

Context and implications for Korean management and business

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Introduction

In this final contribution to this collection on the changing contours of Korean management and business, we set the studies in context for the future development of the area. This is especially in terms of labour markets and the key role of human resource management (HRM). We also cover the main findings and conclusions of the collection before ending with a discussion.

Economic performance

In the shadow of its neighbours, the Asian economic superpowers, China and Japan, Korea has coped surprisingly well with the challenges of globalization (see Shim 2010; Warner 2013). In terms of developing world-beating firms, it has prospered to an imaginable degree since the Asian crisis of 1997 (see Rowley 2013). At this time, Korea was hit by a major banking crisis and had to seek IMF support, also avoiding a sovereign debt default. *The Economist* (2007, 50) noted:

‘The bigger they are, the harder they fall’, is a maxim that aptly describes South Korea’s experiences – and those of many of the *chaebol*, the country’s industrial conglomerates – during the Asian financial crisis. Korea was one of the countries worst hit by the crisis, and its IMF-led emergency bail-out programme cost around US\$60 bn.

As a result, major financial reforms were implemented as well as subsequent structural adaptations. A decade later, Korea also quickly recovered from the initial fallout of the 2008 Global Financial Crisis.

Today, Korea is a high-income country; it ranks 15th by nominal GDP and 12th by purchasing power parity and is a member of the G-20. The Korean economic and business system is now more transparent and open than ever.

Management performance

Its management has managed to adapt to world markets by innovating on an impressive scale and its multinational corporations (MNCs), introducing new products (see Rowley and Jun 2013). Samsung, for example, is now a major rival to Apple and its products are now outstripping the latter’s sales in many major markets. The Korean corporation now prides itself on a strategy of creativity, collaboration and excellence. Its philosophy is to use talent and technology to create superior products. It has succeeded in achieving this

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goal and net sales in 2012 were US\$247.5 billion. Management education, as via Western-style business schools, has expanded.

Societal background and context

An overarching context for this performance and business and management, we would argue, is societal. This involves not only Korea's historical evolution and national cultural context grounded in Confucianism (see Rowley 2013) but also demographics and the commensurate impacts on labour markets stemming from falling fertility rates. This trend is exacerbated by the domination of education in certain Asian economies. One part of the demographic trend is the fall in birth rates in many economies, which can be seen over the past decade (Table 1). Asia Pacific economies occupy the bottom 3 places and 50% of the bottom 10 places.

The comparative situation in Asia in the reproduction stakes is clearly set out in Figure 1. As can easily be seen, fertility rates are below replacement rates for the five economies noted. This position does not herald good news for future economic development if barriers to external migrants remain strong in those countries. The likelihood of the gates opening may remain slim in the foreseeable future.

One critical result of these falls in birth rates concerns declining working populations and labour markets without other interventions. These rates vary globally, however, with China, along with Japan and Korea, occupying one-half of the rankings of the six most threatened economies, as seen in Figure 2. Apart from their citizens being healthier and living longer, the young are unwilling or constrained from reproducing for a variety of reasons, the Chinese one-child policy being an issue in question.

Labour force growth rates are predicted to collapse in many countries across the globe, a serious prospect and one many experts would not have predicted a couple of decades

Table 1. Births per 1000 people.

	2000	2010	Growth (%)
Russia	8.64	11.8	37
Hong Kong, China	8.12	10.68	32
Sweden	10.21	11.71	15
United Kingdom	11.53	12.63	10
Poland	9.89	10.75	9
Australia	13.03	13.48	3
Canada	10.6	10.61	0
France	13.12	12.5	-5
US	14.27	13.54	-5
Chile	16.63	14.75	-11
Japan	9.37	8.17	-13
China	14.03	11.75	-16
India	27.23	22.51	-17
Germany	9.33	7.64	-18
Turkey	23.28	16.96	-27
Brazil	20.89	15.14	-28
South Korea	13.55	9.59	-29
Singapore	11.67	7.84	-33
Taiwan	13.82	8.72	-37

Note: Euromonitor International from National Statistics.

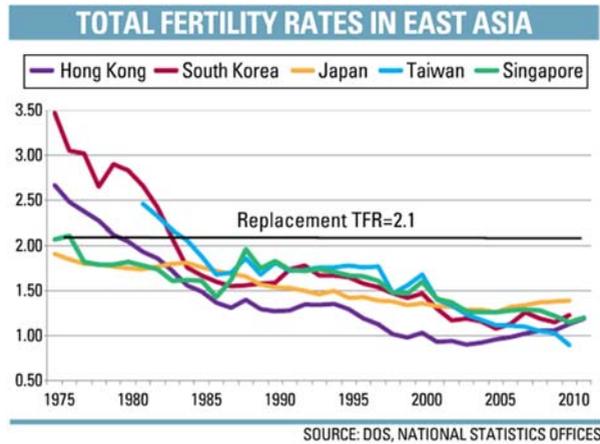


Figure 1. Total fertility rates in East Asia. *Source:* DOS, National Statistics offices.

ago. Labour supply, long seen as a motor of growth, no longer features as a boosting agent. Again, key Asian economies are suffering the most, as can be seen in Figure 3.

The other part of the demographic trend is an ageing of populations. The rate of population ageing growth varies globally. Clearly, key Asian economies, even China, are going to face major ageing issues, a serious matter involving the so-called ‘demographic deficits’ and ‘demographic time bombs’. In contrast, the US economy will have a positive position here as a result of immigration.

Korea has one of the lowest birth rates in the world at 1.2 per woman, which has given rise to fears of rapid aging and a declining workforce facing increasing demands, for example, dropping from 4.5 to just 1.2 workers per elderly person by 2050 (Mundy 2013). These trends can be seen in Figures 4 and 5. Furthermore, this outcome will have dire and impacts on productivity and the economy. Of course, greater use of immigration could be one way to lessen this, albeit Korea is not that susceptible to this.

Chart A1: UN estimates of average working age population growth to 2050 (% per annum)

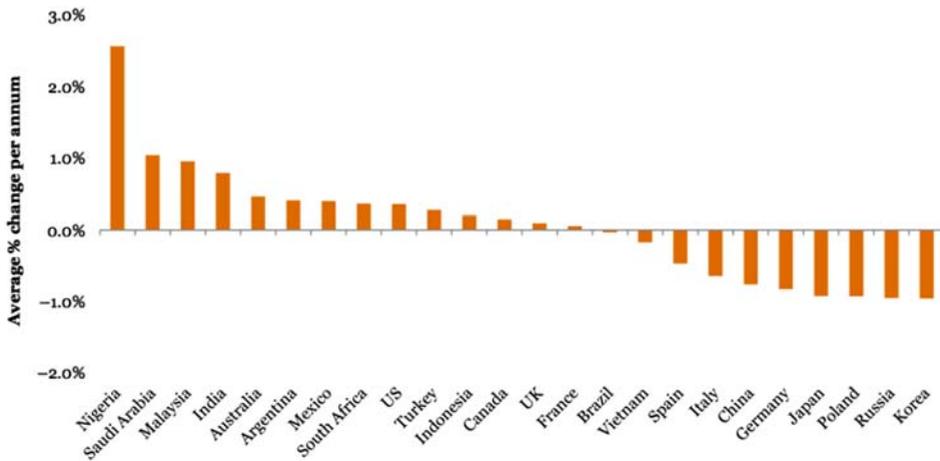


Figure 2. UN estimates of average working age population growth to 2050 (% per annum).

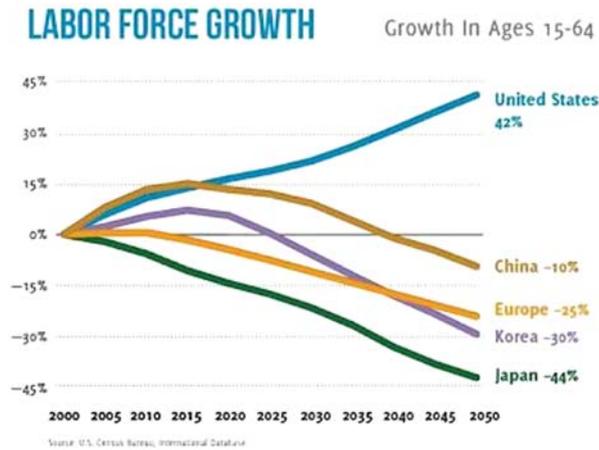


Figure 3. Labour force growth. *Source:* US Census Bureau, International database.

Integrally linked to this demographic trend is the people’s total and, in our view, ‘blinker’ focus on education (university level) as a means to a better life and job in Korea. So, education costs (extra tuition, crammer classes and schools, etc.) are a large contribution to soaring household debt, one of the heaviest in the world at 160% of income. This has encouraged universities of variable quality to proliferate and the expansion of graduates has led to their high unemployment rates as they refuse to take what they perceive as ‘non-graduate jobs’. Indeed, Korea tops league tables when it comes to producing too many overeducated workers, with an annual excess of 50,000 college graduates versus an annual shortfall of 30,000 high school graduates according to the labour ministry (Song 2013). So, ‘... the country is learning the dark side of its obsession with education’ (Song 2012, 10).

Evaluating contributions

The contributions to this collection on Korean management and business are set in this background and context and attempt to exemplify the above generalizations. As the

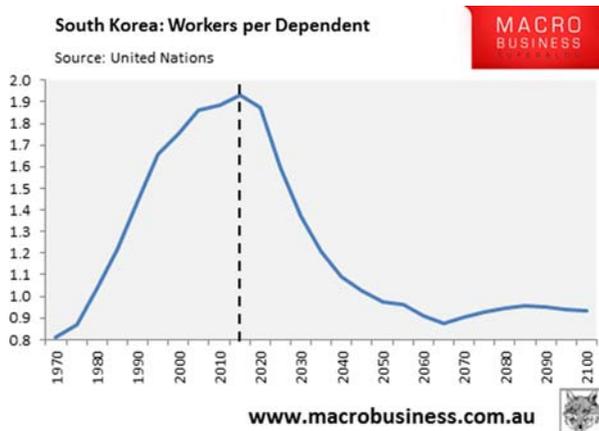


Figure 4. South Korea: workers per dependent. *Source:* United Nations.

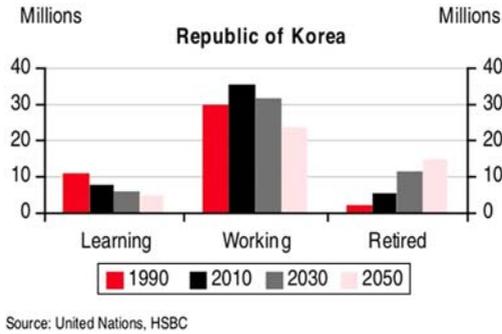


Figure 5. Population trends in learning, working and retiring in South Korea. *Source:* United Nations, HSBC.

contributors to this volume hail from a variety of countries and universities or business schools across the world, namely Australia, Korea, the USA and the UK, they have a global perspective. A range of subject backgrounds and perspectives are also used which reflects the spread and geographical reach of interest in Korean management and business. This covers not only under-researched sectors (sports) and topics (international site negotiations) but also what might be seen as ‘failures’ (disinvestment), which are never popular with funders or publishers. Our structure for the contributions in turn follows the logic of moving through different subject foci and from a focus on the micro to more macro, from internal to the external and from home to overseas.

The first of these noted that there has indeed been change between and within *chaebol* corporate cultures over the decade 1997–2008. However, this shift was not as straightforward as it seemed and the situation had become even more complex, mainly due to changes in the global environment. It found a great deal of change in values and attitudes of employees, yet despite overall changes, individual companies maintained their identities and there was no convergence. Collectivism had declined, at the same time individualism had strengthened. A new aspect of employee value orientation had emerged. That is, traditional collectivism was attenuated. Also, a positive-oriented mind that had guaranteed dynamism had declined considerably. There were differences among companies in overall changes. In spite of this change, the background ‘stereotypical’ characteristics of corporate culture at *chaebol* group level still had a strong influence and distinguishable cultural characteristics of each *chaebol* formed from the founder remained. There could also be special cases that showed dramatic cultural shifts. For example, LG had the biggest decline in collectivism and the greatest changes in personality and work climate in this former harmony-seeking *chaebol*. Overall, the convergence suggested by some of the literature did not seem to prevail here. This is of key importance in understanding the macro-evolution of Korean management in the last decade.

The second contribution to the collection covered the key HRM area of discrimination. It investigated potential explanations for continued gender discrimination in Korean workplaces, which remained considerable. It identified reasons as lack of legal enforcement, weak punishment systems, tacit acceptance of the *status quo* by women, organizational cultural issues stemming from traditional mindsets and a general lack of knowledge of regulations. Reforms and changes addressing these compliance issues could yield considerable social benefits in reducing the scope and quantity of gender discrimination. Korea significantly lags behind its Western competitors *vis-à-vis* gender

matters, although it fits the Asian profile relatively easily. It is also a call for managers to move from beyond the purely 'defensive' equal opportunity stance to a more proactive 'managing diversity' perspective.

The third study reviewed the international HRM (IHRM) literature to analyse the characteristics of employee resourcing, rewards and development policies and practices of Korean MNCs, which were as follows: ethnocentrism in staffing, yet there was a strong tendency to polycentrism and using more host-country nationals (HCNs); concern with local language fluency and international experience in selecting expatriates; providing differentiated training programmes for HCNs at different position levels and adopting home-oriented selection criteria and procedures, performance appraisal practices and reward schemes for HCNs; linking performance to pay, but the primary goal of the reward system was to minimize labour costs. This work raises important theoretical questions and implications and is of relevance to future research gaps and management practice.

The fourth study examined the interactional effects of organizational commitment and occupational commitment on turnover intentions and organizational citizenship behaviours. On these important themes, it found that the two types of commitment had major overall effects regarding such behaviours. Organizational commitment had a negative effect on turnover intentions, while occupational commitment had a positive effect. In addition, organizational commitment had a positive effect on organizational citizenship behaviours, whereas occupational commitment did not have any noticeable effect. From both a research and a practitioner point of view, these findings are of importance. This is especially so in the context shifts in weakening internal labour markets and careers.

The fifth study distinguished *Yongo*, *Yonjul* and *Inmaek* informal relation-based networks in Korea. They overlapped and thus may partly be regarded as interconnected. In order, for example, to safeguard *Yonjul* ties, *Yongo* and *Inmaek* ties served to secure the former by exerting peer pressure in order to avoid free riding or betrayal. Although Korea's economic rise has been debated in connection to the influence of Confucianism, the contribution of informal networks has been less noted. *Chaebol* governance mechanisms have often been attributed to 'familism' – but less analysed in relation to inclusion within informal networks. Researching informal networks may shed more light into managerial decision-making, as well as advancing cross-cultural management knowledge. This different focus of analysis, that is making informal networks, the pivotal centre of explanation across disciplines, may contribute to better explanations of economic success.

The sixth study identified critical factors affecting technology acquisition from foreign partner firms and performance in 'international collaborative formations' and compared Western and Japanese firms. It found that trust and communication were critical components to transform knowledge and active managerial involvement of foreign firms and participation of foreign expatriates were keys to applying it in business. In particular, the ability to exploit knowledge (i.e. active managerial involvement of foreign firms, participation of foreign expatriates and provision of training) was closely associated with performance. In addition, different patterns of learning mechanisms and incompatible behaviours in performance existed. MNCs should note that international partnership success was highly dependent upon active support by foreign investors. Among various supports, extensive managerial assistance was particularly critical for Westerners, whereas dispatch of expatriates played a pivotal role in transferring technology and performance for the Japanese. This work shows the importance of trust and communication in transforming knowledge.

The seventh study provided an examination of the interplay between firm-level strategies and exports for machine tool manufacturers. The use of international trade fairs was examined to understand how firms of varying sizes accessed spatially distant consumer bases. It found firms participating in trade fairs to expand their international customer base and firms motivated by innovative activity exhibited greater export intensities. Smaller firms, however, attended fewer trade fairs and had lower export intensities. With regard to trade fair participation motivations, firms that used shows for innovative purposes were far more export intensive. From a firm-size perspective, smaller manufacturers utilized trade shows largely for domestic purposes rather than opportunities to engage in wider international markets. Geographically, firms targeting East Asia exhibited higher export intensities, with South East Asia perceived as more of a 'default' export destination. Far fewer small firms, unfortunately, were involved in some of the largest markets, namely China and North America. This work has important implications for exporters of all shapes and sizes.

The eighth study addressed a gap in the literature by focusing on host and parent stakeholders in the international site-selection process. This examined the end-game process of FDI with Southern US and Korean car manufacturer stakeholders. There is a need for similar research in different sectors and in different host economies to develop a better understanding of this complex decision-making and negotiating process. This should also allow for empirical studies from a variety of disciplines that contribute to theory development in this under-developed area. This study is of importance, for example, for stakeholders and policy-makers of possible locales and investors.

The ninth study was concerned with the opposite of the previous one, that is divestment of foreign affiliates. It found that distance created by economic, financial, political, administrative, cultural, demographic, knowledge and global connectedness leads to divestment; the positive relationship between cross-national distance and divestment was likely to become stronger when an MNC entered the host country through a joint venture and weaker for affiliates with greater experience in the host country. It demonstrated that cross-national distance influenced divestment and the impact of cross-national distance in knowledge stock and their connectedness with other countries in divestment. Such findings suggest that managers and researchers needed to give careful consideration to these aspects while conducting business. It also suggested the traditional differences between home and host countries continue to play crucial roles in conducting business, despite globalization. Finally, it showed that MNCs can overcome such distance with an efficient entry mode and host-country experience. Once again, the idea of continuing differences seems clear in this work.

Discussion

This volume is important for at least three main reasons. First, not only does it add empirical evidence and theoretical developments but also some of the studies usefully looked at less fashionable areas and failures. Second, the work shows the importance of taking wider views and perspectives. It also shows the need for more cross-disciplinary, and even interdisciplinary, work (see Rowley 2012). Third, the overarching importance of the role of HRM shines through them all. As Fitz-enz (2000, xii) succinctly argued:

People are the only element with the inherent power to generate value. All other variables offer nothing but inert potential. By their nature, they add nothing, and they cannot add anything until some human being leverages that potential by putting it into play.

HR researchers and practitioners should not forget this simple maxim.

Inevitably, comparisons with Japanese management have often been made, but great caution must be exercised here. While there are family resemblances between the two systems, there are key differences (see Cho and Yoon 2002). It is true that there is a common Confucian inheritance, yet this plays out in different ways and indeed recently there were nuances which must be noted. In Korea, seniority, for example, is now relatively less important and many top managers are younger than their Japanese equivalents. Performance management systems, for example, are more widespread in Korean firms (see Rowley and Yang 2008) with differences in employee development (Rowley and Yoo 2013), trade unions (Rowley and Yoo 2008; Rowley and Bae 2013) and labour markets (Rowley, Yoo, and Kim 2011) also evident.

Internal constraints are still important, and so are the external ones. As a result of the 1997 crisis, Korean companies began to shift their management orientation towards being more individualistic, contract-based and meritocratic, emphasizing greater performance and competencies in HRM (Rowley and Bae 2013). Over the last decade, Korean management and business has attempted to internationalize itself (see Rowley and Paik 2009). Its management training and development have been increasingly geared to the adaptation of Western practices and the use of foreign languages, especially English. Women managers have become a little more common, although progress has been relatively slow (see Rowley and Yukongdi 2009; Cooke 2013).

On the downside, however, increasing levels of stress have become apparent, with breakdowns and suicides not uncommon. The country has the 11th highest suicide rate in the world and the top one in the OECD. It also scores relatively low on the OECD and other happiness indices, being 24th out of 34 on the former in 2013. There are good reasons for this, for example, many spend more than their income, as their housing costs are very high, as well as what they need to spend on educating their offspring (Mundy 2013) to avoid being marginalized in the labour force. Stress also results in a declining fertility rate.

Hofstede (2013) lists Korea as one of the nations to score highest on uncertainty avoidance. Korean managers still cling to conformist rules and norms to offer security. They have been socialized by a 'pressure-cooker' education system and have a fear of failure. Although a high percentage of young people go to tertiary education, there is considerable hidden graduate unemployment (Song 2013). There is also now an ageing and shrinking work population at all levels, including the managerial. While there have been returnees from universities and business schools abroad and the internationalization of faculty since the late 1990s has transformed previously ethnically homogenous academic institutions, wider reforms are needed to produce a workforce which is both dynamic and innovative. The age structure can be seen in the earlier figures and Figure 6 and Table 2. The classic 'pyramid' is no more as the young continue to decline.

Korea needs a twin-track approach to encourage both increased birth and immigration rates. This in turn requires not only business and state intervention with policies and practices, from incentives to support for work–life balance and crèches. There has been some attempt to redress the balance of this over-domination of the desire for university-level education, such as with the government opening 21 'Meister' high schools providing technical training and pressurizing *chaebols* to hire non-graduates (Mundy 2013). The government has also offered tax incentives for those firms hiring high school graduates (Song 2013). For example, KT, the telecoms group, revived hiring high school graduates (300 in customer service, marketing and sales) in 2010 and Samsung opened some white-collar jobs to high school graduates for the first time (700 in software development, engineering and other office work) in 2012.

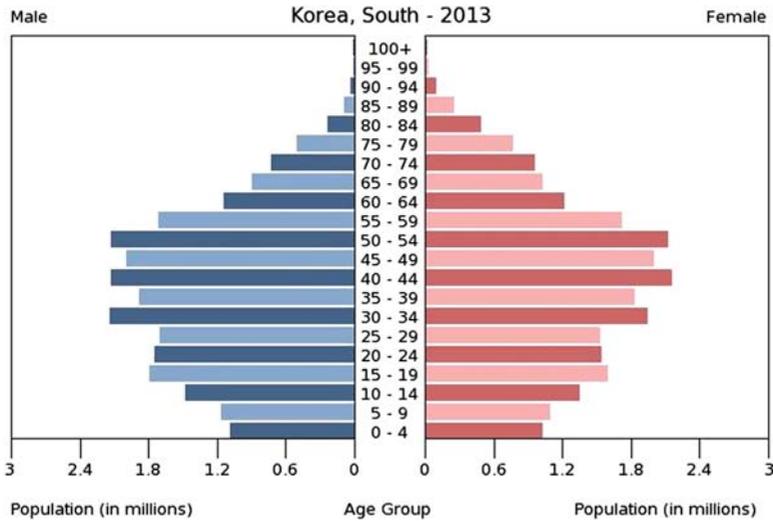


Figure 6. Population aging trends in South Korea. *Source:* CIA World fact book.

Table 2. Age structure in South Korea (2013).

Age (years)	Percentage	Male	Female
0–14	14.6	3,717,701	3,424,490
15–24	13.6	3,525,050	3,117,198
25–54	47.8	11,925,181	11,491,841
55–64	11.7	2,842,996	2,907,730
≥65	12.3	2,469,093	3,533,923

Source: CIA World fact book.

However, the constraints deriving from national and corporate culture make change a far trickier thing to enact. What is called for is further structural reform and this will have to be driven by the state. The case for enhancing the importance and role of vocational training needs to be made even more robustly and coherently. The creation of a similar high quality and rigorous dual system, on German lines, would be useful place to start (see [The Economist 2013](#)).

Conclusions

The conclusions we have drawn from the above studies must of course of necessity be qualified. There are no *simpliste* explanations to offer in this regard. We would argue that there is clearly is a *dialectical* relationship between those traditional forces supporting existing structures and behaviours on the one hand – and those contemporary ones which exemplify adaptations to their changing environment on the other. While Korean management has in the past been hierarchical, today's managers and workers require greater autonomy in decision-making, flatter structures and more individuation. New forms of people management must now evolve to best help both Korea's managers and managed cope with the challenges of global markets.

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