Global Human Resource Management in Korean Firms: Background, Evolution, Challenges, Perspectives

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Overview

Background
- Features of Korean management (‘Tiger Management’)
- Globalization of Korean firms

Korean firms’ global human resource management
- Evolution
- Status and challenges
- Perspectives
Main Facets of Korean Management (‘Tiger Management’)
Tiger Strategy: Basic Orientation

– **New products and services:** aggressive diversification into new industries
  
  • Related diversification
  
  • Unrelated diversification

– **New technologies:**
  strong investment into and rapid exploration of new technological fields

– **New markets:**
  rapid entry into new countries and regions

⇒ **Overall:** very aggressive, risk-taking business strategies
Tiger Strategy: Implementation

– **Speed: ‘palli, palli’**
  » Set very ambitious time schedules
  » Meet deadlines under any circumstances

– **External flexibility**
  » Flexibility regarding partner selection
  » Flexibility regarding collaboration mode

– **Internal flexibility:**
  rapid re-allocation of financial and human resources to priority activities

⇒ **Overall: focus on speed, supported by high flexibility**
Tiger Leadership

High reliance on top-level leadership in family-owned, family-managed firms and business groups

Frequent instruments:

- Top leaders’ charisma
- Corporate values (linked to leaders’ personal values)
- Highly ambitious, specific goal setting
- Crisis creation from inside (!)

Overall: strong top-down leadership by owner-managers
Tiger Human Resource Management

Recruiting

- Highly selective/competitive
- Based on comprehensive evaluation of applicants

HR development

- Extensive and continuous training
- High profile corporate training centers and programs

Compensation and promotion

- Traditionally seniority based
- Increasingly performance based
Tiger HRM: Supporting Factors

National hunger for economic success

- History of poverty and suppression
- Motivation through new social and economic mobility

National education zeal

- Confucian tradition
- Competition based on educational merits
Korea’s and Japan’s Exports (billion US-$)

Source: World Bank
Korea’s and Japan’s Export/GDP Ratio (%)
Korea’s and Japan’s Outward FDI Stock (billion US-$)

Source: UNCTAD
Korea’s and Japan’s Outward FDI Stock/GDP Ratio (%)

Source: UNCTAD
Korean Firms’ Globalization: Summary

Strongly driven by exports

Outward FDI lagging behind, but rapidly increasing

Mostly driven by large business groups (chaebols)

Mostly based on greenfield projects, not M&As
Evolution of Korean Firms’ Global HRM
Stage 1: Home Country Replication

Transferring Korean HRM to other countries

- Highly structured hierarchical rank system in international subsidiaries
- Hybrid of seniority- and performance-based compensation and promotion
- Reliance on Korean expatriates for executive staffing
- Ethnocentric global HRM
Evolution of Korean Firms’ Global HRM
Stage 1: Home Country Replication

Outcomes

+ Enabled Korean firms to establish global subsidiary networks quickly
+ Transferring organizational cultures; smooth communication with HQs in Korea
- Strong mismatch between Korean HRM system and local business cultures (particularly in non-Asian countries)
- Hard to acquire, motivate and retain capable local staff
Evolution of Korean Firms’ Global HRM
Stage 2: Local Adaptation

Introduction of host country HRM practices

- **Pragmatism:** find ways to make international staff and subsidiaries perform better

- Adjustment to **local norms** (e.g., less hierarchical systems in Western country subsidiaries)

- Implementation strongly contingent on individual (Korean) subsidiary executives

- **Executive staffing** still dominated by Korean expatriates

- Hybrid of ethnocentric and polycentric HRM
Evolution of Korean Firms’ Global HRM
Stage 2: Local Adaptation

Outcomes

+ Much **improved motivation of local staff**
+ Higher flexibility of HRM practices
  **enhanced local responsiveness**

- **Mismatch of HRM systems** between international subsidiaries and home country operations

- **Glass ceiling for local talent** in host countries (little prospect of transfer to HQ and global career); still hard to retain most capable managers
Korean Firms’ Global HRM: Summary of Current Status

+ Rapid transition and improvement
+ Flexible adjustment to local norms in host countries

However,

- Lack of integration between home and host country HRM systems
- Low capability to develop managerial talent in a truly global fashion (‘geocentrism’)
Barriers for (truly) Global HRM in Korean Firms

1) Centralized corporate organizations and cultures (Korean HQs calling the shots)

2) Continued heavy reliance on Korean expatriates for managing international subsidiaries

3) Inability or reluctance of HQ executives to use English in internal global communication
Global HRM in Korean Firms: Recent Developments

Large companies and business groups:

- Increased efforts to nurture and develop non-Korean subsidiary managers
- Hiring of foreign executives and talent to globalize HQs
- More open leadership style of upcoming generation of corporate leaders

⇒ Rapid transition in some chaebols
Global HRM in Korean Firms: Recent Developments

New venture and technology firms:

- Going global from the beginning (‘born globals’)

- Young to medium-aged corporate leaders with strong educational and global background

- Introducing modern and ‘geocentric’ management systems, including HRM systems

- Increasing presence in Korea and globally due to rapid growth
Global HRM in Korean Firms: Future Perspectives

- Rapid modernization efforts in some large firms and business groups towards true globalization
- Increasing importance of new generation of firms with modern, globalized leadership and HRM
- Transition of many Korean firms towards truly global HRM systems possible in 10-20 years
Thank you for your attention!