Chapter 12
KM Approach for Improving the Labor Productivity of Vietnamese Enterprise

Quoc Trung Pham
Kyoto University, Japan

Yoshinori Hara
Kyoto University, Japan

ABSTRACT
In knowledge society, knowledge management (KM) is considered the best strategy for improving the labor productivity of an enterprise. However, the effectiveness of KM on labor productivity is not known exactly, especially since it depends on the development level of a country. To find a solution based on KM approach for improving the labor productivity of Vietnamese enterprise, a new model is proposed, which includes knowledge capability, technology capability, KM, employee satisfaction, and labor productivity. By analyzing data from Vietnamese enterprises, the model is tested and suggestions for improving the labor productivity of Vietnamese enterprises are made. Some results of data analysis are: employee satisfaction positively affects the labor productivity and that KM has a strong effect on employee satisfaction. Further, some suggestions for improving the labor productivity of Vietnamese enterprises are: organizing frequent meetings for shortening cultural gap between managers and employees, replacing old machines combined with improving employees’ self learning skill, improving innovation capability by creating an open culture for encouraging employees to voice their opinions.

INTRODUCTION
Currently, human resource management is widely recognized as a major determinant of an enterprise’s competitive advantage. Increasing levels of global competition are already affecting Vietnam and other developing countries. The enterprise manager in these countries can no longer compete based on low labor costs and is trying to find other solutions for improving labor productivity.

In the wake of the global financial crisis, Vietnamese enterprises meet a lot of difficulties in the struggle to survive and develop in a more changeable and competitive environment. Re-
cently, the high rate of the movement of skilled employees makes the businesses become unstable and forces them to have a more effective strategy for human resource management to stabilize staff and improve their labor productivity.

According to World Economic Forum (Schwab & Porter, 2008), three most problematic factors for doing business in Vietnam are inflation, inadequate supply of infrastructure, and inadequately educated workforce. In terms of this report, four weak points of Vietnam economy are infrastructure, higher education, technological readiness and innovation.

Moreover, according to our previous study of measuring the Information Communication Technology (ICT) maturity of Vietnamese enterprises (Pham, 2010), the quality of Vietnamese human resource is very low for most types and fields of enterprise. Other statistics in Vietnam also show the same result that skilled laborers are insufficient. In comparison with other countries in Southeast Asia region, labor productivity of Vietnam is at a low level (VPC, 2009) as shown in Figure 1:

Above facts and figure show that the most important question for Vietnamese enterprises today is how to improve the labor productivity. This problem should be solved by an adaptive method to ensure the sustainable development of those enterprises as well as the whole economy toward a knowledge society.

In today’s knowledge age, knowledge management is considered the best strategy for improving the performance and productivity of any enterprise. However, the exact relationship between KM and labor productivity is not known. So, the purpose of this paper is to explore the effectiveness of KM activity on labor productivity. It aims to find the relationship between KM and labor productivity of Vietnamese enterprises and to suggest the solution for improving their labor productivity based on KM. The research plan is: first, a model is specified; then, data collection and analysis are conducted for testing that model; based on this test, some suggestions for improving labor productivity of Vietnamese enterprises are made. The structure of this paper is organized as follows: (2) Definitions and related works; (3) KM-oriented model and research design; (4) Data collection from Vietnam; (5) Data analysis and results; (6) Solution for improving labor productivity of Vietnamese enterprise; (7) Conclusion.

DEFINITIONS AND RELATED WORKS

Knowledge Capability and Knowledge Management

There are many definitions of ‘Knowledge capability’. In this paper we use a simple definition of Ning et al. (2006), which states “Knowledge capability includes Core knowledge resource (both explicit and tacit knowledge) and Knowledge operating capabilities (learning capability, culture capability, communication capability and innovation capability)”. This definition is illustrated in Figure 2:

Core knowledge resource: the core technologies, tacit and explicit knowledge that can be used by an organization to create competitive advantages. Knowledge operating capability: a set of management methods that make the knowledge resource become effective and profitable. According to Ning et al. (2006), for simplification,
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