DEPOCEN

Working Paper Series No. 2011/16

Organizational culture of privatized firms and state- owned enterprises in Vietnam

Vo Thi Quy*

* University of Economics of Hochiminh City

Organizational culture of privatized firms and state-owned enterprises in Vietnam

Dr. VO Thi Quy
University of Economics of Hochiminh City
Email: quy@ueh.edu.vn

Abstract
The purpose of this paper is to examine the organizational culture of state-owned enterprises (SOEs) and privatized firms (PFs) in Vietnam, and to study whether or not the difference in organizational culture between the two company groups exists. Different organizational cultural dimensions were reviewed. Two comparative groups, SOEs and PFs were surveyed. Based on the work of Cunha and Cooper on organizational cultural types, a structured questionnaire was developed and sent to managers, staffs, and workers in both state-owned and privatized companies. Seven hundred and ninety valid questionnaires were collected from companies located in Hochiminh City. The results show that PFs have people and market orientations significantly different from that of SOEs. There is not the difference in integration orientation and performance orientation between PFs and SOEs. These findings imply that there are many cultural dimensions existing together in an organization and the ownership structure could be the predictor of organizational culture. The limitations of the study are that the sample is limited to companies located in Hochiminh City, and the convenient sampling technique was used. Therefore the replication of this analysis in other research contexts and regions of the country and the use of random sampling technique would enhance the generalization of the findings. This study provides empirical evidence for the importance of ownership change leading to organizational culture change in the Vietnamese context.

1. Introduction

Privatization is a worldwide phenomenon. The spread of the privatization movement has grounded the fundamental belief that market competition in the private sector is a more efficient way to provide the profound change in the internal environment of companies in order to help the companies adapt with the increasing competitive market. Before 1986, Vietnam had a centralized-planning economy in which the government controlled almost all economic sectors. The Government controlled and allocated most of social property through the planning system. However, the planners had inadequate information to provide efficient resource allocation. This weak market mechanism distorted the prices of products and services of the economy. The lack of private property, profit motive, and an active labor market reduced the incentives of state owned enterprises to perform well. The so called equitization is a growing phenomenon in the transition process of Vietnamese economy from the centralized to market based economy introduced since 1992 with the expectation that the performance of state owned enterprises (SOEs) would be improved after equitized.

The transition from the centralized-planning economy to the market-based economy in Vietnam actually began from the Sixth Communist Party (1986) and continues until the present time. In the mid-1980s, because of the poor performance of state-owned enterprises, the government decided to restructure the public sector and selected equitization as an important strategy. It is expected that equitization would change the ownership of the Stated-Owned Enterprises (SOEs), attract investment from the private sector, enhance worker participation by turning them into company's shareholders and improve SOEs performance, as a result of equitization. According to Stiglitz (1999), the expectation that the improved performance would be automaticly good effects of privatization is wrong. Most of the theoretical arguments for privatization predict that the sound privatization is supposed to bring about positive organizational changes fundamentally different from SOEs and suitable for a competitive market environment. The change of the ownership in former SOEs in Vietnam would lead to the change of their organizational culture is still a question. In other words, whether ownership disparities between SOEs and privatized firms (PFs) are significantly related to their differences in the organizational culture is the study's research question.

Although the research on the effectiveness of privatization on organizational change of PFs in the world is extensive, there are few such studies focusing on Vietnamese experiences. The answer to the question is important because it allows the assessment of the insight of equitization process in the Vietnamese economic situation. That is the reason why we expect to find out the answer for the research question and fill the research gap. The primary objective of this study is to identify the organizational culture of SOEs and PFs and the second emphasis is to compare organizational culture of SOEs and PFs.

Using data collected from 790 surveyed questionnaires, government reports and face-to-face interviews, our empirical evidence shows at first that performance orientation culture is the strongest culture dimension in both company groups, PFs and SOEs, and there is no the significant difference of performance orientation between the two groups. Second, organization integration is the second strongest culture dimension in SOEs while for PFs, market orientation is the second strongest one. There is not a significant difference in organization integration, but there is a significant difference in market orientation between PFs and SOEs. Finally, people orientation is the weakest cultural dimension in both PFs and SOEs. However, PFs have people orientation levels higher than SOEs. These findings are thus consistent with Longencker and Popovski (1994) in that changes in ownership and market conditions can lead to significant changes in the organizational cultures of newly privatized companies because it is essential to develop more "market" or customer-oriented cultures.

During the last two decades privatization in Vietnam has taken place through four methods: (1) The sale of small and poor performing SOEs; (2) The facilitating of foreign joint ventures; (3) The equitization of SOEs; and (4) Allow private entities to be established. However, the changing corporate ownership of former SOEs called equitization has been the main issue of the reform process in Vietnam. The equitization process, which was introduced since 1992 has resulted in about 4000 SOEs equitized, and reduced the number of SOEs from 12,000 to around 1700 enterprises. As a result, the role of the non-state sector increases through its contribution to GDP accounting for 40%. Moreover, the reform process has created the transition of the economy from a state to a market-based economy with less of the product and service monopoly markets.

Especially, since 2005 Vietnam has become the 150th member of WTO, the pressure of competition in the market place increases day by day. Without the government's favor as before, former SOEs have to change their organizational culture to respond more appropriately and rapidly to the changes happening in the market place to survive and develop. That is the reason why their organizational culture is more directed toward market than SOEs as shown in this study. The findings of the study contribute empirical evidence in Vietnam to the existing literature of the change of organizational culture due to the change of ownership structure and external environment.

The remainder of this paper is organized as follows. Section 2 briefly reviews existing literature and proposes some testing hypotheses. Section 3 presents the data used and their properties. Section 4 describes the empirical method and discusses the obtained results. Concluding remarks are provided in section 5.

2. Literature review

2.1 Concept of organizational culture

Investigating the impact of organizational culture on firm performance raises the first question of how it can be defined. Scholz (1987) considers organizational culture as the implicit, invisible, intrinsic, and informal consciousness of the organization, which guides the behavior of the individuals. Differently, Schein (1990) defines organizational culture as "a pattern of basic assumptions that a group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore, should be taught to new members as the correct way to perceive, think, and feel in relation to those problems" (p. 111). For Schein (1999) culture is also the structure and control system to generate behavioral standards. Although organizational culture has been defined in many ways by various researchers, most of them agree that corporate culture can be referred to as a set of values, beliefs, and behavior patterns that form the core identity of organizations, and help in shaping the employee behavior (see, e.g., Deshpande and Farley, 1999; MacIntosh and Doherty, 2010). Accordingly, the values and beliefs that underlie organizational culture likely reflect what is most important to the founders and/or company leaders as they are responsible for the vision and purpose of the organization, and presumably exemplify and reinforce the core values and beliefs through their own behaviour. Throughout this paper we follow this concept to gauge the multidimensional aspects of oganizational culture of Vietnamese firms.

2.2 *Types of culture*

Another important question is directly related to the identification of different types of culture. To date, there are many classification approaches of the organizational culture. Harrison (1972) classifies organizational cultures using the degree of formalization and centralization as criteria. Deal and Kenedy (1982) differentiate cultures in terms of the speed of feedback and the amount of risk employed. Quinn and Rohrbaugh (1983) develop the Competing Values Model which incorporates two sets of competing values along two axes: (1) the control/flexibility dilemma which refers to preferences about structure, stability, and change, and (2) the people/organization dilemma which refers to differences in organizational focus. From these two axes emerge four quadrants which reflect four types of culture, namely rational, hierarchical, developmental and group (Quinn and Kimberly, 1984; Quinn, 1988).

O'Reilly, et al., (1991) point out that seven cultural dimensions could be used to compare across organizations. They are (1) innovation and risk taking - willing to experiment, take risks, encourage innovation; (2) attention to detail - paying attention to being precise; (3) outcome orientation - oriented to results vs oriented to process; (4) people orientation - degree of value and respect for people - are people considered unique talents, or is an engineer an engineer an enginee; (5) individual vs team orientation - are individuals most highly noted, or are collective efforts; (6) aggressiveness - taking action, dealing with conflict; and (7) stability - openness to change.

Deshpande and Farley (1999) introduce four types of corporate culture: competitive culture, entrepreneurial culture, bureaucratic culture, and consensual culture. In the competitive culture, values relating to demanding goals, competitive advantage, marketing superiority, and profits were emphasized. In the entrepreneurial culture, the emphasis was on innovation, risk taking, high level of dynamism, and creativity. In the bureaucratic culture, values like formalization, rules, standard operaing procedures, and hierarchical coordination. In the consensual culture, elements of tradition, loyalty, personal commitment, extensive socialization, teamwork, self-management, and social influence are important in the organizational values.

According to Green and Aiman-Smith (2004) some researchers present a framework of culture characterized by two dimensions: (1) internal focus which attends primarily to what is going on inside the organization vs. external focus which attends primarily to what is going on outside the organization; (2) stability and control which interest in keeping things the same vs. flexibility and discretion which interest in making changes.

These cultural approaches above can be used to identify organizational culture of business organizations. However, the cultural approach more relevant to examine the differences in organizational culture between SOEs and PFs is the one suggested by Cunha and Cooper (2002), which represents competing values along two axes, one axis represents the market orientation vs. organization integration continuum, while the second axis concerns people orientation vs. performance orientation, and their definitions are presented as below:

- Organizational integration reflects openness of internal communication and co-operation between individuals and units.
- Performance orientation concerns responsibility of meeting objectives and results, and merits and rewards.
- People orientation reflects the extent of concern the organization showing for its members and their development, as well as the individual feeling of belonging to a team.
- Market orientation deals with company responsiveness to market opportunities and benchmarking.

2.3 Privatization and organizational culture

According to Cunha and Cooper (1998) privatization is a pretext to start a large-scale change process, which takes place both in terms of the external and internal environments. Changes in external environment derive mainly from the introduction of competition and from deregulation. Changes in the internal environment of privatized companies are expected to accompany the ownership status change, particularly in what concerns organizational goals.

Privatization can affect different facets of organization. It not only changes the SOEs' ownership but also makes them restructuring their internal environment. Following Forster and Mouly (2006) privatization is synonymous with the movement away from the production of goods and services for public goods to the production of goods and services for profit. Organizations must therefore undergo a radical re-conceptualization of mission, leadership, strategy and culture. Cunha (2000) argues that state-owned enterprises have been characterized as a "no-owner company" culture, shaped by frequently rotated leadership, conflicting objectives, lack of individual accountability, an emphasis on the production, and weak organizational values and norms. Such a organizational culture could be changed through privatization because privatization not only brings different organizational goals, but also new rules of competition, which demand appropriate behaviors and values by organizational members, individuals and units.

Before privatization SOEs limit organizational performance requirements because of the political objectives of governmental officers in the role as public managers. After privatization a new emphasis will focus on effectiveness, efficiency and value maximization for shareholders, thus organizational culture may be expected to change over time. Changes in ownership and market conditions can lead to significant changes in the organizational cultures of newly privatized companies. Privatization is essential to develop more "market" or customer-oriented cultures (Longencker and Popovski, 1994). Cunha and Cooper (2002) find that privatized companies develop a new culture, which values better individual accountability and inter-organizational communication and co-ordination, an increased team spirit, and an emphasis on human resources and their development.

The "no-owner company" culture of SOEs can be characterized by collective responsibility, ambiguity of decision responsibility, and no feedback on performance appraisal. Change of ownership in privatization establishes a "co-owner company" culture in PFs. Employees and managers become co-owners through shareholding. Being shareholders employees have a control right for their company performance, thus privatization may be viewed as a means to increase the participation of employees in the organization. In the new context, the openness of internal communication and cooperation between individuals, and divisions in privatized firms is expected to increase. The increased role of market forces in the economy requires firms to have a strong orientation to customers and the ability to respond the change in the outside environment. To increase the firm's efficiency and effectiveness, privatized firms require an increasing employee performance. To compete successfully with others, privatized firms have to increase value added to shareholders and match the market benchmarks or perform better than other firms in the same industry.

Summerizing all, equitization is commonly considered as a precondition causing a radical change of the internal environment of privatized firms. Change in ownership structure may create a new culture that supports achievement of new organizational goals, which emphasize profitability and efficiency. It is proposed that organizational culture of privatized firms differs from SOEs. Therefore the hypotheses of the study can be developed as follows:

Hypothesis 1 (H_1): Privatized firms have a higher performance orientation than SOEs.

Hypothesis 2 (H_2): Privatized firms have a higher market orientation than SOEs.

Hypothesis 3 (H_3): Privatized firms have a higher people orientation than SOEs.

Hypothesis 4 (H_4): Privatized firms have a higher organization integration than SOEs.

3. Data and their properties

The present study focuses on two kind of firms, firms with state ownership of 100 percent (denoted SOEs) and privatized firms which were equitized at least three years before (denoted PFs). Respondents are people who have been working for these surveyed firms. The convenient sampling technique was used in this research with the support of MBA students.

Organizational culture variables were developed base on four cultural constructs which were suggested by Cunha and Cooper (2002). The culture dimension scales are measured by a five-point Likert scale range from totally disagree to totally agree or not important at all to very important. Performance orientation, which concerns responsibility for meeting objectives and results, and merits and rewards is measured by 5 items. People orientation, which reflects the extent of concern the organization shows for its members and their development, as well as the individual feeling of belonging to a team is measured by 6 items. Organization integration, which reflects openness of internal communication and cooperation between individuals and units is measured by 6 items. Market orientation, which deals with company responsiveness to market opportunities and benchmarking is measured by 4 items. These items are presented in Table 1.

Table 1 Organizational culture items

Cultural constructs	Code	Items
Performance orientation	PERF1	1. Common goals
	PERF2	2. Measuring performance
	PERF3	3. Accountability for the end results
	PERF4	4. Rewarded fairly
	PERF5	5. Customers' benefits
People orientation	PEO1	1. Promotion based on individual competence
	PEO2	2. Support for employees' learning
	PEO3	3. Opportunities to do the best
	PEO4	4. Rewarded based on task
	PEO5	5. Promotion based on individual performance
	PEO6	6. Working as a team
Organization integration	ORGI1	1. Responsibilities clearly defined
	ORGI2	2. Job rules and regulation
	ORGI3	3. Cooperation
	ORGI4	4. Fully informed
	ORGI5	5. Concern for employees
	ORGI6	6. Strong sense of team
Market orientation	MAR1	1. New products developed
	MAR2	2. Finding new markets
	MAR3	3. Concern for competitors' actions
	MAR4	4. Competitiveness

Data collection

A total of 3,000 questionnaires were sent to SOEs and PFs located in HCM City through MBA students. Around 1000 questionnaires were collected, however the number of valid responses received only is 790, representing 26% of the total number of questionnaires delivered. The respondents mainly were managers, and staffs who are working for these SOEs and PFs.

Profile of surveyed firms

Of 790 valid questionnaires, 438 are collected from SOEs and the rest from PFs. Regarding the industry repartition, there are 59 percent collected from manufacturing companies, 34.6 percent from service companies and the rest from trade companies. Of 352 responses collected from PFs more than 95 percent collected from PFs which were equitized before year 2005. Regarding stake share holding in PFs, there are 115 responses collected from PFs those state share holding is less than 30%; 152 collected from those state share holding from 30% to 50%, and the rest collected from those state share holding more than 50% (see Table 2).

Table 2 Profile of surveyed firms

	Percent
Kind of Enterprise	
State-owned enterprise	55.4
Equitized enterprise	44.6
Total	100.0
Industry	
Produce	59.0
Service	34.6
Trade	6.5
Total	100.0
State Ownership	
Less than 30%	32.7
30% - 50%	43.2
More than 50%	24.1
Total	100.0
Year equitized	
1998	20.2
1999	7.7
2000	16.8
2001	30.4
2002	6.0
2003	9.9

2004	4.8
2005	4.3
Total	100.0

Respondent profile

The surveyed employees represent a broad range of title, gender, age, and experience. There is 33.2 percent of manager respondents, 57.2 percent staff respondents, and the rest of the respondents are workers. Among them, 61.9 percent are male and 38.1% are female. Regarding to age, 32.8 percent of the respondents are from 18 to less than 30 years old, 48.1 percent from 30 to fewer than 45 years old, and the rest are over 45 years old. Regarding working experience, 33.3 percent of the respondents have less than 5 years working, 28.7 percent of the respondents have from 5 to less than 10 years working; 12.4 percent of the respondents work for their companies from 15 to less than 20 years, and the rest have been working for more than 20 years.

Some descriptive statistics

Organization culture scale is a multi-dimension one. Performance orientation scale consists of 5 items with their values ranging from 1 to 5. The mean values of observed items are higher than 4, except item PERF4 (3.65). The standard deviation of observed values is less than 1, except PERF4 (Rewarded based on task). It seems that respondents' opinions are not much similar on the issue.

People orientation scale comprises 5 items denoted by PEO. The observed values of these items have the minimum value of 1 and the maximum value of 5. All mean values of items range from 3.21 to 3.35 or they are close together. However, the standard deviation of observed values is rather high. The values range from 1.045 to 1.154. This shows that observed values are rather divergent from their mean values.

Organization integration variable is measured by 6 items, denoted by ORGI. The minimum value of the observed values is one and maximum value is five. Their mean values range from 3.35 (ORGI5) to 3.76 (ORGI2). There is not much different among these values. The standard deviation of observed values is higher than 1, however lower than the standard deviation of people orientation items.

Market orientation scale includes 4 items, denoted by MAR. The observed values have minimum value of 1 and maximum value of 5. Their mean values range from 3.30

to 3.73. However, the divergence of observed values of these items is large because of high standard deviation values distributed from 1.101 to 1.206.

In general, the average value of all observed variables is high ranging from 3.21 to 4.35, and there is the divergence among the values of cultural items. It provides the prediction that the difference of cultural dimensions among surveyed companies exist (see Table 3).

Table 3 Descriptive statistics of organizational culture items, N = 790

Items	Minimum	Maximum	Mean	Std. Deviation
PERF1	*1*	*5*	*4.09*	*.935*
PERF2	*1*	*5*	*4.28*	*.881*
PERF3	*1*	*5*	*4.35*	*.909*
PERF4	*1*	*5*	*3.65*	*1.098*
PERF5	*1*	*5*	*4.20*	*.956*
PEO1	1	5	3.35	1.154
PEO2	1	5	3.26	1.122
PEO3	1	5	3.21	1.045
PEO4	1	5	3.21	1.114
PEO5	1	5	3.21	1.154
ORGI1	*1*	*5*	*3.66*	*1.074*
ORGI2	*1*	*5*	*3.76*	*1.011*
ORGI3	*1*	*5*	*3.48*	*1.005*
ORGI4	*1*	*5*	*3.41*	*1.019*
ORGI5	*1*	*5*	*3.35*	*1.065*
ORGI6	*1*	*5*	*3.43*	*1.068*
MAR1	1	5	3.43	1.198
MAR2	1	5	3.57	1.200
MAR3	1	5	3.73	1.206
MAR4	1	5	3.30	1.101

Statistics aggregated in Table 4 show that the mean value of performance orientation is the highest (4.11), but the standard deviation is the lowest (.6974). The mean value of people orientation is the lowest (3.25). Integration orientation and market orientation have the same mean value, however the standard deviation of market orientation is higher than that of integration orientation and is the highest. It could bring about the difference of the market orientation dimension among surveyed companies.

Table 4 Statistics of latent variables

Items	Minimum	Maximum	Mean	Std. Deviation
PERF	1	5	4.11	.6974
PEO	1	5	3.25	.8596
ORGI	1	5	3.52	.7791
MAR	1	5	3.51	.8907

Pearson correlation test for organizational culture constructs

We also perform the Pearson correlation test and report the results in Table 5. It is shown that all items reflecting different aspects of organizational culture are significantly and positively related at the 1% level with ρ higher than 0.3. For performance orientation items, ρ ranges between 0.355 and 0.537. The people orientation items are significantly and positively related at the 1% level, with ρ ranges between 0.341 and 0.729. For organization integration items, ρ ranges between 0.394 and 0.659. For market orientation items, ρ is belongs to the range from 0.314 to 0.664.

Table 5 Pearson correlation among organizational culture items, N = 790

Panel 1: PERF	PERF2	PERF1	PERF5	PERF3	PERF4
PERF2	1				
PERF1	.431**	1			
PERF5	.354**	.438**	1		
PERF3	.411**	.442**	.537**	1	
PERF4	.359**	.355**	.386**	.453**	1

Panel 2: PEO	PEO4	PEO5	PEO1	PEO2	PEO3
PEO4	1				
PEO5	.511**	1			
PEO1	.438**	.729**	1		
PEO2	.379**	.437**	.491**	1	
PEO3	.341**	.456**	.550**	.539**	1

Panel 3: ORGI	ORGI5	ORGI1	ORGI2	ORGI3	ORGI6	ORGI4
ORGI5	1					
ORGI1	.394**	1				
ORGI2	.422**	.659**	1			
ORGI3	.473**	.462**	.486**	1		
ORGI6	.413**	.431**	.469**	.517**	1	
ORGI4	.469**	.442**	.447**	.491**	.530**	1

Panel 4: MAR	MAR1	MAR2	MAR3	MAR4
MAR1	1			

MAR2	.664**	1		
MAR3	.440**	.455**	1	
MAR4	.317**	.304**	.382**	1

Notes: ** Correlation is significant at the 1% level (2-tailed).

4. Empirical analysis and results

4.1 Factor analysis and reliability test

To test for the internal consistency of the constructs of the concepts of organizational culture, we conduct a factor analysis by using VARIMAX rotation mode. Factor analysis can identify the structure of a set of variables as well as provide a process for data reduction. The Varimax rotation is orthogonal, meaning that the factors remain uncorrelated throughout the rotation process. The test can maximize the association of each variable with a single factor, many times through rotation of the factor matrix. Items with low factor loadings (< 0.50) should be eliminated because they do not converge properly with the latent construct they are designed to measure (Hair *et al.*, 2006).

The factor analysis of the 21 organizational cultural items resulted in four cultural constructs as the original subscales. All items have factor loading higher than 0.5. These constructs is accounted for 56.44 percent of the total variance. The factor analysis result is shown in Table 6.

Table 6 Results of the factor analysis of organizational culture scales

Constructs and items	Factor loading			
	1	2	3	4
Construct 1: Integration Orientation				
ORGI4- Fully informed	0.710			
ORGI1- Responsibilities clearly defined	0.694			
ORGI6- Strong sense of team	0.671			
ORGI2- Job rules and regulations	0.661			
ORGI3- Cooperation	0.630			
ORGI5- Concern for employees	0.590			
Construct 2: People Orientation				
PEO5- Promotion based on individual performance		0.785		
PEO1- Promotion based on individual competence		0.757		

PEO4- Rewarded based on task	0.701		
PEO2- Support for employees learning	0.647		
PEO3- Opportunities to do the best	0.590		
Construct 3: Performance Orientation			
PERF3- Accountability for the end results		0.717	
PERF1- Common goal		0.705	
PERF5- Customers' benefits		0.696	
PERF4- Rewarded fairly		0.650	
PERF2- Measuring performance		0.633	
Construct 4: Market Orientation			
MAR2- Finding new markets			0.772
MAR1- New products developed			0.760
MAR4- Concern for competitors' actions			0.715
MAR3- Competitiveness			0.536

We now turn to perform reliability tests to examine the appropriate internal consistency of all constructs' scales. Reliability is an assessment of the degree of the consistency between multiple measurements of a variable. The reliability coefficient, Cronbach's Alpha (α), is used for assessing the consistency of the entire scale. Cronbach's Alpha should be greater than 0.7 for confirmatory research. The lower limit for Cronbach's Alpha of 0.7 can be applied for assessment (Hair *et al.*, 2006).

Performance orientation dimension measurement scale comprising 5 observed variables has Cronbach's alpha equal to 0.78. People orientation dimension variable measured by 5 items has Cronbach's alpha equal to 0.83. Organization integration construct is measured by 6 items with Alpha score of 0.84. Market orientation dimension scale has 4 items with Cronbach's alpha value of 0.75. The four constructs having alpha scores higher than 0.7, thus indicating they are reliable to use in the research (Table 7).

Table 7 Cronbach's alpha of organizational cultural scales

Constructs	Number of items	Cronbach's Alpha
Performance orientation	5	.78
People orientation	5	.83

Organization integration	6	.84
Market orientation	4	.75

The independent T-test is finally used to investigate whether there are significant differences of organizational culture between PFs and SOEs or not. The test results show that performance orientation dominates in both PFs and SOEs (mean = 4.12 and 4.11, respectively). There is no statistically significantly difference between them in terms of performance orientation and organization integration. Therefore hypotheses H_1 and H_4 are unacceptable. From the test result, hypotheses H_2 and H_3 are accepted because privatized firms have a significantly higher people orientation and market orientation than SOEs (MD = -.121, $p < 0.05$, and MD = -.268, $p < .001$, respectively) (see Table 7).

Table 7 Independent T-test results for H_1, H_2, H_3, and H_4

Variables	Mean		Mean difference	Significant (α)
	State-Owned Enterprise (N = 438)	Privatized Enterprise (N = 352)		
People Orientation	3.19	3.32	-0.121	0.050
Performance Orientation	4.11	4.12	-0.017	0.737
Integration Orientation	3.52	3.51	-0.004	0.942
Market Orientation	3.39	3.66	-0.268	0.000

4.2 Finding discussions

The study results show that performance orientation culture is the strongest culture dimension in both company groups, PFs and SOEs (Mean = 4.12 and 4.11, respectively). There is no the significant difference of performance orientation between the two groups (MD = 0.017, p = 0.737). Organization integration is the second strongest culture dimension in SOEs (Mean = 0.352) while for PFs, market orientation is the second strongest one (Mean = 0.366). There is no significant difference in organization integration (MD = 0.004, p = 0.942). However, there is a significant difference in market orientation between PFs and SOEs (MD = 0.268, p = 0.000). People orientation is the weakest cultural dimension in both PFs and SOEs (Mean = 3.32 and 3.19, respectively). However, PFs have people orientation levels higher than SOEs (MD = 0.121, p = 0.05). Although there is no significantly difference between PFs and SOEs in terms of the performance dimension and organization integration, PFs are more directed toward the market than SOEs. The findings are consistent with Longencker & Popovski (1994), and Cunha & Cooper (2002). Changes in ownership and market conditions can lead to significant changes in the organizational cultures of newly privatized companies because it is essential to develop more “market” or customer-oriented cultures.

Nowadays, the Vietnamese economy is a market-based economy with less of the product and service monopoly markets. For privatized firms they no longer operate in the market with the domination of SOEs, and to survive in a competitive business environment they have to change their way of doing business. According to many PFs’ managers their business organizations’ survival and development rely heavily on their customer satisfaction and loyalty. They focus on the development of new products and services, improve quality of products and customer services to meet customers’ needs in order to gain their loyalty.

To the present, in markets such as electricity, health care, and water supply the customers have a few choices of suppliers. In the past, SOEs usually disregarded customers’ needs, they treated customers as if they were supplicants rather than buyers. However, now they also gradually have recognized the importance of customer loyalty as the Vietnamese government allows private companies to enter the former monopolized markets. Thus, both PFs and SOEs have to change their internal environment to adapt to the new situation, however PFs are more directed toward market discipline than SOEs. In fact, Ministry of Finance does not allow SOEs to spend more than 5 percent of sales revenue budget for doing marketing activities, meanwhile PFs do not have to face the restriction, thus they can spend more of their company’s resources to establish a good relationship with their customers and educate their employees’ attitude toward customers’ benefits. This explains why PFs are more directed toward markets than SOEs.

Regarding organization integration and performance orientation, there are no significant differences between PFs and SOEs. In the early stage of the internal change process, maybe something still remains the same as before or the pragmatic change has not happened in the early processes. Often, the management of former SOEs continues to manage the companies after privatized. The CEOs of former SOEs are the delegates of the state ownership in the privatized firms. They play the dual role, the chairman of director board and the CEO of newly PF. According to Mr. Pham Viet Muon, the Deputy Director of the Enterprise Renewal and Development Committee, “PFs have not really changed after equitized, they still have somewhat the manner of SOEs because their management board does not change as well as the corporate governance. This is a true case of PFs which have the state shareholding proportion more than 50 percent. Such cases are the so-called “new bottle, old wine” (Enterprise Forum, July 2009).

PFs are more directed toward people orientation than SOEs because of at least three reasons as follows:

(1) PFs receive the funding from the Government to re-educate their employees;

(2) They can establish their own compensation policy to attract skilled labors without the restriction as SOEs, e.g. employee share ownership program or share option for managers; and

(3) Employees in PFs are treated equally, or in other words they are promoted base on their contribution and skill instead of their personal relation as before.

5. Concluding remarks

Motivated by the lack of studies on organizational culture of privatized firms in Vietnam, the study examines the organizational culture of Vietnamese PFs equitized before 2005 to provide empirical evidence of the difference in organizational culture between PFs and SOEs. Based on the work of Cunha and Cooper on corporate cultural types, a structured questionnaire was developed and sent to managers, staffs, and workers in both state-owned and privatized companies. A total of 790 valid questionnaires were collected from PFs and SOEs located in Hochiminh City. The results show that PFs have people and market orientations significantly different from that of SOEs. There is not the difference in integration orientation and performance orientation between PFs and SOEs. These findings imply that there are many cultural dimensions existing together in an organization and the ownership structure could be the predictor of organizational culture.

Like any other research, this study is subject to some limitations. Firstly, the research findings are based on a study conducted in one city hence, they may not be generalizable for all cases in other regions of the country. The second limitations of the study is that the research uses the convenient sampling technique, the surveyed firms were not randomly selected but based on personal connections with MBA students. The qualitative information was gathered from the interviewing of few people based on personal relations. As convenience becomes the selection criteria, all surveyed firms' organizational culture may be not capable of representing the typical organizational culture of PFs in Vietnam. The shortcomings in the qualitative study still constitute a potential selection bias threat and weaken the generalization ability. Therefore the replication of this analysis in other research contexts and regions of the country and the use of random sampling technique would enhance the generalization of the findings.

References

Cunha, R. C. and C. L. Cooper (1998), "Privatization and the Human Factor," *Journal of Applied Management Studies,* Vol. 7, No. 2, pp. 201-10.

Cunha, R.C. (2000), "Impact of Privatization in Portugal", in Burke, R.J. and Cooper, C.L. (Eds), *The Organization in Crisis, Downsizing, Restructuring and Privatization,* Brazil Blackwell, Oxford.

Cunha, R.C. and Cooper, C.L., (2002), "Does privatization affect corporate culture and employee well-being?", *Journal of Management Psychology,* Vol. 17 No. 1, pp. 21-49.

Deal, T.E. and Kennedy, A.A. (1982), *Corporate Culture,* Addison-Wesley, Reading, MA.

Deshpande, R. and Farley, J. (1999), "Executive insights: corporate culture and market orientation: comparing Indian and Japanese firms", *Journal of International Marketing*, 7, 111-27.

Forster, T. H. and V. S. Mouly (2006), "Privatization in a developing country: Insights from the Gambia", *Journal of Organizational Change,* pp. 250-65.

Green S. G. and Aiman-Smith, L. (2004), "Research on the human connection in technological innovation: An introductory essay", *Journal of enginerring techonogy management,* Vol. 21, issue 1-2, March-June 2004, page 1-9

Hair, J. F., et al., (2006). *Multivariate Data Analysis*, The Sixth Edition. Pearson Prentice Hall.

Harrison, R. (1972), "Understanding your organization's character", *Harvard Business Review,* May-June, 119-28.

Longenecker, C. O. & Popovski, S. (1994), "Managerial Trials of Privatization: Retooling Russian Managers" *Business Horizons,* 37, 35-43.

MacIntosh E. W., and Doherty, A. (2010), "The influence of organizational culture on job satisfaction and intention to leave", *Sport Management Review,* Vol. 13, pp. 106–17

O'Reilly, C. A., Chatman, J., & Caldwell, D. F. (1991), "People and organizational culture: A profile comparison approach to assessing person–organization fit", *Academy of Management Journal*, 34, 487–516.

of Sport Management, 9, 119–134.

Quinn, R. E. (1988), “Beyond rational management”, San Francisco: Jossey-Bass Inc Publishers.

Quinn, R. E., & Kimberly, J. R. (1984), “Paradox, planning, and perseverance: Guidelines for managerial practice”, In J. R. Kimberly & R. E. Quinn (Eds.), Managing organizational translations (pp. 295–313). Homewood, IL: Dow Jones-

Quinn, R. E., & Rohrbaugh, J. (1983), “A spatial model of effectiveness criteria: Towards a competing values approach to organizational analysis”, *Management Science*, 29, 363–77.

Schein, E. H. (1990) “Organizational Culture” *American Psychologist,* 45, 109-19.

Schein, E. H. (1999) *The Corporate Culture Survival Guide,* Jossey-Bass, San Francisco, CA.

Scholz, C. (1987), “Corporate Culture and Strategy: the problem of strategic fit”, *Long Range Planning,* Vol. 20 No. 4, 78-87.

Stiglitz. J. (1999, April 28-30), *Whither Reform?Ten years of the transition.* Paper presented at the Annual World Bank Conference on Development Economics, Washington, DC.