

# 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’)



**Business strategy**



**Leadership**



**Human resource  
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**

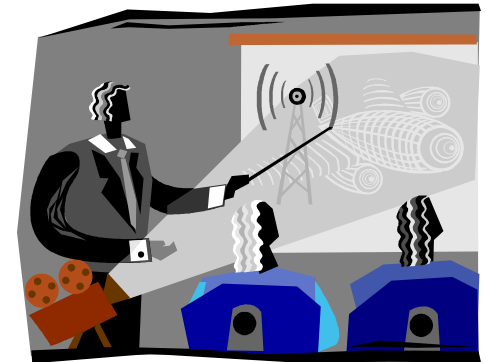
# Tiger Human Resource Management

## 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

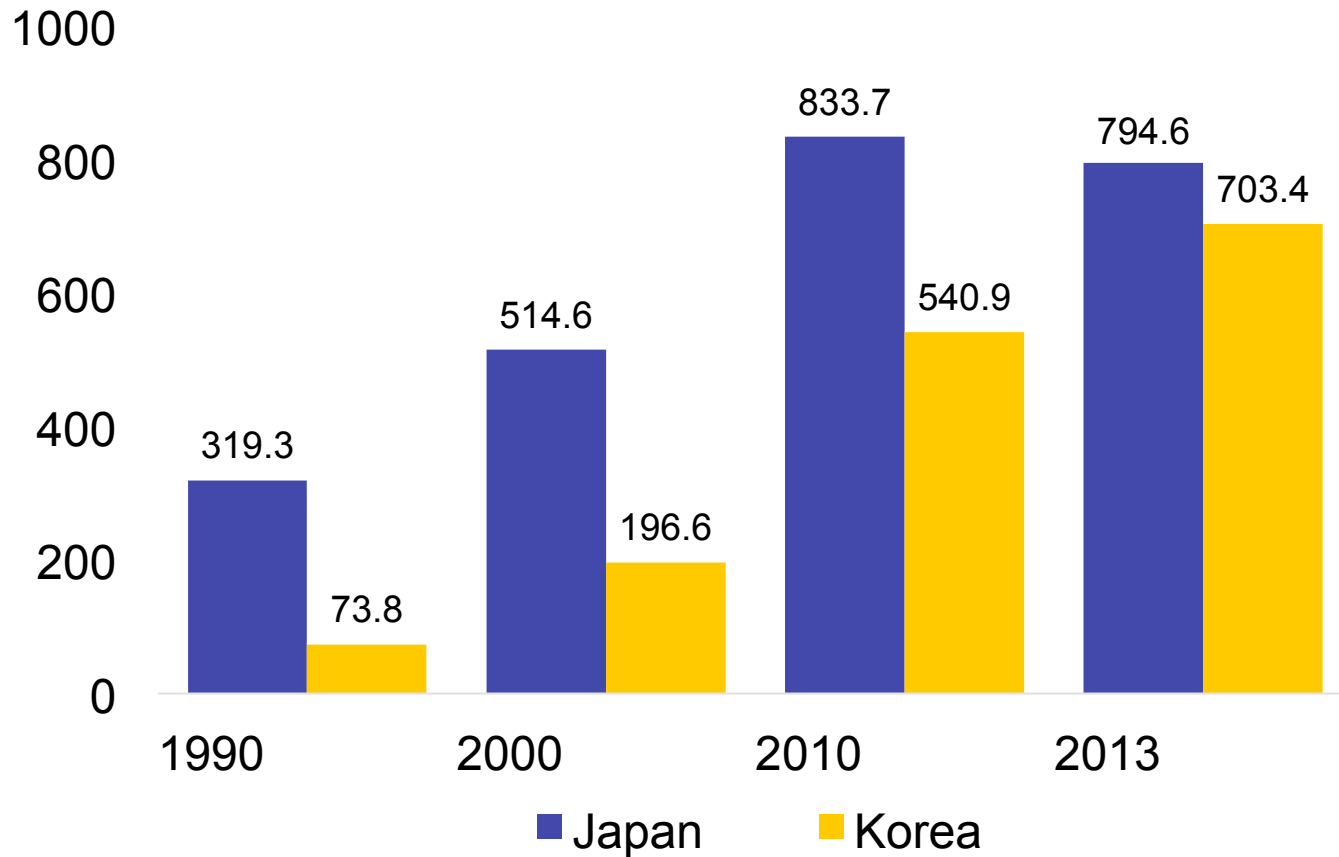
## National education zeal

- Confucian tradition
- Competition based on educational merits



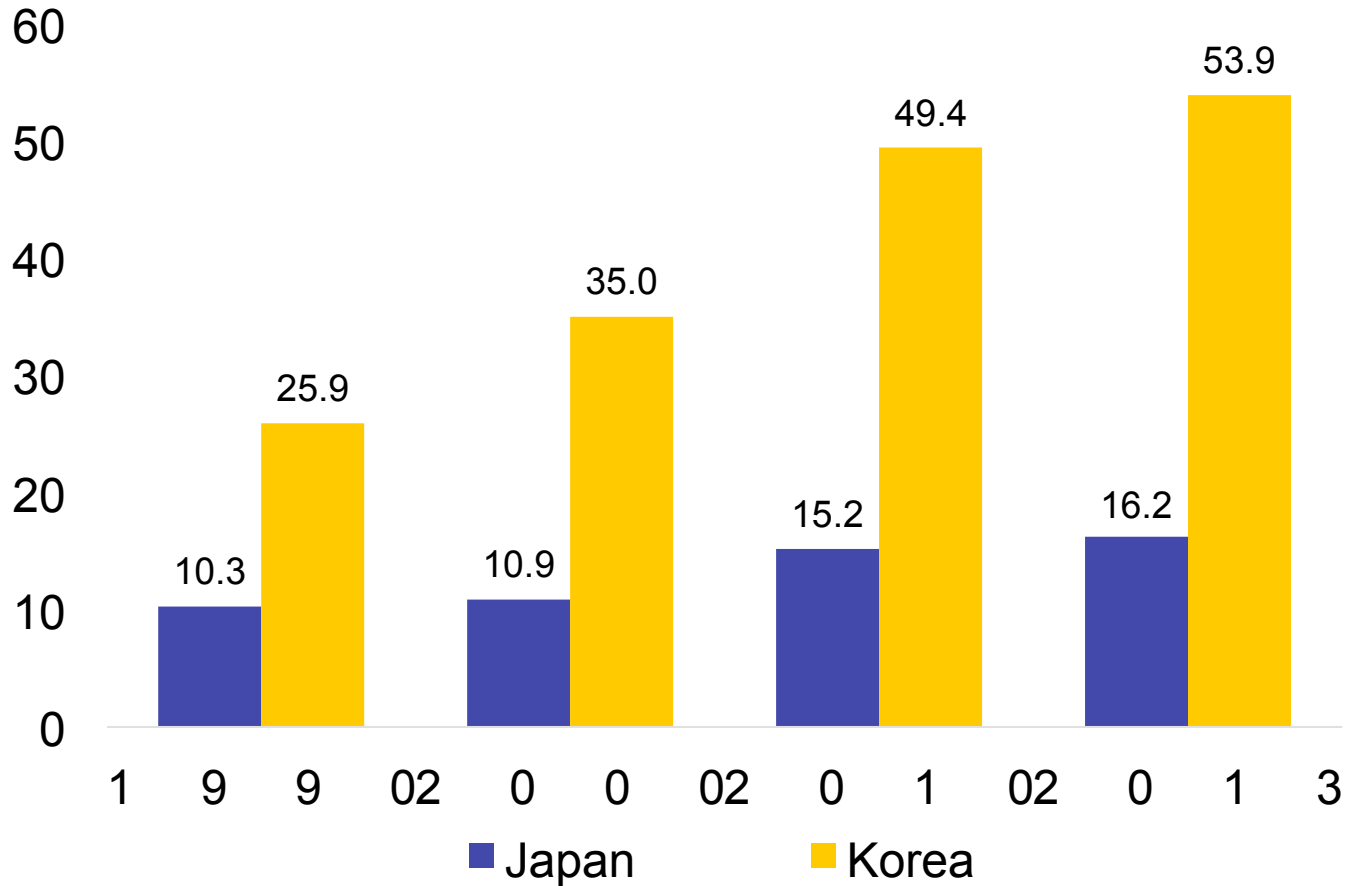


# Korea's and Japan's Exports (billion US-\$)



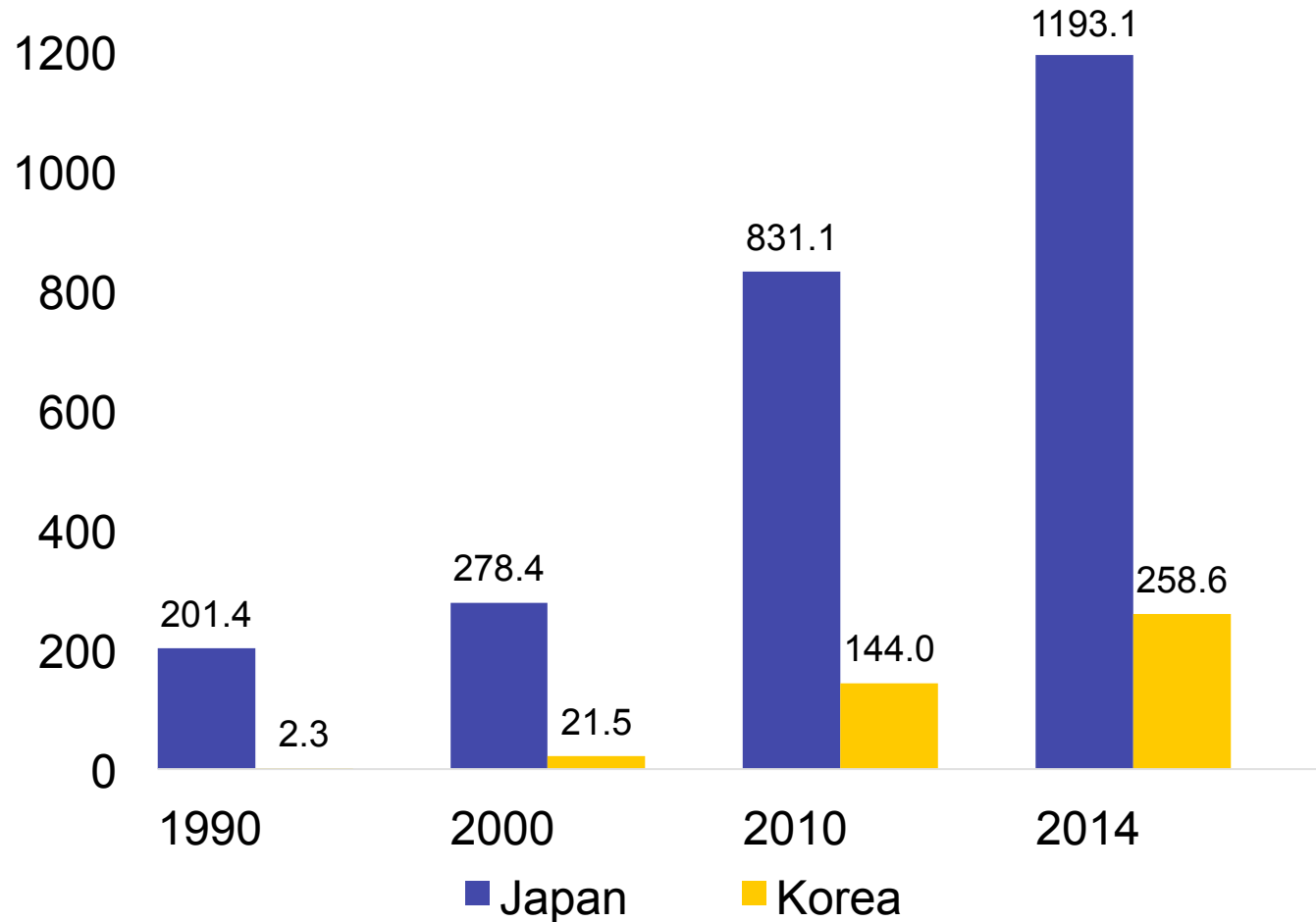
Source: World Bank

# Korea's and Japan's Export/GDP Ratio (%)



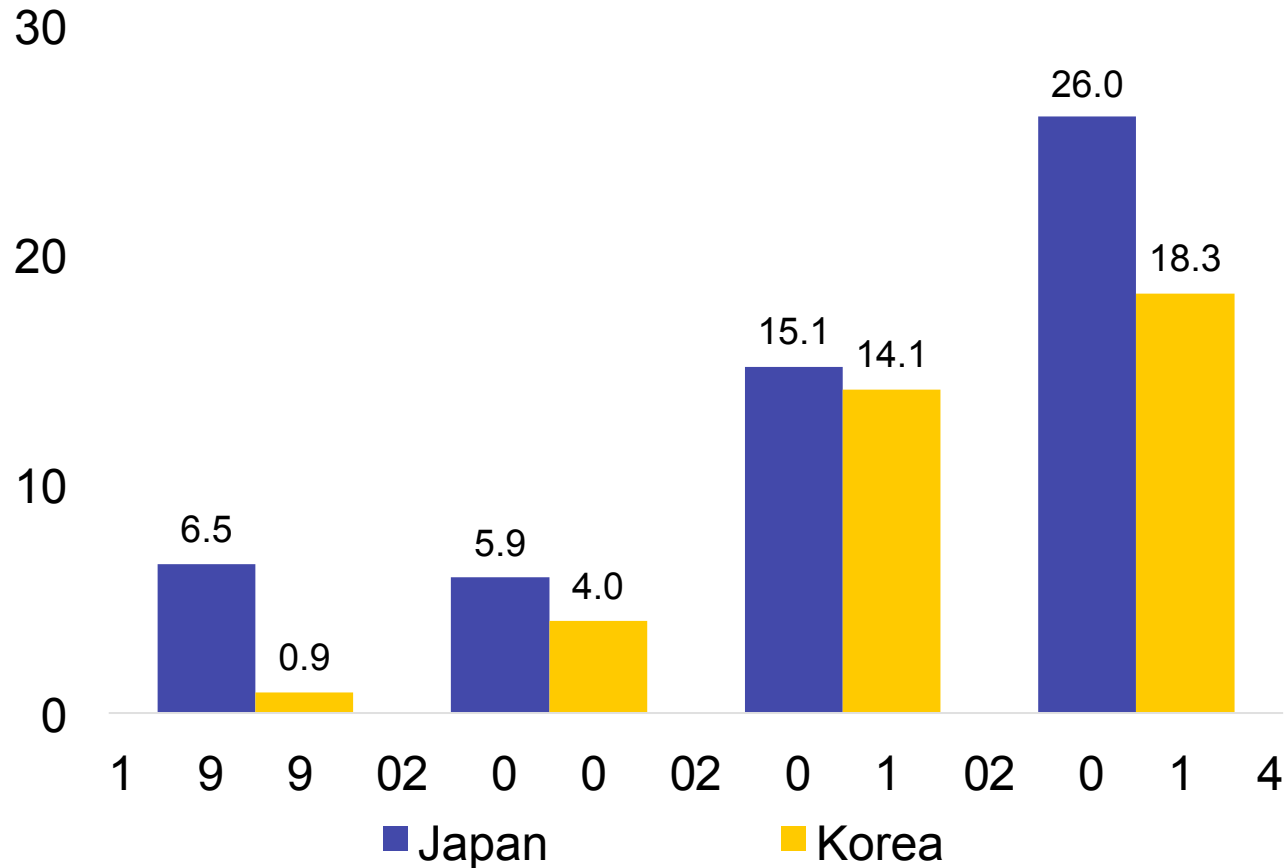
Source: World Bank

# 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!