietnamese and Korean business culture we can see there are some differences, rather subtle but enough for causing conflict in management, as happened in Vietnam recently.

For some reasons, such as: there are many literatures about the similarity both culture and culture is not considered as important factor in doing business, both sides' people, especially Korean managers, used to overlook the differences. In fact, when they've got to some conflicts, they used to blame the counterpart for it, e.g. for lacking of discipline or asking too much, etc. The most obvious evidence for lacking of culture interesting of each other is: Despite the fact that there were very few people can speak the partner's or any other intermediate language, such as English to understand each other, but not many of them took the matter seriously. And it seems the situation would last for some longer time. Another factor used to be overlooked in culture that not all similar cultures are attractive to each other, or it could be quite reverse. Cultural similarity should not be a positive factor in cooperation, especially in globalization process, while Western values and management practices were very popular both in Korea and in Vietnam. A Korean PhD student in Seoul National University, who had got Master degree in Canada, said that sometimes he felt very stress with working culture in Korea. He'd rather move to work in other countries or at least, find a job in some foreign companies in Seoul than working for Korean company. Based on the fact that young generation on Korea would prefer the Western management style more than the Korean one, Korean managers would not expect better idea from Vietnamese workers. Futher more, from our findings there were some differences between Vietnamese and Korean values, needed to be aware in management. As equalitarian is spread more in Vietnam since 20th century, Vietnam has lower level in power distance and masculinity. Saving face is very important, too. Vietnamese people hardly could stand to be shouted and humiliated officially, especially from a foreigners. Korean managers should learn it very carefully, if they want to be successful in Vietnam. With a higher level in individualism, Vietnamese people would prefer the performance based reward system more than Korean and better clarifying in individual responsibility. And despite the fact that Vietnamese people felt

more loyal toward companies but they thought companies were less loyal to them than to Koreans. As a result, Vietnamese people took less pride in working for their companies. Maybe it is one of reasons, why many Vietnamese workers move off from Korean companies, as many Korean managers complained recently.

Cultural Synergy

In spite of the differences found, the survey did not provide any evidence that the business culture of both countries has especially negative influence on Korean companies' performance. This is also indicated by the answer to the question: "*In general, when doing business with overseas partners you feel more comfortable with Korean/Vietnamese partners?*" The answers (VN: 2.45/KR: 2.54) indicate that both sides feel comfortable in doing business with each other. Further more, most of Korean companies said that they have got a good financial profit in Vietnam. Findings in our survey have shown that both sides considered business culture and innovation in management of Korean companies were two of the main reasons for being successful in Vietnam. In most of the responses, both sides expressed an effort to adapt with each other, especially Vietnamese side. From our interviews, nearly all Koreans said that they like to stay in Vietnam for lower living cost, good food, nice beach and friendly people, many of them tried to learn Vietnamese, and the fact that under influence of Korean wave (Hallyu), Korean culture and Korean language become more popular in Vietnam now, we can expect better understanding of both sides in near future to improve the Korean investment performance in Vietnam.

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