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IMPACT OF CULTURE ON STRIKES IN KOREAN ENTERPRISES IN VIETNAM

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Summary

In line with the conference theme of Corporate Social Responsibility (CSR), the paper examines impact of culture on strikes in Korean¹ companies in Vietnam. We start by discovering how culture can affect conflicts in industrial relations (IR). Conflicts can occur in three levels: material level, symbolic level and relational level (*Michelle Labaron&VenashriPillay, 2006*). Culture contextualizes and shapes all the above dimensions, then make a strong impact on conflict resolution. Globalization removes national borders in IR management and makes managers to face culture in every level (*ILO, 2006*). In the paper we applied Hofstede's Cultural Dimensions model to study the effect of culture on strikes in Korean firms in Vietnam by conducting surveys in 133 Korean FDI firms in six provinces throughout Vietnam by sending quantitative questionnaires. Basing on those findings, we find that strikes occur because of differences in working expectations, conflict recognition, communications, leadership and conflict resolution styles. We draw conclusion that although the official reason for strikes in those companies is economic matter, such as salary, bonus or working overtime, the real and hidden reasons are on symbolic and relational levels, which are under the influence of culture. Therefore, besides the legal and economic solutions, such as taking better care of material working conditions for employees, Korean managers have to improve communication system in companies and increase their culture fluency.

Keyword list: Industrial relations, labor relations, Foreign Direct Investment (FDI), conflict, strike, national culture, organizational culture, leadership, communication, conflict resolution, Vietnam, Korea.

INTRODUCTION

Vietnam has been remarkably successful over the last decade or so in attracting substantial foreign direct investment (FDI) inflows. The foreign-invested sector is now an important element of the corporate community in Vietnam, and an equally important engine of economic growth for the country. Among the foreign partners, Korea has always been one of the countries and territories that have the highest total direct investment.

Table 1: Foreign Direct Investment in Vietnam

(Only include the projects that are valid in 20/09/2010)

No.	Partner	No. of projects	Total investment registration (USD)	Charter capital (USD)
1	Korea	2. 616	23.214.195.316	7.889.972.047
2	Taiwan	2. 141	22.767.099.063	9.181.930.477
3	Japan	1. 260	20.553.471.004	5.634.917.399
4	Malaysia	366	18.443.896.134	3.982.233.908
5	Singapore	851	17.882.566. 429	5. 79. 025.839

¹ In the paper, Korean Enterprises are understood as South Korean enterprises

6	USA	550	16.440.972.307	3.317.208.306
7	British Virgin Islands	476	13.844.364.944	4.487.105.804
8	Hongkong	602	7.767.715.417	2.756.887.424
9	Cayman Islands	48	7.177.782.851	1.389.792.618
10	Thailand	235	5.715.088.801	2.406.171.166

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

Until 2006, most of Korean's projects invested in Vietnam are SMEs. However, recently, many large corporations, such as POSCO, SAMSUNG, KEANGNAM... have invested in tens-of-millions-of-dollar-worth projects into Vietnam. Nevertheless, comparing to other investors, the average capital of Korean projects is not considerable. By the end of 2010, Korea's average capital is \$8.26 million, while Japan's is \$14.64 million; Singapore's is \$25.58 million.²

From 1991-2006, Korea's direct investment into Vietnam was mainly in light, labor intensive industries, such as textiles, footwear and other leather products to take advantage of the abundant and cheap labor. Since 2006, the Korean investors have also shown their concern for many other sectors, for instance chemicals, energy, steel, construction, food industry, petroleum industry,... As of December 2010, there have been 591 projects in heavy industries, accounting for 30% of the number of projects and 38.72% of the total investment.³ In addition, due to the increase in demand of services in Vietnam, especially in Hanoi and Hochiminh City, investment in services has begun to flourish. In 2010, this sector accounts for more than \$1 billion of total investment in Korea, representing more than half of the country's investment into Vietnam. In recent years, a lot of major Korean corporations have invested in hotels, office buildings or apartments for rent, taking the case of Keangnam group with the project of a luxury hotel with office for lease in Hanoi, with a total investment of \$500 million.

Currently, Korea has had businesses in 46 cities and provinces throughout Vietnam, including about 500 in the North and 1200 in the South. However, the projects are unevenly distributed, mainly concentrating in Hochiminh City, Dongnai, Binhduong and Hanoi, in which Hanoi is the most invested one and the next is HCM City. Therefore, the rate of migrant workers is very high. In the early 90s, due to the lack of knowledge about Vietnam's investment environment, joint venture was the most popular form with the Korean. On the contrary, since 2006, the form of investment with 100% foreign capital has the highest proportion of registered capital and projects, as the investors are independent of their business decisions. As a result, the foreign investors are less likely to understand Vietnamese situation, which leads to conflicts in labor relationships and increase in strikes.

Conflicts in labor relationships and strikes tend to occur more in enterprises with foreign direct investment (FDI) enterprises than in others (David Macdonald, 1997). Workers in FDI companies are more likely to be agitated by the exploitative labor practices than the workers in the state owned enterprises (SOEs) (Ogden 2000, cited in Y. Choi, 2008).

In Vietnam, strikes first occur in 1991 when Vietnam carried out the open policy. According to MOLISA (Ministry of Labor, Invalids and Social Affairs in Vietnam), while in 1995 there were only 60 strikes, in 2008, the number was 720, happened mostly in Asian enterprises, 30% of which were Korean, ranking second after Taiwanese. In general, the workers in Western-invested enterprises (WIEs) relying on capital and technology are treated better than the workers in Asian Enterprises, probably partly due to the introduction of the human resource management (Chan 1998; Whyte 1999, cited in Choi 2008). To explain this situation, firstly, Korea and Taiwan are the two biggest investors in Vietnam, they focus chiefly on textiles, footwear, toys, and leather products with small-sized project, and hence the companies

²Report of Foreign Direct Investment 2011, Ministry of Planning and Investment in Vietnam

³Report of Foreign Direct Investment 2011, Ministry of Planning and Investment in Vietnam

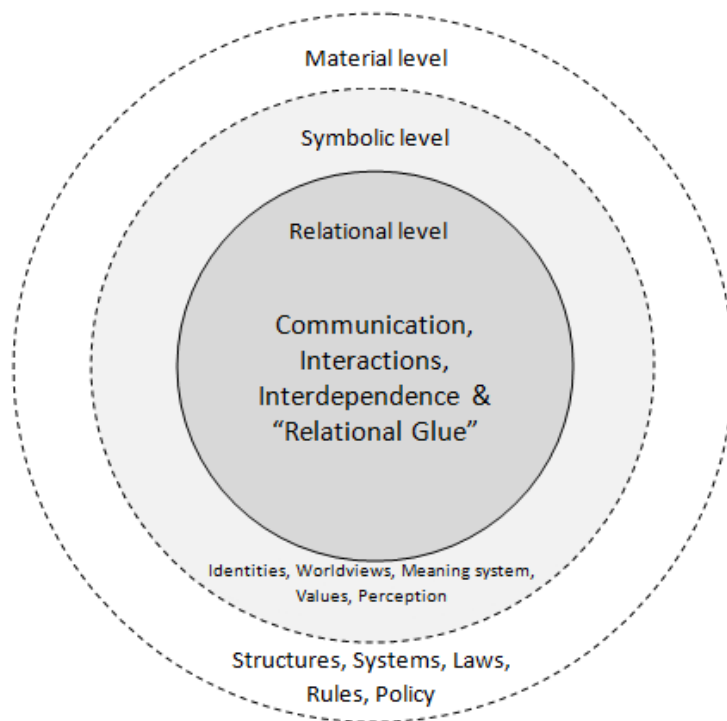
are numerous. Moreover, these countries tend to invest in labor-intensive companies with low-paid, unskilled workers. Therefore, conflicts tend to be easily triggered. In China, there has been a similar case. Chinese trade union officials claim that the most abusive foreign bosses among EAIEs are the Koreans, followed by the Taiwanese, and lastly the Hong Kong Chinese (Chan and Norlund 1999, cited in Y. Choi, 2008).

Some scholars suggest that there are variations both in the managerial styles and in the consequent nature of labor disputes between the firms operated by different countries (Chan 1998). There have been a few attempts to study the impact of culture on labor disputes in FDI enterprises in Vietnam (MOLISA, 2008), especially in Korean companies in Vietnam (Suhong Chae 2006, cited in Lee Jae Kyeong & Kim Yong Min 2006).

In the paper, a strike is generally considered as a conflict in a high level of industrial relation (IR) arrangements. This study examines the nature of strikes happened in Korean Enterprises in Vietnam and the critical factors related to those strikes. It proposes that besides salient factors like legal violations or economic interests, cultural differences play a key role in the cause of strikes in these enterprises. In the next chapter, the author will present the model of cultural influences to strike sensation through factors such as expectations of each party in labor relations, leadership, communication and conflict resolution. The model will be empirically tested in section 3. This section will be followed by conclusion.

THE RELATION BETWEEN CULTURE AND STRIKES

A strike is generally considered as a conflict in a high level of industrial relation (IR) arrangements. Globalization leads to increasing international economic interdependence, hence it has disturbed traditional IR arrangements. Firstly, globalization has fundamentally changed, and considerably expanded the boundaries of the market place. It helps to extend information and new technology flows, then create inter-enterprise networks around the world. By that way, globalization has broken the traditional boundaries of the enterprise and dramatically changed current IR arrangements. Moreover, globalization has interrupted the status quo between "capital" and "labour" in each country, in the sense that capital is significantly more active in an open international environment, while labour remains relatively passive. Nowadays, "capital" can employ "labour" in different countries, at a lower cost and place "labour" at a relative disadvantage. But globalization's impact on IR is rather contradictory. On one side it is accelerating economic interdependence between countries on an intra- and inter-regional basis and encouraging similarities in approach by individual enterprises in competitive markets. This may lead to some convergences in industrial relations arrangements around the world. On the other hand, there is clear evidence of resistance towards convergence, based on particular national and regional circumstances (e.g., in Europe and Asia) (David Macdonald, 1997). As a result, conflicts in IR and strikes happen more regularly in the regions. Conflicts develop in three level: material level, symbolic level and relational level :



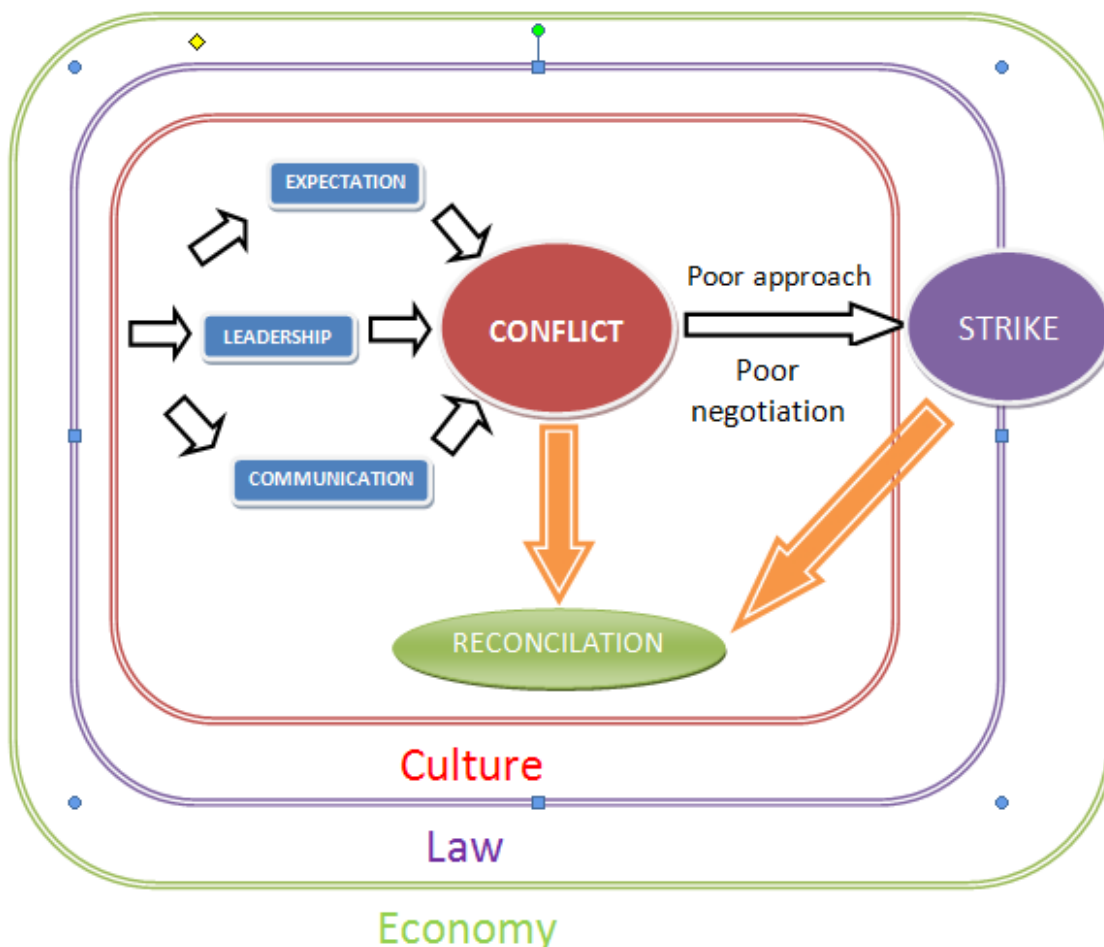
Source: Michelle LeBaron, Venashri Pillay: Conflict Across Cultures: A Unique Experience of Bridging Differences, Intercultural Press, 2006

Culture contextualizes and shapes all the above dimensions, then make a strong impact on conflict resolution. Globalization removes national borders in IR management and make managers face culture in every level (ILO, 2006). These differences can trigger conflicts and strikes, especially in FDI enterprises, where culture diversity happens more regularly.

Understanding strikes as conflicts in labor relationship, it is not difficult to realize that many strikes have been originated from material reasons like wages, bonuses, working conditions, working hours,... In Vietnam, about 90% of strikes have been claimed by such reasons (MOLISA 2010). However, those economic causes cannot justify the high strike rates in foreign companies, as wages of state owned enterprises (SOEs) and private enterprises are the same, or even less than FDI enterprises. Part of this situation is due to the lack of trust between workers and bosses, because laborers from former socialist countries, such as Vietnam, China..., still worry of being exploited by foreign employers (Ogden 2000, cited in Choi 2008). This is consistent with the theory of Herzberg: individuals are not happy with the satisfaction of lower-order needs at work, for example, those associated with minimum salary levels or safe and pleasant working conditions. Rather, individuals look for the gratification of higher-level psychological needs having to do with achievement, recognition, responsibility, advancement, and the nature of the work itself. Based on the model of Michelle LeBaron&VenashriPillay, 2006, we can consider conflict as an onion. Even though the upper skin of conflicts can be materialistic, the inner reasons are possibly related to symbols and communication. In labor relationships, leadership is vital. Some scholars suggest that an unsuitable management style could be a source of labor dispute (Chan, 1998, cited in Choi 2008). Another source of conflicts is poor communication skills, caused by both language barrier and communication style. These discrepancies can either be solved or exacerbated by wrong negotiation styles. In general, all authors agree that culture has created effects on *conflict-resolution style*, especially collective/individual character. Research papers show that members from collective cultures like Asian nations tend to use avoiding, compromising or adapting style (Koehn 1999, Haley & Tan 1999). On the

opposite, individual cultures have an intention to competing or co-operating. However, recent research papers prove that differences between Asian nations also lead to different conflict resolution styles. According to McKenna & Richardson (1995), Chinese and Indian would like use the compromising style while Malaysian choose the cooperation style. Chiu and colleges (1998) recognize that Japanese is more assertive than Chinese in conflict resolution. Ting-Toomey et al. (1991) states that Chinese and Taiwanese are used to avoiding style more than Korean and Japanese. Oetzel and Ting-Toomey (2003) argued that nations which have high individual index do not favor competing style or avoiding style but prefer cooperation style. Moreover, Oudenhoven et al. (1998), see that high feminine index nations would rather co-operate or compromise than high masculine nations. Hofstede (1991) thinks that Confucian values such as long-term orientation prefer avoiding or accepting style, which is not consistent with competing or co-operation style.

Regarding to those theories, we have built a model of factors affecting strikes, as followed:



Role of culture on conflict and strike management

The model suggests that in labour relations, conflict are easily triggered by differences in job expectation, then leadership style. The conflicts could be eliminated, do not become serious conflicts if there is an smooth communication system between managers and workers. The disputes could be deepened into strikes by a poor conflict resolution approach. All conflicts are governed by the economic, legal and cultural environments, which economic factors are most easily to be observed but the cultural factors are most closely concerning factors.

CULTURE'S IMPACT ON STRIKES IN KOREAN COMPANIES IN VIETNAM

Vietnam is a country in South East Asia and has just opened to the international market. Strikes was not common issue in Vietnam until the renovation period in 1991, when they began to occur more frequently, especially in foreign enterprises (such as Korean, Taiwanese, etc.). During the first half of 2010, there were more than 150 strikes, over 90% of which were in foreign enterprises. As an emerging market, Vietnam still has not had a comprehensive legal framework to manage industrial relations, consequently, the increasing number of strikes not only affect all relevant sides like employers and employees, but also do harm to business environment in Vietnam. Generally, reasons for conflicts between employers and employees originated from poor working environment or national culture distance. According to MOLISA's statistics, strikes are often seen in low salary industries such as textile and footwear industry. For example, in 2009, the number of strikes happened in textile industry were 114, accounting for 52.7% of total, ranking the largest of all industries. The industries have employed mainly untrained labor for simple jobs, many of them have not graduated from primary school, therefore calling for more uncontrolled behaviours. Many employees in these industries are not only forced to work in long working hours with many shifts, high production norms but also get low paid. In 2008, Korea and Taiwan accounts for 67.8% of total strikes happened in Vietnam (Ministry of Labor, Invalid and Social Affair – MOLISA, 2008) . The fact can be explained that these countries are also the two largest investors in Vietnam, having greater number of companies, which leads to have more conflicts. On the other hands, Korea and Taiwan also invested heavily on labor-intensive industries with low salary, such as textile, footwear, toys manufacturing..., where strikes happened more regularly. However, is it true that the nature of working industry environment and wages are keys to strikes? In fact, there are many other enterprises in the same industry with the similar wages level but have not face any strike. Up to now, ILO's (International Labour Organization) and Vietnam's researchers only concern these aspects of strikes for their easy recognitions, but almost ignore the cultural aspect. However, the fact that more strikes happened in FDI enterprises, where workers get paid better has implied the role of culture aspect. This paper uses Hofstede's Cultural Dimensions model to study the effect of culture on strikes at Korean firms in Vietnam. In 2010, we have surveyed 133 Korean FDI firms in six provinces throughout Vietnam by sending questionnaires. Each firm was asked to choose one (1) Vietnamese and one (1) Korean, normally managers or staffs in the Personnel department, to fill in the questionnaire. Six (6) managers and two (2) Vietnam-Korea experts were also interviewed. After analysing data by SPSS, we've got the findings as the following:

- **Who make the decision:**

More than 78% of surveyed companies are 100% Korean ownership, only 22% are Joint venture. There are 66 Vietnamese and 66 Korean to join the research. We would like to have the balance of respondents to reflect objectively and more accurately. The positions of the respondents are Head of the Group; Manager; Managing Director and Director; accounting for 66.2%, the rest is 33.8%. This result is consistent to the purpose of this research, which is to ask for high position people in the company to get the reliable information.

When being asked who is the decision maker in the department, most of them said that is the Korean manager (117/133), accounted for 88.0%. This ratio is equal to the capital contribution rate, which means who have the higher capital contribution rate will have greater decision-making in the company. But the imbalance of power distribution is the 1st trigger to conflict and later to strikes happened in the companies.

- **Culture affects expectations of parties in labor relations**

In the questionnaire, we have given some factors within the expectations of the job based on Two factor theory of Herzberg.

Table 2: Comparison of Hygiene factors

STT	Factor	Vietnam	Korea
1	Have an opportunity for high earnings?	4,00	3,81
2	Have an opportunity for promotion?	3,87	3,42
3	Have good working conditions (good ventilation and lighting, adequate work space, etc.)?	4,12	3,72

4	Have labor safety	4,17	3,82
5	The company is near your house or in desirable position or not?	3,34	3,34
6	Teamwork?	3,94	3,80
7	Have a good working relationship with your direct manager?	3,82	3,66
8	Suffer pressure and stress?	3,23	3,34
9	Have sufficient time left for your personal or family life?	3,62	3,53

Source: Survey of the authors

As we can see, expectations of both parties about these factors are relatively high. However, Vietnamese's have higher expectation at motivated factors than Korean (especially basic elements like salary, labor safety, working environment...), except for 2 factors about position (as both sides work far away from home) and stress at work factor (Korea have higher expectation as they often work stressfully). This is consistent with data on the claims of workers.

Table 3: Strike claims classification

(Unit: number of claims)

Claims	2009		2010	
	Number of claims	%	Number of claims	%
Increase wages/salary	97	23,37	265	24,63
Allowances, fringe benefits	45	10,84	198	18,40
Bonus	42	10,12	66	6,13
Unpaid or late wages	42	10,36	34	3,16
Meals	36	8,67	145	13,48
Reduce overtime	25	6,02	60	5,58
Methods of calculating wages and overtime	24	5,78	43	4,92
Social insurance	23	5,54	31	2,88
Working hours, leisure and working condition improvement	18	4,34	77	7,16
Have day – off of the year	15	3,61	23	2,14
Sign labor contract	15	3,61	19	1,77
Change managers' behaviors	10	2,41	29	2,70
Others	22	5,30	76	6,86
Total	514	100	1076	100

Source: Department of Labor - Wages, Ministry of Labor - Invalids and Social Affairs.

Most claims are related to material matters, such as wages, bonus or meals... Even the closely related interests to labors like signing labor contracts or managers' behaviors have a little of attention. This proves that Vietnamese labors pay attention too much on hygiene factors and barely know about the importance of motivator factors.

Table 4: Comparison on motivator factors

Order number	Factors	Vietnamese	Korean
1	Work in a prestigious, successful company or organization?	3,51	3,30
2	Join to discuss with managers to make his/her decisions?	3,56	3,41
3	Have opportunity to contribute to the success of your company or organization?	3,73	3,54
4	Have an opportunity to help other people?	3,30	3,42

5	Have an opportunity to serve your country?	3,27	3,40
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Source: The authors' survey

Needs of both sides on these factors are also relatively high; Korean have higher expectations on elements like "opportunity for helping other people?" or "Serve your country?" than Vietnamese but lower on company-related elements. Surveys in the past shows that Korean is very loyal to their work but it has decreased recently. When asked about this, a Vietnamese said that they feel they are less trusted than Korean in Korean company, so they always expect a better working place.

If workers are satisfied with motivators factors, they work more keen and efficient. If not, it might cause unsatisfactory but not dissatisfaction. Meanwhile, if motivated factors are not solved, it might cause resentment, and after being solved, it can only cause unsatisfactory, not satisfactory. This is also similar to other researches on strike reasons in FDI enterprises (wages, bonus, working place, etc.) According to Chang & Wang (2004) in researching on Taiwanese firms in Vietnam, Vietnamese labors do not obey that level of exploitation that Chinese employers have done.⁴

As reported by Korean managers, while Korean consider work more important than family, Vietnamese's are more family-oriented. Because of this, Vietnamese prefer to have more time with family, and when family-related matters happened, they tend to ask for a break or to be distracted. On special holiday such as Lunar New Year (Tet Holiday), many workers try to lengthen day-off to stay with their families. This is the reason why there are always more strikes happened in the 1st quarter of Year, because workers are not allowed to have enough leave days for Tet holidays. Vietnamese also surprise Korean with their practice of receiving 13th month salary to prepare lucky money or gifts for family. Foreign firms sometimes take this as the fruits of capitalism rather than equalitarian distribution of socialism, therefore it leads to conflict due to thinking only about productions and give no additional allowances or subsidy by level. (Suhong Chae 2003, cited in Lee Jae Kyeong& Kim Yong Min 2006).

Vietnamese's loyalty to job is also lower than Korean. Therefore, despite high salary or good job environment, they still can quit to transfer to another workplace to be closer to their family. Collective actions like wage demands, strikes or working movement reflect the most important motivation of their personal decision. The average rate of labor turnover in FDI firms in Vietnam is rather high, about 5-10% (Jang Keun Seop 2007), which cause difficulty in controlling labor force. This also cause conflict in Korean firms in Vietnam. Another aspect of differences is mutual trust at work. Response for the question "*Only some people don't want to work and tend to escape if possible*" of Korean and Vietnamese are similar (3.19/3.15) demonstrate both sides are following theory X. When asked "*Are most people trustworthy?*", Korean score is much higher than Vietnamese's (3.62/2.92). Since most firms' owners are Korean with familiar style to their people, Korean feel more trustworthy. On the other hand, Vietnamese were not allowed to take part in management process, so the level of trust is much lower. Lack of trust is surely one of hidden reasons for strikes later.

The impact of culture on conflict reception

All researchers agree that collective culture nations consider conflict as failure in social relations, hence tend to hide it. Both Vietnam and Korean have collectivism culture, which make it hard to survey on this aspect. Conflict recognition are not fond by managers on both sides because they want to "keep face". The authors have faced many troubles while asking for the number of strikes because most firms rejected to answer. Finally, thanks to Mr. Youngmo who work for ILO Hanoi and Prof. Suhong Chae – a researcher of Labor Relations in Ho Chi Minh City, we could meet some Korean managers in Hanoi, Haiduong, Ho Chi Minh City and Binhduong. However, most of them don't have strikes. To each firms, we asked to meet a Vietnamese manager and a Korean managers, and sometimes we get different responses. Vietnamese managers have an intention of recognizing strikes/conflicts in firms more than Korean ones. Korean only accept strikes when they are revealed. In 133 firms to respond, 26 had dealt with strikes (19.5%), 94 have not (70.7%) and 13 didn't answer the questions (9.8%). Twenty four (24) of those 26 firms(95%) have to face 1-3 times of strike/year, which is very high since normally, firms which have strikes are not willing to join in the survey. If firms could not be opened to conflict recognition, they

⁴ Simon Clarke, The changing character of strike in Vietnam, Post Communist Economies, Vol. 18, No 3, 2006.

might not understand the deep root of the conflict and could not respond on time, which apparently lead to strikes later on.

A typical case happened in a garment enterprise in Binhduong. This firm has more than 200 labors, no experiences in working abroad and has faced two strikes in two years. Their Korean manager is a over 30 year old man who can't speak Vietnamese and his English is quite poor. He has been in Vietnam for 5 years and was not in good mood. He said: *"Vietnamese labor has low level of discipline and working skills but very demanding. They always demand for raising wages, new uniform, raising bonus, etc. We have met their needs but they still ask for more. My friends in China never get into these situations. If Vietnamese government doesn't take action to make changes, we have to come to withdraw our funds, close factories and moves our investments."* But when we discussed with the Vietnamese manager who was over 40 years old and graduated from University and had been working there for 3 years, he told us another story. The fact is that labors all want a stable job but the Board of Directors consist of only Korean so they never pay attention to labors' need, therefore labors have to strike. Those needs are not hard to meet, if BoD had consulted with Vietnamese managers to solve them on time and strikes wouldn't have happened.

Through this example, it's clear that how we consider conflicts recognition has a great effect on strikes. If the managers see take conflicts from its natural and positive side, strikes won't happen.

Culture impact on communication in labor relations

The first element of communication is language. In both surveys of the authors (this and one in 2008) shows that both sides know limitedly of each other's language. Only about 8% Korean can communicate in Vietnamese, 25% can speak English and 56% use combined languages including body language. Vietnamese are a little bit better, 14.7% can speak Korean, 38.7% can communicate in English while 33% still need combined languages. 8% of Korean and 14% of Vietnamese are only able to use their mother tongues. Those surveyed are office staff or managers so this result is very low. However, they seem to not take this seriously. Only 58.33% Korean and 54.9% Vietnamese think of language as a barrier in understanding; 16.67% Korean and 30.14% Vietnamese are neutral; and approximately 25% of Korean and 15% of Vietnamese don't consider so. To explain for this, a Vietnamese store manager says: *"Language is just the matter at first time. Since we work with machines, the most important thing is how to operate them. After working together for a time, we can understand each other's even though we don't know their languages."* But the fact could be valid only with repetitive activities and can't work with conflicts. More than that, poor language knowledge limits social relations and cannot improve business environment.

As foreigners in Vietnam, Korean people seem to aware of the matter better than Vietnamese. In interviewing, a Korean manager said: *"Since languages are different, we cannot convey all we want to say. Despite interpretation, misunderstanding still occurs. When we speak louder in trying to explain, Vietnamese labors consider as we are angry to them"*.

When asked why there is no language course for labors, a Korean manager said: *"Vietnamese labors are not ready to learn foreign language. At first, we opened a Korean language course for 20 persons, after nearly 1 year, only 4 left and we had to cancel"*. Other firms also show similar issue.

Both Korean and Vietnamese agree that Korean and Vietnamese languages are difficult and very different from each other, which cause difficulties for learners. Some Korean managers in urban areas have tried to study Vietnamese language but lower level staff or managers in remote area find it hard to do. Hence, only few Korean managers can understand Vietnamese. Enterprises always have interpreters, but as Chairman of Korean Chamber of Commercial said in Workshop on teaching Korean language in 2009: *"Korean language interpreters are only trained in language, not professional knowledge so their interpretation is limited"*.

Moreover, due to the high demand of Korean language interpreters, they do not want to go to remote area and ask for high salary, then companies hardly can recruit good interpreters. In many firms in remote areas, they have to hire English interpreters or workers, who used to work in Korea, so misunderstanding easily occurs.

Non-verbal communication is also a significant drawback. Due to language barrier and limited education of both parties (most managers who have conflicts with Vietnamese labors are technical staffs or foremen), misunderstanding can easily occurs. Even the vocative is an obstacle. Vietnamese usually use vocative with name only, while Korean use first name and title. This makes Korean feel disrespected and irritating.

A typical case in non-verbal communication causing misunderstanding took place in Hyundai Vinashin ship-repairing factory in 2004, when Mr. Choi Gyu Ha (Deputy Head of General Affairs) decided to fire the two workers for laughing and chatting in work hours. This can be considered as a typical culture misunderstanding. Vietnamese people don't like to be serious then it is normal for them to laugh and chat while fixing machine. To highly disciplined Korean, it's unacceptable. Language barrier deepens these misunderstandings which leads to labors dispute.

In communication, expressing way is also very vital. When asked *"In your company, if you have conflict with co-operators or want to praise them, how will you express?"*, 65.33% of Vietnamese chose to express directly, 4.33% chose to express indirectly and 29.33% might choose both. Korean seem to be more direct, 80.8% will give direct expression, 22.3% might chose one of both but no one wants to express indirectly. Usually, Asians are not very straightforward and tend to implicit rather than express directly. However, it seems like in management, people are more frank. A Korean manager said: *"I should tell them directly to let them understand clearly but not officially"*.

Language barrier limits understanding of both sides, which cause Vietnamese labors who originally are farmers using "word of mouth" channel. Many Korean managers complain that: *"Migrant worker in industrial zones live together with worker from other firms, that their gossip easy become a motivation for later labor conflicts"* This is the reason why strikes are ubiquitous in all industrial zones, processing zones and spread, and become serious trouble to many investors and manager.

Sometimes, event both sides have good willing but misunderstanding still leads to conflict. A Korean manager in Binhduong said that in the first year after establishment, the enterprises earned no interests so there was no 13th month salary. However, since he knew that most of the labors had to buy gifts for their families, he decided to give each worker an expensive set of pots. He didn't know that Vietnamese labors only wanted to receive money, not gifts. They misunderstood that he wanted to cut their bonus so they stroke. Finally, he had to give them bonus money and never made such a mistake again.

Culture affects leadership style

Leadership style not only plays an important role in the success of firms but also have a decisive role in labor relations. If managers and labors do not have the same expectations, conflicts could easily happen.

Table 5: Comparison of leadership style in surveyed firms

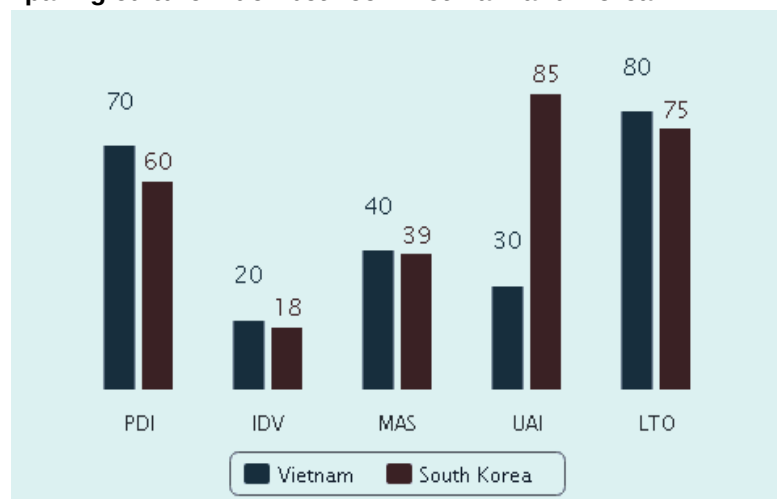
			Nationality		Total
			Vietnam	Korea	
Which leader do you want to work with the most?	Directing manager	Number	5	11	16
		%	8,1%	18,0%	13,0%
	Coaching manager	Number	20	24	44
		%	32,3%	39,3%	35,8%
	Supporting manager	Number	25	18	43
		%	40,3%	29,5%	35,0%
	Delegating manager	Number	12	8	20
		%			

		%	19,4%	13,1%	16,3%
Total		Number	62	61	123
		%	100,0%	100,0%	100,0%

Source: The authors' survey

Hofstede (1997) states that, nations that have high power distance tend to apply directive than nations that have low power distance (supportive). Members from cultures with high risk fear also apply directive style. Similarly, nations with high feminine index as North Europe also prefer democratic leadership style.

Graph 1: Comparing culture index between Viet Nam and Korea.



Source: <http://geert-hofstede.com/vietnam.html>

According to Hofstede, Viet Nam and Korea both have high power distance, low personal index, average masculine index and high long term index. The only difference is that Korean have high uncertainty avoidance index, while Vietnamese have lower one. However, due to socialism heritage, foreign managers can see that Vietnamese demand more equality and rights at work than Koreans (Ho Jong Oek 2006). These elements show expectations on leadership style. The number of Vietnamese prefer democratic leadership style is greater than the number of Korean (37/26). On the other hand, Korean prefer directive style more (35/25). Especially, the amount of Vietnamese who chose directive style is less than half of that of Korean. One more reason for choosing this leadership style is because Korean have high uncertainty avoidance index so they want to use directive style to make sure the labors get their ideas right.

In the questionnaire, when asked “*Company rules must be obeyed and unchanged even when staff think it's for company's sake*”, all of them agree. However, Korean take this much more seriously than Vietnamese (3.59/3.0). Vietnamese people are more flexible and assume that things should be changed depending on the condition, while Korean's managers want the labors to obey exactly under any circumstances. The strict rules could easily lead to conflicts.

Culture affects conflict resolution styles

In our survey, all Korean managers are surprised by the reaction of Vietnamese labors in labor relations. Korean have the longest working hours in the world and are willing to work overtime without extra payment (Olson 2008). They are ready to sacrifice personal time for work and expect the same from Vietnamese. However, under socialism effect, Vietnamese labors pay much attention on equality at work and personal rights. The collectivist culture dimension could be applied to their family members. When they work for foreign firms, they take the contract terms extremely and never try to escape from contract. However, they do not accept to work overtime, especially without decent payment. As Korean's thoughts, Vietnamese labors highly appreciate trust and goodwill in general but in working relationship, rules and contracts go first. If working time is over, Vietnamese would leave to going home even though tasks are not done and refuse to work in holidays or night shifts. This increases transaction cost between individuals and between organizations.

Lee Jae Kyung and Kim Young Min (2008) show that: While Korean work based on trust and personal relationships, Vietnamese work on procedures and regulations. When a Vietnamese worker violates the contract, the manager has to make a documental record, which is signed by both sides. The labor relationship in Vietnam is formed through written contracts and laws, because verbal agreements are not accepted. If the Korean enterprises do not aware of this, they will find difficulties solving disputes with the workers, as there is no tangible evidence.

Moreover, the way people from each country reacts to conflicts is different. When ones do not share the same opinion, the Korean tend to frankly express their discontentment, while the Vietnamese avoid direct confrontation. Instead, they share their grievance with the colleagues, which easily triggers a strike, surprising the Korean since they could not see any negative reaction before.

Through reports of the MOLISA, KOTRA ⁵ and the authors' surveys, it is undeniable that Vietnamese workers and Korean managers are willing to cooperate with each other and Korean enterprises in Vietnam have got all necessary legal support from Governments. Nevertheless, material disputes combining with the lack of mutual cultural understanding cause unwanted conflicts between two sides. As analyzed by the author's and many other surveys, there needs to be more investigation into the hidden symbolic level rather than material level, as well as improve communication between both sides to prevent strikes.

CONCLUSION

The intensity of strikes in KEs in Vietnam can be traced to the several main sources. First of all, Vietnamese authorities maintain very low wage to attract foreigner investors (about 70USD/month in 2011)⁶. With 18% of inflation in 2011, the salary could not cover the cost of living and made employees very dissatisfied, easy lead to strike. Second, major part of workers come from remote areas with high material expectations but lack of loyalty toward the work places, then they easily negatively react when their expectations are not met. The third reason is the lack of trade union as a intermediate between the owner and workers. There is not trade union in most FDI enterprises or having only symbolic role as they are paid by the FDI enterprise owners. Therefore, when conflicts occur, trade unions could not help to conciliate. However, this is not the main and the only reason, as Michelle LeBaron, Venashri Pillay noted that physical conflict is only an outside cover, but with a cultural reason inside. There are facts that

⁵ Korea Trade-Investment Promotion Agency

⁶ Vietnam's Labor Problems Amidst its High Inflation , http://www.business-in-asia.com/vietnam_workers.html

strikes do not happen in all companies with low salaries or unsuitable working conditions. Our survey shows that many conflicts and strikes in Korean enterprises happened by differences in culture.

First, in most companies, managers and decision makers are Koreans, while more than 90% are Vietnamese workers. Due to the language barriers and imbalance in power distributor, distrust and misunderstanding between Korean managers and Vietnamese workers are widespread. The study shows that in most Korean companies in Vietnam, managers failed to set up an effective communications system between owners and workers to avoid conflicts. Distance migrant workers are more vulnerable than local workers, then living together with workers from many enterprises, they are easily stimulated to dispute by gossip of higher salary in other places. Job expectations are also different. Vietnamese intend to demand more on hygiene factor, while Korean pay more attention to motivator factor. Korean people are popular by high respect to work and loyalty to companies while Vietnamese people prefer to spend more time for their families. As Chan and Wang had discovered. Vietnamese workers will not accept the level of exploitation that have been tolerated by the Chinese counterparts (Chan and Wang, 2004, cited in Clarke 2006)

Both Vietnamese and Korean culture have high score in collectivism, then people of both countries tend to avoid conflicts instead of solving them on time. Leadership styles also very different. Because Korean has high power distance, high uncertainty avoidance and there they tend to prefer the autocratic leadership, while Vietnamese are more equalitarian and prefer democratic leadership. Finally, these uneven become more serious due to differences in conflict resolution style. With higher score in power distance and uncertainty avoidance Koreans people are very open and competitive while Vietnamese are likely used of avoiding style. The information exchange in negotiation became very poor and stimulated workers to strikes.

This study seeks to make some contributions to the fields of CSR, globalization, organization, and labor relations. Taking various underlying factors into consideration, building a model will help us not only to understand these issues better, but also to predict to what extent these factors would significantly contribute to the frequency of labor disputes. Second, as an exploratory analysis, this study contributes to the understanding about how culture, through expectation, communication, leadership, negotiation, can influence labor disputes. The paper can provide some more evidences of the importance of culture sensitivity and effective communication system in management across culture. In conclusion, besides the legal and economic solutions, such as taking better care of material working conditions for employees, effective communication system and managers' culture fluency would be the key to avoid strikes.

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