

South Korean companies in transition: an evolving strategic management style

Yang-Im Lee*

School of Business and Management, Brunel University, UK

- *South Korea has a unique socio-cultural identity that results in the development of mutually oriented business relationships.*
- *South Korean managers are loyal and respectful but are gradually learning to develop a risk-oriented approach to decision-making.*
- *Although employees of South Korean companies are known for their ability to work in groups, they are becoming independent thinkers and more individualistic.*
- *In the future, South Korean managers are likely to develop a more competitive nature to business as company growth and survival become priorities.*

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Introduction

A national cultural value system contains common meanings and ideas held by various members of a society (Hofstede, 1996, 1997). The traits and values evident in a culture are communicated in several ways, and through several means. It is not surprising therefore, that an organizational cultural value system exhibits similar characteristics to those found in a national cultural value system. This is of relevance to managers working in an international business environment, who are charged with negotiating a deal with staff from a company that is based in a different part of the world. What is worth noting is that the process of globalization has resulted in cultural transformation with consequences for managers. For example, Dawson (1992) and Morgan

(1997) have argued that organizational culture develops through time and this suggests that organizational culture is malleable and can to some degree be transformed. This is an important observation, the significance of which will become apparent when placed in the context of South Korean companies.

The South Korean value system

South Korea has undergone a rapid process of industrialization since the 1960s and this has resulted in a form of cultural transformation. The country's cultural value system is, however, still firmly based on Confucian ideology and manifests in clearly defined, strong family values which still include ancestor worship. In the workplace, Korean employees exhibit a strong work ethic and behave in predictable ways (Kim and Yi, 1998-1999). It is also important to note that Buddhism has played a significant role in Korean history by broadening the cultural and intellectual base of society (Lee, 2001).

*Correspondence to: Yang-Im Lee, School of Business and Management, Brunel University, Middlesex UB8 3PH, UK.
E-mail: Yang-Im.Lee@Brunel.ac.uk

The main elements of Confucian thought are *Li* (abstract form) and *Ch'i* (matter). *Li* is a concept for determining how people in society or groups relate to each other and form relationships, which then influence an individual's behaviour. Adherence to the concept of *Li* results in harmonious relationships being maintained. Proof of this can be found in Bae and Chung's (1997) research which showed that 54.2% of South Korean workers were classified as committed to their company (workers turned down another job with higher pay) and this compares favourably with Japanese workers (20.4%) and American workers (26.3%). It is well known that South Korean workers have to compete with their co-workers in order to keep their jobs and this suggests that South Korean people can be highly competitive. Furthermore, managers in South Korean companies exhibit a tight control over their subordinates. Evidence of this can be seen in many family-owned companies, where the founder and/or the founder's descendants influence the decision-making process, which for the most part is top down (Song, 1992).

To be loyal to one's own family and clan (*Hyo*) is regarded as a superior duty. It emphasizes self-discipline, a work hard ethic and diligence (Lee, 1998-1999). Unconditional obedience to elderly people (*Eui/Sub*) relates to hierarchical order and reinforces the development of human relationships. It is clear therefore, that South Korean workers place the benefit of the group before the benefit of the individual. This allows individuals to be held accountable for their actions (Ungson *et al.*, 1997).

South Korea in transition

Although the spirit of benevolence demands that a junior employee serves his or her superior faithfully, each individual also judges his or her superior based on moral grounds (Tuwei-ming in Ungson *et al.*, 1997). South Korea has been influenced greatly principally by the Japanese and the Americans. Owing to this, it is not possible to disregard a number of

historical events (Song, 1992) that have shaped South Korea. Today managers employed by South Korean companies are keen to develop business relationships with managers in overseas companies and are also keen to adapt. For example, if a South Korean company forms an alliance with an American company, managers in the South Korean company will adopt the American style of doing business (Song, 1992). This in turn results in organizational cultural transformation and as a result South Korean managers adopt a more individualistic form of expressing themselves.

It has been suggested that South Korean workers understand the importance of cooperation and teamwork. Indeed, South Korean businessmen are known to have adopted two characteristics successfully: '*competition within a set limitation*' and '*collaboration with the state*' (Jeong, 1999). In order to understand how South Korean companies function, it is important to focus attention on how the large South Korean *Chaebols* operationalize their activities. It is also important to understand that the majority of South Korean companies are in the enterprise stage of development (Kim and Yi, 1998-1999), and that government officials are highly influential with respect to setting economic and corporate objectives. Some of the key South Korean *Chaebols* are Hyundai, Daewoo, Samsung, Lucky Goldstar (LG) and Sunkyoung. The *Chaebols* are viewed as national assets and exercise strong paternalistic leadership.

Many South Korean companies have been required to achieve a number of corporate objectives that relate to national economic growth strategy targets. It has been suggested that many South Korean companies have a tendency to concentrate on short-term growth (Kim and Yi, 1998-1999). One issue that has emerged is that company employees have been forced to accept relatively low payments (Yu, 1998-1999) and this has resulted in mistrust and conflict. State intervention in the labour market from the 1960s onwards has played a crucial role in the sense that it has protected South Korean companies from labour disputes. By such actions, it has proved

possible for the country to achieve the national economic strategy targets set (Jeong, 1999).

According to Kim (Kim and Yi, 1998–1999), South Korean companies became highly competitive by using several strategies such as staff visiting technological bases abroad and observing (and copying) matters and the recruitment of experienced foreigners and expatriate South Koreans. With respect to the latter, companies such as Samsung recruited South Korean nationals who were studying or working in the USA (Kim, 1997). Furthermore, management deliberately created crises in order to intensify the conscious effort of staff within South Korean companies (crises were perceived as creative not destructive) and this galvanized people into action (Kim and Yi, 1998–1999). Since the mid-1980s, the state has been forced to liberalize trade competition in the domestic market especially owing to pressure from the International Monetary Fund (IMF) that came to South Korea's aid during the country's economic crisis. Furthermore, because of the slowdown in the world economy, buyers have switched to importing goods from China, Thailand and Malaysia that have lower wage-based economies, and this has to some degree threatened the competitiveness of South Korean companies (Kim and Yi, 1998–1999).

In order for South Korean companies to survive, managers are required to have a clearly defined vision, have a thorough knowledge of their company's business activities and capabilities, possess sophisticated political skills, have appropriate decision-making knowledge, be able communicators, have appropriate knowledge to advise subordinate staff and be viewed as honest and capable (Shin, 1998–1999). Managers also need to possess an ability to think strategically and to think through the consequences of their actions.

The Chaebols' approach to recruitment

A Chaebol's recruitment strategy can be divided into one of two types: *Yon-go* and *Gong-che* (extended *Yon-go*). *Gong-che* is

close to the western managerial approach and incorporates contemporary HRM approaches to the recruitment and selection of labour (Lee, 1998–1999). *Yon-go* relates to a special social relationship or connection and is based around family ties, school ties and birthrights. *Yon-go* is based on the Confucian idea of *Shin* (trustworthy relationship between friends) and is practised with *Eui* as a commitment to the employer reflecting the seniority system (*Sub* and *Eui*) and the concept of hard work (*Byul*) (Ungson *et al.*, 1997).

Those wishing to join a large company are required to sit a written language examination, possess knowledge of a specific field and pass general and psychological tests such as aptitude, personality and leisure interests (Lee, 1998–1999). Finally, all applicants are interviewed and records taken of their hobbies, family background and career interests. Potential employees are expected to have specific subject knowledge and/or technical qualifications and they are expected to have a sound moral character and a positive attitude.

Chaebols such as Samsung, Hyundai, Lucky Goldstar, Daewoo and Sunkyoung send senior employees to universities to talk to potential employees (Lee, 1998–1999). University lecturers are encouraged to generate student interest in Korean companies and in turn, South Korean companies participate or contribute to industry–university research projects, provide scholarship funds and help with university development projects (Lee, 1998–1999). This enhances the company's image and helps to promote and attract highly qualified individuals.

Present day problems in South Korea

Recently, some South Korean companies such as Samsung, Hyundai and Hansol have adopted a new interview style called the *blind interview* which relies solely on the personal information provided by applicants for selection (Ungson *et al.*, 1997; Lee, 1998–1999). Although South Korean Chaebols such as Daewoo and Hyundai have put a great deal of

effort into employee development at all levels (Ungson *et al.*, 1997), a number of human resource management problems have been identified.

According to Kim and Yi (1998–1999), company personnel are becoming concerned about the deteriorating quality of employees from the stance of knowledge acquisition and their attitudes towards work. This has been partly attributed to several factors such as higher education policy being focused on undergraduate level educational provision and a dearth of highly trained scientists and engineers. This has resulted in South Korean companies not being able to maintain their international competitiveness (Kim and Yi, 1998–1999).

Lee (1998–1999) has suggested that the traits of working hard and achieving success significantly deteriorated in the latter part of the 1980s. This was attributed to the fact that although South Korean employees delivered high performance, they realized that their employers did not or could not base the reward system on the traditional Confucian work ethics approach which incorporated lifetime employment and the seniority system.

Research undertaken by Bae and Chung (1997) has indicated that South Korean workers have ambivalent attitudes towards their company and although they are for the most part devoted to it, they are frequently not proud of their jobs. Bae and Chung (1997) have attempted to explain this and have made reference to the fact that there is an *expectations gap* because the normative values that are strongly influenced by Confucian thought are out of phase with the pressures exerted by rapid industrialization.

The way forward: an evolving strategic management style

Kim (1980) has stated that organizational innovation occurs when changes taking place in the environment force a company to find new ways to compete. If a company has a rigid hierarchy of authority, then communication within the company may be inhibited. This is why during periods of rapid change attention

needs to be paid to who makes decisions and how they are implemented. Organizational restructuring may be required and the person at the top of the organization needs to possess vision and adopt a holistic view towards strategy formulation and implementation. A consensus approach to decision-making may well ensure that a proactive approach to strategy formulation and implementation results with obvious advantages. By establishing a matrix organizational structure, companies like Samsung are able to innovate and reduce the number of problems associated with top-down organizational structures. A number of suggestions have been made by Kim *et al.* (Kim and Yi, 1998–1999) with respect to changing the structure and composition of many South Korean companies:

1. Introduce a decentralized and self-contained team structure.
2. Nurture creative individuals and team structure.
3. Introduce flexible coordination in R&D, marketing and production.
4. Deploy bottom-up communications.
5. Ensure that technological developments are well handled.
6. Develop an effective learning capacity.

Bearing these six points in mind, South Korean companies need to ensure that managers:

1. Are able to get close to the right politician(s);
2. Identify what the recognized problems are as defined by the state;
3. Act and assist the state as required;
4. Follow international, political and economic change;
5. Manage internal problems;
6. Have the ability to choose the right individuals who can commit themselves to the company;
7. Handle subordinates and problems appropriately;
8. Report correctly to the owner/founder (where relevant);
9. Understand the societal demands made on the company;

Table 1. Characteristics of South Korean people

Characteristic	
Collectivistic mentality	Yes, based on type of relationship
Goal oriented	Yes, to achieve a satisfactory result
Relationship oriented	Yes, based on mutuality
Small group oriented	No, they prefer to act as individuals
Perception of conflict	Acceptable, if it results in constructive change
View of leadership	To be challenged and replaced if necessary

Source: Trim and Lee (2000, p. 121).

10. Recognize how the traditional value system is changing;
11. Develop good relationships with appropriate universities;
12. Project a good image to various stakeholders; and
13. Follow technological development and find new markets and new opportunities.

An evolving strategic management style, which incorporates the above criteria, is gradually emerging. **Table 1** lists the principal characteristics of South Korean people. Trim and Lee's (2000) research showed that young

An evolving strategic management style is gradually emerging

South Korean people prefer to act as individuals and are confident to make independent decisions. The key point to note is that there appears to be a change occurring within the traditional value system that emphasizes group decision-making and the sharing of benefits. It is possible to suggest that the process of industrialization, the pressure exerted by the process of globalization and the implementation of strict recruitment criteria has resulted in a change in corporate and national psyche. Increasingly, South Koreans understand and relate to the concept of competition and this in turn is producing a more risk-oriented individual.

Figure 1 outlines the context within which the evolving strategic management style is occurring. It is clear that various elements of the traditional value system are still evident but that a more risk-oriented, individualistic-induced approach to decision-making is finding increasing acceptance.

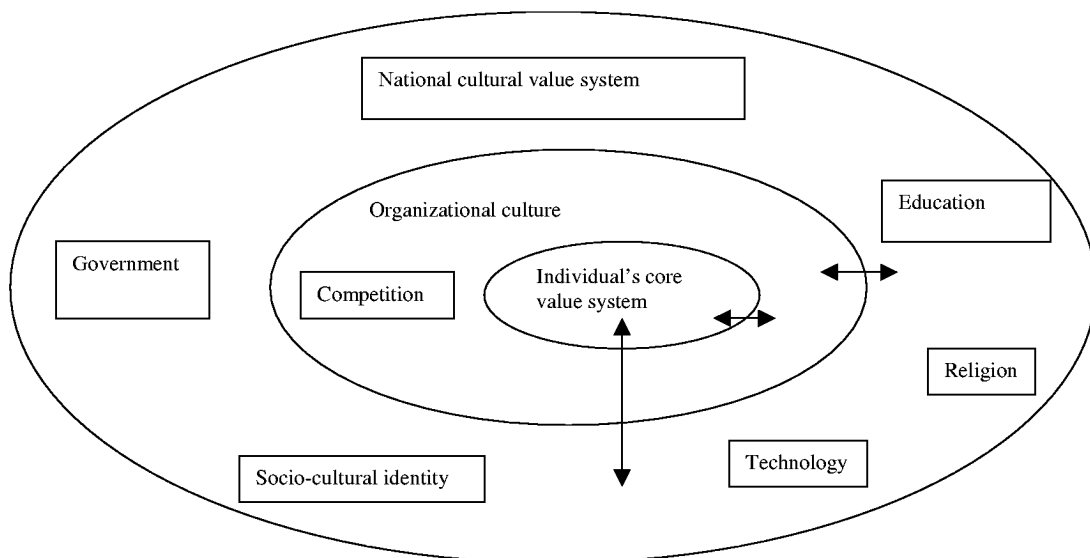


Figure 1. Factors influencing the evolving strategic management style.

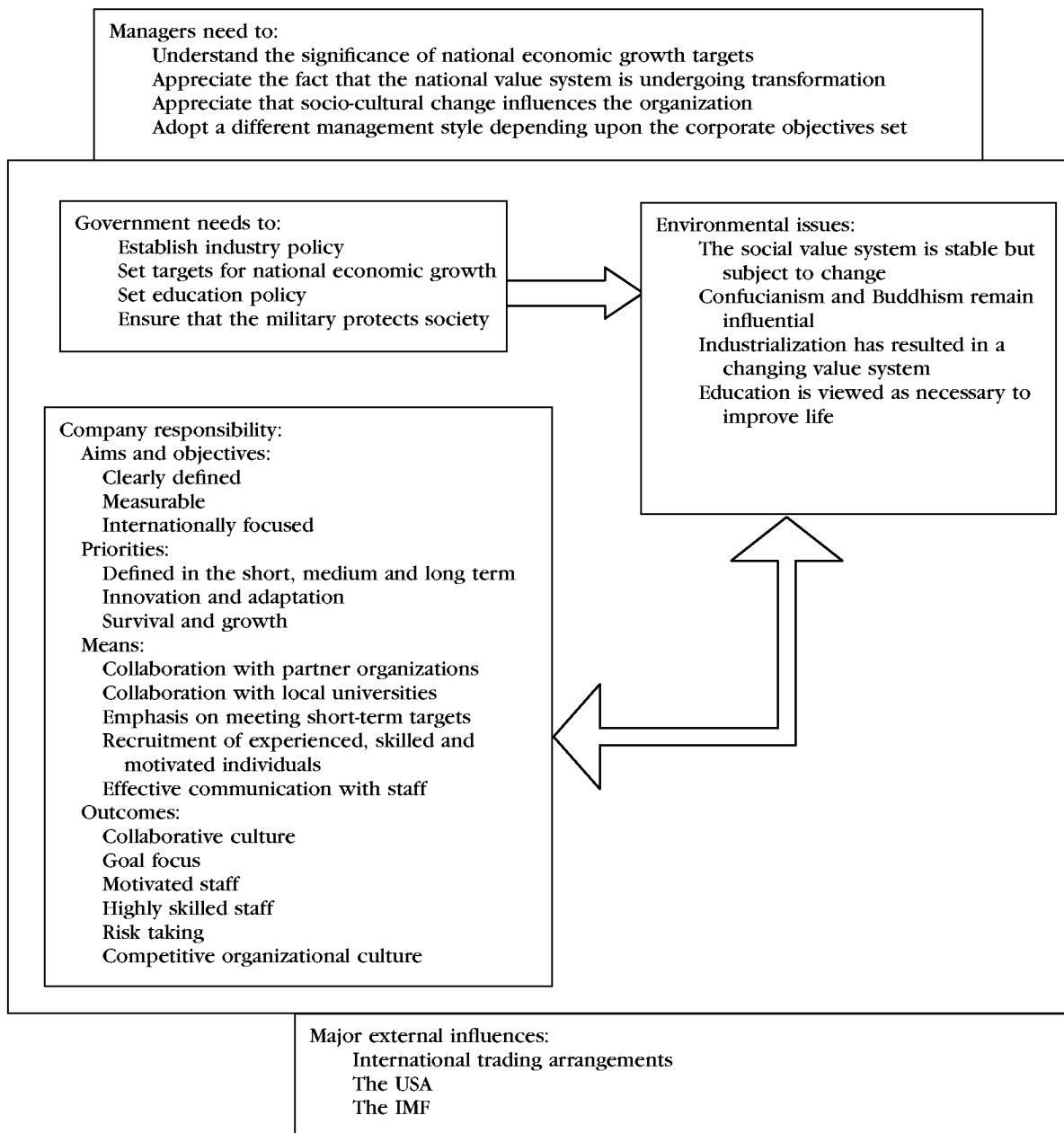


In order to better understand how and why an evolving strategic management style is developing within South Korean companies, it is essential to place the information in **Table 2** in context. It should be noted, for example, that managers in South Korean companies need to balance government, company and personal objectives if they are to be viewed as successful. Successful managers also ensure that the company has a strong relationship

with the university sector. This is important bearing in mind that South Korea lacks high level skills in certain areas and company managers are expected to aid the development of the country's skill base by investing in company-industry partnerships.

The strategic managers of the future must be able to think independently, apply appropriate management concepts and techniques relevant to the operating context of the business

Table 2. Placing the evolving strategic management style in context



and exhibit a competitive mentality that is aimed at securing the company's position in the international marketplace. Furthermore, they will be skilled at developing internal and external working relationships and will secure partnership arrangements that are advantageous for all the parties involved.

Conclusion

Confucianism and Buddhism continue to remain in high regard and continue to influence the value system of individual managers in South Korean companies. Individual managers in the country are becoming more aware of what is expected of them and are keen to meet and exceed the expectations of both superiors and subordinates. South Korea is undergoing a period of change and this suggests that a number of new management concepts will emerge that will add and enrich current knowledge and theory and lead to new business models and approaches to attaining competitive advantage.

Biographical note

Yang-Im Lee is a lecturer in the School of Business and Management at Brunel University. Her current research interests relate to international marketing and international management. She is especially interested in cross-cultural issues and how management practices can be adapted and implemented in different cultural settings.

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