



## Issues and Challenges in the Establishment of Continuous Improvement in Vietnam

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### ABSTRACT

A better understanding of Vietnamese management is important for both practitioners and academics because of the huge and continuing growth of business activity in Vietnam. In particular, information about the Vietnamese use of continuous improvement (CI) practices is valuable because these have underpinned the success of both western and Asian companies in recent decades. Using the case-study method based on over 60 in-depth interviews with executives, managers, supervisors, and employees of nine leading companies in Vietnam and information gathered from discussions with 440 business and non-business leaders, practitioners, and academics, this paper shows that Vietnamese organizations face numerous challenges when implementing and sustaining CI practices. The findings highlight the tendency of Vietnamese organizations to pursue “shortcut” strategies that prevent them from competing higher up the value-added chain. Maintaining “face” is vital to the Vietnamese and this is a major cultural challenge for organizations in their CI efforts. The paper recommends that Vietnamese organizations address these challenges by pursuing CI more aggressively and investing in human resource development to build capabilities for the future. The Vietnamese government, which is the main engine of change in the country, should promote the use of CI by funding education and training in its methods.

**Keywords:** Lean production, quality management' suggestion systems, Vietnamese management.

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### 1.0 INTRODUCTION

As the fastest growing economies in the world, developing countries not only fulfill the outsourcing needs of developed countries, but are also establishing their own distinctive management styles and techniques. Recent studies detail the use and benefits of CI in emerging Asian countries including Malaysia, India, and China (Rao, Raghunathan, & Solis, 1997; Samat, Ramayah, & Norizan, 2006; Yeung, Cheng, & Lai, 2005). Yet, even though these studies suggest that CI can be a prime determinant of success

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of organizations in developing nations – as it has been in American, European and Japanese companies – other researchers argue that management practices developed in one country may not be generalizable to other countries because of different national cultural values (Metters, Zhao, Bendoly, Jiang, & Young, 2010; Voss, Roth, Rosenzweig, Blackmon, & Chase, 2004). Vietnam is rapidly becoming an industrial powerhouse, but there are few studies on Vietnamese management practices, and especially on the country's deployment of CI (Dinh, Igel, & Laosirihongthong, 2010; Nguyen & Robinson, 2015). The study reported here helps fill that gap by describing the current development of CI in Vietnam, and examining the specific cultural and other challenges Vietnamese organizations face when implementing and sustaining its techniques.

Low wages, a fairly young and abundant workforce, and an eager government make Vietnam “the poster child for Southeast Asia’s economic success” (Norton, 2014). The country is a major producer of garments, footwear, rice, coffee, and electronics. Many global brands including Samsung, Intel, Canon, Panasonic, and Nokia have manufacturing bases in Vietnam and have invested billions of dollars into the Vietnamese electronics industry. Samsung alone has invested \$11 billion, and Intel predicts that 80 percent of its computer chips will be manufactured in its \$1 billion plant in Ho Chi Minh City (Norton, 2014). Vietnam’s presence on the global economic stage highlights the importance of understanding the issues affecting CI implementation in Vietnamese organizations.

This research employs in-depth case studies to examine CI practices in Vietnam, and, in particular, the challenges facing the establishment of CI in Vietnamese organizations, and the issues that can either aid or impede its introduction. It encompasses over 60 in-depth interviews with executives, managers, supervisors, and employees of nine leading companies in Vietnam, and also includes information gathered from discussions and interviews with 440 business and non-business leaders, practitioners, and academics in Vietnam and in the U.S. The findings reveal the tendency of Vietnamese organizations to pursue low-cost strategies that would prevent them from competing higher up the value-added chain. They also resist investment in human resource development, CI, and other initiatives that would build capabilities for the future.

This paper begins with a review of the three CI practices that the author found most common in Vietnamese organizations: suggestion systems, quality management programs, and lean production. It then analyzes the data gathered during the research project, and assesses the most important implications for Vietnamese managers, for foreign firms investing in Vietnam, and for academics interested in Vietnamese and Southeast Asian management practices. As a number of researchers have pointed out, research into Asian management contributes to global management knowledge by generating theory that explains international issues and offers Asian perspectives on current scholarly conversations (Lau, 2002; Meyer, 2006).

## 2.0 REVIEW OF COMMONLY USED CONTINUOUS IMPROVEMENT PRACTICES IN VIETNAM

Continuous improvement, also called kaizen in Japanese, is the systematic creation and implementation of small, incremental changes to improve organization-wide performance (Bessant, Caffyn, Gilbert, Harding, & Webb, 1994). Incremental and continuous innovation can be achieved by unleashing employees’ work experience and creativity to seek and solve problems instead of avoiding them, making knowledge transparent, and rewarding and recognizing innovation efforts rather than output-oriented mechanisms (Bessant & Caffyn, 1997; Liker, 2004; Robinson & Schroeder, 2014). CI practices, including total quality management (TQM), six sigma, lean production and employee idea systems, have been significantly related to increased productivity, reduced costs, improved delivery reliability, and decreased employee absenteeism (Jorgensen, Boer, & Laugen, 2006). Additionally, CI can help companies pursue “green performance.” By assessing environmental impacts – such as identifying ways to reduce waste and liabilities – companies raise productivity and behave responsibly towards customers and the environment (Kleindorfer, Singhal, & Van Wassenhove, 2005; Tsoulfas & Pappis, 2006). Subaru of Indiana is an example: using CI in its green initiatives has improved its profits and competitive advantage as well as its eco-friendliness (Schroeder & Robinson, 2010).

The benefits of CI in Asian countries are well-documented. For example, leading firms in Singapore have adopted total quality control (Sohal, Tay, & Wirth, 1989), emphasizing the basic principles of customer focus and teamwork to improve organizational performance (Chong & Lee-Patridge, 1997). In China, CI helps manufacturers improve quality and increase productivity (Pun, Chin, & Gill, 2001). TQM has been highly and positively related to business outcomes in Shanghai industries (Hua, Chin, Sun, & Xu, 2000) and has enhanced overall performance of the country's Japanese manufacturers (Miyagawa & Yoshida, 2005). Many Malaysian companies recognize quality and CI as important to their business (Samat et al., 2006; Sohail, Sohal, & Millen, 2004).

Likewise, in Vietnam, Dinh et al. (2010) find that TQM has a positive impact on innovation performance. To better understand CI there, the first step was to identify the common CI practices by reviewing academic and practitioner literature on Vietnamese management and interviewing 440 business and non-business leaders, practitioners, and academics both there and in the U.S. The next step was to analyze the effects of the cultural environment on these and other CI techniques. The following section presents brief summaries of Vietnam's most common CI practices, explaining how they were introduced and noting their current impact.

## 2.01 SUGGESTION SYSTEMS

In 1871 William Denny, a Scottish shipbuilder, introduced the first recorded suggestion system (W. Denny and Bros. Ltd., 1932). Shortly afterwards some American companies followed suit, and after World War II the U.S. Training Within Industry (TWI) programs introduced suggestion systems to Japan. By the 1980s, a number of Japanese firms were exceeding 30 implemented ideas per person per year with some exceeding 200 per person. Today many companies around the world exceed 50 implemented ideas per person per year.

Organizations institute suggestion systems to help with their strategic goals, improve organizational performance and the customer experience, increase worker morale, generate revenue, or save money. In the basic suggestion box process, employees put their ideas in a suggestion box or submit them online. A committee or central function picks out suggestions with potential, assigns staff members to evaluate them, and rewards the employee if the idea is accepted. High performing idea systems, defined as those getting 12 or more implemented ideas per person per year, are more effective at motivating employee idea submissions than traditional suggestion box systems because they promote involvement, hold managers accountable, and foster organizational learning (Robinson & Schroeder, 2014).

Suggestion box systems (known as “hòm thư góp ý” in the north of Vietnam and “thùng thư góp ý” in the south) are long-established and common in Vietnam. In the 1950s the South Vietnamese Army maintained suggestion boxes in villages to encourage people to voice their complaints and to provide information about the enemy (Ahern, 2009). In 1961 this system was formally established, and government officials claimed that the national and provincial programs received several thousand letters a month, providing them with leads on subversive activities as well as feedback on government performance (Donnell, 1970). Suggestion boxes still solicit community feedback in government offices, public universities, airports, and in public health facilities in Vietnam. People rarely use them, however, and little is known about their use or impact on the public sector (Dieleman, Pham, Le, & Martineau, 2003).

There are, however, some studies of suggestion schemes in the business sector. The quantity and quality of suggestions are one of the indicators that Nike uses to assess the efficacy of its management training programs for Vietnamese workers (Hartman & Wokutch, 2003). Additionally, many Adidas-Salomon suppliers, including those in Vietnam, maintain suggestion boxes at their facilities and reward employees for implemented suggestions (Hartman, Wokutch, & French, 2003). To retain skilled and experienced workers, Kitchen Pro, a contract manufacturer for IKEA, provides suggestion boxes so employees can

voice requests and grievances as well as offer improvement ideas (Zhang & Hed, 2009). The prevalence of suggestion boxes notwithstanding, in interviews Vietnamese managers complained that they are not successful in achieving any of the intended benefits.

## 2.02 QUALITY MANAGEMENT PROGRAMS

Increased global competition and international concern over the quality and environmental impact of Vietnamese products and services makes quality management a critical issue for Vietnam's government agencies. For example, to boost domestic production of higher-quality drugs the Vietnamese government encourages pharmaceutical companies to obtain the Good Manufacturing Practice (GMP) certification, which sets the minimum requirements pharmaceutical manufacturers must meet to prove the quality and safety of their products (Italian Trade Agency, 2014). The government allows pharmaceutical firms unable to meet the GMP requirements to produce only homeopathic medicine (Business Monitor International, 2011). Similarly, to increase quality and protect Vietnam's food industry – which accounts for nearly 37 percent of GDP (2013) – the government mandates companies engaged in food production and export to implement food safety testing and certification (Ward & Bui, 2013). For example, the government encourages tea producers to meet Fairtrade International's certification standards (Viet Nam News, 2015).

Vietnam's Directorate for Standards, Metrology and Quality (STAMEQ) of the Ministry of Science and Technology serves as the national standardization agency overseeing over 6,800 national standards. Approximately 40 percent of these are harmonized with international and regional standards. STAMEQ also participates as a member in 18 international and regional standards organizations, including the International Organization for Standardization (ISO). With the June 2006 directive Decision No. 144, the government even ordered all Vietnamese government offices and organizations to become ISO 9001 registered.

Despite these government initiatives, only 5694 ISO 9001 certificates have been issued to organizations in Vietnam: thus only approximately one percent of Vietnam's registered enterprises have this certification (Iguchi, Arimura, & Michida, 2015). Moreover, many enterprises demonstrate ISO compliance only during the presence of an inspector and afterwards revert to their old methods (VietNamNet Bridge, 2004). Describing his firm's certification the quality manager of a garment company explained, "We just acted with the only target of achieving the certification or passing the audits, without thinking of any way to make the work better or easier" (International Labour Organization, 2006, p. 11). Having ISO 9001 certification therefore by no means guarantees that CI is actually practiced.

Another challenge is that Vietnam's system of standards is complex and lacks transparency: some items are subject to national standards; some are subject to regulations of the functioning agencies, and some are subject to both (U.S. Commercial Service and U.S. Embassy in Vietnam, 2015).

## 2.03 LEAN PRODUCTION

The term "lean production" (also known as lean manufacturing) was coined by Womack et al. (1990) to describe Toyota's unique approach to manufacturing, known at the time as the Toyota Production System. Inspired by the work of W. Edwards Deming, the writings of Henry Ford, and observations of the U.S. supermarket supply chain, post-World War II Toyota leaders developed manufacturing methods that minimized the resources needed for a product to flow through the production process. In most industrial processes, non-value adding activities such as excessive inventory, defects, waiting, over-processing, overproduction, and unnecessary transport and movement amounts to more than 90 percent of total production activity (Caulkin, 2002). Toyota created and rigorously pursues a management philosophy that dramatically improves performance by focusing on the systematic elimination of all non-value added activity in the production process (Liker, 2004).

The success of the Toyota Production System sparked the lean movement around the world. In Vietnam, lean arrived with early foreign enterprises such as Toyota, Canon, Honda, and Nike. Toyota implemented a version of the Toyota Production System optimized for production conditions in Vietnam (Toyota Motor Vietnam, 2015a). Nike is in the process of transitioning its footwear lines to lean manufacturing processes as part of its CI strategy (Nike, 2014). Coats Global Services, a leading industrial thread and consumer textile crafts business, which has operated in Vietnam for over 25 years, helps its manufacturers and brands to implement lean manufacturing (Bich Ngoc, 2014). Lean implementation also benefits a number of domestic companies. For example, using lean to cut both unnecessary waiting and inefficiencies in workers' physical motions and overall process flow, Toyota Ben Thanh, a Toyota service center, now services cars in 50 minutes rather than the 240 minutes it previously took (Hoang, 2004).

The adoption of lean practices by these global and domestic companies has increased awareness of lean manufacturing in Vietnam. For example, a national conference on lean management in Vietnam was held in April 2014 bringing together 150 Vietnamese and international scientists, consultancy specialists, executives, managers, and academics to discuss the application of lean production in Vietnamese businesses. Training, research and development in lean and sustainability management at the organizational and national level are now being provided by the Vietnamese-German Training Center for Lean and Green Production in Ho Chi Minh City. The wave of modern management practices in Vietnam is attributable to the impact of these organizations and the success of companies domestically and globally.

### **3.0 METHODOLOGY**

The challenges of doing research in Vietnam, particularly the problems of data collection and reliability, are exacerbated by the country's lack of a research culture. In particular, the social sciences are still developing in Vietnam, so researchers and respondents have difficulty establishing trust (Scott, Miller, & Lloyd, 2006). Many Vietnamese executives and managers have a policy of not responding to questionnaires (Le & Truong, 2005). In addition, Vietnam's secretive business environment makes it hard to get any information from executives and managers without the right contacts and endorsements (Dinh, Igel, & Laosirihongthong, 2006; Gainsborough, 2007). To obviate these problems, this study employs a field research approach using in-depth case studies of nine leading companies throughout Vietnam using multiple data sources to explore their deployment of CI techniques.

A case research design has a number of strengths: it can provide novel and creative insights (Voss, Tsikriktsis, & Frohlich, 2002), lend itself to exploratory investigations in which the variables and the phenomenon are not well understood (Stuart, McCutcheon, Handfield, McLachlin, & Samson, 2002), and most importantly helps in the early development of a research field like CI practices in emerging market economies (Mellahi & Eyuboglu, 2001; Nguyen & Robinson, 2015). The multiple data sources this study employs permit triangulation and complementary overlapping examination of the phenomena, which enhanced the scope and breadth of understanding (Swanson & Holton, 2005).

The company setting is the level of analysis because CI practices are executed at that level and that is where the effectiveness of an implementation and its ultimate sustainability are most directly determined. The case companies had to meet three conditions. First, each had to have implemented a CI technique. Second, the collection of companies had to represent only domestic enterprises because this research focused on Vietnamese businesses. The third criterion was that the author had to have access because the design of the research demanded admittance to production facilities and offices plus extended amounts of time with respondents involved in CI.

The discussions with business leaders, practitioners, and academics in Vietnam helped identify companies that matched these criteria. Due to Vietnam's secretive business environment, which makes it extremely difficult to get any information from executives and managers without the right contacts and

endorsements (Dinh et al., 2006; Gainsborough, 2007), this research relied on local business leaders, consultants, and host institutions for introductions to the companies and for help in asking them to participate. To make the framework more widely applicable and enhance the generalizability of the findings, the author deliberately put together a sample of firms engaged in different businesses located in the different regions of Vietnam. Table 1 provides a list of the case companies. The identities of all the firms have been disguised for confidentiality and anonymity.

Table 1: Profile of case companies				
Case	Industry	Headquartered	Employees	CI practice(s) in used
Company A	Steel	Hanoi	100	5S; ISO 9001
Company B	Ceramic	Hanoi	800	Suggestion system; ISO 9001
Company C	Seafood processing	Da Nang	750	ISO 9001
Company D	Footwear	Hanoi	1600	Suggestion system
Company E	Garment	Ho Chi Minh City	4000	Lean production; ISO 9001
Company F	Garment	Ho Chi Minh City	2800	Lean production; employee idea system
Company G	Information systems	Hanoi	2500	Employee idea system; ISO 9001
Company H	Software development	Hanoi	7000	Employee idea system; ISO 9001
Company I	Health & Medicine	Hanoi	250	ISO 9001; GMP

The research design adapts the method of “structured, focused comparison” in gathering data across case studies (George & McKeown, 1985). In other words, it investigates the same kind of information, collected in a systematic and theoretically informed manner at each company. It also uses information from the author’s direct observations and in-depth interviews with 18 executives, 24 middle managers, 6 supervisors, and 14 line employees all of whom had experience of CI in the case companies. The interviews and observations focused on gaining insights by obtaining rich descriptions of the phenomenon (Yin, 2009). While the interviews provide a way of directly comparing each firm’s efforts in areas such as CI sustainability and effectiveness, the observations verify and clarify the interview responses. They also facilitated visual checks of each firm’s CI efforts, and showed how CI is embedded in the firms, especially at the operational level, both on the factory floor and in office settings (also see, e.g., Boyer & McDermott, 1999). Cross-case analysis of data on each case company’s practices enables comparison across companies. This case-research method embodies the approach outlined in the literature (Miles & Huberman, 1984; Yin, 2009).

#### 4.0 DISCUSSION AND POLICY IMPLICATIONS

Vietnam’s geographic proximity to global supply chains, its relative political and economic stability as well as its young and expanding workforce have successfully attracted large volumes of foreign direct investment (U.S. Department of State, 2015). Samsung Electronics, the largest foreign investor, expects to ship 40 percent of its phone handsets from Vietnam (Norton, 2014). The country’s \$3.92 billion (2014) pharmaceutical market is one of the fastest growing in Southeast Asia, making it an attractive market for foreign pharmaceutical companies. In addition, Vietnam is one the world’s biggest exporters of cashews, pepper, rice, tea, and coffee. Nonetheless, despite its natural assets and tremendous business activities, the case studies revealed a number of challenges for Vietnam and its business organizations. This section presents these findings and discusses their managerial implications.

#### FINDING 1: CULTURE OF SHORTCUTS

The “culture of shortcuts,” summed up in the Vietnamese slogan: “Đi tắt, đón đầu” (Take a shortcut to come out ahead), embodies the mantra for success in Vietnam. The saying was intended to convey the

Vietnamese government's "shortcut" development strategy to industrialize and modernize the country by 2020. However, this motto encourages many individuals and businesses in Vietnam to take shortcuts that create no solid foundation for sustainable strategies (Nguyen, 2006). Rather than concentrate on long-term success by improving operations and thus becoming internationally competitive, many of the case firms (Companies A, B, C, D, E and I) see themselves primarily as low-cost providers so they resist investing in human resource development, CI, and other initiatives that would build capabilities. Not only do they not seem to have any strategy to improve quality and productivity, they do not have a strong CI commitment except the reactive system in place for ISO 9001 certification. Instead they rely on cheap labor to provide immediate or short-term wins. Often they explicitly bet on the "China plus one" strategy, which positions Vietnam as the low-cost alternative for new factories and call centers as wages and labor strife increase in China and India.

Since the growth model of many export-oriented Vietnamese firms is based solely on low costs and cheap labor, productivity and quality have hardly improved over the years. Even with modern equipment, Companies E and I have low productivity, mainly due to lack of employee training and poor management. Without a strategic change, companies in emerging countries such as Cambodia and Laos, which have even lower wage costs, will inevitably undercut Vietnam's export businesses in the near- or medium - term. These businesses will also have difficulty competing with firms in Southeast Asian nations such as Indonesia, Thailand, and Malaysia that have more export-friendly policies, better infrastructure and legal systems, and better-performing supporting industries.

#### **POLICY IMPLICATION: VIETNAMESE ORGANIZATIONS NEED TO PURSUE CI MORE AGGRESSIVELY**

For Vietnamese organizations to compete higher up the value-added chain, they must pursue CI more aggressively. Some case companies invest in CI and other initiatives to build capabilities for the future. At Company F, senior managers sought help from lean consultants in Malaysia and in the U.S. Before implementing lean, Company E's senior managers received training from consultants in Malaysia. A local Vietnamese consultant from Company E's parent corporation also helped them implement lean at the operational level. Similarly, consultants from India helped Company H's QA team implement their employee idea system.

There are other resources available for firms that do not have the financial means to hire foreign or domestic consultants. The SME Training Assistance Center (SME-TAC), established by the Vietnamese government and supported by the Japanese International Cooperation Agency in Vietnam, offers training for small-medium enterprises to enhance business capability and competitiveness. At Company A, for example, management enlisted the help of SME-TAC to provide a three-day training course "Applying Kaizen/5S in Industry with the Aim of Increasing Productivity." Increasing numbers of foreign and domestic universities deliver up-to-date quality and CI training. As mentioned previously, the Vietnamese-German University provides education and training in lean and sustainability management at the organizational and national level. The problem is that many companies do not value these services enough to pay for them. For example, at the time of the study, the local lean consultant who led the training course for Company A offered to help Company D, but its owner declined, claiming he was overwhelmed by the number of things that needed fixing.

The Vietnamese government should subsidize these services or provide free assistance to domestic companies. It should also support associations like SME-TAC so they can help local firms apply world-class management practices. Vietnam needs to develop Vietnamese companies that can compete on the world stage just as Singapore did in the 1990s, when it set aside \$40 million to help Singapore's organizations implement CI practices (Sinha, 2000).

#### **FINDING 2: THE CHALLENGE OF MAINTAINING "FACE"**

The Vietnamese care passionately about face: that is, the respect they receive from others (Jamieson, 1995) because it helps maintain harmony in interpersonal relationships (Ashwill, 2005). While mất mặt (“loss of face”) is severe in any society, it is unbearable in Vietnam as evidenced by the Vietnamese expression: “Better die than to lose face” (Borton, 2000, p. 24). Thus, for example, in the workplace it goes against Vietnamese tradition to have any management practice that places managers, especially senior managers, on the same level as frontline employees, as this impugns the manager’s authority and exposes him to loss of face.

The communication style in Vietnam thus tends to be indirect. People offer roundabout advice or solutions rather than direct criticism (Nguyen, 2005). Though this indirectness is prompted by tact (Borton, 2000), it can impede CI, which is a never-ending effort to uncover and solve problems, most of which can be seen as “management not having done its job.” A number of the case firms (Companies B, D, F, G, and H) aim to harness the ideas and feedbacks of frontline employees who can often identify more improvement opportunities than their managers. However, this bottom-up approach goes against the grain of traditional Vietnamese thinking.

### **POLICY IMPLICATION: HUMAN RESOURCES, NOT MACHINES, ARE KEY TO SUSTAINABLE CI SUCCESS**

For CI to succeed in Vietnam, firms like Companies F and H, which have a promising start but lack optimum results, need to maximize employee participation in CI by investing extensively in their human resource development, especially by providing CI training and education for employees at all levels. A number of the case companies have made the effort to develop their managers by bringing foreign experts to help them apply world-class management practices. At Company F, several senior managers sought lean training for a half month from consultants in Malaysia and later hired an American consultant for six months to help them implement lean at the factories. Similarly, consultants from India helped Company H’s QA team implement their employee idea system.

However, CI training for frontline employees remains limited if it exists at all. In every case firm CI was uncoordinated and poorly structured, focusing mostly on short-term needs. Take Company E. While senior managers received 10 days of training from consultants in Malaysia, and middle managers and supervisors were trained by a local consultant for a couple of months, only 10-15 production workers out of approximately 2100 received a one-day training, and then only from the local consultant. The rest of the frontline employees were trained by the newly trained middle managers and supervisors, who did not yet have a strong understanding of CI. The lean manager at Company E explained that the training objective is to motivate frontline employees by making them aware of how to earn more money by participating in lean. This was not the right approach to educate workers on the CI philosophy. Employees should make improvements for its own sake rather than the hope of monetary reward because they will be more committed to excellence in doing it.

Without CI education and training, employees at Company H have no ý thức (awareness) of its role, and did not appreciate its long-term benefits. They mistakenly believe that CI involves making only major improvements (not small ones) or improving others’ work and not their own. Not only do employees lack motivation to participate in CI, but the very practice of it puts a tremendous burden on them because QA requires them to submit ideas by filling out lengthy and difficult forms. They are generally not paid for the time spent, so they view CI as “extra work,” and only participate if they have spare time or an idea for a big improvement that might win a sizable financial reward. In Company G, CI training seems to be nonexistent except that at the beginning of the year employees receive a handout explaining the rules of the idea system and encouraging them to participate. Most interviewees feel that “kaizen [CI] is just a slogan here.”

Toyota Motor Vietnam understands that human resources, not machines, are key to long-term success. Its Training Center educates between 500 and 600 Vietnamese technicians per year in a wide range of technical skills and CI activities (Toyota Motor Vietnam, 2015a). The company shares its successful methods through its Monozukuri program, which it manages with the Hanoi University of Technology.

This program – which is not limited to Toyota's suppliers – aims to help Vietnamese enterprises manage their production, costs, and quality by providing classroom instruction and on-site practicum at Toyota's Vietnam plant.

Toyota Motor Vietnam attributes its 20-year success and its phenomenal 2014 results to strategies including its development of human resources and CI, which permeates the organization, encouraging members to come up with ideas to improve their skills, teamwork and efficiency. The company has received approximately 260,000 employee improvement ideas with an implementation rate of 97 percent (*Toyota Motor Vietnam, 2015b*). This is in line with global best practice (*Robinson & Schroeder, 2014*), and demonstrates that CI can indeed succeed in Vietnam.

## 5.0 CONCLUSION

As the world's center of economic gravity is shifting towards emerging markets, especially those in Asia, understanding the management practices of companies there is important so we can apply CI techniques there and link Asian perspectives to current scholarly conversations.

More than two decades into the process of market development, Vietnamese organizations have achieved substantial growth and progress. However, this in-depth study of nine leading companies shows that while high-performing companies such as Toyota Motor Vietnam understand their business conditions, build purposeful and sustainable improvement processes, and develop knowledge workers to integrate CI processes into their businesses, the CI efforts of the case companies have limited success. Since these companies are accepted leaders in Vietnam, the conclusion must be that the national state of CI practices will not enable the country to keep pace with the rest of the world because of the tendency of Vietnamese organizations to pursue shortcut strategies that prevent them from competing higher up the value chain. This study also illustrates the cultural problem of maintaining face, which is important to Vietnamese people but is a big issue for Vietnamese organizations that need to develop bottom-up improvement ideas in their CI efforts. While these national cultural values can pose major challenges to CI effectiveness, Toyota Motor Vietnam demonstrates that CI can succeed in the Vietnamese context. This research recommends ways in which Vietnamese organizations can address these challenges by pursuing CI more aggressively and investing in human resource development to build capabilities for the future.

The Vietnamese government – still the main agent of national change – should actively promote CI as critical to the competitive strategy of Vietnamese organizations as they enter markets for more advanced technology and capital intensive products. From funding to subsidizing CI education and training for domestic companies, there is a lot it can do to help companies move beyond the reliance on cheap labor and into an era of modern management practices that will foster continued economic growth and prosperity.

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**Issues and challenges in the establishment...**

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