

Changes in Adaption to Organizational Culture Levels in Vietnamese Commercial Banks Before and After WTO Participation

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Abstract

Becoming a membership in WTO has become an important event in Vietnam in the international integration process since the implementation of reform policies. This integration can cause both challenges and opportunities for the state commercial banks. One of the solutions to take advantage of the opportunities and overcome difficulties is to build stronger organizational culture. However, the number of studies on organizational culture in the commercial banks in Vietnam is still limited. Therefore, this research was designed to evaluate the changes in levels of organizational culture in Vietnamese commercial banks. The research methods include mean value, standard deviation and Paired samples t-test to compare the differences between the two periods (Before and after Vietnam joined WTO). The survey results from 265 banking employees have shown that there are actually the differences on two cultural levels including (1) Artifacts, and (2) Espoused values between the two periods: before and after Vietnam's WTO-participation.

Keywords: organizational culture, levels of organizational culture, commercial banks, WTO

1. Introduction

Becoming a member of the World Trade Organization (WTO) in 2007 has been an important event for Vietnam in the international integration process since Vietnam adopted some reform policies ("Doi moi") in 1986. Commitment on reducing the trade barriers to the country bring not only opportunities but also challenges for domestic enterprises including the commercial banking sector. As the financial market is more open, an increasing number of international banks such as City Bank, HSBC, ANZ, etc., has entered and further got involved in Vietnamese financial market, which may lead to considerable challenges in competition for commercial banks in Vietnam. Joining WTO brings domestic commercial banks many business opportunities as the economic growth and development of private enterprises have enabled banks to promote their services.

In order to take advantage of chances from the market, as well as tackle the competitive challenges after Vietnam joined WTO, Vietnamese commercial banks must create their own competitive advantages. According to Barney et al. (2001), enterprises should be themselves responding to changes in the environment and build their competitive advantages to be successful. This is true for many different types of businesses including commercial banks.

Establishing appropriate organizational culture is considered as an effective solution to create competitive advantages for enterprises. Strong organizational culture positively affect the performance of the company (Ojo, 2009; Shahzad et al., 2012; Amad, 2012; Uddin et al., 2013); financial performance (Yesil & Kaya, 2013); and corporate behavior (Eccles et al., 2012). Moreover, creating organizational culture increases consensus in the organization, working productivity and self-awareness of employees (Nguyen Manh Quan, 2007). In other words, it generates sustainable competitive advantages for businesses.

There are many ways to determine whether an enterprise has strong or weak organizational culture, one of which is using Schein's model (1992) called organizational culture level. According to Schein (1992), organizational culture has three levels: (1) Artifacts, (2) Espoused Values, (3) Basic Underlying Assumptions. By evaluating the adaptation of organizational culture levels, we can identify whether the components of organizational culture in

one enterprise is strong or weak.

The competitive pressure for state-owned commercial banks has been growing more intense when Vietnam became a member of the WTO. Furthermore, building up organizational culture is becoming significantly important for enterprises including commercial banks. However, studies of organizational culture in Vietnam have not focused on the changes in the adaptation of organizational culture levels in banks. Therefore, this study is designed to assess the adaptation level of state-owned commercial banks to all three levels of the organizational culture, and the changes in the organizational culture level before and after Vietnam's WTO-participation.

2. Literature Review and Hypothesis Development

There are various definitions about organizational culture by different scholars. Organizational culture can be seen as a pattern of shared basic assumptions that organizational members learn by a group as they solved their problems of external adaptation and internal integration (Schein, 1992).

According to Ravasi and Schultz (2006), organizational culture is a set of shared spiritual assumptions that guide what happens in organizations by defining appropriate behavior for various situations. In some other cases, it is reflected as a group of the values and the interdependent behaviors which is popular in businesses and has the tendency of self-dispersed for a long time (Kotter & Heskett, 1992).

To measure the strength of the organizational culture, Schein (1992) gave out the model with three levels including: (1) Artifacts, (2) Espoused Values, (3) Basic Underlying Assumptions. Details of the three levels are explained as the following:

The tangible component of organizational culture (Artifacts) consists of phenomena and things that a person can see, hear and feel when exposed to the enterprise, which are the system of architectural decoration, symbols, logo, rituals, events, organizational structure and anecdotes. Vietnamese state-owned commercial banks are facing with more and more competitive pressures coming from both international banks and private banks since the WTO participation. Hence, the state-owned commercial banks have paid more attention to building up their organizational culture. Thus, the research points out the hypothesis as following:

H1: The adaptation of Artifacts of Vietnamese state-owned commercial banks after WTO accession is higher than that before WTO accession.

The second cultural level, Espoused Values, consists of values, strategies, general philosophies which are endorsed by a large number of employees and managers in the company, such as mission, vision, business philosophy, rules and regulations, values considered as the standards of behavior. Vietnam's WTO accession also impacts on resetting business strategies of commercial banks. Strategies for banking restructuring are also carried out to compete with competitors. This can lead to a change in the perception of shared values in the bank. Thus, the research points out the hypothesis as following:

H2: The adaptation of the Espoused Values of Vietnamese state-owned commercial banks after WTO accession is higher than that before WTO accession.

The third cultural level called Basic Underlying Assumptions includes awareness, belief, thoughts, feelings which are shared and become extremely popular in the subconsciousness and the psychology of organizational members. Later, they become common sense including the methods of evaluating and recognizing members and colleagues or working and living philosophy. Yet, these implicit defaults may change when enterprises implement restructuring programs or set up new organizational culture. When Vietnam is a member of WTO, big state-owned commercial banks all build up their own new organizational culture. Therefore, this study raises the following hypothesis:

H3: The adaptation of the Basic Underlying Assumptions of Vietnamese state-owned commercial banks after WTO accession is higher than that before WTO accession.

3. Methodology

3.1 Research Design

The questionnaire adopted from the study of Schein (1992) is designed for all three levels of organizational culture and adjusted by focus group discussions. A pilot test was conducted on 15 employees from four different banks to assess the appropriateness of the questions. Then, the questionnaire was modified and the final scale for each level of the organizational culture is developed as follows:

(1) Artifacts:

(Q1): Systematic brand identity in the whole network.

(i) Logos, insignia, symbols and colors.

(ii) Costume, business cards, etc.

(iii) The architectural decoration in offices (headquarters, branches, transaction offices and ATMs).

(iv) Stationery.

(Q2): Ceremonies and events.

(Q3): Stories and anecdotes about the development process and key members of the bank.

(Q4): Clear rules and regulations.

(i) Code of conduct for staff.

(ii) Internal regulations for working.

(iii) Task handling process.

(iv) Regulations for staff reward and punishment.

(Q5): Coherently and clearly organized hierarchy.

(2) Espoused Values

(Q6): Employees easily adapt to changes in business environment or internal structure.

(Q7): New ideas are welcomed at workplace.

(Q8): The system of business philosophy, mission, vision and core values are built and disseminated throughout the bank.

(3) Basic underlying assumptions

(Q9): Employees are aware of their working style in their bank compared to that of other banks.

(Q10): The staff believe in the bank's development.

(Q11): Employees are aware of the important role of building up organizational culture to differentiate itself from other banks.

The scale used to measure the aspects of the organizational culture levels is Likert scale with 5 levels (1 is totally disagree and 5 is totally agree). The survey was conducted in January and February of 2015 in the four largest banks in Vietnam including Agribank, BIDV, Vietcombank and Vietinbank. To ensure ethics in research, the respondent information is confidential. The sample size was chosen as the rule of Comrey & Lee (1992) that 250 respondents are good. To get such a number of respondents, we sent questionnaires to 1,000 employees working in four different banks. As the questionnaire requires employees to experience both two periods (before and after WTO accession), the response rate was not very high. 265 valid questionnaires were collected and categorized as follows:

Table 1. Sample characteristics

Criteria	No. of person (%)	
Gender	Male	112 (42.3%)
	Female	153(57.7%)
Age	< 25	13 (4.9%)
	25 – 35	220 (83%)
	35 – 45	27 (10.2%)
	45 – 55	5 (1.9%)
	College	6 (2.3%)
Education level	University (Bachelor)	209 (78.9%)
	University (Master)	50 (18.8%)
	Agribank	33 (12.5%)
Organization	Vietcombank	117 (44.2%)
	BIDV	99 (37.4%)
	Viettinbank	16 (6%)

(Source: The author's survey)

3.2 Data Collection Methods

The questionnaire was designed and delivered to a random list of employees working in four biggest state-owned commercial banks in Vietnam as: Agribank, BIDV Bank, Vietcombank, and VietinBank. Questionnaires were printed and given sent to the employees working in Hanoi. Email questionnaires were also sent to employees working in other areas.

3.3 Data Analysis Methods

To evaluate the adaptation of employees to different cultural levels, the author uses mean value, standard deviation to measure the two periods. Furthermore, to compare the adaptation level of the two periods before and after WTO accession, paired t-test is run at the regular significance level of 5 percent (Hair et al., 2006).

4. Research Results

4.1 Adaptation to Cultural Levels of State-Owned Commercial Banks Before and After WTO Accession

4.1.1 Adaptation to the Artifacts

All variables that measure the adaptation to artifacts are higher in the post-WTO accession period (2007-2014) than the pre-WTO accession period (2001-2006). Among the items, the highest mean value is “ceremonies and events” variable (Mean = 4.43, SD = 0.64), and the lowest value is “stories and anecdotes about the development process and the key members” (Mean = 4.01, SD = 0.69). In the period before WTO accession, the highest score is “Coherently and clearly organized hierarchy” (Mean = 4.00, SD = 0.63), while the lowest one is still “stories and anecdotes about the development process and the key members” (Mean = 3.55, SD = 0.86) (see Table 2).

Table 2. Adaptation to artifacts in Vietnamese state-owned commercial banks before and after WTO accession

Criteria	Before WTO accession		After WTO accession	
	Mean	SD	Mean	SD
Q1. Systematic brand identity in all branches	3.64	0.73	4.36	0.48
1. Logos, insignia, symbols and colors	3.87	0.80	4.46	0.59
2. Costume, business cards, etc.	3.38	0.96	4.17	0.78
3. The architectural decoration in offices (headquarters, branches, transaction offices and ATMs)	3.57	0.90	4.45	0.59
4. Stationery	3.75	0.85	4.35	0.67
Q2. Ceremonies and events	3.94	0.89	4.43	0.64
Q3. Stories and anecdotes about the development process and the key members of the bank	3.55	0.86	4.01	0.69
Q4. Clear rules and regulations	3.89	0.64	4.37	0.79
1. Code of conduct for staff	3.88	0.78	4.41	0.82
2. Internal regulations for working	3.97	0.69	4.42	0.80
3. Task handling process	3.87	0.64	4.35	0.82
4. Regulations for staff reward and punishment	3.85	0.80	4.29	0.89
Q5. Coherently and clearly organized hierarchy	4.00	0.63	4.25	0.79

(Source: Author's survey results analysis)

4.1.2 Adaptation to Espoused Values

Research results show that the adaptation to all items of espoused values of the period after WTO accession is higher than that of the period before WTO accession. In the post-WTO accession period, the highest adaptation level is “the system of business philosophy, mission, vision and core values are built and disseminated throughout the bank” (Mean = 4.14, SD = 0.77) and the lowest score is the variable “employees should easily adapt to the changes in business markets or internal structure” (Mean = 4.03, SD = 0.80). However, in the pre-WTO accession period, the item “New ideas are welcomed at the bank” (Mean = 3.94, SD = 0.79) is reported to have the highest score, while the lowest score item is “the system of business philosophy, mission,

vision and core values are built and disseminated throughout the bank” (Mean = 3.83, SD = 0.89) (see Table 3).

Table 3. Adaptation to espoused values in Vietnamese state-owned commercial banks before and after WTO accession

Criteria	Before WTO accession		After WTO accession	
	Mean	SD	Mean	SD
Q6. Employees easily adapt to the changes in business environment or internal structure.	3.92	0.76	4.03	0.80
Q7. New ideas are welcomed at the bank.	3.94	0.79	4.06	0.78
Q8. The system of business philosophy, mission, vision and core values are built and disseminated throughout the bank.	3.83	0.89	4.14	0.77

(Source: Author’s survey results analysis)

4.1.3 Adaptation to Basic Underlying Assumptions

Research results reveal the rise and fall of the adaptation level to basic underlying assumptions in banking employees before and after WTO accession. The aspect “employees are aware of the important role of building up organizational culture to differentiate itself from other banks” reports the increase of mean value from 4.09 to 4.36 (see Table 4). While the item “employees believe in the bank's development” shows the decrease of mean value from 4.34 to 4.26. It is surprising that the mean value of “employees are aware of their working style in their bank compared to that of other banks” variable relatively remains the same (see Table 4).

Table 4. Adaptation to Basic underlying assumptions Vietnamese state-owned commercial banks before and after WTO accession

Criteria	Before WTO accession		After WTO accession	
	Mean	SD	Mean	SD
Q9. Employees are aware of their working style in their bank compared to that of other banks	3.95	0.71	3.95	0.72
Q10. Employees believe in the bank's development	4.34	0.74	4.26	0.85
Q11. Employees are aware of the important role of building up organizational culture to differentiate itself from other banks.	4.09	0.95	4.36	0.86

(Source: Author’s survey results analysis)

4.2 Test of Changes in Adaptation to Cultural Levels

To compare the differences between the two periods of the adaptation to organizational cultural levels in Vietnamese state-owned commercial banks, this research uses paired samples t-test. The test results of all the three cultural levels are presented below.

4.2.1 Changes in Artifacts

Regarding the artifacts, test results show that there is a significant difference in all variables of this cultural level between the two periods before and after Vietnam’s WTO accession (p -value < 0.05) (see Table 5). The adaptation level to artifacts tends to be higher in the post-WTO accession period than that in the pre-WTO accession period. The most significant change happened in the aspect of “systematic brand identity in all branches” (Mean = 0.71, SD = 0.78) and least significant change was seen in the aspect of “coherently and clearly organized hierarchy” (Mean = 0.25, SD = 0.85) (see Table 5). In general, the adaptation level to artifacts in Vietnamese state-owned banks is higher in the period after WTO accession than that in the one before WTO accession. In other words, the first hypothesis H1 is accepted.

Table 5. Test results of differences in adaptation to Artifacts

Criteria	Mean Differences		t	p-value
	Mean	SD		
Q1. Systematic brand identity in all branches	.71	.78	14.84	.00
1. Logos, insignia, symbols and colors	.60	.83	11.76	.00
2. Costume, business cards, etc.	.78	.89	14.35	.00
3. The architectural decoration in offices (headquarters, branches, transaction offices and ATMs)	.88	1.04	13.77	.00
4. Stationery	.60	.85	11.54	.00
Q2. Ceremonies and events	.49	.95	8.31	.00
Q3. Stories and anecdotes about the development process and the key members of the bank	.45	.84	8.74	.00
Q4. Clear rules and regulations	.47	.73	10.54	.00
1. Code of behaviour for staff	.52	.90	9.53	.00
2. Internal regulations for working	.46	.77	9.68	.00
3. Task handling process	.48	.83	9.44	.00
4. Regulations for staff reward and punishment	.44	.80	8.90	.00
Q5. Coherently and clearly organized hierarchy	.25	.85	4.76	.00

(Source: Author's survey results analysis)

4.2.2 Changes in Adaptation to Espoused Values

The test results of three aspects of espoused values show that there are significant change between the two periods of WTO accession (p -value < 0.05) (see Table 6). It can be seen that there is an increase in adaptation level from the pre-WTO accession period to the post-WTO accession one. The aspect of "the system of business philosophy, mission, vision and core values are built and disseminated throughout the bank" is reported to show the largest difference (Mean = 0.31, SD = 0.69). Otherwise, less changes have been observed in the aspect of "Employees easily adapt to the changes in business environment or internal structure" (Mean = 0.11, SD = 0.82) (see Table 6). In conclusion, the adaptation level to espoused values in Vietnamese banking system is higher after the WTO accession than that before WTO accession. The hypothesis H2 then is accepted.

Table 6. Test results of differences in adaptation to Espoused values

Criteria	Mean Differences		t	p-value
	Mean	SD		
Q6. Employees easily adapt to the changes in business environment or internal structure	.11	.82	2.09	.04
Q7. New ideas are welcomed at the bank	.12	.85	2.38	.02
Q8. The system of business philosophy, mission, vision and core values are built and disseminated throughout the bank	.31	.69	7.25	.00

(Source: Author's survey results analysis)

4.2.3 Changes in Adaptation to Basics Underlying Assumptions

According to the test results of mean differences with three variables of basic underlying assumptions, two of those variables are not proved to have significant changes between the two periods. T-test with the item "employees are aware of their working style in their bank compared to that of other banks" reports the p -value = 0.94 which is higher than 0.05. Similarly, the item "employees believe in the bank's development" also has the p -value = 0.09 (higher than 0.05) (see Table 7). The results show that there is no difference in the adaptation level of these two items between the two periods. The only aspect experienced the difference between the two periods is "Employees are aware of the important role of building up organizational culture to differentiate itself from other banks" (p -value < 0.05) (see Table 7). Thus, there is not clear evidence to conclude that the adaptation level to basic underlying assumptions in surveyed banks is higher after the joint in WTO. In other words, hypothesis H3 is not accepted.

Table 7. Test results of differences in adaptation to basic underlying assumptions

Criteria	Mean Differences		t	p-value
	Mean	SD		
Q9. Employees are aware of their working style in their bank compared to that of other banks	.00	.76	.08	.94
Q10. Employees believe in the bank's development	-.08	.76	-1.69	.09
Q11. Employees are aware of the important role of building up organizational culture to differentiate itself from other banks.	.27	.60	7.23	.00

(Source: Author's survey results analysis)

5. Discussion

The research results showed a gender gap in the labor structure in the surveyed banks as the number of female workers is 1.4 times higher than that of male workers, which reflects the job characteristics in the banking sector.

Surveyed employees are at fairly young age with more than 80 percent of those is under the age of 35. This is consistent with the evolution of the banking sector in Vietnam during the period 2005-2010 which experienced the rapid development in scale of the banks.

In general, education level of surveyed employees is quite high with 90 percent of them hold a bachelor or master degree. It proves that the attractiveness of Vietnam banking industry is still very high. It also shows the high competitiveness of job positions in banking and finance industry.

Research findings also noted the trend in the level of adaptation of organizational cultural levels in most criteria of the state-owned commercial banks in Vietnam from the perspective of employees is higher in the period after WTO accession than that before joining the WTO. The most drastic changes belong to the aspects of artifacts and espoused values, respectively. Whereas, there seems to be no change in basic underlying assumptions. This fact is the reflection of the boom of building organizational culture in the banking system of Vietnam after the country joined WTO. For example, BIDV approved its brand identity system in 2009, amended it in 2012; Vietcombank conducted changes in the new brand identity in 2013 and most recently Agribank announced its changes of brand identity in late 2014. These activities have increased the evaluation of employees toward artifacts in the banks. Simultaneously, the artifacts, which are tangible cultural properties, are more perceptible due to their direct influence and therefore outperform other cultural levels. Basic underlying assumptions are of more spiritual factors so they are harder to change. It is undeniable that basic underlying assumptions do not show any significant change between the two periods except for the item "role of building organizational culture". The aspect of building organizational culture is evaluated to be increasingly adapted, so it is clear that the awareness of the role of organizational culture among employees in Vietnamese state-owned commercial banks has become better.

With the increasing level of adaptation at all three levels of organizational culture, it is definitely clear that recent programs to build organizational culture at Vietnamese commercial banks after WTO accession are effective. It also shows the changing awareness of the banks' leaders about organizational culture in the context of increasing competition. The third cultural level including basic underlying assumptions does not change between the two periods. Thus, it is concluded that the surveyed banks need to make more effort on building organizational culture in depth raise awareness after managing creating an united tangible cultural layer.

This study has successfully addressed the questions about the state and changes in adaptation to organizational cultural levels in Vietnamese state-owned commercial banks. However, there are still some limitations such as small sample size and focused respondents in only four big commercial banks. Consequently, the representative of the study is limited. Furthermore, this is one of the first studies about adaptation to organizational cultural levels so the survey scale should be continuously supplemented and further improved for the next study. The next studies should also consider expanding the sample size and the respondents group for a better overview of the adaptation to organizational cultural levels in Vietnamese commercial banks.

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