

Cao Sơn NGUYỄN*

 <https://orcid.org/0000-0002-3915-6745>

COMPENSATION AND EMPLOYEE RETENTION IN TRANSITIONAL ECONOMIES: A COMPARATIVE STUDY OF POLAND AND VIETNAM

Abstract

Background: Compensation and employee retention are among the top concerns of human resource management; however, their construct and meaning are strongly influenced by national institutional contexts. While existing comparative HRM research has highlighted contextual differences, empirical evidence from transitional economies still remains limited.

Research purpose: The aim of this paper is to explore how national institutional environments shape compensation practices and their role in employee retention in transitional economies by comparing organizations operating in Poland and Vietnam.

Methods: Based on institutional theory and comparative HRM, the study employs a qualitative case study approach. Data were collected through semi-structured interviews and document analysis conducted in one company in Poland and another in Vietnam.

Conclusions: The findings indicate that although both organizations consider employee retention as a strategic priority, their compensation practices differ significantly in structure, meaning, and function across institutional contexts. In Poland, compensation systems are highly formalized and performance-based, serving mainly as a baseline element within a broader retention strategy that emphasizes career development and work-life balance. Conversely, in Vietnam, compensation (particularly year-end bonuses) functions as an informally institutionalized practice that enhances income stability and reinforces organizational legitimacy, thus playing a more significant role in employee retention. These results suggest that employee perceptions of fairness and retention are shaped by deeply embedded institutional norms, rather than universal principles. By offering empirical evidence from the two under-researched transitional economies, this study contributes to the comparative HRM literature and highlights the importance of context-sensitive compensation strategies in international human resource management.

Keywords: Compensation, employee retention, institutional theory, comparative human resource management, transitional economies, Poland and Vietnam.

JEL classification: J31, J530, M120, P310

* Ph.D., Assistant Professor, University of Humanities and Economics in Lodz (AHE), Faculty of Economics and Management; e-mail: son.ngcao@gmail.com

1. Introduction

In an increasingly globalized labor market, human resource management (HRM) practices play a crucial role in influencing employee motivation, organizational competitiveness, and long-term sustainability. Among these, compensation systems are widely recognized a key determinant of employee satisfaction, organizational commitment, and retention. As organizations face increasingly fierce competition for talent, especially in transitional and emerging economies, understanding how compensation practices are designed and implemented within different institutional contexts has become an important area of academic research.

Compensation systems are not only technical mechanisms for financial rewards distribution; rather, they are deeply embedded in national institutional frameworks, cultural norms, and labor market regulations. Previous research has shown that differences in legal systems and socio-cultural values may influence how firms structure their wages, bonuses, and benefits, as well as how employees perceive fairness and adequacy in compensation.¹ Consequently, comparative studies of compensation practices across countries provide valuable insights into how HRM functions adapt to different institutional environments and how these adaptations affect employee behaviors, particularly employee retention.

Additionally, although there is a large body of research on compensation management and employee retention, many studies have focused on Western economies or single-country contexts.² Comparative HRM studies examining non-Western and transitional economies remain relatively limited, particularly those that bridge different regions such as Southeast Asia and Central and Eastern Europe. Also, much of current research tends to analyze each transitional economy separately,³ overlooking potential insights that could be gained from cross-regional comparative approach. As a result, a significant gap remains in the literature regarding the differences in compensation and retention practices among

¹ **P.N. Gooderham et al.**, *Continuity and change in national HRM – an overview and future research agenda*, *The International Journal of Human Resource Management* 2025/36 (12), pp. 1989–2017; **P.S. Budhwar, P.R. Sparrow**, *An integrative framework for understanding cross-national human resource management practices*, *Human Resource Management Review* 2002/12 (3), pp. 377–403.

² **P.N. Gooderham et al.**, *Continuity and change in national HRM...*; **A.A. Ariss, Y. Sidani**, *Comparative international human resource management: Future research directions*, *Human Resource Management Review* 2016/26 (4), pp. 352–358.

³ **G.O. Serafini, G. Wood, L.T. Szamosi**, *People management after state socialism: A literature review and research agenda*, *Human Resource Management Review* 2020/30 (4), 100741.

transitional economies with distinct institutional and cultural backgrounds, and how these differences shape employee attitudes and organizational performance.

This study seeks to address this gap by conducting a comparative analysis of compensation and employee retention practices in Poland and Vietnam. The two countries represent typical cases for comparative analysis on this topic. Both countries are often categorized as transitional economies, having undergone significant economic and institutional transformations over the past decades. In Vietnam, the transition from a centrally planned economy to a *socialist-oriented* market economy has been accompanied by its rapid economic growth, labor market expansion, and developments of HRM practices.⁴ Similarly, Poland's transition from a centrally planned system to a market economy, followed by its accession to the European Union (EU), has profoundly reshaped its labor institutions, employment relations, and wage structures.⁵ However, despite these similarities, the two countries differ significantly in their legal frameworks, labor market flexibility, cultural values, and integration into the global economic system.

Drawing on institutional theory perspective and comparative HRM, the study examines how national labor institutions, legal environments, and cultural norms of each country shape the strategies for compensation and employee retention of organizations in transitional economies. Rather than treating compensation solely as a financial instrument, this research conceptualizes it as an integral component of broader HRM systems that interact with employee expectations, perceptions of fairness, and decisions to remain with an organization.

The primary objective of this study is threefold. First, the study is an attempt to identify and compare the key characteristics of compensation structures and reward practices in Polish and Vietnamese organizations. Next, it seeks to analyze the relationship between these compensation practices and employee retention strategies and outcomes within each national context. Finally, the study aims to contribute to the comparative HRM literature by providing empirical evidence from two economically significant yet under-researched transitional economies. By highlighting both similarities and differences between Poland and Vietnam, the study offers deeper insights into how compensation and retention practices are shaped by institutional and cultural conditions.

In line with the research objectives and its grounding in institutional theory and comparative HRM, the following research questions were formulated:

⁴ N.A. Nguyen, *Understanding the Socialist-Market Economy in Vietnam*, Emerging Science Journal 2022/6 (5), pp. 952–966.

⁵ S. Misiak-Kwit et al., *The Human Resources Management System in Slovakia and Poland – Chosen Aspects*, European Research Studies Journal 2023/0 (1), pp. 20–39.

RQ1: *How are compensation structures and reward practices designed and implemented in the Polish and Vietnamese organizations?*

RQ2: *What are the similarities and differences in compensation practices between the Polish and Vietnamese organizations within their respective institutional contexts?*

RQ3: *How do compensation practices influence employee retention strategies and outcomes in the two organizations?*

RQ4: *How do national institutional and cultural factors shape managerial rationales and employee perceptions regarding compensation and retention in Poland and Vietnam?*

2. Literature review and theoretical framework

Compensation as a core HRM practice

Compensation has long been considered a central component of HRM, influencing employee motivation, job satisfaction, organizational commitment, and retention. In HRM research, compensation is often described as a multi-dimensional construct that include base pay, bonuses, incentives, and benefits.⁶ Beyond its economic function, compensation also serves as a symbolic mechanism through which organizations communicate values, expectations, and recognition to employees.

Numerous empirical studies show that compensation plays a crucial role in employee retention. When an organization builds a competitive and fair compensation system, employees are generally less likely to leave and feel more engaged.⁷ From a motivational perspective, compensation directly impacts on how employees perceive fairness and the relationship between their efforts and the rewards they receive – a point emphasized by theories such as equity theory⁸ and expectancy theory.⁹ These theories suggest that employees are more likely to

⁶ **I.S. Fulmer, B. Gerhart, J.H. Kim**, *Compensation and performance: A review and recommendations for the future*, *Personnel Psychology* 2023/76 (2), pp. 687–718.

⁷ **I.S. Fulmer, B. Gerhart, J.H. Kim**, *Compensation and performance...; M.L. Williams, M.A. McDaniel, N.T. Nguyen*, *A meta-analysis of the antecedents and consequences of pay level satisfaction*, *Journal of Applied Psychology* 2006/91 (2), pp. 392–413.

⁸ **J.S. Adams**, *Inequity In Social Exchange*, Editor(s): **L. Berkowitz**, *Advances in Experimental Social Psychology*, Academic Press 1965/2, pp. 267–299.

⁹ **V.H. Vroom**, *Work and motivation*, Wiley 1964; **V.H. Vroom**, *On The Origins Of Expectancy Theory*, in: **K.G. Smith, M.A. Hitt** (eds), *Great Minds in Management: The Process of*

remain with an organization when compensation accurately reflects contributions and aligns with expectations.

Nevertheless, scholars also note that compensation cannot be considered a universal or purely transactional retention tool. Research within the total rewards framework highlights that financial elements interact with non-financial ones, such as career development, job security, and work-life balance, in shaping retention outcomes.¹⁰ As a result, compensation must be considered within broader HRM systems and contextual conditions, rather than as an isolated practice.

Employee retention and HRM systems

Employee retention refers to organizational practices and policies aimed at reducing voluntary turnover and maintaining a stable workforce.¹¹ In the context of rising recruitment costs, skill shortages, and demographic changes in the labor market, employee retention has become a strategic priority of organizations. The HRM literature emphasizes that retention is influenced by a bundle of HR practices, including compensation, performance management, training, and career opportunities.¹²

Among these practices, compensation plays a particularly important role because it directly affects employees' economic security and perceptions of organizational support. Studies suggest that compensation often acts as a "bridge" between HRM policies and retention outcomes by strengthening the *psychological contract* between employees and the organization.¹³ When employees perceive compensation systems as transparent and fair, they are more likely to reciprocate with loyalty and long-term commitment.

However, retention strategies and their effectiveness vary significantly across national contexts. Even seemingly familiar concepts, such as "competitive" or "fair" compensation, differ depending on institutional arrangements, labor

Theory Development, Oxford 2005; online edn, Oxford Academic, <https://doi.org/10.1093/oso/9780199276813.003.0012>

¹⁰ **M. Elrayah, Y. Semlali**, *Sustainable Total Reward Strategies for Talented Employees' Sustainable Performance, Satisfaction, and Motivation: Evidence from the Educational Sector*, *Sustainability* 2023/15 (2), p. 1605.

¹¹ **D.G. Allen, P.C. Bryant, J.M. Vardaman**, *Retaining talent: Replacing misconceptions with evidence-based strategies*, *The Academy of Management Perspectives* 2010/24 (2), pp. 48–64.

¹² **M.A. Huselid**, *The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance*, *Academy of Management Journal* 1995/38, pp. 635–672.

¹³ **R.A. Guzzo, K.A. Noonan, E. Elron**, *Expatriate managers and the psychological contract*, *Journal of Applied Psychology* 1994/79 (4), pp. 617–626.

market norms, and cultural expectations. This observation has led scholars to pay increasing attention to contextual and comparative approaches across countries in HRM research.

Institutional theory and comparative human resource management

Institutional theory provides a valuable lens for understanding cross-national differences in HRM practices. According to this perspective, what happens within an organization does not exist independently, but is shaped by both formal institutions (e.g., labor laws, collective bargaining systems) and informal institutions (e.g., cultural norms, social expectations) within a given national context.¹⁴ As a result, HRM systems tend to reflect country-specific institutional configurations, rather than converging toward a single global model.

Comparative HRM studies have revealed that the way countries formulate compensation and employee retention policies varies considerably, primarily due to differences in laws, labor relations, and cultural value systems.¹⁵ For example, coordinated market economies often prioritize standard wages and job security, whereas liberal market economies rely more heavily on performance-based pay and individual incentives.¹⁶ For transitional economies, the picture is even more complex as they must reconcile traditional institutions with new, market-oriented practices. Examining transitional contexts therefore offers a particularly valuable analytical lens, as it reveals how compensation and retention practice are reshaped when enduring institutional legacies interact with emerging market-oriented reforms.

Research gap and theoretical framework

As mentioned, despite growing interest in comparative HRM, empirical studies examining compensation and retention across different transitional economies remain limited. The majority of current research focuses on Western economies

¹⁴ **D.C. North**, *Institutions, Institutional Change and Economic Performance*, Cambridge University Press 1990; **W.R. Scott**, *Institutions and Organizations: Ideas, Interests, and Identities*, Sage Publishing, Thousand Oaks, CA 2014.

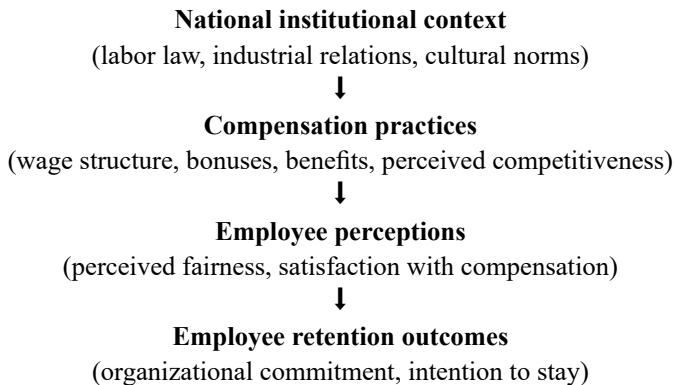
¹⁵ **C. Brewster, W. Mayrhofer, E. Farndale**, *Handbook of Research on Comparative Human Resource Management*, 2nd ed., Edward Elgar Publishing, 2018.

¹⁶ **P.A. Hall, D. Soskice**, *An Introduction to Varieties of Capitalism*, in: **P. Hall, D. Soskice**, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford University Press, Oxford 2001, pp. 1–70.

or single-country contexts, leaving significant gaps in the comparative picture across regions, particularly between Central and Eastern Europe and Southeast Asia. Furthermore, few studies explicitly integrate institutional theory with compensation-retention linkages in a transitional setting.

To address this gap, this study approaches the issue from a comparative HRM perspective based on institutional theory. Accordingly, compensation practices are viewed as organizational-level mechanisms shaped by national institutional contexts, which in turn influence employee retention outcomes through employee perceptions of fairness and satisfaction. Based on the reviewed literature, this study proposes the following theoretical framework (see Figure 1).

FIGURE 1: *National institution-driven compensation and retention framework*



S o u r c e: own work based on literature review.

Within this framework, the national institutional context serves as a prerequisite for shaping compensation practices within organizations. Compensation practices influence employee perceptions, which act as a mediating mechanism linking HRM systems to employee retention outcomes. By comparing organizations from Poland and Vietnam, the study seeks to identify how HRM objectives (such as employee retention) are pursued through different compensation practices under varying institutional conditions.

3. Methodology

This study adopts a qualitative comparative case study design to explore compensation and employee retention practices in Vietnam and Poland. A qualitative approach is particularly appropriate for this research because it allows for an in-depth examination of how compensation practices are interpreted, justified, and experienced by organizational actors within specific institutional contexts.¹⁷

Comparative case studies are widely used in human resource management research to capture contextualized HR practices and to explain cross-national differences that cannot be fully understood through quantitative measures alone.¹⁸ By examining two organizations operating in different national environments, this study aims to identify both context-specific and cross-contextual patterns in compensation and retention practices.

Two organizations were purposively selected for this study: one company based in Poland and another one in Vietnam. The selection followed a theoretical sampling strategy, rather than statistical representativeness, in line with qualitative research principles.

The cases were selected based on the following criteria:

- *Organizational similarity*: Both companies operate in similar manufacturing sectors, have a medium workforce (both have approximately 150 employees), and employ formal HR departments responsible for compensation and retention policies. This comparability helps control for industry- and size-related effects.
- *Active engagement in compensation and retention practices*: The selected organizations have established compensation systems that include base pay, bonuses, and benefits, and they also view employee retention as a strategic HR goal. This ensures the relevance of the cases to the research questions.
- *Embeddedness in national institutional contexts*: Each company primarily operates within its domestic labor market and complies with national labor

¹⁷ C.B. Clauss, J. de Frutos-Belizón, N. García-Carbonell, *Employee perceptions of HRM practices and beyond: A bibliometric analysis of theoretical perspectives and research foci*, *Journal of Management & Organization* 2025/31 (5), pp. 2317–2340; R.K. Yin, *Designing case studies*, *Qualitative research methods* 2003/5 (14), pp. 359–386; K.M. Eisenhardt, *Building theories from case study research*, *Academy of Management Review* 1989/14 (4), pp. 532–550.

¹⁸ A. Malik et al., *Leveraging high-performance HRM practices and knowledge sharing for managing technological and social change in emerging market healthcare providers*, *Technological Forecasting and Social Change* 2024/205, 123463.

regulations. This allows the study to clearly capture how local institutional conditions influence HRM practices.

- *Access to key information providers*: Practical considerations such as accessibility to HR managers and employees were also taken into account to ensure the feasibility and depth of data collection.

The rationale for selecting one organization from each country, rather than multiple cases per country, stems from the exploratory nature of the study. This approach enables a focused and in-depth comparison, highlighting institutional contrasts while maintaining analytical clarity.

Data were collected primarily through *semi-structured interviews*, complemented by *analysis of organizational documents*. This combination allows for a more nuanced understanding of the practices under investigation.

The interviews were conducted in December 2025 with key organizational actors, including: *HR managers* responsible for compensation and retention policies (one person per company), *line managers* involved in implementing compensation decisions (one person per company), and *employees* who are directly affected by these practices (five people per company). The interview protocol was designed to explore (1) the structure and rationale of compensation systems, (2) perceptions of fairness and competitiveness, (3) the role of compensation in employee retention, and (4) the influence of legal, cultural, and institutional factors. The use of semi-structured interviews allowed sufficient flexibility while maintaining consistency across cases, enabling meaningful comparisons.

Internal documents such as compensation policies and HR guidelines were analyzed to triangulate interview data and enhance the reliability of the findings. Publicly accessible materials (e.g., company reports or official HR statements) were also examined.

To strengthen the credibility of the study, several measures were used, including data triangulation, clear documentation of the research process, and thorough case comparison. Ethical considerations were also given particular attention, reflected in ensuring participants provided informed consent while maintaining confidentiality and anonymity for all individuals and organizations involved.

A cross-case analysis was carried out to draw out both similarities and differences between the Polish and Vietnamese organizations. This comparative lens helps to better identify how the institutional contexts shape compensation and retention practices, while remaining closely aligned with the study's theoretical framework.

4. Findings

This section presents the empirical findings derived from semi-structured interviews and document analysis conducted in the two selected organizations from Poland and Vietnam. The findings are organized thematically in line with the theoretical framework and research questions, highlighting similarities and differences in compensation and employee retention practices across the two institutional contexts.

Structure and composition of compensation systems

A key finding from both cases is that compensation systems consist of multiple components, including base salary, bonuses, and benefits. However, the relative importance and interpretation of these components differ substantially between the Vietnamese and Polish organizations.

In the Vietnamese company, compensation is structured around a relatively stable base salary complemented by annual bonuses. The year-end bonus is almost considered a default part of income, even though it is nominally classified as a “bonus”. For many employees, this is not just a reward but an integral part of their annual income.

Even though it is called a bonus, employees often see the year-end payment as something they naturally expect every year. If it is missing, they feel something is wrong. (HR manager, Vietnam)

Employees in the Vietnamese organization emphasized the stability and predictability of income, rather than performance-based differentiation. Some of those interviewees noted that the regularity and commitment of the company are more important than receiving temporary high bonuses based on individual achievements.

For me, it is more important that the company pays regularly and keeps its promises than giving high performance-based bonuses. (employee no. 2, Vietnam)

In contrast, the Polish company places greater emphasis on contractual clarity and performance-linked compensation. Base pay is clearly specified in employment contracts, while bonuses are more explicitly tied to individual or organizational performance indicators.

Bonuses here depend on results, and employees understand this from the beginning when they sign the contract. (HR manager, Poland)

These differences show that each organization carries its own expectations regarding the role and purpose of compensation, shaped by the cultural and institutional context of each country.

Compensation and perceived fairness

Perceived fairness emerged as a central theme shaping employee attitudes in both firms, although the understanding of “fairness” differs significantly between the two cases.

In the Vietnamese company, fairness was primarily associated with equal treatment and consistency in decisions. Employees are strongly sensitive to discrepancies they perceive as unfair, especially when bonuses are seen as arbitrary or lacking transparency.

If two people doing similar work receive very different bonuses, it creates dissatisfaction, even if management says it is based on performance. (line manager, Vietnam)

Meanwhile, employees at the Polish organization view fairness from a process-oriented perspective: it is important that the rules are clear and convincingly explained, even if the final results are not the same.

I don't expect everyone to earn the same, but I want to understand why someone earns more. As long as the rules are clear, I feel it's fair. (employee no. 2, Poland)

These findings suggest that compensation fairness is socially constructed and shaped by national institutional and cultural norms, rather than being universally defined.

Role of compensation in employee retention

Compensation was identified as an important but not exclusive factor influencing employee retention in both organizations. However, its role in retention strategies differed across cases.

In the Vietnamese company, compensation, particularly year-end bonuses, played a symbolic role in reinforcing employee loyalty and long-term attachment to the organization.

If the company pays the year-end bonus, employees feel secure and are less likely to look for another job, especially before Tết (Lunar New Year). (HR manager, Vietnam)

Employees confirmed that the absence or reduction of such bonuses could lead to turnover intentions, even if they are satisfied with their current job.

If there is no bonus at the end of the year, some people start thinking about leaving, even if the job itself is okay. (employee no. 4, Vietnam)

Meanwhile, in the Polish company, compensation was viewed as a baseline condition, rather than a primary retention tool. Employees valued fair salaries, but they also emphasized career development opportunities and work-life balance as equally important factors.

If the salary is fair, then other things matter more, like opportunities for advancement or flexible working hours. (employee no. 1, Poland)

Institutional influences on compensation and retention practices

Interview data strongly indicate that compensation and retention practices in both organizations are shaped by broader institutional environments.

In the Vietnamese company, interviewees frequently referred to social expectations, labor market norms, and informal practices as influencing compensation decisions.

Even if the law does not require certain bonuses, companies still feel pressured to conform to what is prevalent in the market. (HR manager, Vietnam)

The Polish company, on the other hand, demonstrated a stronger reliance on formal regulations and contractual arrangements.

We must strictly follow labor laws and internal regulations. Everything related to pay must be clearly documented. (HR manager, Poland)

These findings suggest that national institutional contexts play a significant role in shaping how organizations design and implement HRM practices, thereby impacting employee retention.

Cross-case comparison summary

Overall, the findings reveal that while both organizations aim to retain employees through competitive compensation, their understanding and implementation of compensation practices differ considerably. In the Vietnamese case, compensation is frequently seen as a mechanism for creating stability and ensuring employee well-being. Conversely, in the Polish case it functions as a contract-based tool closely tied to performance, within a more clearly structured and broader employee retention strategy.

5. Discussion

Institutional embeddedness of compensation practices

Consistent with institutional theory, the findings demonstrate that compensation practices are deeply embedded in national institutional environments, rather than being purely managerial or efficiency-driven choices. In the Vietnamese case, compensation (especially year-end bonuses) acts as an informal institution existing alongside and sometimes even stronger than formal organizational regulations. Although not legally required, these bonuses have become socially expected and symbolically significant, reflecting normative pressures in the labor market.

This finding aligns with the institutional concept of normative isomorphism, whereby organizations tend to choose practices considered legitimate in the eyes of society.¹⁹ Vietnamese organizations seem to conform to prevailing market norms and cultural expectations to maintain legitimacy and social acceptance, even when such practices are not formally regulated. Thus, compensation serves as a mechanism to reinforce social stability and organizational reliability in this context.

Conversely, the Polish case illustrates a stronger influence of regulatory institutions, such as labor law, contractual arrangements, and EU employment standards. Compensation policies are formalized, clearly documented, and closely aligned with performance criteria. This reflects a more rules-based institutional environment where legitimacy is ensured through compliance with the law and transparency in processes, rather than relying on informal norms.

¹⁹ **P.J. DiMaggio, W.W. Powell**, *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields*, *American Sociological Review* 1983/48, pp. 147–160.

Divergent meanings of fairness and retention

The findings further reveal that employee perceptions of fairness and retention are institutionally, rather than universally constructed. In the Vietnamese organization, fairness is primarily associated with consistency and equal treatment, even if this means performance disparities are not clearly reflected. This reflects a work environment that values stability and collectivist orientation, where regular income is considered a critical factor.

From an institutional perspective, these perceptions can be interpreted as a result of historically embedded employment relations, characterized by expectations of long-term employment and social obligations between employers and employees. When compensation policies deviate from these expectations (for instance, by reducing or eliminating year-end bonuses), the organization may be perceived as losing legitimacy, leading to decreased employee motivation and engagement, and ultimately, employee turnover.

In the Polish organization, fairness is understood in procedural terms, emphasizing clarity, justification, and contractual consistency. Employees are more accepting of compensation disparities if they see performance evaluation criteria that are reasonably explained and adhere to established rules. This supports prior comparative HRM research suggesting that employees in more formalized labor markets tend to value process fairness more than outcome equality.

These differences suggest that national institutions not only shape how organizations formulate compensation policies, but also influence how employees understand, perceive, and react to those policies.

Compensation as a retention mechanism in transitional economies

The study also contributes to the literature by demonstrating that compensation plays different functional roles in employee retention strategies across institutional contexts. In Vietnam, compensation is not only a financial factor but also carries symbolic significance. For example, year-end bonuses are often seen as recognition, enhancing emotional attachment and demonstrating the organization's commitment to employee well-being.

Meanwhile, in Poland, compensation functions more as a baseline requirement for retention, rather than a primary driver. When salaries and benefits reach a level considered fair and competitive, non-financial factors, such as career development and work-life balance, become more salient. This finding supports

the argument that retention strategies in more institutionalized labor markets tend to rely on bundles of HR practices, rather than on compensation alone.

From an institutional theory perspective, these differences suggest that organizations adapt their retention strategies to align with dominant institutional logics. Vietnamese firms tend to respond to normative and cultural pressures, while Polish firms operate within a more regulatory and contractual logic.

Summary of cross-case comparison

Based on the analyses above, the main differences between the two institutional contexts are summarized in Table 1.

TABLE 1: *Comparative characteristics of compensation and retention systems*

Dimension	Poland	Vietnam
Labor law framework	Highly formalized, EU-based labor law, detailed employment contracts	Fragmented regulation, limited enforcement of bonus-related rules
Role of bonuses	Performance-based incentive linked to measurable results	Informal income-stabilization and loyalty mechanism
Dominant fairness logic	Procedural and rule-based	Relational, egalitarian, and consistency-oriented
Function of compensation in retention	Baseline condition within a broader HRM system (career, work-life balance)	Key retention tool providing financial and psychological security
Source of legitimacy	Compliance with legal and contractual rules	Conformity to social and market expectations

Source: own work.

6. Implications

This study offers several **theoretical contributions** to the literature. *First*, it expands existing understanding of compensation and employee retention by providing empirical evidence from two transition economies that have received little attention in previous studies, i.e., Poland and Vietnam. While much of previous research has focused on Western countries or considered only a single context, this study shows that compensation practices in the transitional economies are shaped by their own institutional logics, rather than converging on a single global model.

Second, the findings contribute to institutional theory by illustrating how informal institutions (e.g., social expectations, cultural norms, and market conventions) can exert influence over HRM practices comparable to, or sometimes even stronger than, formal regulatory frameworks. The Vietnamese case is a prime example: year-end bonuses, while not strictly regulated by law, act as an informal institutional practice that significantly impacts employee retention. This insight highlights the role of normative pressures in shaping compensation practices in emerging labor markets.

Third, this study enriches the comparative HRM literature by demonstrating that employee perceptions of compensation fairness and retention are institutionally constructed. Seemingly universal concepts such as “fairness” or “employee retention” are actually understood and evaluated through the cultural and institutional lens of each country. This challenges universalistic assumptions in HRM theory and supports context-sensitive approaches that emphasize national and institutional specificity.

Finally, the study contributes to the growing body of research on HRM in transitional economies by showing that similar organizational objectives such as retaining employees can be achieved through different compensation mechanisms. This finding reinforces the configurative perspective in HRM research, whereby the effectiveness of compensation practices depends on their alignment with broader institutional and cultural contexts.

This study also provides **practical implications** for managers and HR practitioners, particularly those operating in multinational enterprises or organizations with cross-border activities in Poland and Vietnam. *First*, managers should recognize that compensation policies cannot be effectively transferred across national contexts without careful adaptation. Practices that are seen as powerful retention tools in Vietnam (e.g., predictable year-end bonuses) may have limited motivational impact in Poland, where employees often value contractual clarity and performance-based rewards. HR managers should therefore avoid standardized compensation policies and instead design country-specific reward systems that reflect local institutional expectations.

Second, the study highlights the role of perceived fairness within specific institutional contexts. In Vietnam, managers should prioritize consistency and transparency to avoid perceptions of inequity that may undermine retention. Meanwhile, in Poland, managers should focus on clearly communicating performance criteria and ensuring procedural justice in compensation decisions. When fairness mechanisms are aligned with employee expectations in each country, their trust and long-term commitment can be strengthened.

Third, compensation should be integrated into a comprehensive retention strategy, rather than treated as a standalone tool. While financial rewards play a significant role in both countries, their effectiveness depends heavily on complementary HR policies. In Poland, career development opportunities, job security, and work-life balance emerged as critical retention factors. In Vietnam, symbolic and relational aspects of compensation, such as organizational care or a sense of security, need to be harmoniously integrated with financial incentives.

Finally, for multinational companies operating across transitional economies, this study underscores the strategic value of understanding institutional factors in HRM decision-making. Managers who grasp how national institutions shape employee expectations and behaviors are better positioned to design compensation systems, thereby enhancing employee retention, strengthening organizational legitimacy, and improving long-term performance.

7. Limitations and directions for future research

Despite its contributions, this study has several limitations. First, the research is based on only two organizations operating in two countries. This design allows for in-depth and contextual analysis, but also limits the ability to generalize statistically. Future studies could broaden the scope by including more organizations in each country to more fully reflect the diversity in compensation and employee retention practices.

Second, the study relies primarily on qualitative interview data that can be influenced by respondents' subjective interpretations and social desirability bias. Further research could combine qualitative insights with quantitative data to enhance robustness and enable broader cross-national comparison.

Another limitation is that the study focuses on organizations operating mainly in domestic institutional contexts. Future research could examine multinational enterprises to explore how global HRM policies interact with local institutional pressures. Such studies would provide valuable insights into the dynamics of standardization and localization in international HRM.

Finally, future research could broaden the comparative framework to other transitional or emerging economies in Central and Eastern Europe and Southeast Asia. Longitudinal studies would also be valuable in capturing how compensation and retention practices change over time in response to institutional reforms, labor market volatility, and economic shocks.

8. Conclusion

The aim of this paper is to explore how compensation and employee retention practices are shaped and implemented in different national institutional contexts by comparing one organization in Poland and one in Vietnam. Drawing on institutional theory and comparative HRM perspectives, the study provides important insights into how similar HR objectives, particularly employee retention, are pursued through distinct compensation logics in transitional economies.

The results show that compensation practices in both organizations extend beyond their economic function and are deeply embedded in institutional and cultural contexts. In the Vietnamese case, compensation (in particular year-end bonuses) functions as a stabilizing and social guarantee mechanism, reinforcing long-term employee attachment and organizational legitimacy. Conversely, the Polish case demonstrates a more formalized and contractual approach to compensation, where financial elements are closely linked to performance and supported by complementary non-financial practices.

These differences show that employee retention cannot be understood solely as an outcome of individual HR practices, but rather as the result of interactions between organizational systems and national institutions. The comparative analysis illustrates that compensation serves different symbolic and functional roles across institutional contexts, shaping employee perceptions of fairness, satisfaction, and engagement in distinct ways.

Overall, this research contributes to the field of comparative HRM by extending empirical evidence beyond traditional Western settings and by demonstrating the explanatory power of institutional theory in understanding compensation and retention practices in transitional economies. Also, the study emphasizes the need to develop context-specific HR strategies, rather than assuming that compensation models can be applied uniformly across all countries.

References

- Adams J.S.**, *Inequity In Social Exchange*, Editor(s): L. Berkowitz, *Advances in Experimental Social Psychology*, Academic Press 1965/2, pp. 267–299.
- Allen D.G., Bryant P.C., Vardaman J.M.**, *Retaining talent: Replacing misconceptions with evidence-based strategies*, *The Academy of Management Perspectives* 2010/24 (2), pp. 48–64.
- Ariss A.A., Sidani Y.**, *Comparative international human resource management: Future research directions*, *Human Resource Management Review* 2016/26 (4), pp. 352–358.
- Brewster C., Mayrhofer W., Farndale E.**, *Handbook of Research on Comparative Human Resource Management*, 2nd ed., Edward Elgar Publishing, 2018.

- Budhwar P.S., Sparrow P.R.**, *An integrative framework for understanding cross-national human resource management practices*, *Human Resource Management Review* 2002/12 (3), pp. 377–403.
- Clauss C.B., de Frutos-Belizón J., García-Carbonell N.**, *Employee perceptions of HRM practices and beyond: A bibliometric analysis of theoretical perspectives and research foci*, *Journal of Management & Organization* 2025/31 (5), pp. 2317–2340.
- DiMaggio P.J., Powell W.W.**, *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields*, *American Sociological Review* 1983/48, pp. 147–160.
- Eisenhardt K.M.**, *Building theories from case study research*, *Academy of Management Review* 1989/14 (4), pp. 532–550.
- Elrayah M., Semlali Y.**, *Sustainable Total Reward Strategies for Talented Employees' Sustainable Performance, Satisfaction, and Motivation: Evidence from the Educational Sector*, *Sustainability* 2023/15 (2), p. 1605.
- Fulmer I.S., Gerhart B., Kim J.H.**, *Compensation and performance: A review and recommendations for the future*, *Personnel Psychology* 2023/76 (2), pp. 687–718.
- Gooderham P.N., Mayrhofer W., Sinha P.N., Zheng C.S., Brewster C.**, *Continuity and change in national HRM – an overview and future research agenda*, *The International Journal of Human Resource Management* 2025/36 (12), pp. 1989–2017.
- Guzzo R.A., Noonan K.A., Elron E.**, *Expatriate managers and the psychological contract*, *Journal of Applied Psychology* 1994/79 (4), pp. 617–626.
- Hall P.A., Soskice D.**, *An Introduction to Varieties of Capitalism*, in: P. Hall, D. Soskice, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford University Press, Oxford 2001, pp. 1–70.
- Huselid M.A.**, *The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance*, *Academy of Management Journal* 1995/38, pp. 635–672.
- Malik A., Nguyen M., Budhwar P., Chowdhury S., Gugnani R.**, *Leveraging high-performance HRM practices and knowledge sharing for managing technological and social change in emerging market healthcare providers*, *Technological Forecasting and Social Change* 2024/205, 123463.
- Misiak-Kwit S., Włodarczyk K., Mazur-Wierzbicka E., Smerek L., Durian J.**, *The Human Resources Management System in Slovakia and Poland – Chosen Aspects*, *European Research Studies Journal* 2023/0 (1), pp. 20–39.
- Nguyen N.A.**, *Understanding the Socialist-Market Economy in Vietnam*, *Emerging Science Journal* 2022/6 (5), pp. 952–966.
- North D.C.**, *Institutions, Institutional Change and Economic Performance*, Cambridge University Press 1990.
- Scott W.R.**, *Institutions and Organizations: Ideas, Interests, and Identities*, Sage Publishing, Thousand Oaks, CA 2014.
- Serafini G.O., Wood G., Szamosi L.T.**, *People management after state socialism: A literature review and research agenda*, *Human Resource Management Review* 2020/30 (4), 100741.
- Vroom V.H.**, *On The Origins Of Expectancy Theory*, in: K.G. Smith, M.A. Hitt (eds), *Great Minds in Management: The Process of Theory Development*, Oxford 2005; online edn, Oxford Academic, <https://doi.org/10.1093/oso/9780199276813.003.0012>; accessed: 31.10.2023.

Vroom V.H., *Work and motivation*, Wiley 1964.

Williams M.L., McDaniel M.A., Nguyen N.T., *A meta-analysis of the antecedents and consequences of pay level satisfaction*, *Journal of Applied Psychology* 2006/91 (2), pp. 392–413.

Yin R.K., *Designing case studies*, *Qualitative research methods* 2003/5 (14), pp. 359–386.

Cao Son NGUYỄN

WYNAGRODZENIA I RETENCJA PRACOWNIKÓW W GOSPODARKACH PRZEJŚCIOWYCH: BADANIE PORÓWNAWCZE POLSKI I WIETNAMU

Abstrakt

Przedmiot badań: Wynagrodzenia i retencja pracowników należą do kluczowych obszarów zarządzania zasobami ludzkimi; jednak ich konstrukcja i znaczenie są silnie kształtowane przez krajowe konteksty instytucjonalne. Chociaż dotychczasowe badania porównawcze w obszarze HRM podkreślały znaczenie różnic kontekstowych, wciąż brakuje empirycznych dowodów pochodzących z gospodarek w okresie transformacji.

Cel badawczy: Celem artykułu jest zbadanie, w jaki sposób krajowe czynniki instytucjonalne wpływają na praktyki wynagradzania oraz ich rolę w retencji pracowników w gospodarkach transformujących się poprzez porównanie organizacji działających w Polsce i Wietnamie.

Metoda badawcza: W oparciu o teorię instytucjonalną i porównawcze HRM, badanie wykorzystuje jakościowe studium przypadku. Dane zebrano za pomocą częściowo ustrukturyzowanych wywiadów oraz analizy dokumentów przeprowadzonych w jednej firmie w Polsce i jednej w Wietnamie.

Wyniki: Badania wskazują, że choć obie organizacje uznają retencję pracowników za priorytet strategiczny, ich praktyki wynagradzania znacząco różnią się pod względem struktury, znaczenia i funkcji w zależności od kontekstu instytucjonalnego. W Polsce systemy wynagradzania są silnie sformalizowane i oparte na wynikach, pełniąc głównie rolę elementu bazowego w szerszej strategii retencyjnej, która akcentuje rozwój kariery i równowagę między pracą a życiem prywatnym. Z kolei w Wietnamie wynagrodzenia (zwłaszcza premie na koniec roku) funkcjonują jako nieformalnie zinstytucjonalizowana praktyka, która zwiększa stabilność dochodów i wzmacnia legitymizację organizacji, odgrywając tym samym większą rolę w retencji pracowników. Wyniki badań sugerują, że postrzeganie sprawiedliwości i decyzje retencyjne pracowników są kształtowane przez głęboko zakorzenione normy instytucjonalne, a nie uniwersalne zasady. Dostarczając empirycznych dowodów z dwóch słabo zbadanych gospodarek transformujących się, badanie wnosi wkład do literatury porównawczego HRM i podkreśla znaczenie kontekstowo wrażliwych strategii wynagradzania w międzynarodowym zarządzaniu zasobami ludzkimi.

Słowa kluczowe: Wynagrodzenia, retencja pracowników, teoria instytucjonalna, porównawcze zarządzanie zasobami ludzkimi, gospodarki przejściowe, Polska i Wietnam.