

# **Impact of Talent Management on Employee Turnover**

## **Case study in YS Vietnam Co., Ltd**

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## **ABBREVIATION**

**YSCL – YS Co.,Ltd ( Real company name not disclosed for confidentiality)**

## **Abstrak**

Pengurusan bakat merupakan factor yang mustahak untuk menentukan kejayaan dan keuntungan sesebuah syarikat. Oleh yang demikian pengurusan bakat boleh mengurangkan perolehan pekerja dan meningkatkan keuntungan syarikat and menambahkan GDP Negara dan pencapaian ekonomi Negara. Objektif kajian ini adalah untuk mengenalpastikan impak pegnurusan bakat ada kesan positif terhadap pengekalan perkerja di dalam sesuatu syarikat. Menurut nasihat konsultan YS Vietnam Co. Ltd, 4 factor pengurusan bakat telah dipilih diambil uji dalam kajian ini, iaitu gaji pampasan and faedah untuk pekerja, latihan dan pembangunan bakat pekerja , penjenamaan majikan dan hubungan antara pekerja.

Fokus kajian ini adalah terhadap YS Vietnam Co., Ltd sebuah syarikat SME yang berlokasi di Bandar Ho Chi Minh, Vietnam . Respon kajian ini dikumpul melalui sesi penemu duga and keputusan didapatkan menggunakan pengurusan Pareto Analysis 80/20 dan Analisa SWOT. Factor kekuatan dalam analisa SWOT adalah hubungan antara pekerja, manakala latihan dan pembangunan bakat perkerja merupakan peluang dalam SWOT analisis, sebab semua pekerja setuju latihan adalah factor penting menentukan perolehan pekerja. Factor penjenamaan majikan merupakan factor kekurangan atau kelemahan di YSCL dan factor gaji pampasan dan faedah adalah ancaman terhadap perolehan pekerja. Factor pengurusan bakat didapati mempunyai hubungan positif terhadap perolehan pekerja di YS Vietnam Co., Ltd. Cadangan telah dibuat kepada pengurusan syarikat untuk mengatasi dan mengurangkan beban issue yang dialami terhadap pengalihan pekerja. Iaitu megekalkan hubungan baik antara pekerja, mekenalpastikan latihan diberi adalah mengenal dengan tanggungjawab perkerja, mengambil berat tentang penjenamaam majikan melalui publisiti dan menganjurkan ganjaran untuk pekerja yang ada pencapaian.

Kajian masa depan patut member perhatian dalam perikatan bakat kerana memberi kesan positif terhadap komitmen pekerja organisasi. Secara kesimpulan, praktis pengurusan bakat memainkan peranan yang penting dalam pengekalan pekerja dalam organisasi.

## **Abstract**

Talent management is of prime importance in today competitive business environment as it determine the success and profitability of an organization. Therefore well managed talents will impact on employee turnover which affect a company growth towards achieving company objective, as well as contributing towards a country GDP and economy growth. This research is on impact of talent management on employee turnover, a qualitative case study conducted in YS Vietnam Co.,Ltd. (undisclosed company name), a medium size company located in Ho Chi Minh City and the world's major suppliers of chemical polymer. The purpose of this research is to find out the talent management factors that affects the high employee turnover in YSCL and to find ways of improving these factors. Methodology used in this research is by carrying out interviews on eight randomly selected YSCL employees from different departments within the organisation including a YSCL external consultant, representing 11.67% of total employees. The area of research mainly focus on the four main factors of talent management from Pareto 80/20 Rule of prioritization of talent management factors which covers employee compensation and benefits, training and career prospects, employee relationships and employer branding that will impact on employee turnover. These four factors are selected based on Pareto Rule and the advice from YSCL external consultant. Based on the researcher findings using Pareto Rules and SWOT analysis, the key strength of YSCL is the good employee relationship. YSCL has very good established employee relationship at all levels within the organization which should be maintained for company growth and future prospect. The “opportunity” in YSCL SWOT analysis is training and career development, training is view as an opportunity for reducing employee turnover as all of the interviewees voiced that trainings are important provided trainings given are relevant to employee job responsibilities. The weakness in YSCL is employer branding as not enough publicity has been carried out in this factor and the main threat is low compensation and benefits where employee need to consider improving this factor of talent management. Based on these findings, researcher has make recommendation to YS Co. Ltd to integrate talent management process by YSCL HR and the management of all levels. Rewarding the good performers as a motivation to other employees under the Maslow Motivational Theory and Hezberg Two Way Theory to overcome the threat of low compensation and benefits and also as means to reduce employee turnover. In terms of training provided, management need to consider the training relevancy to employee job responsibilities. Management should also consider making more effort in

employer branding to increase YSCL publicity in term of good employee relationship and a good place to work. The major contribution is that the key factors of talent management which affect employees turnover are identified, if the researcher recommendations are considered and implemented will lead to reduction in employee turnover in YSCL. There are not many available research and literature review done in Vietnam business environment, therefore this research will benefits the YSCL management , HR practitioners , investors , potential investors , consultants , local authorities and government.

# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 BACKGROUND OF CASE STUDY**

One of the major topics of current discussions in the business realm has been around impact of talent management on employee turnover. Most of the research done in the area of talent management so far has been focus on the idea of talent shortages, reflecting the robust economic conditions from 2000-2008 (Collings & Mellahi, 2009). Impact of Talent Management on employee turnover has been a challenging issues in the current business world. Records shown that improper talent management can have severe impact on the organization's profitability, productivity and growth. This has become a major issue faced by all management globally, as talent management is one of the major factor that enable an organization to retain its competitiveness in the business. Poor management of talents can lead to many negative consequences which jeopardise the company's competitiveness, whereas successful attraction and retaining of talents is key to business continuity and success. There is considerable evidence that organizations worldwide face formidable talent turnover challenges. The ability to attract, develop, and retain a needed supply of critical talent is a challenge facing all organizations (Coy & Ewing, 2007)

Despite millions of unemployed workers, it cannot be denied that there is still a shortage of talents: technical expertise, professionals, and managers with interpersonal skills. Even though there are many applicants for a job vacant, but yet many companies still having the same problem of finding the right talents for the right position that will make the difference to the company's annual growth, or between profit and loss. Critical talent is scarce. (Deloitte Research Study, Athey 2004). Organizations are competing for top talent on an unprecedented scale. The topic of talent management and talent-related risk consistently ranks in the top three of concerns. KPMG's 2012 Business Leaders Survey 'Succeeding in a Hanging World' based

on the views of nearly 3,000 respondents across the world suggests that managing and retaining the right people is already seen as a critical challenge by almost one in four senior executives. All sectors and industries face increase of talent risks and turnover as globalization, multi-generational workforces and competitive pressures take hold.

Organizations face greater competition for talent worldwide and face challenging times in attracting, retaining, and developing people that they need. Even when there is a global economic slowdown, competition for talent worldwide will still continue to be a significant challenge. More specifically, organizations are and will continue to be searching for individuals who can effectively manage through the complex, challenging, ever changing, and uncertainties faced in the global environment. In another words, most companies worldwide, regardless of size, are facing impact of talent management, if left unmet will affect their company business strategies, both in the near future and longer term (Collings & Mellahi, 2009; Cappelli, 2008; Boudreau & Ramstad, 2007, 2005; Lewis, & Heckman, 2006).

Inevitably, managing talents and retaining the talents is still an unresolved issue faced by management globally, this issue is further worse by the shortage of talented professionals. Colleges and universities groom many professionals but out of these how many are actually employable talents are questionable. The scenario is particularly acute in developing countries in south East Asia. Developed countries like U.S and many European countries have different types of problems such as aging populations resulting in talent gaps at the top. Whereas in the developing countries in South East Asia, such as Vietnam 60% of the populations are young people within the age group of twenties but graduated with quality or standard of education system that causes many talent quality problems. The market has plenty of skilled and unskilled work force but unemployable candidates. Therefore talent management in organizations is vital

issue faced by management today, which is not only to manage but as well as to retain the talents in the organization.

Many organisation view talents as their capital assets and is of crucial importance for organization business growth and development. Talents drain can caused severe hindrance to business growth and retard an organisation business plan and development. Leaders over the world is facing the dilemma of retaining knowledgeable workers in the organisation to meet the organisation goals and objective. The question of “Is there enough talented workers to secure your business future?” has been a pressing and challenging issue facing many organisations irrespective of their size, structure and locations.

Business globalisation has worsen the issue of retaining talent, with improved technology ,needless to say talents as human capital can now easily move about and difficult to retain in long term. Global competition for talents among organisations has given more pressure to the issue of talents drain. Talented workers nowadays can move about easily globally or choose to migrate, change job for a better future prospects are commonly seen in the job market today. Effort of HR and management in retaining talents in the organisation has become a serious issue to be addressed immediately.

On the other hand, based on global statistic about 70 million Baby Boomers who are now reaching the retiring age will be leaving the job market soon, before we can overcome the widening the gap of replacing these talents.

Many companies face the issue how to address this problem of talent management and reformulate strategies to overcome the problem of retaining talents.

YSCL Vietnam Co. Ltd (YSCL) is selected for this study on Impact of Talent Management on Employee Turnover. This research will be based on the employee compensation, training and

career development, employer branding and employee relationship, work environment, economy and social political environment in Vietnam, as well as under the control and influence of YSCL Group of companies with Head Quarter in United Kingdom.

## **1.1 PROBLEM STATEMENT**

### **1.1.1 THE IDEAL**

Retaining employees through talent management is still a major challenge to many organizations located in a developing country like Vietnam. There are plenty of young and untrained work force available in the business market, however experienced professionals, knowledgeable workers are few. Many organisations in Vietnam both local and foreign investors are struggling to manage the talents and to ensure that they retain in the company and grow with the company as long as possible in their work life cycle.

Based on Towers Watson Vietnam global professional services and consultants “Total Rewards Survey 2014” released findings, the general industry average staff turnover rate in Vietnam is reported at 12.7%, higher than the median of 11%. The General Director quoted that the challenge faced by Vietnam companies is to keep employees engaged, reduce the staff turnover at the same time not being caught up by the pay-inflation spiral. Therefore meeting the staff turnover rate at median of 11% believed will enable Vietnam companies to be more competitive and successful in the region as well as having the boosting effects to the country’s economy and GDP growth.

According to the findings by Brent Rudge (2011), Vietnam employees with favourable opinion and with intention to stay in an organisation and remain filial in working in the same organisation was 61% in year 2010 compare to the 54% of Vietnam employees during the same



year. The ideal situation is to have the rate of employee intention to stay to be in line with the Asia Pacific rate of 61%. However, there is a 7% gap between Vietnam employee intentions to stay in comparison to Asia Pacific rate at 61%. Following Table 1 tabulated the percentage of Vietnam employee intention to stay

**Table 1:** Vietnam Employee Intent to Stay from Year 2006 to 2010

Answers to Questions: At the present time, are you seriously considering leaving this company?

Year	% with favourable opinion in Vietnam	% with favourable opinion in Asia Pacific Region
2010	54%	61%
2009	54%	
2008	53%	
2007	55%	
2006	54%	

### 1.1.2 YSCL CURRENT SCENERIO

YSCL is currently in a situation whereby despite impressive literacy and numeracy achievements among Vietnamese workers, many Vietnamese firms report a shortage of workers with the right skills based on Vietnam Development Report 2014 - Skilling up Vietnam: Preparing the workforce for a modern market economy. “Literacy and numeracy among Vietnam’s adult workforce is widespread and more so than in other countries, including wealthier ones, but a more skilled workforce will be key to Vietnam's successful economic transition,” said World Bank Country Director for Vietnam, Ms Victoria Kwakwa.

YSCL understand that large proportion of the labours available in Vietnam now are young with agricultural background, doing low skilled jobs such as constructionists, tailors and other blue collar workers. The skills gap in Vietnam is especially obvious for jobs involves technical, professional and managerial positions. Shortage in applicants is common in more elementary

occupations. Employers identify job-specific technical skills as the most important skill, but they are at the same time looking for cognitive skills with problem-solving and critical thinking, and behavioural skills, such as team work and communication.

YSCL having the challenge to close these gap and to enable the company to reach the 61% rate of favourable employee intention to stay in the organisation in order to retain its talents to meet its future expansion plan requirement. A lack of readily available talent will impact on a business's ability to deliver its strategic vision. On the other hand, by referring to Appendix 1, the turnover rate recorded in YSCL from year 2011 to year 2015 is tabulated in Table 2 in below.

**Table 2:** YSCL Employee Turnover Rate from 2011 to 2015.

<i><b>YEAR</b></i>	<i><b>NUMBER OF RESIGNED EMPLOYEE</b></i>	<i><b>EMPLOYEE TURNOVER RATE</b></i>
<b>2011</b>	23	41.1%
<b>2012</b>	9	15.7%
<b>2013</b>	11	18.6%
<b>2014</b>	3	5%
<b>2015</b>	6	9.8%

### **1.1.3 IMPROVEMENT ON TALENT MANAGEMENT AND EMPLOYEE TURNOVER.**

According to (Christian Bodewig, 2014 - Skilling up Vietnam) “These new jobs can already be found in today’s labour market, but Vietnam’s employers struggle to find the right workers for them. Equipping its workforce with the right skills will, therefore, be an important part of

Vietnam's effort to accelerate economic growth and further its economic modernization in the coming decade and more. YSCL having the same problem to close the gap of 7% mentioned in item 1.1.1 above and to enable the employee have greater satisfaction which directly affects and improve the rate of turnover in the company.

This study carry out with the objective to identify factors of talent management which will assist to close the gap and improve rate of employee intention to stay with the organization to 61% as well as reducing the rate of turnover. Major 4 factors quoted or identified by YSCL external consultant are taken for this research purposes. The four major factors are employee compensation and benefits, training and career prospect, employer branding, employee relationship. By identifying and analyzing the results of factors affecting the employee turnover, the weaknesses can be monitored for future improvement where necessary. Strategy can be carry out focusing on the identify area of weakness by the management or assistance can be sought from relevant parties such as government bodies or consultant or even internal employees in order to close the gap and mitigate the issue faced by YSCL, if not fully eliminating the issue.

## **1.2 RESEARCH QUESTION**

This case study intention is to find out the impact of talent management on employee turnover in YSCL. Due to the time constraints of this study, the study focus on five major factors of talent management highlighted by YSCL external consultant A1. The four factors covers compensation and benefits, training and career prospect, employee relationship, employer branding and reputation. The objective is to find out the main reason which causes employees dissatisfaction which directly affects employee turnover in YSCL. This research is

carry out to enable the researcher , YSCL management and third party such as investors, potential investors, consultants, human resource, other scholars as well as local authorities to have a better understanding of the issue and factors faced in talent management in Vietnam and the possible strategies to close the gap. Therefore the question is designed in a manner to reveal the main area of weaknesses of talent management in YSCL. These questions are to provide evidence and information adequate to support the case study problem statement and to enable the management to make improvement where necessary.

The research questions of this study include the followings:

- 1) Is inadequate talent management the main reason which affects the employee turnover in YSCL?
- 2) Is compensation and benefits affecting employee turnover in YSCL?
- 3) Is training and development affecting the employee turnover in YSCL?
- 4) Is employer branding affecting employee turnover in YSCL?
- 5) Is employee relationship causing employee turnover in YSCL?
- 6) What other factors affecting employee turnover in YSCL?

Information and data of these questions will be collected during the interviews via online Skype by the researcher. The research questions have been formulated with a purpose to identify the impact of compensation, training and career development, employer branding and employee on employee's turnover. The questions the researcher wants to validate is the improvement is necessary on talent management on compensation, training for career prospect, employer branding and employee relationship or other factors for better employee turnover in YSCL.

### **1.3 CASE ISSUES AND SIGNIFICANCE OF STUDY**

### 1.3.1 CASE ISSUE

Based on the Tower Watson Survey Report 2014, the average turnover rate in Vietnam is 12.7 %, which is one of the highest in the Asia Pacific region (The Economist Corporate Network, 2015). Currently, employee engagement levels in Vietnam are higher than in the Asia Pacific Region, but employee intent to stay is lower. (Dr. Brent Ruge, 2011). In YSCL Vietnam Co., Ltd, the management highlighted that there was high turnover in the company even though it is not above the industrial rate, but management would like improve the situation and taken effort to reduce the turnover rate by providing training as talent Management Avenue to rectify the situation. Management believe that by providing training to the young age employees will retain them in the company. From the HR track record (refer to *appendix 1*) 2011 to 2014 the number of headcount who resigned and attended training

**Table 3:** Number of Headcount Resigned and Attended Training 2011 - 2014

Year	Total Average No of Employee	Total Resigned	Total training
2011	56	23	27
2012	58	13	17
2013	60	11	52
2014	61	3	15

It is significant of this study

- To determine whether improvement on talents management implementation which include compensation and benefits, training and career advancement, employer branding, employee relationship in YSCL affects the employee turnover rate.
- To determine whether talent management is the main cause of affecting employee turnover.
- To determine what other factors that affects the turnover of employees in YSCL.
- To significantly benefit the researcher, management of YSCL, the consultants, bodies of literature or other researchers, employers, investors ,potential investors in Vietnam as well as the local authorities to have better understanding of the issue talent management on employee turnover in Vietnam.
- To identify the weaknesses in talent management which impact on employee turnover. Identifying possible strategies to overcome these weaknesses, or mitigate the issue of talent management and thus improving the talents turnover which will give positive impact on boosting the economy of Vietnam.

Studies carried out to identify other factors such as geographical location, employee poaching by competitors, career development plans, compensation, rewarding and others factors such as job satisfaction , good and safe working environment and employee benefits of organization which affects the retaining of talents in an organization. Besides managing various aspects of such as attracting, developing and retaining talents, how employers take initiative to nurture existing talents, given there is tendency of talent drain which is costly to the organization.

Talent Management and Employee Turnover posed as a great challenge to YSCL, to maintain its current position in the market and to retain its competitiveness in meeting the demand of strong market growth, it is therefore crucial for YSCL to manage its existing talent in

the organization. Many professionals and expertise in different fields are required to support the YSCL growing strategy. Failure to manage its talents will be costly to YSCL, as it has the direct effect of losing its market share and business opportunities. It will cause a serious impact on its expansion and strategic growth plans which involve increasing its manufacturing capacity to meet the rapid market growth and competition in seizing market share. Many recruiting efforts have been undertaken by the company to attract talents into the organization, however these moves have not been fruitful and many present talents are still leaving the company or being poached by competitors.

To ensure YSCL meets its objective and strategic goals, retaining its talents is of great importance. Even though much effort has been done in talent management, however attracting and retaining the right competencies employee to retain on board is still an area for improvement not only to Human Resource management but to the management of all levels.

Many professional talents in various disciplines will be required to support this business growth. YSCL need talents such as engineers, accountants, sales specialists, research chemists, technicians as well as health and safety professional to join and retain in the company It is important to have the right person with the right skills and competencies to fill the various functional levels and positions, which will in turn contribute to productivity, efficiency, effectiveness and toward the objectives of the company.

YSCL understand that with its active business growth, it is a need to grow its pool of talents and human capital. Successful recruitment of talented candidates into the organization is vital contribution to the company growth. Failure which may render many unwelcome consequences such as delay in business expansion programs, delay in business improvement and productivity programs, loss of market share , loss of sales opportunities , potential revenue and

profit, and ultimately lose its status as supplier in the market. The consequence of mismanagement of talents will give huge negative impact to the company profitability and productivity in both short and long term,

Based on the summary record from YSCL Human Resource (refer to appendix I) These are the resignations and trainings for various departments such as purchasing, logistic, customer service, technical, health and safety, chemists, productions. YSCL faced talents draining problem where existing employee from different departments leaving the company even after years working with YSCL.

### **1.3.2 SIGNIFICANCE OF STUDY**

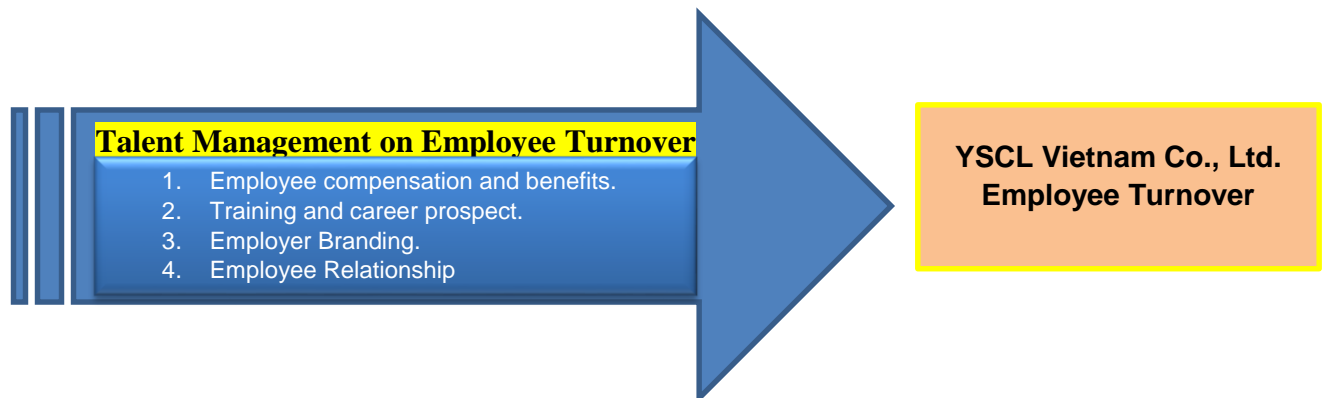
The objective of this study is to find out the factors that affects talents management implementation, as well as the attracting and retaining existing talents in YSCL. This study helps to reveal the area for improvement in YSCL talent management. There are several possible reasons such as employee's compensation and benefits, training and career development, company reputation or branding, employee relationship, as well as other criteria such as health and safety, working environment, job satisfaction, work life balance. Identification of the reasons enable company management to focus on taking necessary actions to improve these areas and retain its talents. As this study take place in a Vietnam company, where very few research on this topic has been carry out in this country, this study allows the existing as well as potential investors to have a better understanding on the talent management in Vietnam and the potential of Vietnam labour market. Another excess point of this study is that how talent management will impact Vietnam economy and its future prospects. On top of that, this study will benefits the community in Vietnam by knowing their needs and expectations in terms of both employees and employers.



This study also include identifying factors that will attract new talents in both internal and external working environment.

#### 1.4 THE CASE STUDY MODEL

*Figure 1: Case study research model for YSCL Vietnam Co., Ltd.*



Based on the literature review that the researcher has conducted, the above framework has been decided upon. This model have been identified by the researcher to ensure that all the data collected and field work will be based on the four main drivers of employee turnovers:

1. Employee compensation and benefits
2. Employee training and career prospect
3. Employer Branding
4. Employee Relationship

Whether the above factors will lead to employee turnover. This is crucial to serve as a guideline for this case study with the research questions.

## CHAPTER TWO

### COUNTRY ANALYSIS

#### 2.0 INTRODUCTION TO VIETNAM COUNTRY PROFILE

*Figure 2: Vietnam National Flag*



The flag of Vietnam, is a "red flag with a gold star" (cờ đỏ sao vàng), was designed in 1940 and used during an uprising against French rule in southern Vietnam. The red background was inspired by the red flag, used by the international communist movement since the Paris Commune of 1871. Red symbolizes revolution and blood. The star represents five main classes in Vietnamese society including intellectuals, peasants, workers, traders and militaries.

#### 2.1 BRIEF HISTORY OF VIETNAM AND AUTONOMY

The name Vietnam was given by the emperor during Nguyen dynasty in 1803. Vietnam is under Chinese domination for one thousand years. The word *Viet* is the traditional name for the Vietnamese imperial domain and its people in the northern and central Vietnam. *Nam* (i.e. south) means the expansion of the dynasty's domain into lands to the south. Vietnam is under the France colonial for one hundred years. During the World War II, the Japanese invaded Vietnam. Divided into North (Communism) & South (Anti-Communism) by Geneva Accord.

The America War (1964-1975) was the war between the communist regime of North Vietnam and its southern allies Viet Cong, (i.e. South Vietnam) which it's principal ally, the

United States. After the World War II, France tried to restore colonial rule for fear of losing Southeast Asia to the Communist-led independence movement but failed and ended up with the United States supporting the government of South Vietnam. In 1965, The United States launched an air war against Communist lead North Vietnam and with ground troops against guerrilla insurgency in the south. However during 1968, based on the moral, political grounds and the public protest, many Americans opposed to the war and peace talks was opened in Paris. In 1973, peace accord required U.S. forces to withdraw from Vietnam and leaving the war solely to the Vietnamese. In 1975 North Vietnamese communist forces seized control of Saigon, ending the Vietnam War, and the country was unified as the Socialist Republic of Vietnam in 1976. Vietnam today has been at peace for over a decade under The Communist Party control over political life. The introduction of the "Renovation" or *Doi Moi* policy in 1986 began dismantling the country's socialist economy in favor of a market economy, the country has experienced tremendous social change such as a general rise in the standard of living. 1991 Cold War ended. Re-established ties with Western Powers. The last was US in 1995

## **2.2 GEOGRAPHICAL ENVIRONMENTS**

Vietnam situated in the eastern and southern part of the Indochina peninsula in Southeast Asia, covering a total land area of 127,244 sq. miles (329,560 sq. km). Along the east coast is the South China Sea, to the north is China and to the west are Laos and Cambodia. Vietnam is slightly larger than Italy and it is narrowly stretched from the north to the south, The Red River and the Mekong River are the two main rivers in Vietnam which navigable in their entirety. The Mekong River delta lies in the south. The Red River delta lowlands in the north are separated from the huge Mekong Delta in the south by long, narrow coastal plains backed by the forested Annam highlands. The capital city is Hanoi, which is located on the Red River and Ho Chi Minh City, or Saigon, is the main city on the Mekong.

Figure 3: Location of Vietnam (Source: Infoplease 2015)



Natural hazards: occasional typhoons (May to January) with extensive flooding, especially in the Mekong Delta.

## 2.3 POLITICAL ENVIRONMENT

Based on the information from Wikipedia, Vietnam is a governed under a single-party socialist republic framework, led by the Communist Party of Vietnam. Where head of state is the President of Vietnam and the Prime Minister is the head of government. The executive power is exercised by the government and the President of Vietnam. The Prime Minister of Vietnam Nguyen Tan Dung having been nominated by his predecessor, Phan Văn Khải was elected as Vietnam's on June 27 2006. Vietnam's legal system is based upon socialist legality according to Article 12 of the constitution. The National Assembly is Vietnam's legislative

body is the highest government organization and the highest-level representative body of the people. At present the government is committed to creating a fair and attractive business environment for foreign investors, and constantly improving its legal framework and institutions related to business and investment

## 2.4 ECONOMIC ENVIRONMENT

Vietnam has been securing social-political stability after the reformation and is having a dynamic economies in the South East Asia region. It has centrally planned economy since 1986 and join WTO in 2007. It government promotes export oriented economy with about 70% export recorded in year 2014. Vietnam experienced a high economic growth between 2009 and 2014, with 2009 GDP at 5.32%, 2010 at 6.78%, 2011 at 5.89%, 2012 at 5.7%, 2013 at 5.42%, and 2014 at expected 5.8%. The growth rates have been reduced in the recent years due to effects of prolonged global economic crisis in conjunction with Vietnamese economy's serious interior difficulties and shortages Based on information from Trading Information, the GDP in second quarter of 2015 is at 6.44% .

Following is the summary of Vietnam GDP growth from year 2009 to year 2014:

**Table 4:** Vietnam GDP Growth Year 2009 to Year 2014

Year	2008	2009	2010	2011	2012	2013	2014
GDP growth	6.18%	5.32%	6.78%	5.89%	5.25%	5.42%	6.44%

Inflation falling from a peak of 23% in August 2011 to about 4.1% for 2014. The country is going through restructuring of its economy and its model for growth, as well as enhancing national competitiveness. Findings from the Eurochem Business Survey 41% expect to increase investment cf 53% previous survey, The country has completed review of its Socio-Economic Development Plan (SEDP 2011-2015) 5 years plan and is preparing the next 5

year plan, 2016 – 2020 to achieve the targets set in the 10-year strategy. Its government is continuing to revitalize its business and investment climate by having “strategic breakthroughs” by launching market economy institutions and a legal framework; building an advanced and integrated infrastructure, particularly transport; and developing a quality workforce by 2020. The country GDP growth has been constantly high, averaging nearly 7.1 per cent per annum in the 1990-2010 period, and has led to a sharp fall in poverty, from 58 per cent in 1990 to 10.6 per cent in 2010. GDP per capita, measured in current prices, exceeded USD 1,000 in 2010 (GSO 2012), which enable Vietnam to attain the lower middle-income status. Such a transformation was underpinned by three main pillars:

- (i) market-oriented reforms;
- (ii) stabilization of the macroeconomic environment; and
- (iii) Vietnam’s pro-active integration into the regional and world economy.

A number of measures taken in accord with these policy objectives have significantly broadened Vietnam’s economic opportunities and its capacity to realize those opportunities.

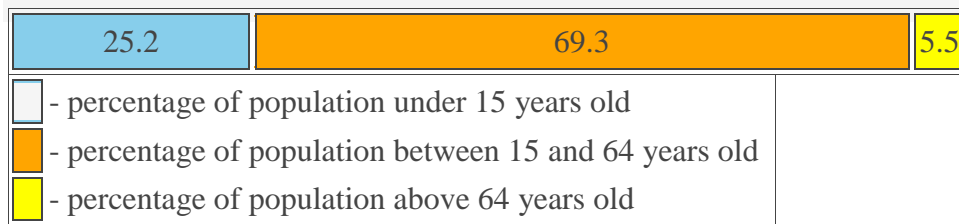
Apart from the Social-Economic Strategy adoption, the low wage rate with the average monthly wage rate USD 159 for a production worker and USD 558 for a managerial employee are the main attraction of the foreign investment in Vietnam.

There are several similar chemical companies running in the same chemical industry in Vietnam, they are mostly multinational companies such as Nuplex Vietnam Pte Ltd.

## **2.5 SOCIAL ENVIRONMENT AND WORKFORCE IN VIETNAM**

As of 1 January 2015, the population of Vietnam was estimated to be 91 669 433 people. Vietnam has an advantage of its population structure where 60 percent of its population are of working age. As of the beginning of 2015 according to our estimations Vietnam had the following population age distribution:

Figure 4: Vietnam population age distribution 2015



In absolute figures (estimation):

- 23 096 114 young people under 15 years old
- 63 496 666 persons between 15 and 64 years old
- 5 076 653 persons above 64 years old

It has a large base of labour force, with roughly 1 million youths entering the labor market each year. 30% of its population situated in the urban area , with estimated 6 million people in Ho Chi Minh City , 2.7 million in Hanoi, 2 million in Haiphong and 0.8 million in Da Nang. The Vietnamese labors are highly valued for their easiness to adopt and apply new technology, resilience and diligence. Literacy rate in Vietnam is over 90%. There are in total about 412 universities, colleges and junior colleges throughout the country, attracting nearly million students each academic year.

## **CHAPTER 3**

### **INDUSTRY PROFILE AND ANALYSIS**

#### **3.0 INTRODUCTION**

YSCL is under paint and coatings, adhesive industry. The scientific name for coating; acrylic and styrene-acrylic based chemical specialty polymers are used as binders for architectural and industrial coatings. The applications are in surface coatings such as wall paints and coatings, comprising façades, wood and metal finishes. It is also used for coating of roof tiles, but also binders for elastic coatings in cool roof applications. The products have special characteristics such as durability, water-resistance, colour fastness and longevity.

Adhesives are widely used in construction industry. Adhesive dispersions for all packaging tape applications, paper core, fibres & wood. The related specialty polymers are used to produce a wide range of products, such as specialty cements, concrete sealers and construction adhesives, caulks and sealants.

##### **3.0.1 INDUSTRY PROFILE IN VIETNAM**

Chemical industry in Vietnam is still at its initial stage where it produces a very limited variety of basic chemicals. Industrial use chemicals do not meet its domestic demand and are only sufficient for pesticide production and several basic goods. Therefore the opportunity for future growth prospect is high. Vietnam's chemical industry growing impressively with an annual growth of 12% is one of the key economic sectors and prioritized to fulfill the needs of other industries and the total economy. Manufacturing of paint products also rises as a result of in Dong A, Dong Nai, and Casumina in Vietnam. Obviously the growing demand for poly-



mers from global and local paint and coating products has become the primary drivers for companies to set up plants in Vietnam. The production of acrylic and styrene-acrylic polymers used in the paint, coatings, construction, packaging, home and personal care industries.

The chemical industry is important to support the development of other industries in Vietnam. The Prime Minister has approved for the economic strategy of developing the chemical industry under the Socio-Economic Development Strategy for the years 2011-2020. The chemical industry is showcased as one of the key industries and prioritized according to the country's socioeconomic development strategy. All domestic and external resources will focus on putting into place a comprehensive chemical industry, covering main domains such as fertilizer, common and special-use rubber, base chemicals (including both organic and inorganic chemicals), petro-chemistry, pure chemicals, pharmaceutical chemistry, and consumer chemicals to meet domestic demand and the requirements of regional and world economic integration. In addition, the social economic strategy serves as a vehicle to encourage application of advanced technology to generate high quality chemical products at competitive costs and to minimize adverse impacts of chemical production on the environment. In addition, the development of the chemical industry is parallel to the restructuring of the industrial sector and total economy.

### **3.0.2 THE MAIN PLAYER**

There is a large potential market growth in polymer coating and adhesive industry in Vietnam, to cater for local consumptions as well as for export markets. The increasing trend in foreign direct investment in chemical industry is mainly due to the government incentives and adoption of the *Doi Moi* (Renovation) policy in 1986. Along with Vietnam government intention to promote transformation of its economy. Several multinational companies have set

up plant in Vietnam and become the major players in the coating industries. There are a number of main players in Vietnam, they are the multinational companies such as Nuplex Resin Vietnam, Arkema, and Bayer. YSCL manufacturing plant in Vietnam faced a lot of competition with these competitors. In order to be different from others, YSCL Vietnam strategize to provide in-region support to their customers and offer them the customized solutions they need.

### **3.0.3 CURRENT ISSUE OF TALENT MANAGEMENT AND TURNOVER IN VIETNAM**

Talent Management and employee turnover are considered one of the greatest challenge for business in Vietnam, according to Navigos Group who is the leading largest executive recruitment solution provider in Vietnam.

According to the survey conducted by Navigos in 2010, 63.8 percent of respondents from 168 companies operating in Vietnam including foreign-investment companies ranked the employee turnover as the number one human resource challenge in 2010. This statement by Navigos Group is further confirmed by YSCL external auditor; A8 Consultancy during the interview on 13<sup>th</sup> Aug 2015 with researcher, where the main issue faced by most companies in Vietnam is talent management and turnover, inclusive of YSCL. The consultant further stressed that the main area to focus are compensation and benefits, training and career development, employer branding and employee's relationship.

As usual, compensation and benefits is always seems to be one of factors in motivating employees to stay or retain in an organization. Employees' dissatisfaction on compensation and benefits will mushroom into root cause for employee turnover issue. Further explained by the consultant, Vietnam workforce mainly consists of those generation Y and generation Z within the age of twenties or early thirties. As personal progress and value add, most of these

workers are eager in looking for skills and knowledge improvement, therefore companies which provide training and career development will increase its competitiveness in the labour market.

Another important factor in employee turnover is employer branding, which is employee perception on company image, whether the company is well regarded by the general public. Similar to other workers is Asia Pacific region, Vietnamese workers preferred to work in a publicly well-known and good reputation company, they choose to work with employers they trust. According to Vietnam News (2013) it is essential to develop a good employment branding image and communicate it externally and internally," Van Anh said. — VNS

One of the factors in employee turnover is employee relationship, according to HR Solutions Vietnam (2010), it is a main concern that foreign employer do not put priority in building a good relationship with their workers. It is a norm that workers in Vietnam view their company as their second family, they are often being disappointed when foreign employers put their priority only on profitability and fail to build good relationship with their workers. As a result the workers feel disappointed and lost interest in their job.

Other areas of talent management which start to submerge recently are work life balance, talent poaching, leadership, empowerment, recruitment method and others which are the factors contributing to employee turnovers.

Influence by this trends, YSCL is moving into this trend of providing trainings to employees for the purpose of talent management and employee turnovers.

## **3.1 ORGANIZATION PROFILE**

### **3.1.1 INTRODUCTION**

In 1920, A & co limited was incorporated to take over the business of B & co which had been in existence since 1863. The company was controlled by members of the family of the first Ld. Y and acted as London agents for industrial and plantation undertakings in India and Asia. During the subsequent fifty years the company acquired a diverse group of subsidiary companies and built up a portfolio of investments primarily in British companies. In 1970s, A & co limited merged with Malaya general company limited, an owner and operator of rubber plantations in Malaysia. Malaya general company limited became the holding company and changed its name to B & co limited and was listed in the London stock exchange in 1971. By 1980 A was engaged in the operation of marinas, rubber and oil palm plantations and had investments in oil exploration. In that year it acquired M chemicals limited, an international group engaged in the processing of natural rubber latex and the manufacture of synthetic rubber latices, resins and emulsions.

In 1998 Acquisition of X PLC, a manufacturer of a wide range of chemicals including active pharmaceutical chemicals, pigments, dyes and metal salt compounds. During 2006 onwards , the company has divestment of a range of businesses to become a focussed supplier of speciality polymers. In December 2012, a group under the consensus of management and shareholders changed name to YSCL Group of Companies.

Today, Harlow is YSCL's global headquarters, with 14 subsidiaries around the world. In South East Asia, there are six major manufacturing plants, these plants are situated in Malaysia, Vietnam, India and China. The company provides customer focused services from its operational centres in Marl and Kuala Lumpur, as well as sales offices in Shanghai, Dubai and Atlanta.