Far-east secret: Knowledge elements of Vietnamese family businesses operating in Hungary

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Abstract: The focus of our analyse is on the Vietnamese family businesses which are operating in Hungary. What type of assets did they have during the 2008 economic crisis? Which are the special characteristics, values, knowledge and experiences that helped them to develop in a foreign environment? These families and family businesses had to learn language, roles, rules, traditions, legislations etc. Ten family businesses were involved in our primary qualitative research and principal characteristics were identified which determine their knowledge management. They have two pawns to survive: one is the ability for extremely quick learning new knowledge and flexible adaptation to the environment. The second one is the original (Vietnamese) value system of their families which provide a supporting background for these processes.

Keywords: Family Businesses, Hungary, Knowledge and Competences, Values, Vietnamese National Culture

1. Introduction

We are focusing on those Vietnamese families who came to Hungary – a geographically and culturally far country – and live in a foreign environment. These actors were able to not only start a competitive business, but they maintained it even during the 2008 economic crisis. After the change of regime in Hungary (1990) a new market opened up for Chinese entrepreneurs who gained monopoly in the textile and gaming market. Encouraged by this example, the Vietnamese entrepreneurs (or enterprising families) also came to Hungary to try their luck. In order to get rich they were looking for untouched markets, e.g. household products as well as perfume and tobacco. At first they were only present as retailers in the Hungarian market. Today, these markets are owned by the Vietnamese families. After joining the Schengen area, the cooperation with the nearby countries – such as Poland, Slovakia, Italy – and Turkey as well has been simplified, in fact there are companies which have direct links to the Chinese factories. Due to the increased market demands they do not operate as retailers but as suppliers to major retail chains (Metro, CBA). The owners admit the 70-75% of their revenues to come from wholesale trade. The question is what are they competitive? How do they preserve, perpetuate and transfer their knowledge? Every company and every culture has different basic skills. To answer these questions we analyse the surveyed enterprises. Our analysis is based on the review of the national cultural values and the knowledge-management systems.

2. Theoretical Background

2.1. Knowledge and Competence

The concepts of knowledge and competence cannot be separated from each other. To the market economy knowledge is equal to the proper knowledge namely the complex of knowledge and experience that help to stay in the market and achieve the maximum profit. However, the proper knowledge, skills, abilities and competencies are not constant [25]. In addition to this, knowledge itself is cannot be interpreted either, because it is related to the fact how we live with this knowledge and how we use its advantages [10].

The competency is the value-added application of knowledge, so that the competence is more important than the awareness, creation, recognition and the ownership of knowledge, in fact, it is the best practice of the knowledge management [11].

Regarding the family-owned business as a group, the
members may reveal new relations and create new knowledge by sharing experiences and opinions. This cooperation can expose the people's hidden knowledge [3].

A competent person or group must have the following characteristics and capabilities:

- empirical and / or scientific knowledge,
- the practice of application in different contexts (know what you're doing),
- motivation to achieve the goals and excellence,
- adaptation to the changing circumstances and the new know-how requirements,
- ability to efficiently perform the required tasks with minimum loss of physical and mental resources,
- be able to feel what is expected by others and manage to meet the customers expectations in a high level [11].

In line with this approach, competence is the ability to achieve the success, satisfaction, value and excellence, namely competence is much more than the knowledge itself.

For an enterprise, for the materialization of the ideas we need skills, willingness and professional knowledge as well as certain personalities and behaviors.

- Knowledge: understanding the world of the economy and work, the ability to recognize opportunities, knowing the business ethics and the basics of how to establish and operate a company.
- Skills and professional acquaintances: capacity of individual and teamwork, identifying and assessing strength and weakness, risk assessment, project planning and management, financial management, negotiation and advocacy.
- Behaviour, personality: initiative, pro-activity, self-determination, steadiness, creativity, innovation, motivation to achieve the goals, responsibility, management attitudes. [6].
- These competences can be acquired in the formal education system, the workplace and in the family [21].

2.2. Economic and Social Relations, Migration, Family Businesses

It is estimated that about 50-60% of the GDP in Hungary is produced by family businesses, more than a half of the employees working for them [18] [19] [20]. Uhlner [28] defines the family business as a group of people who are related by blood or marriage to the founder of the family enterprise. One family owns the majority of property and minimum two members of the same family own and/ or manage the business together. They are special items of the economy [1].

The family business is characterised by the combination of a unique blend of resources, which occurs from the interaction of family, the family members and the business environment and this so called familiarity can give a long-term competitive advantage to the enterprise [8] [9]. Irava [15] defines familiarity as a combination of human (e.g. reputation, experience, vision), organisational (e.g. decision-making, learning) and processional (e.g. relations, social networks) resource categories (and resource dimensions within). The family as a system's main task is to identify and utilise these resources and abilities in the process of creating values.

However, there are not only Hungarian but Vietnamese family businesses in Hungary, due to the migration from the Asian countries. Among them, the research focuses on a specific group, namely the Vietnamese family businesses.

Before the end of the communist regime in Hungary, the Central European countries and Vietnam had extensive socio-economic relations. Hungary mostly exported wood products, tropical foods, crafts and rubber goods, machinery equipment, chemical and pharmaceutical articles, iron and steel goods to Vietnam. Vietnamese young people came to Hungary primarily because of the education, while others were guided by the employment goals. After finishing their studies, the expiration of their contract (3-4 year long period), the majority of these young people decided to stay in the country. After the end of the Communism, the rules of business and immigration eased out so the Vietnamese who wanted stayed, had the opportunity to create and launch their own business and relocate their relatives and friends. Creed [2] sees migration as a way of sustaining the family or the family business, which proved to be true in their case as well. The period of the transition of the Hungarian regime, both for domestic and foreign traders, was characterized by the special resolution of the informal labor market, the open-air labour market [24] [29]. Futo [7] estimates that about 30 to 50 thousand illegal migrants and about 166 thousand legal migrants came to the country by the end of 2007. A “suspended immigration” was typical in the Central and Eastern European countries (Czech Republic, Hungary, Poland and Slovakia) [22].

Good relations between Hungary and Vietnam are still present. For example, in 2008, the Hungarian-Vietnamese Business Council was formed, in 2011 thanks to the Chamber of Commerce, the Budapest Economic Relations with Vietnam Trade Department was established. Institutions that played an important role in building the Vietnamese-Hungarian relations are: the Hungarian Export-Import Bank, Hungarian Investment and Trade Development Agency, ITD Hungary Zrt. (Ltd), Hungary-Vietnam Friendship Association, etc. The data on trade between the two countries are summarized in Table 1.

<table>
<thead>
<tr>
<th>Categories</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilateral commerce</td>
<td>81.6</td>
<td>88.6</td>
</tr>
<tr>
<td>Export of Hungary</td>
<td>45.6</td>
<td>44.0</td>
</tr>
<tr>
<td>Import of Hungary</td>
<td>36.0</td>
<td>44.6</td>
</tr>
</tbody>
</table>

Source: http://ksh.hu

The number of Vietnamese graduates in Hungary over the past 10 years has reached 3 000. Young Vietnamese can apply for nearly 50 scholarships in Hungarian universities each year.

2.3. National Cultures

From a contingency point of view all the organisations
are open systems and thus contain social, cultural, political and economic elements connected and integrated into a system [4]. This is why one should not examine them without taking the cultural effects into account.

Trompenaars [27] started his work to examine national cultures based on that persuade that we cannot understand cultures. He established an own analyse system which includes several dimension pairs in connections with business practice:

- Universalism vs Particularism: Particularists focus on associations. Rights and obligations depend on personal relationships.
- Individualism vs Communitarianism: in the Communitarian societies groups and interest of groups are more important than individuals. Group means an incubator which help in exchange for loyalty.
- Specific vs Diffuse: in Diffuse communities there is an overlap between work and family or personal life. They attend to establish and maintain good relationships with business partners, colleagues, clients etc. over the worktime or workplace.
- Neutral vs Emotional: in Neutral societies people control to hide their emotions and their thinking.
- Achievement vs Ascription: in Ascription type people evaluate each other based on their power, title, position. All of these effect on one’s behaviour.
- Sequential time vs Synchronous time: Synchronous communities deal with past, present and future parallel. They can work on several task in the same time, plans are flexible.
- Internal direction vs Externalistic direction: in Externalistic societies people pay more attention to their environment, circumstance. They pursue for consensus, avoid conflicts. [31]

The examined group is influenced by double cultural effects, so we’re going to explore what these effects exactly are and the differences between the two cultures - Vietnamese and Hungarian. We are exectuting this comparison using the Hofstede model. His theory states that thinking and acting in a group are programmed by the culture [13] [16] [17].

Hofstede’s national cultural dimensions are:
- Power distance (pdi): unlike the Hungarian, the Vietnamese culture can be described with a great power distance, in which people accept their place in the hierarchic levels, the inequality, centralisation is an accepted norm. The employees are waiting for the orders of the next tasks, the ideal leader is autocratic.
- Individualism (idv): here we can find the biggest difference from Hungarian way. As the Hungarian culture is individualist, the Vietnamese is an unequivocally collectivistic society, which manifests itself in the commitment to the group (family, extended family or extended relationships). Upholding loyalty, societal rules and regulations is vital. Relationships are mostly based on morals fundaments.
- Masculinity (mas): While Hungarian is a masculine society, Vietnamese is a feminine society, where people work for living, management aims for consensus, in the world of work (in the given group) equality, solidarity and quality are highly important. Conflicts are solved by discussion and compromises.
- Uncertainty avoidance (uai): on the contrary to Hundayian way, Vietnamese are not afraid of un uncertainty or the unknown. In their view they don’t need more then the basic rules and whether they can be modified. Progresses are flexible, exactitude and punctuality are not necessarily natural and they do not turn away from innovations.
- Pragmatism (ltowvs): both Hungarian and Vietnamese cultures are pragmatic cultures, where the “truth” is based on situation, context and time. They easily adapt to the changing circumstances, a strong propriety to save and invest thriftiness and perseverance in achieving results.
- Indulgence (ivr): both Hungarian and Vietmanian cultures are restrained. They tend to be cynical and pessimistic. They do not care about leisure time. Social norms define - determine - people’s actions [14]. (see Figure 1.)

![Figure 1. Indexes of National cultures](source)

**2.4. Heterogenous Values**

In the Vietnamese culture, just like in other East-Asian countries, social connections contain the virtues of Chinese Confucianism: humanity, righteousness, propriety, wisdom and trustworthiness [26]. The basis of social connections such as ruler and subject, father and son, older brother and younger brother, husband and wife, friend and friend which relationships are not equal [30]. Meanwhile, heterogeneity is typical in the social values, Taoism and Buddhism and Catholicism all have made their effect on it. Vietnamese relationships are based on family, friends and neighbours [12]. Hitchcock and Wesner [12] have proved those common neo Confucianist values by which Vietnamese entrepreneurs respect senior people, protect face in business and have strong work ethic. (see Table 2.) Experiments have proved that Vietnamese entrepreneurs never give up, aim to succeed and take all the exiting business chances. For them, business comes first, but this puts great stress on family ties. Their relationships, relationship networks are built up on trust. (see Table 2.) Their examination also shows, that younger generation seems to be more individual and less committed to traditional Vietnamese standards. Nguyen and Nguyen [23] say
Table 2. Features of Vietnamese networks

<table>
<thead>
<tr>
<th>Elements</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants</td>
<td>Extended family and friends (information remains within the family)</td>
</tr>
<tr>
<td>Character</td>
<td>Basic and largely pragmatic</td>
</tr>
<tr>
<td>Main characteristics</td>
<td>Loyalty to home regions (ancestor worship)</td>
</tr>
<tr>
<td></td>
<td>Relationships are based on loyalty and trust (little use of contracts)</td>
</tr>
<tr>
<td>Common features</td>
<td>Suspection of foreigners (long history of colonization and migration within Asia)</td>
</tr>
<tr>
<td></td>
<td>Careful with investment</td>
</tr>
</tbody>
</table>

Source: Hitchcock – Wesner, 2009

Table 3. Characteristics of the Sample

<table>
<thead>
<tr>
<th>Identity code</th>
<th>Interviewed person</th>
<th>Gender</th>
<th>Working fields</th>
<th>Work-force</th>
<th>Family members within workforce</th>
<th>Founded in</th>
<th>Position</th>
<th>Growth in the past 5 years</th>
<th>Mid-term goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>P. T. T.</td>
<td>female</td>
<td>retail (gifts)</td>
<td>2</td>
<td>2</td>
<td>1996</td>
<td>B2C,</td>
<td>significant</td>
<td>maintain</td>
</tr>
<tr>
<td>2</td>
<td>D. D. T.</td>
<td>male</td>
<td>retail (cloths)</td>
<td>2</td>
<td>2</td>
<td>1997</td>
<td>B2C,</td>
<td>slight</td>
<td>grow</td>
</tr>
<tr>
<td>3</td>
<td>D. T. A.</td>
<td>female</td>
<td>retail (cloths)</td>
<td>3</td>
<td>3</td>
<td>1987</td>
<td>B2C,</td>
<td>slight</td>
<td>maintain</td>
</tr>
<tr>
<td>4</td>
<td>H. D.</td>
<td>male</td>
<td>retail (technical devices)</td>
<td>2</td>
<td>2</td>
<td>1989</td>
<td>B2C,</td>
<td>slight</td>
<td>survive</td>
</tr>
<tr>
<td>5</td>
<td>V. D.</td>
<td>female</td>
<td>retail (cloths)</td>
<td>3</td>
<td>2</td>
<td>1994</td>
<td>B2C,</td>
<td>significant</td>
<td>maintain</td>
</tr>
<tr>
<td>6</td>
<td>N. P. O.</td>
<td>female</td>
<td>tourism</td>
<td>2</td>
<td>2</td>
<td>1993</td>
<td>B2C,</td>
<td>modest</td>
<td>grow</td>
</tr>
<tr>
<td>7</td>
<td>P. H.</td>
<td>female</td>
<td>retail (cloths)</td>
<td>3</td>
<td>3</td>
<td>1997</td>
<td>B2C,</td>
<td>modest</td>
<td>grow</td>
</tr>
<tr>
<td>8</td>
<td>T. D.</td>
<td>male</td>
<td>catering</td>
<td>2</td>
<td>2</td>
<td>1999</td>
<td>B2C,</td>
<td>significant</td>
<td>grow</td>
</tr>
<tr>
<td>9</td>
<td>T. D. T.</td>
<td>male</td>
<td>retail (cloths)</td>
<td>3</td>
<td>2</td>
<td>1998</td>
<td>B2C,</td>
<td>modest</td>
<td>maintain</td>
</tr>
<tr>
<td>10</td>
<td>N. Q. A.</td>
<td>female</td>
<td>retail (cloths)</td>
<td>1</td>
<td>1</td>
<td>2000</td>
<td>B2C,</td>
<td>slight</td>
<td>survive</td>
</tr>
</tbody>
</table>

3. The Primary Research

3.1. Introduction of the Qualitative Sample

The qualitative data was collected for our research in the summer of 2014 (July-August). The research was recorded during many private interviews. The requirements for those in the research samples were:
- It had to fit in the definition of the family businesses.
- It had to have survived the economic crisis in 2008 (it had been developing).
- It has to be owned by at least one Vietnamese citizen.

Ten independent family businesses were involved in the research. In the following the businesses will be identified by numbers. (see Table 3.)

3.2. Results and Discussion

All of the examined businesses fit in the type of „Clan” [5]. The family members’ personal abilities (how fast they can be integrated in the new environment) are very important. These abilities decide whether the businesses will be able to survive and flourish or not. Their business lives are characterized by a strong commitment to family. The owner and the manager is the same person. He makes the strategic decisions in the favour of efficient operation „The members of the new generation have to contribute to the daily operation of the business.” (2) During this mandatory contribution the elder members of the family hand over the knowledge and the task to the descendants step by step. The cooperation, the handover of the important knowledge and connections, the education of the new generation to be able to work independently are essential. That is why an outsider cannot easily fit in the business. First of all employers expect the employees to become familiar with the professional knowledge through observation. Secondly the Hungarian employees are not familiar with the non-stop working style in 14 hours a day (everyday of the week). That’s why the fluctuation is very high in these companies. But they also dislike to employ strangers especially those who have come from another culture (non Vietnamese).

One of the businessmen in the sample, owing to his experiences what he collected during his studies and life (2) noticed a niche market that he was able to fill up. “I wanted to get the biggest amount of money that I could realize for the family in the safest way as soon as possible.” (2) Primarily, their decision has been based on intuition and their willingness of risk-taking. For this the family act as a resource center which provides financial and human capital, knowledge and social capital.

In the Vietnamese businesses the family relationships include brothers, parents and children but the spouses rather receive a confidential freelance role. Their values and mentality are characterized by hard-working “Every moment what I do not use for work is a chance to my competitors to take over my costumers” (10).

Some of the examined businesses are forced to grow (1), (4) and during the years thanks to the organical development the family members step into the firm but they do not think about the succession “I am working until my physical state lets me to” (8) For this reason they plan another carrier or something
Ildikó Marosi and Thinh Duong Van: Far-East Secret: Knowledge Elements of Vietnamese Family Businesses Operating in Hungary

else for their children. Others desired freedom and independence (6), (9), they noticed market opportunities and through their connections they became competitive (2). They mobilised their Hungarian family and friend connection to enter the Hungarian market. Typically these businesses are founded on family capital because „every one in the family considers these businesses as his or her own” (2). The general point of view among the Vietnamese: “Anh em ăn ở hòa thuận Chớ điều chếch lệch người ta chê cười.” which means “The brothers have to agree with each other if they not then they will be considered as the subjects of ridicule”. “The learning phase as such does not exist. I had about one week to learn how to integrate myself to the new environment furthermore how to run my own profitable business. The whole process was nothing else but a little tour in the market, while they showed me what, where I can find, what kind of essential vocabulary I need to sell my goods then go on” (7). They require fast learning ability from the employee. They only show the daily tasks, prices... once, then they expect that the employee knows everything perfectly even the whole product line and norms of the organization. As the Vietnamese proverb says, “Hoc mot hieu muoi”- (“You learn one thing you understand ten”). The values what the family created are very important not only on ideological level but also following it. The humanitarianity is always a part of the business philosophy “If I see that my customers are in need, I will give them my goods without profit or even with loss just to keep my customer” (3). They expect a sense of commitment from their business partners in return (3) “Uong nuoc nho nguon” that means „if you drink water, remember the source.” In their mentality we can also notice the long term thinking and responsibility. “From the very beginning we have been planning for a long term that is why at the early phase we saved a lot of money. In this period the whole family lives for the company” (5).

After the maturing state a disunion is coming, therefore we can say that they prefer splitting of the common property instead of a network development. The reason of this is embedded in their background, being presented unlimited power, strong competitive spirit from early the childhood. If somebody cannot fit the requires “to be the best” the reputation of that persons in the family is almost equal to zero. “The cooperation in the family business is mandatory to all of the family members.” (3) “All of the business decision have to fit with the family values.” (2) The roles in the business are clear and highly depend on the willingness for risk-taking of the household leader.

4. Conclusions

Based on results of our research, it can be stated that the investigated companies have properties and capabilities of Hessami-Moore-type [11] competent person or group, namely experiences, practice, motivation, adaptation, the efficient performance and the recognition of customer needs.

Organising the key competences of the entrepreneurship education [6], we can emphasise the ability to recognizes opportunitieys and novelties which are on the side of knowledge. Among the skills and professional skills the most important is authonomy, risk evaluation and to know how networking operates. Whereas on the side of attitudes and personal features, the most important features are open mindedness to the new ideas, responsibility and the stamina. By these the Vietnamese entrepreneurs are able to find new products, exploit new market opportunities and can flexibly adapt to their environment. (see Figure 2.)

![Figure 2. Knowledge elements of Vietnamese family businesses](image)

![Figure 3. Resources create familiness in Vietnamese family businesses based on Irava modell](image)
reputation in the human resources category. The decisions which take long-term sustainability as well as quick or short-time learning and observational learning into consideration are specific and create the organizational resources category. Strong family relations and presence, loyalty and strong contact network in the process category contribute to the creation of familiness. (see Figure 3.)

The mental programming of the Vietnamese national culture [13] seems effective in Hungarian context. The roles in the patriarchal family are always respected. The head of the family decides, but the family is the first of all and the other family members always accept this decision. The most important values which are taught int he family: to be precise and hard working, reliable, responsible and mapthetic. Due to these the family’s financial, human and social capital can be operated very efficiently. Their extremely fast learning skills, their excellent maintenance, enhancement of the resources encourage us to do further studies. “Là lành dĩm là rách” means “The healthy leaf completes the torn one” suggests we should help others in need.

References


