

The changing contours of Korean management and business

Chris Rowley^{a*} and Malcolm Warner^b

^aCass Business School, City University, London, UK and HEAD Foundation, Singapore; ^bJudge Business School, University of Cambridge, Cambridge, UK

Introduction

In this introduction, on the changing contours of Korean management and business, we look at recent research on this important Asian economic player and set it in its background and context. As one of the original ‘Little Dragon’ or ‘Little Tiger’ economies, which expanded at spectacular rates of growth post-1960s, the Republic of Korea, more widely known as South Korea (‘Korea’ from now on here), has expanded and prospered (see Rowley 2013). However, there has been less academic interest in its development than in its Japanese and more recently in its Chinese equivalent (see Warner 2013).

Korea has made great progress in recent decades. It has, for instance, moved from military authoritarianism to democracy in the late 1980s and weathered the 1997 Asian Financial Crisis as well as 2008 Global Financial Crisis (see Rowley and Bae 1998; Rowley, Sohn, and Bae 2002; Rowley and Jun 2013; Warner 2013). It now has several major world-class multinational companies (MNCs), known generically as *chaebols*. Today, such diversified conglomerates as Hyundai, LG, Samsung and others are internationally known. In turn, Korea has developed a distinctive style of management (see Chen 2004), which derives from a shared Asian heritage (see Warner 2003; Woodside 2006) but remains nonetheless *sui generis* (Rowley 2013). It has also developed its own human resource management (HRM) policies and practices (Zhu, Rowley, and Warner 2007; Rowley and Bae 2013a).

Political background and context

Korea has changed greatly over the last few decades (see Rowley 2013). The country held its first free presidential election under a revised democratic constitution in 1987, with former army general *Roh Tae-woo* winning a close race. In 1993, *Kim Young-sam* (1993–1998) became Korea’s first civilian president. *Lee Myung-bak* (2008–2013) pursued a policy of global engagement, highlighted by hosting the G-20 (2010) and Nuclear Security (2012) summits. Korea also secured a non-permanent seat (2013–2014) on the UN Security Council and will host the 2018 Winter Olympic Games. *Park Geun-hye*, its first female President, took office in 2013. The Korean peninsula still remains divided after over 60 years of strife, with a communist North still at odds with the capitalist South.

*Corresponding author. Email: apbr@city.ac.uk

Economic background and context

Korea has demonstrated incredible growth and global integration to become a high-tech industrialized economy, while the North stagnates both economically as well as politically and socially (Kwon 2010). In the 1960s, Korea's gross domestic product (GDP) per capita was comparable with levels in the poorer countries of Africa and Asia, yet it is now the world's 12th largest economy. GDP (official exchange rate) was US\$1.146 trillion, GDP per capita (PPP) was US\$32,800 and GDP composition by sector of origin was services 57.5%, industry 39.8% and agriculture 2.7%. The labour force was 25.5 million, by occupation being 70% in services, 23.8% in industry and 6.2% in agriculture.

A system of close government–business ties, including directed credit and import restrictions, helped this success. The government promoted the import of raw materials and technology at the expense of consumer goods and encouraged savings and investment over consumption. However, the Asian Financial Crisis of 1997 dramatically exposed long-standing weaknesses in Korea's development model, including high debt/equity ratios and massive short-term foreign borrowing. GDP collapsed in 1998, although it quickly recovered in 1999, and numerous economic and labour market reforms, including greater openness to foreign direct investment (FDI) and imports, were adopted. Growth moderated to about 4% annually between 2003 and 2007. The export-focused economy was hit hard by the 2008 global economic downturn, but again quickly rebounded, reaching 6.3% growth in 2010. In 2012, however, the economy experienced sluggish growth at around 2.3% due to market slowdowns in the USA, China and the EU. It faces the key challenges of balancing heavy reliance on exports with developing domestic-oriented sectors, such as services and a rapidly aging population and labour market.

Management and business background and context

The above systemic management evolution has been well described in earlier work (Rowley and Bae 1998; Rowley, Sohn, and Bae 2002) and more recent accounts (Rowley 2013, 122), which describe its 'rollercoaster ride of development, management and culture' as being changed from 'being eulogised to being castigated'. The responses to the crisis that hit Asia in 1997 helped to bring its intrinsic problems to the boil. The drivers of state-led development, the *chaebols*, were accused of 'crony capitalism' and were under great pressure to mend their ways. Some, such as Daewoo, collapsed, although others, such as Samsung, continued. The latter is now the world's biggest technology company by sales. Nevertheless, *chaebol* domination continues, as seen in the shares of company assets as a percentage of Korea's GDP. For example, Samsung Group accounted for 28%, Hyundai Automotive Group 11%, SK Group 8%, Hanwha 7%, LG Group 6%, Lotte 5%, Kumho Asiana Group 4%, Hyundai Heavy Industries GP 4%, GS Group 3%, Doosan 3% and other companies 21% (Song 2013). Such domination gives Korean business its distinctive character.

Also, many see continuing *chaebol* abuses such as domination and stifling entrepreneurship and small firms, especially in the domestic constrained retail sector (as manufacturing can look to export; see our later study on machine tool exporters). Retailers have tried to boost sales by forcing vendors to take more goods, but sluggish domestic consumption, combined with draining education expenditure (see Mundy 2013), limits this and unfortunate cases, such as with Namyang Dairy Products, Posco Energy, Baesangmyun Brewery and others, have hit the media (Song 2013).

Management and business are seen as underpinned by Korea's historical evolution and national culture, creating distinctive corporate cultures. A recent study (Rowley 2013)

Table I. Overview of content.

Study	Themes	Subject	Organization types	Sectors	Sample/methods
1	Corporate culture Change and continuity variations Collectivism and progressivism Discrimination and gender Culture Explanatory framework Resourcing Development Rewards	HRM/OB HRM IHRM	MNC Small Private MNC	Several Several Several	Questionnaire survey Interviews: Korean, Canadian, Israeli Systematic review
4	Commitment: organizational + occupational Turnover intention	HRM/OB	Local	Sports	Survey
5	Organizational citizenship Management practices Networks	OB/IB IM/IMR	Several	Several	Interviews: Korean, German
6	Informal relation-based ties International collaborative formations Technology acquisition Realized absorptive capacity	IB	IJVs International acquisitions	Several	Questionnaire survey
7	Exporting Friction of distance International trade fairs Site-selection decisions Negotiations	IB/Geography IB	MNCs MNCs	Machine tools Autos	Secondary data Questionnaire survey Secondary data Interviews: Korean, American
9	Explanatory eclectic theory Cross-national distance Commitment to foreign markets Foreign affiliate divestment	IB	MNCs Affiliates	Several	Questionnaire survey

clearly brings out the interaction between social values and corporate culture, which is ‘differentially viewed as more collectivist by Westerners versus more than individualistic by Japanese’ under the rubric of ‘Dynamic Collectivism’ (134). In spite of growing internationalization, informal networks (see the later study on these) and Confucian values such as harmony, solidarity, work and the like are indeed still important but are now being reshaped. Corporate culture still retains its influence in Korean business, although it is now evolving into a new stage of development (see the later study on corporate culture change). Management education and training are also being geared to better cope with globalization (see Warner 2013). This change can also be seen in the evolution of Korean workforce development and skills (Rowley and Yoo 2013), labour markets (Rowley, Yoo, and Kim 2011) and trade unions (Rowley and Yoo 2008; Rowley and Bae 2013b).

Content and themes

We cover a range of subject and topic areas in this collection on Korean management and business, from HRM and international HRM (IHRM) to organizational behaviour (OB) to international business (IB) and international management (IM). These cover, respectively, corporate culture, discrimination and gender, HRM practices, commitment and informal networks to international collaborative formations, exports and overseas location decisions and divestment strategies. With this, we progress from the more micro to the macro, from the domestic to the international. The studies often develop theoretical implications and propose useful practical and managerial insights and future research avenues. An overview of our content by theme, subject, organizational types, sectors and methods is presented in [Table I](#).

The contributions in this collection not only cover important broad conventional areas of management and business studies, but also bring in other outlier fields, such as sports science and geography. The structure of the contributions follows the logic of moving from HRM to OB to IB, IM, and so on, and from a focus on the internal to the external, from home to overseas. Such a progression we believe adds ‘value-added’ to this collection.

We start with a study covering a topic that underpins many of the rest of the contributions, namely corporate culture. The study, ‘Changing corporate culture over time in South Korea’, argues that corporate cultures are often seen as deeply ingrained and slow moving. Using a survey from 1995 and 2006, this work uses examples between and within the *chaebol*. This is partly because of their strong corporate cultures, importance in economic development and growth, and the rising public and political backlash against what are seen as overly powerful and secretive institutions. This research examines changes in the values and attitudes of employees that characterized traditional *chaebol* dynamism: collectivism and positive-oriented attitudes.

Building on corporate culture ideas, we move onto the next study, a more micro- and practice-based focus. An area where we might a priori expect change with wider cultural and societal shifts is discrimination and gender relations. The study, ‘Explanations for Continued Gender Discrimination in South Korean Workplaces’, investigates potential explanations for continued gender discrimination despite decades of policy reforms and improved education for females. It uses both primary and secondary data sources. Institutional theory, voluntary compliance regulatory enforcement strategy and a typology of regulatory non-compliance provide the framework from which four explanations regarding the origin and nature of company equal opportunity compliance issues are derived.

Given this study, what else might be happening in HRM? Our next study covers this and IHRM. The contribution, 'International human resource management policies and practices of South Korean MNEs: a review of the literature', examines recent work on the IHRM of Korean MNCs. This work covers the broad HRM policy and practice areas of resourcing, rewards and development. This includes those HR policies and practices towards home-country nationals and expatriates.

Another area of HRM and linked to corporate culture concerns staff commitment and this is the topic of our next contribution. 'Turnover intentions and organisational citizenship behaviours in Korean firms: the interactional effects of organisational and occupational commitment' investigates the effects of the organizational and occupational commitment of employees on turnover intentions and citizenship behaviours. It covers the sports sector, relatively under-researched despite its annual average 13% growth rate since 1994.

Moving from the more micro to the more macro, a further link to culture and management in organizations concerns informal networks, which our next study covers. The contribution, 'Antecedents and characteristics of informal relation-based networks in Korea: Yongo, Yonjul and Inmaek', notes that although much has been written about Chinese *Guanxi* networks, Korean informal relation-based networks are less commonly researched. Three forms are distinguished. *Inmaek* describes a social network in general, while *Yongo* networks draw primarily on existing kinship-, university/school- and regional origin-based ties and *Yonjul* ties exist for a purpose, often to secure personal gains and benefits. For the formation of these networks, the three core elements *hakyon* (education-based ties), *hyulyon* (family or blood ties) and *jiyon* (regional origin-based ties) play major roles and provide the common ground.

We continue to broaden our focus and spread our analytical breadth, now to IB, as covered in the next study. 'Realised absorptive capacity, technology acquisition and performance in international collaborative formations: an empirical examination in the Korean context' identifies and compares critical factors facilitating the technology acquisition from foreign partner firms and performance enhancement in 'international collaborative formations'. This uses examples of local Korean firms and European, the USA and Japanese MNCs. A new concept, 'realised absorptive capacity', is utilized.

A key area of IB concerns internationalization, especially what might encourage it (see Rowley, Maqsoom, and Charoennam, forthcoming). A fascinating example of this is provided next. 'Go big or stay home? Korean machinery firms, trade fair dynamics and export performance' notes that many manufacturers export increase sales and expand into new markets. Korean manufacturers export in order to expand outside of small domestic markets, but then confront the common constraints, including access to market intelligence and geographically distant prospective customers. This study examines efforts by machine tool manufacturers to minimize the so-called 'friction of distance' involved with exporting through the use of international trade fairs. Emphasis is placed on the influence of individual export destinations and on the role of firm size *vis-à-vis* firm export intensities and overall export strategies and motivations.

A part of the internationalization process that is often more hidden in the mainstream literature is the external and internal competition and negotiations between MNCs and not only competing host countries, but also other potential host locales within countries. An example of this fascinating process is provided next. 'Interstate competition in the US South for South Korean auto investments: a US perspective'. There is intense intra-regional competition to secure such 'trophy investments'. Yet, research offers little insight on the detail of the very final stages of the international site-selection negotiation process.

This study focuses on the role of US government officials and Southern state stakeholders seeking to secure investments by Hyundai Motors and Kia Motors. An exploratory eclectic theory is used to explain site-selection decisions.

Finally, within IB, there is the all too often underplayed process of exiting from FDI and commitments abroad. The reverse process of overseas withdrawal is a topic of our final contribution. 'Distance and divestment of Korean MNC affiliates: The moderating role of entry mode and experience' examines the impact of 'cross-national distance' on the divestment of foreign affiliates. On the basis of the dimensions of cross-national distance, this study examines the impact of each measure of distance on the divestment of affiliates using MNCs headquartered in Korea and their affiliates in 67 host countries.

Discussion

The 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. This feature points in part to the spread and geographical reach of interest in Korean management and business. The conceptual and methodological rigour of the research described is, we would argue, to be commended. A wide range of subject backgrounds and perspectives is also apparent and should be seen positively. Again, contributions are based on a variety of types of empirical field research, which strengthens their plausibility and significance. There is much to be learned by the Western observer and reader from these contributions. The respective contributions to this volume all point to a wide gamut of changes, some highly visible, as well as some more subtle and less evident, some explicit and some implicit.

It is clear that the range of subjects covered in this collection is comprehensive enough to allow some generalizations to be made concerning the ongoing evolution of Korean management and business, although we must be cautious in extrapolating too much from the evidence. It is clear that it has developed its own style of management, whether *vis-à-vis* the *chaebol* or the small- and medium-sized enterprise sector (see Li 2013). Only very limited progress has been made on the gender front, however (see Rowley and Lee 2009; Rowley and Yukongdi 2009; Cooke 2013). No doubt, further social change will kick in during the coming years, but barriers still remain in this vein.

There are many themes that overlap between the respective studies included and these were shown in Table I. The cross-disciplinary nature of these contributions is also evident, with some overlapping between HRM and OB and others more specifically contributing to our understanding of IB. All of the contributions point to many new changes with which Korean managers and businesses have to come to terms. Importantly, these pieces have relevance for a range of literature, such as on business systems and varieties of capitalism (Rowley and Truong 2013; Rowley and Yukongdi 2013), and so on, showing continuing differences between countries. Korea has come a long way since the early days of industrialization in the 1960s, has modernized in ways unimaginable to those writing some decades ago but continues to plough its own furrow in its own way.

Conclusions

It is evident that Korean management and business has evolved a distinctive style in its home context, despite the 'rhetoric of globalisation' (see Rowley 2013, 146) and that a form of Korean 'managerial revolution' has taken place. Although it has affinities to the Japanese model, it has retained key differences. Yet, having been traditionally hierarchical

for so long, management strategies and structures have now to adapt to the demands of more broadly educated managers and a highly more skilled workforce, given the substantial investment in human capital which has been made in recent years. In turn, managerial values are undergoing many changes, albeit we must be cautious in deducing that ‘convergence’ has taken place. Even so, Western-style business schools have proliferated to a degree far more than in say their Japanese neighbour. There are also strong pressures as to improve the language-skills of Korean managers, starting with the introduction of English as the main language at both university and management education levels, unlike either China or Japan. In many ways, Korean management is moving closer to a global model but still keeping its own character in a new guise.

Notes on contributors

Chris Rowley is Professor of HRM at the Cass Business School, City University, London, UK, Director of the Centre for Research in Asian Management and Director, Research and Publications, HEAD Foundation, Singapore. He has published widely in the field of HRM and Asian business and management in the leading journals and in edited books. He is currently Co-Editor of the *Asia Pacific Business Review*.

Malcolm Warner is Professor and Fellow Emeritus, Wolfson College, Cambridge and Judge Business School, University of Cambridge. He was the Editor-in-Chief of the *International Encyclopedia of Business and Management [IEBM]*, 8 volumes (London: Thomson, 2002) and the author/editor of many books and articles on China. His new work is *Understanding Management in China: Past, Present and Future* (London and New York, NY: Routledge, 2014). He is currently Co-Editor of the *Asia Pacific Business Review*.

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