

Human Resource Practices Implemented in Vietnamese SMEs: A Second Order Confirmatory Factor Analysis

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This paper reports the findings of an empirical study examining the determinants of human resource (HR) practices based on High performance work system (HPWS) in small and medium sized enterprises (SMEs) in Vietnam. It uses structural equation modeling to analyze data collected from 159 samples of line managers working in limited and joint stock companies. It specifically focuses on a system of HR practices implemented in Vietnam, including job description and appraisal, extensive training, employee security, internal mobility, selective staffing and incentive reward. Research findings suggest that there is considerable diversity among SMEs in relation to their use of HR practices. Research implications and suggestions for future research are also discussed.

Keywords: Human resource practices, high performance work system, human resource management, Vietnam, SMEs, structural equation modeling

Introduction

The economic transition in 1986 from a centrally planned system into a market-oriented mechanism with a multi-sectorial economic structure and a multi-ownership system had a significant impact on Vietnam's economic environment (Vo and Bartram, 2012). One of the most significant results of the economic transition has been the large number of foreign direct investment and international education collaboration over the last 30 years (Budhwar & Debrah, 2009). The drive to strategically invest in HR has increased the significance of HRM in Vietnamese organization. As a result, new personnel management (PM) and human resource management (HRM) system have been introduced to replace the old traditional HR practices in order to ensure that can help Vietnamese enterprises gain competitive advantage through enterprise-level management reforms (Collins, 2005). More and more organizations have changed their PM system to HRM system in order to improve their competitiveness under the process of globalization (Heneman, Tansky and Camp, 2000; Schuler, Dowling and De Cieri, 1993). Hence, it is not surprising that many organizations, including organizations operating in the emerging economy like Vietnam have adopted many international standardized HR practices (Zhu, Warner and Rowley, 2007). Moreover, the HRM literature also argues that high

performing organizations are characterized by the effectiveness of implemented HR practices (Posthuma et al., 2013). Therefore, there is a need to investigate "actual" implemented HR practices, which could lead to a better understanding of sustainable performance in Vietnamese organizations (Khilji and Wand, 2006; Huselid, 1995).

Vietnamese SMEs have provided dynamic growth and played vital role in creating jobs and employment (Nguyen & Bryant, 2004). Besides, enterprises in Vietnam, particularly SMEs, are under pressure to improve their efficiency, flexibility and adopt a new way of managing people (Zhu et al., 2008). However, research on HR practices in SMEs not only has underrepresented in the mainstream literature (Curran, 1987), but also has received less attention in transition economies (Nguyen & Bryant, 2004). Like other transition economy, there has been a shortage research on broad nature of the patterns and trends in HR practices in Vietnamese SMEs. There still remains a gap in understanding what HR practices are formally implemented in Vietnamese SMEs, suggesting that research in this field is sorely needed. This study hence helps to explore what constructs the HR practices from perspectives of line managers within SMEs in Vietnam.

This study starts with a brief review of the literature on HR system development, empirical studies of HR practices in SMEs, followed by HR practices implemented in Vietnam. The methodology and research findings sections present how the research was conducted and its key results. The study then concludes with the discussion of research implications as well as future research.

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Literature Review

Development of HR Systems

In the 1980s, globalization, international competition, institutional changes occurring in the United State (US) led to the growth of HRM scholarship (Ulrich and Dulebohn, 2015; Dulebohn, Ferris and Stodd, 1995). During this time, the requirements in HR practices such as human capital management, knowledge management and resourcing and performance management resulted in the perception of HRM function as an added value to the organization (Ulrich and Dulebohn, 2015; Barney, 2001). Strategic HRM (SHRM) field has developed in Western economies and witnessed significant growth in the last twenty-five years. SHRM provides firms with the internal capacity to adapt and adjust to their competitive environments by aligning HRM policies and practices with business strategies (Wright, Dunford and Snell, 2001; Wright and Snell, 1998; Delery & Doty, 1996).

There are multiple ways of examining HR practices based on SHRM approach. Delery and Doty (1996) identified three perspectives among existing theories regarding HR practice approach. The “universalistic” perspective alleges that certain HR practices are always better than others and all organizations should adopt such practices on every occasion. The “contingency” perspective argues that HR practices should be consistent with other aspects of the organization. HR studies’ findings showed the adoption of individual independent HR practices was dependent on contextual conditions of a specific environment. The contingency model suggests that relationships between independent variables- individual HR practices and dependent variables- firm performance will be modified by other variables, predominantly company strategy (Schuler and Jackson, 1987). Rather than focusing on individual HR practices, scholars of SHRM have turned their attention during the last decade to a “bundle” of mutually reinforcing and synergistic HR practices, namely “configurational” perspective (MacDuffie, 1995).

Some recent studies examined multiple HR practices as a system; specifically, HRM system was mentioned as a high performance work system (HPWS) (Huselid, 1995) or as an HRM practice configuration (Lepak and Snell, 1999; Delery and Doty, 1996). Although HR system is a subject in many HRM studies there exists little consensus among HR scholars about the specific HR practices to be comprised in the configuration of HR system (Collins and Smith, 2006; Datta, Guthrie and Wright, 2005; Becker and Gerhart, 1996; Delaney and Huselid, 1996). The specific HR practices comprised in HR systems have been numerous across research; however, a commonality of HR practices in high performance approach focuses on developing workforce skills and ability, increasing employee motivation for discretionary effort, and providing employees with opportunity to fully utilize their knowledge, skills and other attributes in their jobs (Combs et al., 2006; Appelbaum, 2000; Guest, 1997) to perform behaviors

consistent with organizational goals. HR system is thus determined by the combination of single HR practices which “enhance the skills of the workforce, participation in decision making, and motivation to put forth discretionary effort” (Appelbaum, 2000, p. 26) and “result in ... superior intermediate indicators of firm performance and sustainable competitive advantage” (Way, 2002, p. 765). Such HR system is called as HPWS. Combs et al. (2006) defined HPWS as “a system of HR practices designed to enhance employees’ skills, commitment, and productivity in such a way that employees become a source of sustainable competitive advantage” (Datta et al., 2005, p. 136).

Institutional theory considers the isomorphism of HRM adoption between organization in the same setting (Scott, 2008). The institutional theory has been utilized to explain different HR practices at cross-national level based on different institutional mechanism. Studies have concluded that difference between countries are caused by the institutional settings in which the choice of HR practices depends on the specific economic or strategic interests of the firm (Gooderham, Nordhaug and Ringdal, 1999, 2006). Zhu et al. (2007) found similarities and differences in people management systems among key developed, newly developing and transitional Asian economies. Ownership types can be used to explain differences in the adoption of HR practices by organizations in specific contexts (Kostova and Roth, 2002; Gooderham et al., 1999). For instance, Weinstein and Obloj (2002) concluded that advanced and sophisticated HR practices are usually used in organization such as multinational companies (MNCs) developed in Western economies with a lot of experience in a market economy. As a result, their subsidiaries in other developing economies are likely to adopt more advanced and sophisticated HR practices than local organizations due to the influence and the standardized HRM systems of headquarters (Lawler et al., 2011; Björkman, Fey and Park, 2007). Accordingly, we utilize institutional theory relating to HRM as a lens to review published academic articles to better understand the development of HRM in developing economies (Budhwar et al., 2016; Collins et al., 2011).

People management practices were identified three stages by Storey (1992) including the socialist traditional stage, the personnel management (PM) stage, and the HRM stage. Based on pre-reform conditions, socialist traditional HR practice is defined in terms of external control of the enterprise, lifetime employment and uniformity between industries within the public ownership system (e.g., state-owned enterprises-SOEs). In PM, more internal organizational control exists, workers enjoy extended job security, and collective bargaining at the local level determines many of the employment conditions. As Storey (1995) claims, HRM is an approach to employment management that seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable

workforce using an integrated array of cultural, structural, and personal techniques.

Empirical Studies of HR Practices in SMEs

Despite SMEs' vital role for economy in most developed nations, many scholars comment that people management in SMEs has been ignored in HRM literature (Katz et al., 2001; Chandler and McEvoy, 2000; Heneman et al., 2000). Current research on HR practices has more concentrated on larger firms. As a result, these research works often proposed only larger firms specific solutions of the problems (Heneman et al., 2000). However, small firms are different from large ones and it is, therefore, inappropriate to apply available findings about HRM in large organizations to the case of small firms (Storey, 2002; Barber et al., 1999). Literature about HR practices can contribute to understanding issues faced by SMEs and the contribution of HR practices to the survival of new ventures (Baron, 2003; Chaganti, Cook and Smeltz, 2002; Heneman et al., 2000).

A couple of studies have focused more generally on the use of HR practices in SMEs. The main focus of Storey (2007) work was on looking at the difference between the use of traditional PM practices and new HR practices. The findings pointed out that SMEs were prepared to experiment with new practices and the track record for the success of these practices seemed to be well above average (Storey, 2007). Duberley and Walley (1995) utilized Storey's framework (1995) in a comparison of the use of HR practices in 16 SMEs in manufacturing sector. Their analysis suggested that very few had adopted strategic approach to HRM, rather the most common practices in use related to a more traditional small firm approach than any proactive attempt to adopt HRM. Other studies found that HR practices in small firms reflected operational needs and pragmatic concerns, including record keeping; staffing activities such as recruiting and selecting staff; and, to a lesser extent, motivation and retention activities such as compensation and reward practices (Heneman and Berkley, 1999; Duberley and Walley, 1995; Deshpande and Golhar, 1994).

There are a range of studies indicating that small firms are characterized by informal HR practices (see for example Bartram, 2005; Marlo, 2000; Duberley and Walley, 1995; Deshpande and Golhar, 1994). In comparative study of large and small manufacturing in US, Deshpande and Golhar (1994) found that small firms did not use formal recruitment and selection practices. Furthermore, in a comparative study of SMEs and large organizations in Australia, Bartram (2005) found that small organizations were less likely to use formal HR practices than medium or large firms due to lack of resources, management training and formal strategic planning. In the UK, small companies utilize an informal approach to employee relations with lack of strategic approach (Duberley and Walley, 1995; Marlo, 2000). However, some suggest that there is a greater

sophistication in HR practices than would be expected (see for example Kotey and Slade, 2005). Kotey and Slade (2005) examined formal HR practices in small growing firms and noted that most of growth oriented SMEs have implemented formal HR practices.

High Performance Work System in SMEs Context

Although studies on change and HR practices are also relatively scarce in the SMEs literature, they are more prevalent than studies focusing specifically on HPWS. Examples of studies focusing specifically on HPWS in SMEs include the research of Youndt et al. (1996) and Marlow and Patton (1993) in which they argue that HPWS assists people in involving themselves in the decision-making and problem-solving process of their work activities. They identified HPWS such as quality circles, work team, job rotation, total quality management, cross-training, employee commitments, training and development, selective staffing, compensation and information sharing as the most frequently implemented work practices. In study on high performance and HR characteristics of successful small manufacturing and processing companies, Rowden (2002) reported similar results and argued that various forms of training and development, compensation and benefit packages, as well as selective staffing were the most commonly shared high performance work practices among these companies. In China, examples of research concentrating particularly of HPWS in SMEs include the study by Zheng, O'Neill, and Morrison (2009) in which they identified HPWS such as performance-based pay, training and development, performance evaluation, encouragement of employee participation in decision making and strategic recruitment and selection as the most regularly implemented work practices among growth-oriented SMEs.

According to some studies (Wilkinson, 1999; Bacon et al., 1996; Marlow and Patton, 1993), the small business context is in many ways the perfect place for the development of a HPWS approach. Firstly, the communication in small organizations is more direct and informal; and employees have more flexibility to work. Secondly, small firms have the horizontal hierarchy and the contribution of each employee to organization performance is more obvious. Finally, due to high insecurity, small firms are more responsive to changes in customer demands and markets (Bacon et al., 1996).

Studies of HR Practices in Vietnam

These prior studies have confirmed that institutional and economic forces have played an important role in determining the development of HRM in a particular context. In general, previous studies on HRM that have applied a lens of institutional theory, have concluded that the institutional environment determines the level of HRM development at national level and the adoption of HRM in organizations (Boon et al., 2009; Gooderham et al., 1999). Based on assumptions and findings from prior

studies, this study used an institutional lens to examine the development of HRM and HR practices in Vietnam.

Empirical research on HRM as well as the adoption of people management practices in Vietnam has been developed in recent years. The present study offers a logical understanding of the development of HRM and HR practice research in Vietnam over 30 years.

In the early period of the development of HRM in Vietnam (1984-1993), a central area of studies was to understand how HRM concept and ideas were disseminated (Budhwar and Debrah, 2009). Due to the developments in the economic, legislative, and social life of Vietnam, these have resulted in significant changes in organizational life and people management practices. For example, organizations have been independently adopting their own management philosophies and a significant variety of people management practices (Zhu et al., 2007).

In the following decade (1994-2003), there have been a great number of studies examining HRM from different perspectives (Vo and Bartram, 2012; Zhu et al., 2008; Thang and Quang, 2005b). For instance, prior studies have found the adoption of HRM in Vietnam which reflects a combination of the socialist tradition, traditional PM, and recent HRM models, and also have highlighted differences in HR practices in different ownership types (Zhu et al., 2008; Thang and Quang, 2005b). Vietnamese firms replaced the socialist traditional model of HR practices, then PM and HRM model is used to identify changes in people management since Vietnam's economic renovation in 1986 in relation to multi-ownership systems (Zhu et al., 2008). In this transitional period, some traditional PM practices still played an important role in many Vietnamese enterprises, especially SOEs. Meanwhile, other enterprises (e.g., private enterprises and MNCs) have a combination of PM and HRM (Zhu et al., 2008). In addition, research conducted by Zhu et al. (2008) also presented that key dimensions of HR practices such as ongoing training and development, performance based- pay system, internal decentralization of recruitment and staffing towards line managers were implemented in many firms, including foreign owned enterprises as well as state owned firms and local private companies, while some traditional people management practices such as the emphasis on harmony, hierarchy and relational-based commitment, still existed.

Nguyen and Bryant (2004) suggested Vietnam's SMEs to utilize clear criteria in performance management system to retain high-quality employees and to stay sustainably competitive. Previous studies have shown that privately owned enterprises have been more limited in their implementation of new trends in HR practices, although there have been attempts to be systematic and rational in their HRM (Bartram, Stanton and Thomas, 2009; Thang and Quang, 2005b).

In the most recent decade (2004–2013), studies are partially consistent with arguments concerning SHRM in

Western economies in the 1990s that HRM needed to shift from an administrative focus to integration with an organization's business strategy (Storey, 2007). Along these lines, there are some empirical studies on exploring individual or a bundle of HR practices adopted in Vietnamese organizations. For example, Quang and Thang (2004); Thang and Quang (2005a); Thang and Quang (2005b) as well as King-Kauanui, Ngoc, and Ashley-Coteleur (2006) paid attention to particular HR practices such as recruitment and selection, training and development, performance appraisal, and incentive compensation and its relationship to organizational performance. Besides, recent research findings of Zhu and Verstraeten (2013) indicated that most of companies in different types of ownership have adopted many advanced HR practices; especially the local private firms improved their HR practices rapidly, catching up with foreign owned companies and exceeding SOEs. HR system including a bundle of individual HR practices such as job analysis, selective staffing, employee retention, job rotation, extensive training, career development, succession planning, performance appraisal, and incentive reward should be put in full play and in good combination so as to create optimal impact on the firms' effectiveness (Cox, 2013).

Despite the empirical evidence in general HR practices, relatively little is known about the topic of HPWS in the Vietnamese context, especially in SMEs. This fact leaves much unknown about how HPWS practices are adopted and executed in this setting. Therefore, an investigation of a bundle of implemented HR practices based on HPWS approach could lead to a better understanding of sustainable performance in Vietnam's SMEs. The study starts with examining line managers' perceptions of HPWS implementation in their organizations. The study then proceeds to the quantitative data to explore the mechanisms of HPWS implemented in Vietnam's SMEs.

Methodology

Sample and Data Collection

In this study, we used a self-report questionnaire which was sent to line managers working in Vietnamese SMEs in Hanoi, Hochiminh and QuangNinh (the three largest cities in Vietnam). The questionnaire was originally designed in English and then translated into Vietnamese as well as back-translated to English (Brislin, 1970). To ensure the consistency of English and Vietnamese version, there were two experienced Vietnamese HR scholars who were in charge of conventional translation and back-translation, compared their translations, repeating this process until all errors of interpretation were eliminated and the questionnaire appeared reasonable and acceptable.

The study employed online based questionnaires in Google forms. The target participants were contacted via direct email with an active link to the survey and asked to complete the online survey. One week after issuing the

first email, the reminder email was sent to participants in order to ensure high response rate.

In this study, all the 159 samples of line managers working in Vietnamese SMEs in Hanoi, Hochiminh, and Quang Ninh were used to analyze data. Most of respondents were working in limited companies and joint stock companies, particularly 40.5% and 37.8%, respectively. Besides, approximately half (49.2%) of respondents were working in commerce and service industry, nearly one-thirds (30.7%) were working in manufacturing and construction industry, and the just under one-tenth (7.8%) were in agriculture, aquaculture and fishery industry. The majority of respondents had more than three year working experience (85.9%) and hold higher education (95.7%). In addition, there are more than 90% respondents with more than 25 years old. Besides, 60.6% of respondents are male and 39.4% is female.

Measure of HR Practices

The study used a 27 item scale of high performance HR practices originally designed by Bamberger and Meshoulam (2000) and later adopted by Sun, Aryee and Law (2007) to measure HR practices. The HR practices comprise of subscales, namely selective staffing, extensive training, internal mobility, employment security, clear job description, result-oriented appraisal, incentive reward, and participation. Respondents were required to evaluate whether their organizations implemented these HR practices by using the seven-point Likert-type scale ranging from 1 – “strongly disagree” to 7 – “strongly agree”. The item was statements such as “Very extensive effort is made to provide advice and counsel to management on staffing policy and related problems”, “Extensive training programs are provided for employees in your organization”, and “Close tie or matching of pay to individual/group performance”.

Data Analysis

The study used structural equation modeling (SEM) to test both construct validity and the theoretical relationships among individual constructs belonging to a set of concepts represented by multiple measured variables. SEM is known as useful methodology to test theories that include multiple equations involving dependent relationships (Byrne, 2009). SEM uses a series of measures that depict how well a theory can explain the observed covariance matrix among measured variables (Bentler, 1988). From the SEM approach, we used secondary order confirmatory factor analysis (CFA) to explore a system of HR practices implemented in Vietnam.

In this study, the data was input and analyzed by using SPSS ver.22 software program and AMOS package ver.22. In order to assess the reliability and validity of measurement scales, the study utilized several

advanced statistical validity tests and analysis including exploratory factor analysis (EFA) and CFA.

Firstly, the study conducted EFA by using SPSS ver.22 on all items of HR practices to identify underlying factors as well as assess the uni-dimensionality of constructs. In order to identify factor structure of HR practices in EFA analysis, the extraction method was principal axis factoring, and the rotation method was varimax with Kaiser normalization. The study used the rule of thumb for exhibiting factor loading over 0.5 (Hair et al., 2010; Williams, Onsman and Brown, 2010).

Secondly, CFA and path analysis were also performed using AMOS ver.22 in order to verify the validity of the scales and structural relationships among exogenous and endogenous variables (Hair et al., 2010). Besides, discriminant validity test for multi-collinearity treatment using average variance extracted (AVE) and composite reliability test were carried out (Chin, 1998; Fornell and Larcker, 1981). The study also used multiple Goodness-of-fit tests such as CMIN, df, CMIN/df, p-value, GFI, and RMSEA that reflect the overall model, not just single relationships (Hair et al., 2010; Byrne, 2009).

Results

According to EFA results, eight HR practice items were removed because of their factor loading value less than cutoff point of 0.5 and their cross-loadings on other factors (Hair et al., 2010; Williams et al., 2010); and the remaining 19 items hence were grouped into 6 factors namely job description and appraisal (Cronbach’s alpha = 0.891), extensive training (Cronbach’s alpha = 0.905), employee security (Cronbach’s alpha = 0.687), internal mobility (Cronbach’s alpha = 0.736), selective staffing (Cronbach’s alpha = 0.814) and incentive reward (Cronbach’s alpha = 0.751) (as shown in table 1).

Confirmatory Factor Analysis (CFA)

Next step, AMOS ver 22 was used to run CFA to test the validity of the measurement model of scales. In the analysis of the CFAs, the study estimated the measurement parts of the model and tested the convergent and discriminant validity of the measurements. The CFA of HR practice scales showed that the scales met the recommended minimum fit indices. The analysis of six factor measurement model showed a good fit to the data (CMIN (Chi square) = 282.286 (p-value < 0.001), CMIN/df = 2.091, GFI (Goodness of fit index) = 0.86, CFI (Comparative Fix Index) = 0.92, TLI (Tucker – Lewis Index) = 0.90, RMSEA (Root mean square errors of approximation) = 0.078) (Hair et al., 2010). Besides, we also computed the AVE and CR values of six constructs in order to evaluate uni-dimensionality, validity and reliability of the measurements. As presented in table 2, all six constructs have the AVE values above the cut-off value of 0.5 (Hair et al., 2010; Fornell and Larcker, 1981) and CR values

above the cut-off value of 0.6 (Chin, 1998), which indicate that each construct had convergent validity.

Table 1 Exploratory Factor Analysis Results of HPWS Practices

Component HPWS	Job description & appraisal (F1)	Extensive training (F2)	Employee security (F3)	Internal mobility (F4)	Selective staffing (F5)	Incentive reward (F6)
APP2	.929					
APP1	.885					
DES3	.855					
DES2	.782					
DES1	.635					
APP3	.580					
TRA4		.835				
TRA3		.824				
TRA1		.816				
TRA2		.743				
SEC1			.848			
SEC2			.752			
PAR2			.687			
MBO2				-.885		
MBO1				-.813		
STA1					.740	
STA2					.663	
REW2						.848
REW1						.702
Kaiser-Meyer-Olkin Measure of Sampling Adequacy 0.880						
Barlett's Test of Sphericity						
Approx. Chi-square	3222.467					
Df	351					
Significance	< 0.001					
Cronbach's Alpha	.891	.905	.687	.736	.814	.751

As a result of developing a satisfactory measurement model, the second order CFA model could be tested to determine whether the theoretical relationships specified are supported by the relevant empirical data. The relationships between the measurement of structural relationship and the constructs were evaluated on the basis of the definitions of the constructs. On the basis of applying the modified model, the results obtained are found in the table 3.

The modified second order CFA model was found to be the preferred model, with the better fit indices. The fit

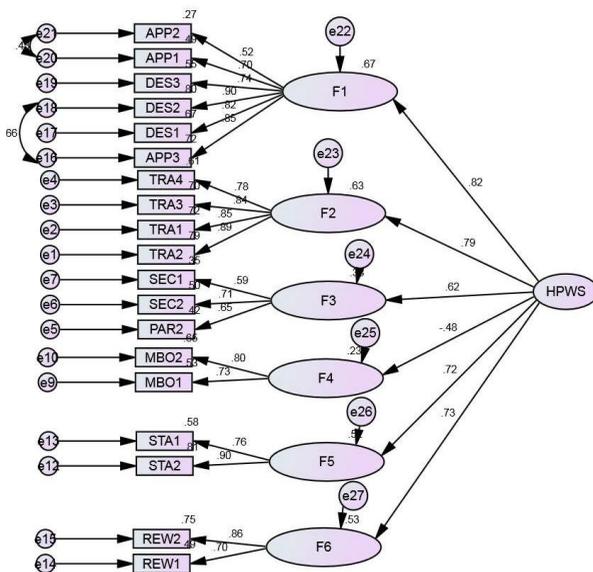
indices indicated the good fit of the second order CFA model. The X^2/df ratio was 2.005. RMSEA was 0.075. GFI was 0.878 and CFI was 0.95. TLI was 0.93. The conclusion to be drawn in respect to modification is that the overall fit of the second order CFA model evinced good fit results.

Table 2 The CR and AVE for the main construct

<i>Construct</i>	<i>CR</i> (above 0.6)	<i>AVE</i> (above 0.5)
Job description and appraisal	0.892	0.585
Extensive training	0.905	0.705
Employee security	0.688	0.525
Internal mobility	0.741	0.590
Selective staffing	0.820	0.696
Incentive reward	0.760	0.616

Table 3 The fit indices of the Initial and modifying second order CFA model

<i>Statistics</i>	<i>Second order CFA model</i>	
	<i>Initial</i>	<i>Modify</i>
The chi-square test	Significant	Significant
CMIN	305.162	184.451
Chi-square/degree of freedom	2.119	2.005
RMSEA	0.079	0.075
GFI	0.849	0.878
CFI	0.913	0.950
TLI	0.9	0.930

Figure 1 Confirmatory factor analysis result of second order construct

As presented in Table 4, all of the hypothesized paths were supported based on the structural equation of the second order CFA model results. The results of path analysis showed that all of the six hypothesized paths were found to have a significant relationship with the HR practices. Particularly, all six paths were supported with p -value < 0.01 , and the standardized coefficient being 0.820, 0.792, 0.616, -0.478, 0.719, 0.727, respectively (as given in table 4). The standard coefficient and t -value showing the significance at the 0.01 level is quite high for a test such as this (Overby and Suvanujasiri, 2012). Table 4, too, confirms low standard error loadings for all relationships. Supported paths mean that job description and appraisal, extensive training, employee security, internal mobility, selective staffing and incentive reward are significant categories in the structural model of HR practices. This is also confirmed and supported with the goodness of indexes of the structural model. Goodness of model fit shows the chi-square value (CMIN=184.451); $\chi^2/df = 2.005$; GFI = 0.878; and RMSEA = 0.075.

As a result, job description and appraisal is served as the most significant variable for HR practices (standard loading of this factor is 0.820), followed by extensive training (standard loading = 0.792), intensive reward (standard loading = 0.727), selective staffing (standard loading = 0.719), employee security (standard loading = 0.616) and internal mobility (standard loading = -0.478).

Discussion

This study provides insights into Vietnam's HRM literature in relation to the HR practices implemented in Vietnamese SMEs through the perceptions of line managers. From a SEM approach, the study provides some useful information about the prevalence of implemented HR practices in Vietnamese SMEs.

Particularly, the research findings present that Vietnamese SMEs largely emphasize a system of HR practices namely job description and appraisal, extensive training, employee security, internal mobility, selective staffing and incentive reward. These results are consistent with the findings of previous studies related specific implemented HR practices in Vietnam where the SMEs were explored to adopt an advanced system of HR practices including recruitment and selection, training and development, performance appraisal, incentive compensation (Cox, 2013; King-Kauanui, Ngoc, and Ashley-Cotleur, 2006; Thang and Quang, 2005a, 2005b; Quang & Thang, 2004; Kamoche, 2001). These research findings also share the similarity with other studies conducted in the US and UK, where the SMEs were found to focus on implementing HR practices related to performance-based compensation (Rowden, 2002), selective staffing (Terpstra and Rozell, 1993), performance appraisal and training (Hornsby and Kuratko, 2003; Matlay, 1997). Besides, these results are similar to findings of studies of HR practices implemented in China, where SMEs utilized HR

practices in the areas of selective staffing, incentive reward, extensive training and performance evaluation (Zheng, Morrison and O'Neill, 2006). However, the study affirms that there is absence of HR practice namely employee participation in decision making in Vietnamese SMEs. In contrast, employee involvement in decision making was considered as one of essential HR practices implemented in SMEs (Zheng, Morrison and O'Neill, 2006; Wyer and Mason, 1999).

Based on HPWS approach, the study explores that HR practices implemented in Vietnamese SMEs is a system of individual HR practices which develop employee ability, enhance motivation as well as create opportunities for employees. Specifically, Vietnamese SMEs have paid attention to implement ability-enhancing HR practices including staffing, extensive training which are designed to improve employee competencies. Thanks to ability-enhancing HR practices, employees would be equipped with necessary knowledge, skills, ability and experiences to well perform their roles in organization (Way, 2002). Besides, motivation-enhancing HR practices namely results-

oriented appraisal, incentive reward and performance appraisals contribute to direct employee behaviors toward the accomplishment of organizational objectives (Huselid, 1995). Furthermore, opportunity-enhancing HR practices such as internal mobility, clear job description, empowerment are also emphasized to develop in Vietnamese SMEs in order to create more opportunities for employees to contribute toward the organizations' success (Jiang et al., 2012; Gardner, Wright and Moynihan, 2011).

Additionally, the research findings also demonstrate that Vietnamese SMEs are more likely to adopt a wide range of modern HR practices called HPWS. This result provides evidence of the transformation of HRM system in Vietnamese SMEs from PM to HR practices, which help organizations to achieve their sustainable competitive advantage. This is consistent with the findings of Zhu et al. (2008)'s and Zhu and Verstraeten (2013)'s studies of HR practices in Vietnamese organizations.

Table 4 Results of Path Analysis

Paths	Standardized Coefficient	Std. error	t-value	P-value
HR Practices (HPWS) → job description and appraisal	0.820		A	***
HR Practices (HPWS) → extensive training	0.792	0.114	8.444	***
HR practices (HPWS) → employee security	0.616	0.106	5.616	***
HR Practices (HPWS) → internal mobility	-0.478	0.123	-4.267	***
HR practices (HPWS) → selective staffing	0.719	0.102	7.886	***
HR Practices (HPWS) → incentive reward	0.727	0.097	7.657	***

Limitation and Future Research Directions

This study is only focused on analyzing implemented HR practices in Vietnam without examining if these practices were intended or implemented in the HRM-performance relationship. It is argued that high-performing organizations are characterized by an effective system of implemented HR practices (Posthuma et al., 2013). Furthermore, as HRM is considered as a key factor in creating sustained competitive advantage for an organization (Bartram et al., 2009; Truong and Van Der Heijden, 2009), there is a need for future HRM research in Vietnam to explore which actual HR practices are implemented as well as how those implemented HR practices can bring added value to the organization. Future research on HRM should pay more attention to outcomes of HR practices to the organization; especially how HR practices including job description and appraisal, extensive training, employee security, internal mobility, selective staffing and incentive reward can have positive impact on sustainable performance in Vietnamese organizations.

Besides, the study also provides new evidence on implemented HR practices perceived by line managers in Vietnamese SMEs; nevertheless, we still encourage future research to collect data from multiple sources such as employees and HR professionals to generalize our findings more.

The survey in this study was conducted at a single point in time. In view of the significant difficulties experienced in Vietnam during the conduct of this study, there is the risk of potential distortion of the responses because respondents may have view their world and reality only in the light of whatever seemed important to them at that specific time. This limitation could be overcome by conducting longitudinal studies in the future (Barnes, 2002).

Finally, in addition to theoretical and managerial contribution, the research findings hope to reduce the gap in understanding the degree of application of HR practices in Vietnamese organizations at a practical level.

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