

## Cultural risk management of foreign corporations entering Vietnam market

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### Abstract

In a global, multicultural and interdependent market today, the success of large corporations apart from the talent and vision of the leadership team, the policy system, is also determined by the knowledge of the differences between cultures and business practices of the countries they penetrate. Understanding the culture and relevant conventions can help corporations successfully build better relationships with local business partners, colleagues and customers. This article will help us better understand the cultural risk management of foreign corporations entering Vietnam market. Specifically, the topic will delve into analyzing the current status of cultural elements of corporations and proposing solutions for better risk management, thereby facilitating access to Vietnam market.

**Keywords:** culture, risk management, Vietnam, foreign corporation

### 1. Introduction

In a global, multicultural and interdependent market like today, the success of large corporations, apart from the talent and vision of the leadership team, the policy and mechanism, is also determined by the knowledge of the differences between cultures and business practices of the home country and the countries they penetrate. Understanding the culture and conventions and relevance can help corporations successfully build better relationships with local business partners, colleagues or customers. This article will help us better understand the cultural risk management of foreign corporations when entering Vietnam market. Specifically, the topic will delve into analyzing the current status of cultural elements of corporations and proposing solutions for corporations to better manage risks, thereby facilitating access to Vietnam market. The section of research objectives is: to provide a theoretical basis for concepts, classification, role of risk, risk management and cultural factors; present the current status of cultural risk management of foreign corporations entering the Vietnamese market; propose some solutions to improve risk management in corporations. Research methods include synthesizing theory to study documents and textbooks to deeply understand and document the theoretical basis of the thesis; methods of information collection through books, radio, websites to collect necessary information related to the activities of some large foreign corporations, used to analyze the risk management situation, cultural roaming of corporations when penetrating into Vietnam market. Research object is the cultural risk management of foreign corporations entering Vietnam market. The scope of research includes Samsung Group and Honda Group penetrating into Vietnam market. The article consists of 3 parts. Part 1 is the theoretical basis, part 2 is the actual situation of cultural risk management of foreign corporations entering Vietnam market, part 3 is to propose solutions to cultural risk management for corporations.

### 2. Theoretical Framework

#### 2.1. Risk definitions and classifications

So far, there is no unified definition of risk, different schools. Different authors offer different risk definitions. These definitions are varied and rich, but at the same time, they can be divided into two major schools: Traditional school and neutral school. According to the traditional way of thinking, "Risk is damage, loss, danger or factors related to danger, difficulty, or uncertainty that can happen to people". According to the neutral school, the risk is uncertainty that can be measured. This includes two sides of risk: both positive and negative. Risks can cause losses, losses, dangers but also risks can bring people opportunities. <sup>[1]</sup> (p.30). According to classification by traditional risk management method, we have:

- Disaster risk: Natural disasters, disasters caused by people or indirect impacts of people (fire, war, terrorism)
- Financial risks: bad debts, exchange rates, stocks or fluctuating interest rates.
- Operational risks: damaged equipment, computer systems, supply chain or fault operation processes, work interruptions, accident of workers.
- Strategic risks: Strategic and strategic management determines the survival, prosperity or decline of an organization that strategic management is also synonymous with strategic risk management (vision, mission, goals, policies and actions).
- Risk by the political environment: The political environment has a great influence on the business atmosphere. A stable political environment will greatly reduce risks for businesses. Businesses are well-informed, have strategies that are suitable for the political environment not only in their own countries but also in the countries where business can be successful.

- Risk by the legal environment: Social development progresses, inappropriate legal standards and timely changes will cause many risks. Conversely, if the law changes too much, often, unstable, it will also cause difficulties. Organizations that do not master the law will face many risks. In international business, the legal environment is more complex due to standards of different countries. If you only know and comply with your legal standards without understanding the law of your partner, then there is a risk.
- Risks due to the economic environment: the economic environment often moves according to the political environment, the effects of the global economic environment to countries are great. The moves of (superpower) governments can profoundly affect the world market, but they cannot control the entire world market, leading to the risk of economic instability.
- Risk due to the operating environment of the organization: risks can arise in each area: human resources, technology and organizational culture. Risks in the operating environment of the organization may appear in many forms: lack of information, incidents of machinery, equipment, labor accidents, erroneous advertising activities. In import and export activities, risks may appear in all stages of the negotiation, signing and implementation of import-export contracts.
- Risk of human awareness: When identifying and analyzing incorrectly, it leads to wrong conclusions. If awareness and reality are completely different, the risk is greater. [1] (p.37).

## 2.2. Risk management and its role

So far there is no unified concept of risk management. There are many schools of research on risk and risk management, giving the concepts of managing risks very differently, unambiguous and contradictory. Supporting the concept of "comprehensive risk management" and advocating the concept of Kloman Haimes and other authors, and in a new perspective, we add: Risk management is the process of approaching risks in a scientific and systematic way to identify, control, prevent and mitigate the losses, losses and adverse effects of risks and seek to turn risks into success opportunities [1]. (p.65)

In order to help organizations identify and analyze risks that has been and will come organization develop and implement a risk control program, with appropriate measures for each specific organization such as: collecting complaints and settling; research and provide information; organize training to improve professional qualifications; develop and implement a risk financing program once risks occur, with measures such as: using effectively self-insurance funds; mobilize the support of the government and superior agencies; develop business strategies and plans to help turn risk into success and opportunities [1]. (p.67)

## 2.3. Culture and its determinants

E.B. Tylor định nghĩa: “ Văn hóa là một tổng thể phức tạp bao gồm các kiến thức, tín ngưỡng, nghệ thuật, đạo đức, luật lệ, phong tục và tất cả các khả năng và thói quen mà con người đạt được với tư cách là một thành viên trong xã hội ”. Vào năm 1943 Chủ tịch Hồ Chí Minh, lãnh tụ thiên tài của dân tộc Việt Nam cũng đã từng đưa ra định nghĩa: “ Vì lẽ sinh tồn cũng như mục đích của cuộc sống, loài người mới sáng tạo và phát sinh ra ngôn ngữ, chữ viết, đạo đức,

pháp luật, khoa học, tôn giáo, văn học, nghệ thuật, những công cụ cho sinh hoạt hàng ngày về ăn, mặc, ở và các phương thức sử dụng. Toàn bộ những sáng tạo và phát minh đó tức là văn hóa ”.

→ Từ những điều nêu trên ta có thể rút ra kết luận: Văn hóa là một tổng thể phức hợp về những giá trị vật chất và tinh thần do con người kiến tạo nên và mang tính đặc thù riêng của mỗi một dân tộc [1]. (tr.154)

## Language

E. B. Tylor defines: "Culture is a complex whole that includes knowledge, beliefs, art, ethics, rules, customs and all the abilities and habits that people attain as is a member of society ". In 1943 President Ho Chi Minh, the leader of the genius of the Vietnamese people also gave a definition: "For survival as well as the purpose of life, human beings create and generate language, writing, ethics, law, science, religion, literature, art as tools for daily living. That whole creations and inventions mean culture". From the above, we can draw conclusions that culture is a complex whole of material and spiritual values created by human beings and have the specific characteristics of each nation [1]. (p.154)

Language is the most obvious expression of culture because it is the means to convey information and ideas. If you are fluent in your partner's language, you will gain 4 great benefits. First, you will understand the problem easily and thoroughly thanks to being able to communicate directly with partners without going through an interpreter. Secondly, you can easily work with partners by acquiring a common language. Thirdly, it is possible to understand and appreciate the nature, the will and the implications of the partners. Finally, by knowing your partner's language you can understand and adapt to their culture. Conversely, if you do not know the language with your partner, or know but are not yet fluent, you may encounter many difficulties, obstacles, risks in business and in life [1]. (p.156)

## Religions

There are many different religions such as Buddhism, Christianity, Islam, Confucianism, Taoism and Hinduism. Religions have a great influence on people's lifestyle, beliefs, values and attitudes and behaviors. Religion also affects politics and the business environment. Therefore, when doing business, it is necessary to study and understand popular religions in that place, working with partners also need to find out which religion they follow will avoid many risks. Different, built on the basis of different philosophies [1] (p.156)

## Values and attitudes

Values are concepts that serve as a basis for people to appreciate right and wrong, good and bad, important and not important. Attitude is the constant tendency of perception to behave in a certain direction towards an object. Attitude is derived from values and has a direct impact on people's business, especially international business [1]. (p.159)

## Customs and behaviors

Customs is a lifestyle, a habit, a routine in a society or a locality. These lifestyle and habits are considered popular and have formed before. Behavior is behavior that is considered right and appropriate for a particular society. Customs shows how things are done, and behaviors are used to perform them. Each ethnic group and region has its own

customs and manners. If studying and understanding the customs and habits of that nation, the work goes smoothly, more smoothly and vice versa <sup>[1]</sup>. (p.162)

### **Material manifestation**

Culture is in some ways human activities in relation to nature to create material goods for survival. Mankind has created a material cultural world with its great values. Material is all that people can recognize, it includes objects available in nature and objects created by humans. Material culture is made by human products. When studying material culture, we consider how people make products (technical aspects), who made them and why (economic aspects). When assessing the elements of a text, it is necessary to consider economic infrastructure, social infrastructure and financial infrastructure <sup>[1]</sup>. (p.163)

### **Aesthetics**

Beauty is the understanding and enjoyment of beauty, related to the perception of art, the taste of culture, thereby affecting the value and attitude of people in different countries and nations <sup>[1]</sup> (p.164). Beauty is what a culture considers beautiful when it comes to aspects such as art, the taste of social culture, the area that expresses most clearly and characterizes the sensitivity and the creative capacity of people.

### **Education**

Education is a process of conscious, purposeful and planned activities to foster moral qualities, knowledge of social nature, as well as necessary skills in life. Education also affects many aspects of culture. Educated people read a lot and understand what happens in the world. Education also creates the infrastructure needed to develop managerial capacity, which is an important factor in understanding culture. One of the most common criteria for evaluating a country's education is the rate of elimination of illiteracy and depending on the model of each country's training, these models are very different <sup>[1]</sup>. (p. 164)

## **3. Cultural risk management of foreign corporations entering Vietnam market**

### **3.1 Samsung Corporation**

Samsung was founded by Lee Byung-chul in 1938, starting as a small retail company. After three decades, Samsung Group has gradually diversified into industries including food processing, textile, insurance, securities and retail. Samsung entered the electronics industry in the late 1960s, building and shipbuilding industry in the mid-1970s. From the 1990s, Samsung expanded its operations on a global scale, focusing on research investments. Most strategic development and development in consumer electronics, particularly mobile phones and semiconductors, then made important contributions to the group's total revenue. Samsung Electronics is one of the three important branches of the group established in 1969 in Taegu - South Korea. Currently, Samsung Electronics is rated as one of the largest electronics companies in the world, with branches operating in 58 countries and about 280,000 workers, with the following key information:

Head office: Suwon, Gyeonggi Province, South Korea

President: Lee-Kun-Hee

CEO: Kwon O-hyun

Area of operation: Global

Type: subsidiary

Business professions: Consumer electronics, IT and mobile communications, home appliances, semiconductors and equipment solutions,.

### **3.2 Samsung's cultural determinants**

#### **Language**

Samsung Vietnam Group has a management team, engineers from many countries, especially Korea, so the language disagreement is one of the potential risks of the group because the parties do not understand clearly, misunderstand the meaning of each other. This cause leads to the work being delayed, misleading, arising even aggravating the conflicts. These risks mean losing business opportunities and complicating the situation. Samsung Vietnam Group faces two risks of big language disagreement: Information is misleading due to the lack of understanding of each other's language in communication and discussion, leading to information being misleading and understood incompletely and incorrectly. For example, when supervising, foreign engineers make sales and marketing strategies that are not in line with the actual needs of Vietnamese consumers, employees understand unclear or misinterpretation, resulting in revenue will be not achieved as expected. Samsung's leaders are hard to care for their workers due to language barrier. It is the language disagreement that makes employees unable to present their opinions, desires and aspirations to their superiors. So leaders and employees working together will not achieve high efficiency, employees are easily bored, quit their jobs.

#### **Values and attitudes**

Vietnamese people tend to be extroverted and follow the trend so it is easy to be influenced by advice from relatives, family, friends, colleagues ... so they do not have the right opinion when they are show my buying behavior. If their relatives buy XYZ company's products and compliment the XYZ products, they tend to listen and buy. This is a challenge, a risk as well as a problem that Samsung Group needs to solve for customers to choose their products in gold products of other corporations and businesses.

#### **Customs and behaviors**

Whether in Korea or Vietnam, there are separate customs and practices that need to be respected and taken into account in order to avoid distractions and achieve the desired results. Koreans in the past and until now still conceive that they are 'trắng white people', they wear white Hanbok from daily activities to important holidays and death. The white color of Korean thought is the color of light, clean and pure ... Black represents darkness. Red in addition to meaning of death, it also symbolizes two eternal things: fire and love. Vietnamese people are very white because of the concept that it is a color of death, whereas Korean people love it and see white as national color. Red is considered by Vietnamese people as lucky and affluent, it is symbolized as the color of death in the concept of Korean people. This is also one of the customs and habits that Samsung Corporation should pay attention to use colors for products or services when entering the Vietnamese market. Without proper preparation and adjustment to suit custom and customs, it will lead to unattractive consumers, revenue is not achieved as expected even being ostracized.

### Material manifestation

Currently in Vietnam there are 4 factories of Samsung Group in Vietnam. It is estimated that by the beginning of 2018, there were more than 300,000 Vietnamese working in Samsung factories in Vietnam. Since June 2010 Samsung has started to expand the pharmaceutical field in Vietnam market, with main product is Hong Sam SANG KOEH, the head office is located in Ho Chi Minh City and continues to expand and develop all provinces in Vietnam. Only Bac Ninh area, workers are people from remote provinces. Most workers are at the age of preparing to marry. Therefore, many workers only work at the company for a while and then ask to leave home to build a family because the physical condition is not enough to attract and retain workers like houses for workers health system, recreational living conditions such as away from shopping areas, markets, no entertainment areas have not made real workers satisfied.

### Aesthetics

In the aesthetic culture of the Vietnamese people, there must always be a combination of two elements: aesthetics such as "beautiful because of silk" and practically as "strong and durable", "good with wood better than the paint". A product even in the aesthetic aspect is complimented, but in terms of practicality, it does not satisfy customers' needs, it will not be chosen. So when putting products into the Vietnamese market requires a harmonious combination between two aesthetic and practical factors.

### Education

At Samsung Electronic Vietnam, in the early stages of development in Vietnam, it was extremely difficult. It is a human resource in Vietnam that lacks professional technical qualifications. And to solve it, Samsung has launched a new human resource training strategy in the Vietnamese market. It is self-training of high quality human resources. It is offering diversified human resource training programs that are suitable for Vietnamese people to increase productivity and work efficiency. It is not only a new employee training program but also for the entire staff apparatus during the previous work. The training content focuses on appropriate skills and knowledge at the enterprise and at the same time organizes periodic extracurricular activities to promote business engagement with employees.

### 3.3 Honda Corporation

Honda Group was founded on September 24, 1948. Mr. Soichiro Honda took the opportunity of Japan to demand a lot of travel, even though the Japanese economy was badly destroyed after the Second World War, at He was very short of fuel and money, to start a company. Honda started manufacturing from motorcycles to scooters. Soichiro Honda quickly recovered the company after losses in wartime. In the late 1960s, Honda dominated the world motorcycle market. By the 1970s, the company became the world's largest motorcycle manufacturer and has never lost this title ever since. The company began manufacturing cars in 1960 with the intention of primarily targeting the Japanese market. Despite attending many international motor racing, its cars are still very difficult to sell in the US. Since the car was designed for Japanese consumers, it did not attract the attention of American consumers. Honda also had a foot in the American car market in 1972 when they

introduced the Civic - bigger than the models. The car was earlier but still smaller than American standard vehicles - while the 70s economic crisis affected the economy worldwide. Honda was Japan's first auto manufacturer to introduce much separated luxury cars. Acura cars launched in 1986 created more powerful and sportier Honda models than other Honda cars. So far, Honda has facilities in many places across the continent with stable progress and continuous development, constantly present in large rankings that affirm the name of the world's leading corporations.

### 3.4 Honda' cultural determinants

#### Language

Honda Vietnam Group has a management team, engineers and workers from different countries, so language barrier is one of the reasons that has caused potential risks due to the parties related can not understand or understand incorrectly about each other. This cause leads to the work being prolonged or misleading, generating and even aggravating the conflicts. These reasons mean losing business opportunities and complicating situations. The potential risks of language disagreement that Honda Vietnam Group is facing is people do not understand each other's language difficult in communication, discussion between levels in the company leading to information is misleading. At times, the leader gave the wrong or not close strategies to the actual situation of the company; employees who do not understand or misunderstand the leadership's ideas should perform ineffective work against the company's strategy; group activities are also difficult; Honda engineers are mostly foreign, so technical guidance for workers faces many disadvantages.

#### Values and attitudes

For a long time, the quarrel in the corporation was regarded as a routine. Many articles of corporate employees praised this. Even some people are praised for being able to scold! For more than two decades, Honda is still considered a pioneer in creating corporate culture. The founders of the company said they were encouraged by the "freedom, equality and charity" spirit of the French revolution. However, that freedom often goes beyond the limit and seems to be misunderstood. At the strategic meetings of the group, quarreling is the "rice meal". The scenario is often seen as a leader giving a presentation when suddenly being questioned and criticized by other members. After that, the speaker often switched to the defensive state. It took a while for the meeting room to be in order so that the speaker continued to follow his old circuit. Worse, the two sides may seek to attack each other's opinions. Then the presentation becomes discrete and there is no focus or quarrel going too far. Recently, the practice has tended to decrease, but the habit of interrupting others and loudly is still deeply ingrained in many Honda leaders. Those who like to interrupt the most others are big bosses. They often speak in high tones, high volume, fast speed and limbs are only provocative. The reason is that many Honda people do not understand the culture of critics and births. Many leaders still confuse constructive criticism and criticism. Many people seem to be "confused" between criticism and stoning. Another policy of Honda cultural construction is equal treatment of employees and customers. That leads to side effects that customers may be dragged into contracts

with employees and disregarded. Employees are admitted to Honda as part of their culture and entangled. Lower levels of higher education; people who come later learn who comes first. This created the "glove" position, making the relationship between the staff and the boss, the members of the meeting worse. In particular, it may lead to subordinates without respect for their superiors. This is also one of the reasons that employees leave the organization and leave.

### **Aesthetics**

Along with the development of modern society, today, uniform culture has become a "fashion" thing not only in public agencies and administrative units but also in many businesses. It shows the characteristics for the working environment, the nature of the work or the brand ... of that unit or business. As well as logos, work uniforms belong to the "surface layer" culture of agencies and enterprises. However, it has a certain importance in contributing to the creation of business class and brand. In the age of modern industrial civilization, uniform culture can be considered as one of the beauties showing the identity and characteristics of the new era, the era of vibrant market economy and culture business integration with strong and pressing needs in expressing their personality and brand. It is for this reason that a greater emphasis on the form of businesses is understandable. Costumes reflect social history sometimes even more accurately than other media. Therefore the presence of uniforms is an "open door" of the cultural path, of a civilized and modern society. Uniforms in each business are not merely "similar repetitions", whereas, hidden within that "similarity" is still very much meaningful. It is an expression of the spirit of harmony, solidarity and professionalism, playing a role in creating great collective strength.

### **Education**

Education is a conscious, purposeful and planned process to foster people with moral qualities, essential knowledge about nature and society, as well as skills and techniques necessary for life. In order to have a high-quality staff, the group has expanded deeply into the field of education and internal training to search for talents for the company as well as to bring the company's culture into the consciousness of each staff from the beginning.

## **4. Conclusion and Recommendation**

### **4.1. Conclusion**

The process of penetrating into foreign markets requires everyone to participate in the business process must have a certain understanding of culture, that is an understanding of a culture that allows people to live and work Inside. Understanding culture will help improve the ability to manage workers, product marketing and negotiation in other countries. A product needs to match the local consumer preferences. Understanding local culture helps the company closer to the needs and wants of customers, thereby enhancing the competitiveness of the company. Understanding the elements of culture will help businesses avoid risks that may be encountered due to cultural differences, maximizing the impact of culture on consumers abroad. From individual customers and entrepreneurs to global business corporations, the core of all business activities is human. When shoppers and sales people from all over the world meet, they bring different values,

expectations and follow-up platforms. This difference will lead to conflicts of culture and thus create shocks before a new culture can be adapted. Understanding culture is important when a company does business in that culture. That becomes even more important when the company operates in many different cultures. In addition to understanding the culture of the country you want to penetrate, the company needs to control risks and manage cultural risks.

### **4.2. Recommendation**

The state needs to improve the legal environment, market economy institutions to create the best environment for business development and control of organizational cultural risks. Organizational culture can only be formed, developed and effective when economic, political institutions arouse business spirit, encourage people, all economic sectors to actively participate in Production enriches itself and for the country, conducts healthy business, strictly abides by the provisions of law, blocks illegal acts, takes advantage of unhealthy relationships to make a profit. The institution of the state must be able to promote the cultural values of the nation and at the same time combine with good values to learn, suitable for that organization. To do this, it is necessary to build a complete and appropriate legal system and create the most favorable conditions for business. Promote administrative reforms, eliminate scum procedures, make it difficult for businesses or corporations to avoid negative behaviors such as corruption and bribery. Raise awareness and focus on collective strength of the social community in managing cultural risks in organizations. The state needs to promote propaganda about the role and urgent requirements of cultural risk management held in today's era. Propaganda activities should be extended to all economic sectors, raising community awareness through mass media. There should be a form of praising the pioneering corporations and successfully managing the organizational culture risks, honoring positive cultural and business values. It is necessary to create a vibrant movement in the business world about cultural risk management organized in Vietnam in the new era. The State should pay attention to and provide consultancy and training support for enterprises on corporate cultural risk management knowledge. More extensive programs, seminars and training courses on corporate culture are needed. It is necessary to build websites dedicated to consulting, supporting and communicating experiences of corporations that have succeeded in managing corporate culture risks, especially in the era of information technology development such as nowadays.

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