



HR STRATEGIES DURING INFLATION

Conducted by Navigos Search in 2011

Introduction about “HR strategies during inflation” survey

The current dong (VND) depreciation together with other price adjustments in gas, electricity, etc. has caused challenges for organizations in many aspects, one of which is personnel issue. That also creates a scenario where employees have been expecting some support from their current employers, although we understand this is a challenging period for both employers and employees. In this context, we believe that having an effective and efficient HR strategy can help companies not only to solve these HR issues, but also to attract and retain talents and build strong teams for your long-term success.

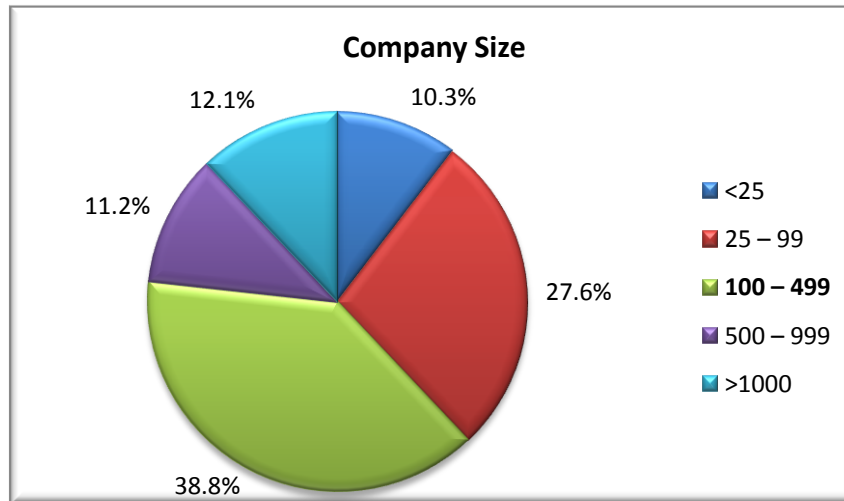
Recently, we received lots of questions from our clients about what the common HR practices are to cope with inflation challenges. This gives us an idea to conduct this mini-survey in several industries so that we can share the survey results with all of you which will help you understand the market trend and practices as well as to make any adjustment if necessary to stay competitive in the labor market.

Navigos Search conducted the survey “HR strategies during inflation” over a month period from 16/03/2011 to 15/04/2011, attracted participation of 116 companies operating in Vietnam.

This report was prepared by Navigos Search to expose our findings in this survey’s result. This report shall cover the followings:

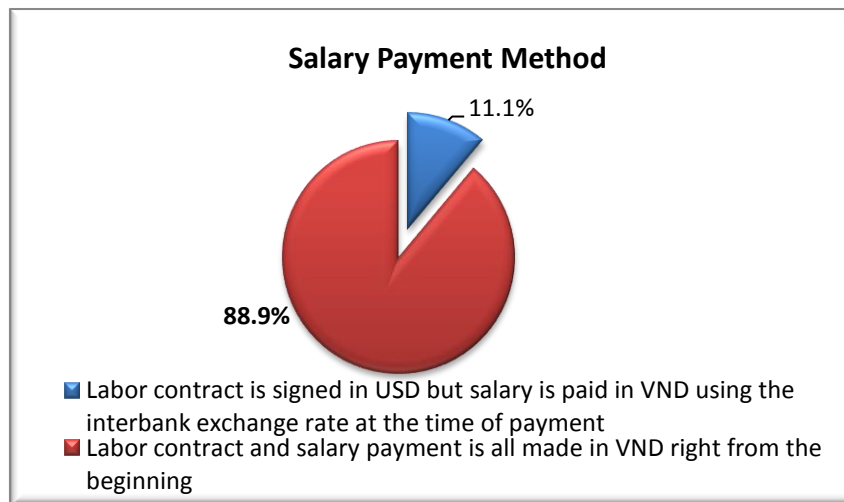
- Overview of the survey;
- Companies determined to increase their salary budgets in 2011;
- The four fundamental factors that a company should consider while having a salary review; and
- HR strategies and focuses to attract and retain talents while coping with this year inflation

Overview of the survey



Total participants included 116 companies in Vietnam

- 12** companies with fewer than 25 employees
- 32** companies with 25 to 99 employees
- 45** companies with 100 to 499 employees
- 13** companies with 500 to 999 employees
- 14** companies with more than 1000 employees



- 103** companies offer salary in Vietnamese dong
- 13** companies offer salary in US dollars by pay in VND

Companies determined to increase their salary budgets in 2011

The average salary increment rate	Management level		Professional		General Staff	
	2010	2011	2010	2011	2010	2011
<5%	6.5%	3.0%	7.6%	5.0%	7.6%	5.0%
5% to 10%	25.0%	23.0%	26.7%	18.0%	41.0%	27.0%
11% to 15%	50.9%	47.0%	50.5%	62.0%	40.0%	54.0%
>15%	17.6%	27.0%	15.2%	15.0%	11.4%	14.0%

Figure 1: *The average salary increment rate for different levels in 2011, as compared to 2010 (Source: Navigo Search)*

According to the results of this survey, companies plan to make considerable salary adjustments in 2011, compared with 2010. In particular, there were approximately 54% of surveyed companies responded that the average salary increment rate for staff-level is 11%-15% in 2011. In addition, 62% of the respondents plan to increase the salary for professional-level by 11%-15% in 2011. These figures are more generous in comparison with 2010.

Specifically, in 2011 there are more companies which gave management-level staff a higher salary increment rate. In 2010, only 17.6% of companies surveyed adjusted the salary for this level by above 15%, whereas, this figure was 27% of the respondents in 2011. Hiring the right talents for management positions is difficult, but how to retain them is even harder which has always been a concern of business leaders. Beside many other factors like training and development, improving work environments, companies are willing to adjust salaries for management-level staff to stay competitive in the market.

This is average figure across all industries for companies' reference. However, if you need to benchmark within the same industry, a specialized and deep salary survey approach is recommended.

The four fundamental factors that a company considers while having a salary review

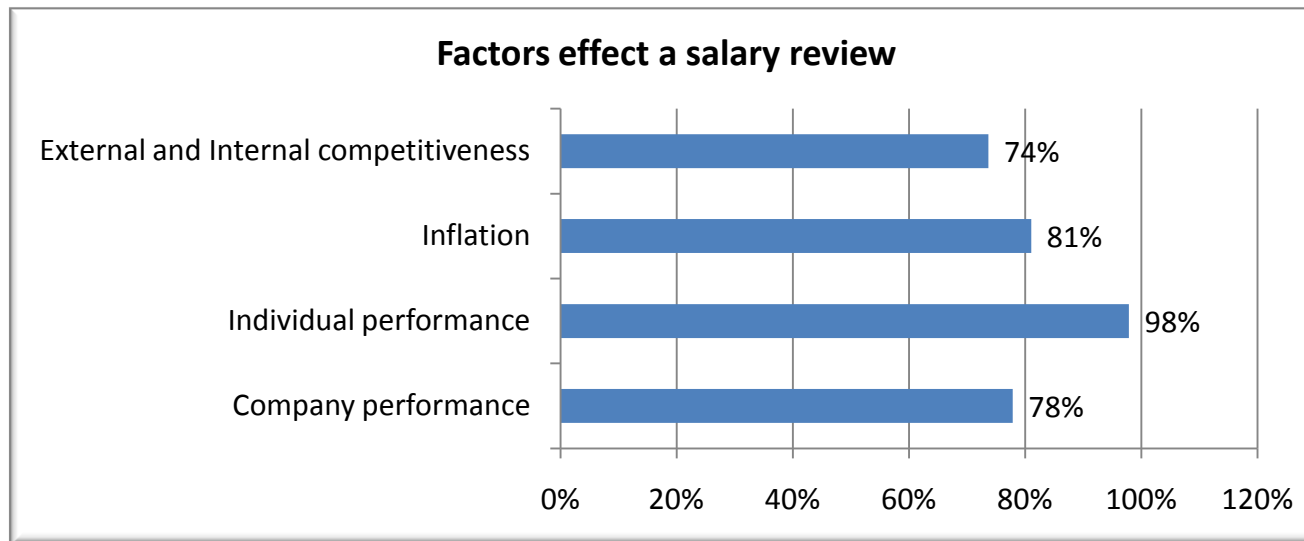


Figure 2: *Factors affect a salary review (Source: Navigos Search)*

According to this survey, amongst the four fundamental factors that a company considers while having a salary review, “Individual Performance” is the #1 factor that is taken into consideration while "Inflation" was ranked the second position with 81% of the respondents. The next two factors were "company performance" (78%) and "external and internal competitiveness" (74%).

The key take-away in this area is that companies in Vietnam are getting more sophisticated in determining annual salary adjustment. Beside inflation and other economy’s influences, the trend for determining salary adjustments is moving increasingly towards using performance based indicators. In practice, while conducting a salary review, companies will consider a combination of the above mentioned factors. The challenge is how to manage the expectations.

HR strategies and focuses to attract and retain talents while coping with this year inflation

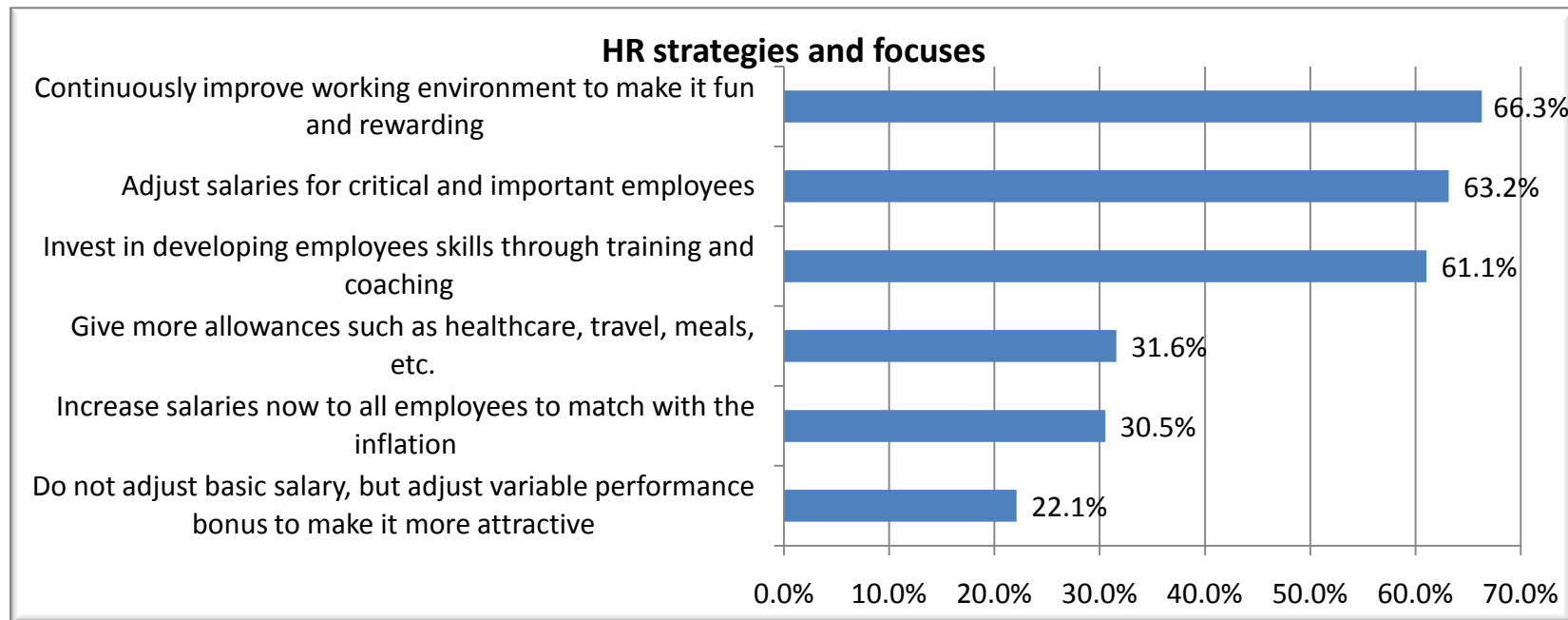


Figure 3: Percentages of companies choose HR strategies and focuses (Source: Navigos Search)

Aside from adjusting salary budgets, companies have also focused on other strategies to attract and retain talent.

With many suggestions from Navigos Search, 66.3% of the participants focus on improving their working environment, ranked this practice as the most essential factor to attract and retain talent during this year.

This result has also reflected a result of the "Employment Branding" survey which was announced in April 2011 by Navigos Search. According to this result, there were 75.2% of the respondents voted for "working environment" as second amongst the most four important factors important criteria that the most attractive employer brand should have (please find a summary of the "Employer

Branding” survey’s result at the end of this report). It again emphasizes that while salary and benefits is considered as a necessary factor to attract and retain talent, “working environment” is a long-term and sustainable factor.

Also, adjusting salaries for critical and important employees and invest in developing employees skills through training and coaching were evaluated to be the next two important factors that companies should consider while having a salary review, reached 63.2% and 61.1% of the voted, respectively.

Again, this result shows that companies practice the key/critical positions strategy for salary adjustments. While the resource (i.e. salary budget) is limited, 63.2% of participants will adjust the salaries for critical employees. This means that companies has been practicing “differentiation” in their human resources management. Differentiation is assessing employees, categorizing them into different groups and treat/reward them differently based on their contributions to the companies.

The “**Employer Branding**” survey was conducted from 24 January through March 15, 2011, amongst over 4,800 senior-level people who are working in both local and multi-national corporations.

It showed that a good working environment physically and spiritually was the second most important criteria that an attractive employer brand should have, with 75.2% of respondents. Also, 76% of participants considered having a good leadership team as the top criteria to be an employer of choice. Training/development and growth was placed as third position, which made up 72% of the respondents.

Have a good salary, bonuses and benefits system received 66.4% of the votes, led this factor as forth amongst the four most important criteria that an attractive employer brand should have.

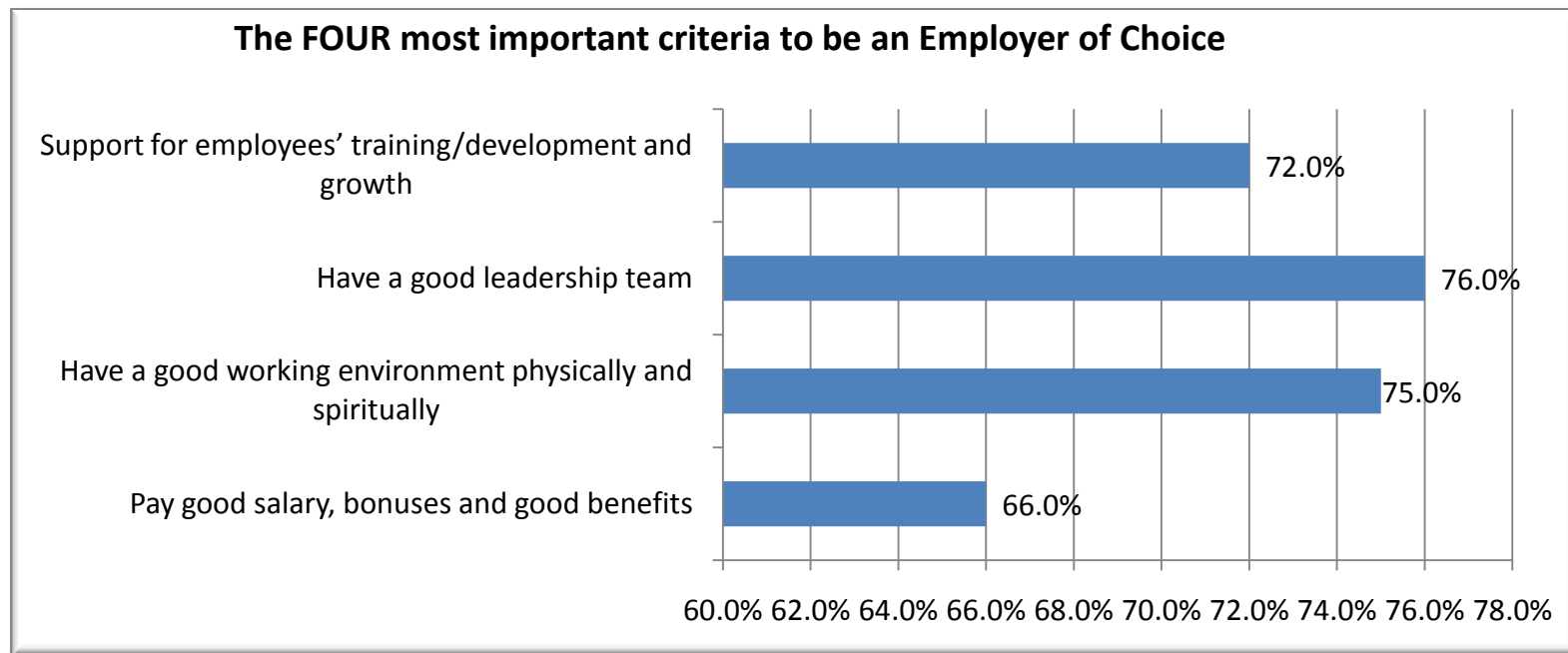


Figure 4: *The FOUR most important criteria to be an Employer of Choice (Source: Navigos Search)*

If you would like to have more detail about the report of “Employer Branding” survey, please find the soft copy on our website at:

<http://www.navigossearch.com/uploads/company/EmployerBranding-Report.pdf>

Thank you for your participation in our survey. We hope that this survey's result will give you an idea in developing your company's HR strategies to overcome this undesirable period.

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