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## EXPLORING THE REALITY

OF SME'S HRM STRATEGY IMPLEMENTATION IN VIETNAM: BUSINESS PRACTITIONER'S PERSPECTIVE

## EXPLORANDO LA REALIDAD DE LA IMPLEMENTACIÓN DE LA ESTRATEGIA HRM DE LAS PYMES EN VIETNAM: LA PERSPECTIVA DEL PROFESIONAL EMPRESARIAL

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### RESUMEN

Human Resource Management is considered as the most significant capability in strategy implementation in order to achieve the strategic objectives of the organization. However, there is a limited number of studies on investigations into this closed relationship in the current literature, especially in the context of SME while this accounts approximately 90% of the total firms in the world. The current researchers mostly focus on large firms because the common literature indicates that it was difficult to employ strategic HRM in connecting to strategy implementation in the context of SMEs. Hence, this research paper attempts to fulfil the current gap by revealing the reality of strategic HRM in SME context. For this, a bibliographic review was carried out to see how this phenomenon is analyzed in the world. In addition, an interview was carried out with the CEOs of 7 SMEs located in Vietnam, which allowed inferring the current situation in this regard in the country.

**Keywords:** human resource management, strategic implementation, SME

### RESUMEN

La Gestión de Recursos Humanos se considera la capacidad más importante en la implementación de la estrategia para lograr los objetivos estratégicos de la organización. Sin embargo, hay un número limitado de estudios sobre investigaciones sobre esta estrecha relación en la literatura actual, especialmente en el contexto de las PYMES, mientras que estas representan aproximadamente el 90% del total de empresas en el mundo. Los investigadores actuales se centran principalmente en las grandes empresas porque la literatura común indica que era difícil emplear HRM estratégica para conectarse con la implementación de la estrategia en el contexto de las PYMES. Por lo tanto, este trabajo de investigación intenta llenar el vacío actual al revelar la realidad de la gestión de recursos humanos estratégica en el contexto de las PYMES. Para eso, una revisión bibliográfica fue realizada para ver cómo se analiza este fenómeno en el mundo. Además, se llevó a cabo una entrevista a los CEO de 7 PYMES ubicadas en Vietnam lo que permitió inferir la situación actual al respecto en el país.

**Palabras clave:** gestión de recursos humanos, implementación estratégica, PYME

## INTRODUCTION

From worldwide perspective, World Bank (2019) indicated that the Small and Medium Enterprises (SMEs), which were widely defined as those enterprises of less than 300 employees, \$15 million in annual revenue, and \$15 million in assets". This group of enterprises significantly contribute to most of the economies, particularly in developing economies, accounts for 90 % of enterprises worldwide. An empirical study of conducted across countries showed a positive relationship between the scale of SMEs sector and GDP per capital growth. Therefore, a large proportion of SMEs reveals a central role of SMEs in all economies. In addition, World Bank (2019) asserted that to absorb around 600 million jobs of growing global workforce, especially in Asia and Sub-Saharan Africa in the next 15 years, SMEs should be considered as a backbone of economic development and employment.

Despite the scale expansion and significant contribution to job creation and economic development, SMEs' performance remains a contemporary problem across the developing countries (N. Uyen & Mohamed Zainal, 2020). Accordingly, the productivity of SMEs in developing countries is much lower than that in developed countries, relatively compared to larger firms. For instance, this previous study illustrated that Vietnam's SMEs contribute to 77% of the total job employment of the country, but they account for only 40% of GDP. Meanwhile, Japan SMEs makes up 50% GDP of the country with the employment of 70.2% labor force. This report also identified that SMEs in other developing countries have poor productivity.

Several reasons were identified as the causes for explaining the limitations of the performance in SMEs; and one of them is HRM in strategy implementation of the firm. The strategy is defined as 'The determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action as well as the allocation of resources necessary for carrying out those goals (Chandler, 1962) or strategy is "purposeful action to deliver the required result" (Armstrong & Taylor, 2014). HRM is asserted as the most significant part in strategy implementation of any firm. Nevertheless, most of the recent studies were done on HRM in connection with strategy implementation or strategic HRM in large firm contexts (Ngo et al., 2008). In fact, there is a paucity of studies which were conducted on strategic HRM in SMEs context; however, these studies have found a significant contribution of HRM practices or high performance work systems in SMEs (Drummond & Stone, 2007; Michaelis et al., 2015; Sheehan, 2014).

Garavan et al., (2016) also asserted the important role of HRM- Strategy fit in SMEs management. Yet very few

studies were conducted on the important role of HRM in strategy implementation, especially in SMEs context. Lengnick-Hall et al., (2009) therefore, suggested that further research should be conducted on the investigations into the important role of HRM in strategy implementation in different contexts. Thus, besides providing background of strategy implementation, underpinning theories, and requirement of HRM in strategy implementation, this qualitative study therefore, attempts to explore the reality of HRM in connection with strategy implementation from practitioner' perspective of different firm sizes among SMEs. The salient implications for further empirical studies are also addressed.

## DEVELOPMENT

### Strategy implementation and its requirements, the role of HRM

According to Chandler (1962), the strategy is 'The determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals.' One of the fundamental characteristics associated with strategy is "forward looking" that is deciding "where you want to go and how you mean to get there" (Armstrong & Taylor, 2014). Thus, the investigations into the evaluation of resources and external factors are conducted during the strategy formulation; consequently, the established strategy has already predicted and captured the uncertain changing from both internal and external factors. Furthermore, the strategies do not only justify longer-term goals, but they also indicate how to achieve the targeted objectives. Thus, the strategy indicates both destination and means or "Strategy guides purposeful action to deliver the required result" (Armstrong & Taylor, 2014).

Strategy implementation refers to converting the strategic plan into action; therefore, the inherent characteristic of strategy implementation is a strategic fit or strategic alignment (Venkatraman & Camillus, 1984). It means that the requirement of strategy implementation in different functional fields such as in HRM is to achieve the fit between HRM and firm's strategy (Armstrong & Taylor, 2014; Wang & Shyu, 2008). All of the HRM systems need to be designed in accordance with the strategic direction (M. L. Lengnick-Hall et al., 2009).

On the other hand, the concept of HRM primarily originated from the basis of behavioral sciences and theory of human capital and industrial relation. According to Boxall and Purcell (2003), HRM is defined as "all those activities associated with the management of employment relationships in the firm". From other perspectives, this study

indicates that HRM is “management of work and people in organizations”. In particular, Armstrong and Taylor (2014) justified that HRM encompasses of several activities such as “human capital management, knowledge management, organization design and development, resourcing (workforce planning, recruitment and selection, and talent management), performance management, learning and development, reward management, employee relations and employee well-being”. However, HRM involves all management decisions and actions related to the relationship between the organization and employees. It is also argued that there is more pressure today. Thus, HRM should be broader and more comprehensive with strategic perspectives. This is one of the arguments suggested for a new approach to HRM - strategic HRM (Wright et al., 2001; Wright & Snell, 1991).

In connection with strategy implementation, HRM is taken into consideration the connection with firm's strategy under the concept of strategic HRM rather than in a separated function (Garavan et al., 2016; M. L. Lengnick-Hall et al., 2009; Wang & Shyu, 2008; Wright et al., 2001). The nature of strategic HRM reflects the role of HRM in strategy implementation. In terms of strategic management, literature on strategic human resource management (SHRM) has been well developed for recent decades. This literature emphasizes the management of human resources as a source of creating competitive advantages for higher performance of the firm. It explores a proactive, integrative and value-driven approach to human resource management. Wright and Snell (1998) also defined strategic human resource management as “organizational systems designed to achieve sustainable competitive advantages through people”. The definition highlights the fit between HRM and firm strategy in order to create competitive advantages.

The evolution of strategic HRM has been categorized by Lengnick-Hall et al., (2009) into 7 themes, namely (1) explaining contingency perspectives and fit, (2) shifting from a focus on managing people to creating strategic contributions, (3) elaborating HR system components and structure, (4) expanding the scope of SHRM, (5) achieving HR implementation and execution, (6) measuring outcomes of SHRM, and (7) evaluating methodological issues. In the main themes of SHRM that explain contingency perspectives and fit, several studies have attempted to explore contingent relationship and ways to gain a fit between HRM and strategic objectives (Banks & Kepes, 2015; Garavan et al., 2016; Hsieh & Chen, 2011; Ngo et al., 2011; Wright & Snell, 1991). However, researchers in HRM field are normally not well-versed in the field of strategic management and normally, researchers in strategic

management do not have expertise in HRM (Wright et al., 2001). As a result, the evolution of SHRM in terms of fit has not well developed and not focused deeply on the role of HRM in strategy implementation, which does not match with the nature of strategic standpoint.

With regard to the nature of strategic standpoint, it is a systematic approach to create a synergic value toward overall objective for long-run. Thus, it encompasses 2 key aspects such as creating synergic value through the system and obtaining the overall objective. The previous studies also argued the HRM-strategy fit including two types: vertical fit and horizontal fit (Banks & Kepes, 2015; M. L. Lengnick-Hall et al., 2009; Wright & Snell, 1998). Vertical fit or external fit implies the alignment of HRM practices and firm strategy in order to implement strategy effectively and achieve overall objective of the firm. Horizontal or internal fit involves a congruence among the various elements of HRM practices or HRM system.

However, in terms of vertical fit, it can be seen clearly from the nature of strategic point as mentioned that vertical fit is the fit of HRM to strategy during the implementation of strategy. To achieve the overall objective, the HRM needs to fit with strategic goal and direction; otherwise, it only reaches the sub-unit optimal which may waste resources because the sub-unit optimal may not be in accordance with overall success. Besides a number of studies focusing on the fit between HRM with strategy or overall goals involved in the stage of implementation, other researchers have developed the strategic fit or integration in both strategy formulation and implementation. This makes the SHRM literature become more ambiguous and far from the key role of SHRM which is a functional field in order to implement strategy, reach competitiveness through people as defined by Wright and Snell (1991). It means that SHRM focuses on how to exhibit HRM to achieve the formulated strategic objectives or formulated strategy.

It is clear that to formulate the strategy, the firm has to screen the internal and external environment, and obvious that HR is one of the internal factors that should be concerned, however, that is a job of strategic formulation. Once the strategy of the firm has already formulated, then the role of HRM is to implement this strategy. SHRM play a key role in exploiting HRM to implement strategy effectively. Therefore, the measurement of strategic integration or fit that covers the item as “My company considers HRM issues (from the outset) in the developments of corporate strategy” seems not appropriate to the nature of strategic HRM. Several studies adopted this item; however, this measured item truly goes far from the role of strategic HRM. This measurement of strategic fit or integration makes it more ambiguous that does not focus on the role

of HRM. Thus, this study emphasized that the vertical fit or HRM-strategy fit is consistent to the nature and focus of strategy implementation; it is the fit between HRM and strategy in order to implement strategy effectively.

Another debate which is fit or flexibility also needs to be clarified to assert the role of alignment between HRM and firm's strategy during the process of strategy implementation. Some of previous authors raised questions 'should the firm's HRM be fit or flexible when both of them are found to be vital'. Actually, this debate is not necessary because the fit with strategy which encounters with a changeable environment has inherent flexibility. To formulate strategy, the firm has to evaluate and predict the environment, thus if the strategic management is effective, all changeable factors have already been taken account into formulating strategy. Meanwhile, the flexibility is ability to gain fit in different contexts. Thus, the fit to a strategy which is the optimal direction in dynamic context means flexibility. Wright and Snell (1998) also justified that fit and flexibility are complementary; and the firm should reach HRM-strategy fit to gain flexibility in a dynamic environment.

In terms of horizon fit, the strategic standpoint emphasizes the ability to create synergic values in a system. Previous studies also indicated that horizontal fit involves a congruence among HRM practices or HRM system (Banks & Kepes, 2015; Drummond & Stone, 2007; C. A. N. T. Uyen et al., 2016; Wright & Snell, 1998). A bundle of congruence HRM practices has been named as HPWS to highlight the supplement among HRM practices (Banks & Kepes, 2015). Thus, the two central concepts in strategic HRM are HRM-Strategic Fit and HPWS with a bundle of HRM practices in synergic supplement.

### RBV and Contingency Theories

The core philosophy of the resource-based view is argued that sustainable competitive advantage of the firm can result from the VRIN resources which consist of valuable, rare, imperfectly imitable, and not substitutable features. Meanwhile, strategic HRM is designed to fit with particular strategy of a firm; therefore, it can be considered as the typical resource which is inherited the characteristics of causal ambiguity and social complexity especially the unique feature. For this reasons, strategic HRM is regarded as a strategic factor that can be exploited for sustaining competitive advantages as well as organizational outcomes (M. L. Lengnick-Hall et al., 2009).

It is mentioned in Contingency Theory that HRM needs to be contingent to organization's environment and other contextual factors (Armstrong & Taylor, 2014). It means that 'the relationship between the relevant independent

variables (HRM policies and practices) and the dependent variable (performance) will vary according to the influential factors such as company size, age and technology, capital intensity, degree of unionization, industry/sector ownership and location'. Meanwhile, the strategy selected by firm has been formulated from a deep analysis and prediction of the internal and external conditions for long run in the uncertain context. The strategy has captured the contingency of the environment; and the HRM should fit firm's strategy in order to effectively implement its strategy. Thus, contingency theory underpins for the emerging of strategic HRM in which HRM is addressed in an alignment to firm's strategy.

### Literature Gaps

As discussed above, strategic HRM which emphasizes the two key terms of HRM-strategy fit and high-performance work systems (HPWS) is more important in the uncertain context of business environment (Banks & Kepes, 2015; Björkman & Xiucheng, 2002; M. L. Lengnick-Hall et al., 2009; Ngo et al., 2008). The environment that shapes the business strategy is unstable; and strategy is dynamic across the firms even within one industry. Then, in any large or small and medium enterprise, the strategic HRM that tailors HRM aligned with the own strategy of the firm is a unique resource containing causal ambiguity and social complexity, leading to competitive advantages toward higher performance (Björkman & Xiucheng, 2002; M. L. Lengnick-Hall et al., 2009). Therefore, it is also potential to explore the reality as well as role of strategic HRM or HRM in strategy implementation in the studies on SMEs.

In addition, HRM-strategy fit or the related constructs such as strategic HRM index (Ngo et al., 2008), Strategy fit (Wang & Shyu, 2008), HRM-strategy integration (Björkman & Xiucheng, 2002) were found as positive factors contributing organizational outcomes in previous studies. Therefore, HRM-strategy fit is leveraged and strongly recommended for further empirical studies in different contexts (M. L. Lengnick-Hall et al., 2009; Wright et al., 2001). Hence, some studies have been conducted to explore the potential effects of HRM-strategy fit or strategic HRM on organizational performance or other outcome in large firm contexts (Björkman & Xiucheng, 2002; Ngo et al., 2008; Wang & Shyu, 2008).

In the SME context, individual part of strategic HRM such as high performance work systems has been found as a feasible management term in SMEs (Drummond & Stone, 2007; Michaelis et al., 2015; Sheehan, 2014) or the role of HRM-Strategy fit in SMEs management (Garavan et al., 2016). However, most of these studies are conducted on SMEs in the developed countries. The raising concern

is how to employ strategic HRM in SMEs of developing countries. It is, therefore, important to conduct a study on exploring the reality of HRM in strategy implementation in the context of SMEs to provide a basis for further studies of strategic alignment of HRM in SMEs context.

In terms of HPWS, even having conducted individually with HRM practices or HPWS. Nevertheless, most of previous studies have conducted on distinct HR practices, which leads to a lack of system approach for HRM practice or HPWS as a truly system (Banks & Kepes, 2015; M. L. Lengnick-Hall et al., 2009). A qualitative study was conducted with 30 SMEs published in The Sunday Times of the UK's "Best Small Companies to Work For" by Drummond and Stone (2007) indicated that business performance can be explained in terms of HPWS in coherent bundles of human resource management practices. The synergistic functions of HRM practices have more effect on organizational performance than simply summing up of individual effects (Björkman & Xiucheng, 2002). It means that HPWS is able to generate higher performance. The organization will gain higher outcome when it deals with human resource practices in synergetic way. However, very little research has been conducted to examine the relationship between synergistic HPWS and organizational performance (Banks & Kepes, 2015), especially just a few of studies were conducted in the context of SMEs (Pascual Ivars & Comeche Martínez, 2015; Patel et al., 2013). Indeed, most of the studies were conducted in western countries. Therefore, a survey of the reality of HPWS employment in SMEs context will be valuable for the empirical study on the impact of synergic HPWS on organizational performance in SMEs which are dominant in most of the developing economies but will face constrains of HRM as mentioned above.

From all above perspectives, this study come up with a set of the two key concepts that need to be explored from the reality of HRM in strategy implementation of SMEs. These

concepts include HRM-strategy fit and HPWS as the two important aspects of strategic HRM or HRM in firm strategy implementation. In addition, other information about business practitioners and firms' characteristics are also addressed in this study.

### Methodology

In order to obtain accurate data from business practitioners, a qualitative survey was conducted in Vietnam. Seven non-state SMEs leaders were invited to join the interview. The selected firms have different firm sizes. Besides the question of firm's profile, information about main business, the number of employees, firm age and characteristics of the participants was explored. The main focus of the qualitative study was to clarify three main questions as follows:

**Q1:** How are you satisfied with your firm's organizational performance of 3 recent years? Could you please briefly indicate some of the most important drivers (internal factors) which can enhance your firm's performance?

**Q2:** How does your firm employ HRM practices in management such as staff selection, training, participation, performance appraisal, intensive Reward, job security, clear job description? How does your firm concern about the configurational bundle of these practices as a high-performance work system?

**Q3:** In your opinion, how is the HRM-strategy fit (strategic alignment between HRM practices and firm strategy) necessary in SMEs? To what extent is your HRM strategy linked to the firm's strategy?

In terms of profile of participants, more than half of firm's participants were selected from manufacturing industry, and the remaining firms were from trading and services. The CEOs of these firms have experiences from 3 to 15 years in the current position, and their firm is in operation for 3 to 15 years (Table 1).

Table 1: Brief profile of the firms in qualitative survey

Name of Firms	Field of business	Number of Employees	Firm age/Experience in current position (CEO)
1. T-Tech Vietnam Corporation	Manufacturing and trading in technical equipment for construction	95	15/15 years
2. VietTech Company	Repairing Services, Producing and supplying equipment for food industry	52	12/12 years
3. Trung Kien Trading and Construction Company	Trading and construction service	55	8/8 years
4. AMZ Vietnam Company	Electronic Equipment	20	8/8 years

5. CauGiay Telecommunication Company.	Telecommunication	10	5/5 years
6. HH Security company	Security and cleaning service	100	5/5 Years
7. CHH Garment Joint Stock Company	Gaiment	110	3/3 Years

## Findings and Discussion

From the three interview questions, all the answers were transcribed in order to explore the pattern of the interview inputs. The answers are shown as below.

### T-Tech Cooperation

#### Answer to Q1:

Our firm performance is not good.

**The most important internal drivers:** Leadership, strategy, and competency workforce with high engagement and good source of capital. The high responsibility and motivated workforce are important. Many difficulties in building strong workforce, the employee engagement in my firm is not really good. Employees with low cognitive and emotional contribution. We have known that employees who consider them as a part of organization will be the driver for firms' success and we are considering to sustain workforce's engagement. We need to improve HRM policy and leadership.

#### Answer to Q2:

HRM practices are very important policies, and we are completing a set of practices. Our Reward system is based on the result of performance appraisal and job description. Training, participation, and job security are also aligned. Alignment within one practice also needs to be concerned. We have been building the bundle of HR practices for some years and putting effort to correct them.

#### Answer to Q3:

HRM policies have to be matched with firm strategy and goal; otherwise, the firm will waste a lot of money on using workforce. We have a lot of experiences in this issue. The early stage of establishment with small size is quite easy. However, as we become bigger, but lack a clear plan or a right direction for recruitment and using labors, a lot of problems about HRM occurred. And we have recognized that a link between HRM and firm's strategy is our major concern now when we build the system of HRM practices.

### VietTech Company

#### Answer to Q1:

Performance of our firm is not good. **The most important internal drivers:** Leadership with right direction, leaders who can inspire others, train employees to create a strongly supporting workforce. Human resource requires a great effort to leverage because it is not easy to recruit the right one from the beginning. The current employees just seem to meet the minimum requirement of job. To improve this situation, the firms need the strong leaders, good working environment, and appropriate policies.

#### Answer to Q2:

HRM practices are very important because they directly affect employees. We focus on recruitment, training, appraisal, and motivating payments based on performance. We also have job description even it does not cover all job positions. Alignment is taken into our account for drafting HR policies.

#### Answer to Q3:

HRM policies should be matched with the firm strategy. It is necessary to do that, and we are trying to do well. Using right and appropriate person for each job position to achieve the objective in the system is the key success factor.

### Trung Kien Trading and Construction Company

#### Answer to Q1:

It is quite poor performance. **The most important internal drivers:** The poor performance recently enables us to understand that one of central factor is the leader who can understand and predict the trends and seize opportunities, good at using labor to realize objectives; Good source of capital is also other important drivers. However, the engagement is relatively low at my firm. Shortage of high skilled workforce in the labor market generates higher pressure for us to retain good employees. We are trying to do by adjusting HR policies and adding more personal caring welfare.

*Answer to Q2:*

It is important. We focus on recruitment, training on job, attitude education, appraisal, and reward. It is not really clear about alignment except the link between appraisal, job description and payment & reward systems. Our target is to sustain this alignment to improve the system of HRM practices.

*Answer to Q3:*

We always think of business orientation before planning to recruit right persons and before training, salary offering. It is really important to develop the strong workforce which supports the strategic orientation.

## AMZ Vietnam Company

*Answer to Q1:*

Not satisfied at all. **The most important drivers:** Strategy and Human resource management

*Answer to Q2:*

HRM practices are important; however, we do not have a full plan for all practices, but we have a recruitment plan, clear payment and reward system to motivate employees. Rewards are based on performance. HPWS is important and we are building them.

*Answer to Q3:*

I think it is necessary, but we have not considered this alignment seriously. However, in any decision of HRM, we always think of the fit with our business objectives.

## Cau Giay Telecommunication Company

*Answer to Q1:*

Not satisfied. Leadership competency with right strategy; active and high responsible employees are necessary. Staff changed quite often because of low engagement. Very few employees stay long with us. We think that we have to improve the leadership as well as HRM policies.

*Answer to Q2:*

Quite important. We focus on recruitment, appraisal and motivated rewards based on performance, allow the participation of employees. However, we have not supplied a formal training program. Alignment is also considered but not really clear.

*Answer to Q3:*

It is necessary, but we have not paid attention in detailed plan yet because we are quite small. However, we always think of it when we make decisions about HRM.

## HH Security Company

*Answer to Q1:*

Not really good, just at acceptable level of organizational performance. **The most important drivers:** Relations and HRM. My firm always maintains employees' engagement at quite high level, and it is our core competency. In our business field, we could not maintain competitive advantage if our employees are not well engaged and responsible. To create this advantage, the firm needs to create good working environment with appropriate HR policies, in which, employees trust in leader, understand and share organizational objectives, vision

*Answer to Q2:*

We made the HRM practices quite clear because they are so important. Good HRM practices contribute to good workforce. Building a system of HRM practices is necessary, and we have it. A systematic bundle of practices to guild different aspects of HRM is very important.

*Answer to Q3:*

It is very important, and we have considered this alignment seriously. Of course, HRM needs to contribute to the success of the firm strategy; and HRM policies have to be in accordance with strategic objectives.

## CHH Garment Joint Stock Company

*Answer to Q1:*

Satisfied. **The most important drivers:** Active leaders with good direction, high workforce's engagement which can be created from trust in leader and good working conditions, good compensation with intensive rewards.

*Answer to Q2:*

It is important, and we utilize almost HRM practices.

*Answer to Q3:*

It is necessary, and we think of this alignment when we build each practice. We supposed that is a good direction for formulating HRM practices.

From this interview, it can be summarized that most of the CEOs agree that the internal drivers contributing to firm's performance are leadership, strategy, good sources of capital and strong human resource. They also agreed that leadership is necessary for creating the vision and direction for leading the firm. Nevertheless, to assure the success for the firm, it is also important to have a strongly supported workforce which understands the direction and employees are willing to become "a part" of the organization. Most of participants agreed that a low engagement of workforce is one of the main causes for the poor performance of the firm.

Thus, related to sustaining a strong workforce, most of the firm leaders stated their special attention to the engagement of workforce, especially in the organizational context. According to their perceptions, the engagement of employees with strong positive motivation plays an important role in generating better outcome of organization. However, only two of them are confident with their employees' collective engagement; most of them are trying to build collective engagement for their firm. All of them consider the driving role of supported HRM as an important condition. They justify that financial compensation is important, but it is not a single factor contributing to employees' satisfaction and engagement. Working environment with appropriate HRM, trust in leaders, shared vision absorption, personal consideration is also considered as other important contributors of collective organizational engagement.

In terms of HRM practices, even the levels of application are different, but is quite popular for employing HRM practices in SMEs such as selective staffing, training, participant, appraisal, rewards, job security and job description except the smallest enterprise with 10 employees (Cau Giay Telecommunication Company). Most of the CEOs said that they weigh the importance of configurational bundles of these practices and think of it when they build HRM policies. However, the bigger-sized firms are more dedicated and clearer in practices such as T-Tech Vietnam, HH and Viettech and CHH Company. That clear evidence shows that a bundle of HRM practice, or even HPWS are also concerned in SMEs context of the developing economies such as Vietnam. However, the greater scale of SMEs will be more professional in building high performance work systems.

In terms of HRM-strategy fit, most of the CEOs agree that this is an important feature of HRM. However, the SMEs with larger scale such as T-Tech Vietnam, HH and Viettech and CHH Company are more professional and engaged deeper in sustaining this alignment of HRM and the firm's strategy. They asserted that HRM needs to be designed

in accordance to the direction in firm's strategy, and this makes the firm more effectively to achieve the organizational objectives. This finding reveals a significant fact of strategic alignment in SMEs which in some previous studies is not considered as suitable context to implement strategic HRM. This clearer picture providing from business practitioners for this important term will be valuable for research guidance and sustaining business practices in SMEs context as well.

In addition, the business practitioners also expressed their targets of strong workforces who understand organization's direction and can follow plans to work well without daily direction by the top leaders: *"my friends and I in network of entrepreneurship feel it difficult to spend my whole time dealing with daily work at office. We want to spend my time seeking new business opportunities as well as we wish to have an automatic high working performance system that can perform smoothly under our general direction even, we are not here. It is a waste of time and boring to be here every day to control and guide the employee from the smallest tasks. I wish my subordinates can control the enterprise and all employees understand well their job, they are engaged and active, motivated, highly responsible for their job"*, Mr. Trong, CEO of T-Tech Corporation said. This suggested the significant role of strategic alignment between HRM and firm's strategy in implementation.

#### Implications, Limitations and Suggestions for Future Research

Besides providing a reasoning groundwork of HRM in strategy implementation, this qualitative study has explored the salient reality of strategic HRM in Vietnam SMEs. The fact is that SMEs are now suffering from poor organizational performance with weak workforce and low engagement in SMEs. The study also revealed that all firms emphasize the important role of strategic HRM, however, the larger SMEs are more engaged in the implementation process of strategic HRM. Almost key practices in HPWS are considered in the firm having 50 employees and above. Strategic fit between HRM, and firm strategy are also considered by SMEs leaders even the firm size is not large. The attendants for a survey are limited but with diversification of interviewees from different sizes of SMEs and strong theoretical groundwork, this finding strongly confirms that strategic HRM exists and plays an important role in strategy implementation of SMEs to sustain firm's performance. This salient finding overcomes the current debate of context for employing strategic HRM that prevent the development of research and employment of strategic HRM in SMEs. Thus, the further empirical studies should

examine the relationship of strategic HRM as an important antecedent of firm's performance or engagement to provide the guidance for practical management and enrich literature on strategic HRM in different contexts.

## CONCLUSIONS

Qualitative survey revealed that organizational performance of non-state SMEs in Vietnam has been quite poor for 3 recent years, and the potential drivers improve this situation not only from good strategy, good supported source of capital, but also from strong supported workforce. Related to workforce, the role of engagement with collective context of organizational is highly appreciated by participants, and all of firms target to build this important resource. Besides the role of leadership, the study also suggested solutions for strengthening the HRM, especially the HRM in alignment with firm's strategy. It is found that HRM practice is quite popular in SMEs management. The synergistic bundle of this practices is also a concern by most of the larger scale SMEs. In addition, the fit between HRM practices and firm's strategy is highly appreciated by business practitioners even their firms using less than 300 employees. The formal plan for this linkage may be limited in terms of the smallest firms in the group of participants, however it exists clearly in other SMEs with larger scale of above 50 employees.

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