

Intercultural Human Resource Management: South Korea and the United States

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ABSTRACT

The southern region of the United States has been recruiting South Korean firms to locate their manufacturing operations there. Alabama and Georgia have been successful in recruiting Hyundai and Kia to build automotive manufacturing plants, and in attracting first and second-tier suppliers as well, providing an estimated 4,000 jobs to the area.

The mix of foreign and domestic employees and diverse human resource practices presents both opportunities and challenges. As indicated by Hofstede (1991), management practices and values differ from country to country due to each nation's unique culture and traditions. Therefore, Hofstede's (1991, 2001) framework is used as a basis for examining the cultural differences between South Korea and the United States.

After the cultural analysis, aspects of organizational behavior and human resource management in South Korea are compared with those same practices in the United States. Implications for organizational behavior and human resource management practices are discussed.

KEY WORDS: international business, South Korea, cross-cultural, human resource practices

The southern region of the United States has been actively recruiting South Korean firms to locate their manufacturing operations there. Alabama and Georgia have been successful in recruiting Hyundai and Kia to build automotive manufacturing plants, and in attracting first and second-tier suppliers as well. Kia Motors, a South Korean automaker with 12 straight years of U.S. sales gains, selected the site in Georgia, but it will mean more automotive jobs for Alabama as well. The Kia facility, its first in the U.S., is scheduled to begin production this year and produce 300,000 vehicles a year and employ 2,500 people. As many as six suppliers will set up operations in the surrounding area resulting in an additional 2,000 jobs. Hyundai Mobis, a major automotive supplier for Kia Motors Corp., will also locate a facility in Georgia, creating 600 jobs.

The mix of foreign and domestic employees and diverse human resource practices presents both opportunities and challenges. As indicated by Hofstede (1991), management practices and values differ from country to country due to each nation's unique culture and traditions. Therefore, Hofstede's (1991, 2001) framework is used as a basis for examining the cultural differences between South Korea and the United States on the following dimensions: power distance, individualism/collectivism, uncertainty avoidance, achievement and nurturing, and long-term vs. short term orientation. Hargittay and Kleiner (2005) posit that the cultural norms in Korea have been heavily influenced by Confucianism while in the United States, people have been influenced by the Protestant work ethic.

After exploring the national cultural differences between the two countries, this paper analyzes and compares aspects of human resource management in South Korea with those same practices in the United States. Implications for recruitment, employee selection, employee training, performance appraisal, the role of seniority, and labor-management relations are discussed.

Hofstede's Cultural Dimensions

Geert Hofstede's (2003, 2001, 1991) framework for assessing cultures is one of the most widely cited approaches for helping managers understand differences between national cultures. In his research he found that managers and employees vary on five dimensions of national culture: (1) individualism vs. collectivism, (2) power distance, (3) uncertainty avoidance, (4) achievement versus nurturing, and (5) long-term and short-term orientation. Each dimension will be described below, followed by a comparison of the scores of South Korea and the United States.

"Individualism vs. Collectivism" concerns the extent to which people in a country prefer to act as individuals or as members of groups. Individualism is the degree to which people tend to act as individuals while collectivism is characterized by a social framework in which people prefer to act as members of groups. According to Hofstede, (2003) "on the individualist side we find societies in which ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong cohesive in-groups, often extended families which continue protecting them in exchange for unquestioning loyalty" (p. 2-3).

South Korea has a low Individualism (IDV) score of 18, indicating that the society is collectivist as compared to individualist. Hofstede contends that this is manifested in a close long-term commitment to the member group, such as a family, extended family, or extended relationships. Loyalty in a collectivist culture is of utmost importance and over-rides most other societal rules and regulations. This culture promotes strong relationships where everyone takes responsibility for fellow members of their group. Conversely, the United States is one of only 7 countries in the Hofstede research that has Individualism as their highest dimension: 91. "The high Individualism ranking indicates a society with a more individualist attitude and relatively loose bonds with others. The populace is more self-reliant and looks out for themselves and their close family members (Hofstede, 2003, p. 2 -3).

The second dimension, “power distance,” is a measure of the extent to which society accepts the fact that power in organizations is distributed unequally. High power distance societies tend to accept inequalities while low power distance societies play down inequities. South Korea has a Power Distance score of 60 while the United States has a score of 40 (world average = 55). “This indicates that the United States has greater equality between societal levels, including government, organizations, and even within families. This orientation reinforces a cooperative interaction across power levels and creates a more stable cultural environment” (Hofstede, 2003, p. 2).

“Uncertainty avoidance,” the third dimension, is the degree to which people tolerate risk and prefer structured over unstructured situations. Low uncertainty avoidance societies are comfortable with risks while high uncertainty avoidance societies feel threatened by uncertainty and ambiguity. The United States had a score of 46, Korea had a score of 85 and the world average was 64. The United States’ low ranking indicates “a society that has fewer rules and does not attempt to control all outcomes and results. It also has a greater level of tolerance for a variety of ideas, thoughts, and beliefs” (Hofstede, 2003, p. 3). Of the five dimensions, South Korea’s highest score is in “uncertainty avoidance” indicating the society’s low level of tolerance for uncertainty. In an effort to minimize or reduce this level of uncertainty, strict rules, laws, policies, and regulations are adopted and implemented. The ultimate goal of this population is to control everything in order to eliminate or avoid the unexpected. As a result of this high Uncertainty Avoidance characteristic, the society does not readily accept change and is very risk adverse.

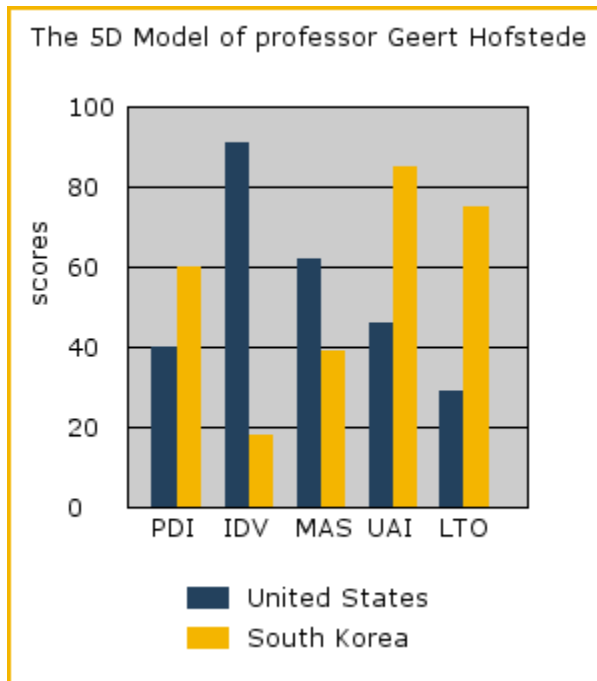
The fourth dimension, “Masculinity vs. Femininity” refers to the distribution of roles between the two genders. Women’s values differ less among societies than men’s values. Men’s values contain a dimension ranging from very assertive and competitive to modest and caring. The assertive pole is termed masculine while the modest pole is termed feminine. The United States had a ranking of 62,

compared to Korea's ranking of 39 and the world average was 50. According to Hofstede (2003), "this indicates the country experiences a higher degree of gender differentiation of roles. The male dominates a significant portion of the society and power structure. This situation generates a female population that becomes more assertive and competitive, with women shifting toward the male role model and away from their female role" (p. 3). "The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values" (Hofstede, 2003, p. 3).

"Long term and short term orientation," the fifth dimension, refers to a country's orientation toward life and work. Countries with a long-term orientation look to the future and value thrift and persistence. Countries with a short term orientation, such as the United States with a score of 29, have respect for tradition, fulfilling social obligations, and protecting one's face. The short term orientation for the United States is the lowest Dimension for the U.S. (29) compared to the world average of 45, and a South Korean score of 70. The long term orientation of South Koreans indicates values of thrift and perseverance (Hofstede, 2003, p. 3)

Figure 1 presents Hofstede's 5 dimensional Model comparing the scores of South Korea and the United States.

Figure 1: Hofstede's 5D Model of South Korea and the United States



Source: ITIM international, Geert Hofstede Cultural Dimensions (www.geert-hofstede.com/hofstede_dimensions.php?culture1=95%culture2=82)

To summarize, South Korea is characterized by large power distance and authoritarianism, collectivism and communitarianism (associated with family and clan membership), and strong uncertainty avoidance. The United States is characterized by a focus on the individual, short-term orientation, low power distance, tolerance for risk and ambiguity and a masculine society.

Table 1 presents a comparison on the 5 dimensions for South Korea, the United States, and the world average.

Table 1: Comparison of Hofstede's Scores for the United States, South Korea & the World Average

Dimension	South Korea	US	World average
Individualism	18	91	
Power Distance	60	40	55
Uncertainty avoidance	85	46	64
Masculinity	39	62	50
Long term orientation	70	29	45

South Korea's Economy

South Korea has been experiencing economic growth since the late 1960's. This growth has centered in the following industries: electronics, telecommunications, automobiles, ships, and steel. The work force is comprised of 23.53 million individuals (67% services, 27% manufacturing, 6% agriculture). In 2006, the GDP growth was 5% (U.S. 3.4 %), and the GDP per capita was \$24,000 (U.S. \$43,500) (Background Note: South Korea, 2008). This growth in the South Korean economy has caused Korean businesses to expand outside of Korea. In particular, Hyundai and Kia automobile manufacturing companies have located plants in the southeastern part of the United States, particularly in Alabama and Georgia. Because South Korean companies are locating manufacturing facilities in the United States, it is important to explore the impact of national culture on organization behavior practices.

Organizational Behavior Implications

The impact of national culture on organization culture, leadership, family and political connections, organizational structure and organization communication will be explored in this section.

Impact of National Culture on Organizational Culture

The cultural heritage of most nations has a great impact on its societal, economic and political structure. These, in turn, influence the development of management practices and values found in the country. Therefore, as indicated by Hofstede (1991) management practices and values differ from country to country due to each nation's unique culture and traditions. Hargittay and Kleiner (2005) posit that "the cultural norms in Korea have been heavily influenced by Confucianism, while in the United States people have been largely inspired by the Protestant work ethic. In general, Confucianism stresses harmony among people, and thereby encourages an environment in business that depends on groups and teamwork, whereas the Protestant work ethic is based on the ability of the individual, leading to the individualist type environment found in the United States today" (p. 56). These national cultural differences have implications for leadership styles in the two countries.

Leadership

According to Mills (2005), business leadership – managers and entrepreneurs who sustain and create Korean companies -- is at the core of Korean economic development.

Therefore, this section will address (1) different leadership styles and (2) how the stage of development of firms influences leadership style.

Leadership styles. Mills (2005) contends that American CEOs tend to use one of five leadership styles: directive, participative, empowering, charismatic, or celebrity.

While the directive leadership style is well known in America, it is declining in frequency there. It stresses the direction given by executives to others in the firms and the leader is very much in charge. Of the five styles, this style is most common in South Korea (Mills, 2005).

Participative leadership, which involves close teamwork with others, is more common in America than South Korea.

Empowering leadership is relatively new and stresses delegation of responsibility to subordinates. American companies that operate with largely autonomous divisions employ this style of leadership. Energizing others is the core of the new leadership in America (Mills, 2005). A few younger Asian business leaders now use this style (Mills, 2005).

According to Mills (2005), “charismatic leadership is the leader who looks like a leader. People follow such a leader because of who he is, not because of good management or even business success. Human magnetism is the thing, and it is very different in different national cultures. What looks like a charismatic leader to Americans may appear to be something very different to people from other societies” (p. 4).

Stage of Development. To a significant degree, large American firms are at a later stage of development than many Asian firms – they have passed from founders’ family leadership to professional management and to capital obtained from capital markets. In this transition they have adopted particular styles of leadership responsive to boards (often lead by outside directors) and to the U.S. stock market (Mills, 2005).

Fukuyama (1995) contends that “virtually all comparative studies of Korean management have indicated that Korean businesses tend to be run in a hierarchical, authoritarian, and centralized manner” (p. 134). The authoritarian nature of decision making in Korea makes it easier for Korean companies to

move quickly and decisively. (Morden & Bowles, 1998). Welch, Kily and Ihlwan (2008) found that the top executives in the United States' Hyundai plants run the companies in a far more authoritarian style than do most American CEOs.

To summarize, American businesses tend to use a variety of leadership styles, while South Korean business leaders tend to follow a directive leadership style. Differences in management styles stem in part from different leadership approaches.

Leadership styles tend to be more varied in America today than in Asia. Finally, American firms tend to be in a later stage of development, with professional managers leading the companies. One additional factor that influences leadership styles in the two countries is family/political connections.

Family and political connections. The following elements of South Korean management will be discussed: the *chaebol*, the *chiban*, and *taipans*.

According to Morton and Bowles (1998), two levels of organization exist in South Korea: individual firms, and larger networks which unite these individual corporate entities. "The Korean conglomerate networks or business groupings are known as the *chaebol*. Virtually the whole of the large business sector in South Korea is part of one or other of the *chaebol* networks. The *chaebol* have usually been family-owned (or family controlled) and kinship based, recruiting from certain clans and regions. They include such corporations as Samsung, Hanjiin, Daewoo, Hyundai, and Lucky-Goldstar (LG)" (Morden & Bowles, 1998, p. 318).

Chen (1995) maintains that the *chaebols* are extremely large and sophisticated and have maintained close relationships with the Korean government. The *chaebols* have expanded very rapidly in the world market and produce major international brands. Despite their pronounced success, these

groups are still dominated by founding family members and are closely knit and competitive in spirit (Morden & Bowles, 1998).

Fukuyama (1995) contends that many of the *chaebols* are still run by founding entrepreneurs, who insist on making all major management decisions personally.

Ownership and management have not been separated in many large South Korean companies. The owner family has actively participated in the management process and family members tend to dominate the positions of power. This is due in part to being members of an extended clan, the *chiban*, which provides broad-based security for family and clan members. According to Morden and Bowles (1998), “the larger the *chiban*, the broader based is the security for members of the clan, and the greater the pool of relatives from which recruitment can take place” (p. 319). This kinship-based relationship with the owner is called *hyul-yun* (Morden & Bowles, 1998).

The lynchpin that has held the different activities of the *chaebol* together and given them direction, has been consistent and assertive leadership by the autocrat or *taipan*. The *taipan* gives a point of focus and power such that activities are coordinated and decisions are made (Morden & Bowles, 1998).

Cragg (1995) contends that “the *taipans* of Korea and their business culture are said to be the world’s toughest. These businessmen are fearless in their ability to use *pae-gi*, that is, aggressive determination, to overcome obstacles from any quarter” (p. 137). To summarize, the *chaebol*, *chiban*, and *taipans* tend to reinforce the authoritarian nature of decision making in South Korea and makes it easier for companies to move quickly and decisively. This more directive style may also mean that decisions are not adequately considered by staff and may be made with insufficient knowledge (Morden & Bowles, 1998).

More common in America are firms that are run by professional managers. “The better companies have sophisticated programs for developing executives within the firm. American CEOs average about 30 years with their firms and own less than 4 percent of its shares” (Mills, 2005, p. 4). Additionally, many American firms are more dependent on capital markets for their capital (equity and debt) and so pay more attention to Wall Street than is yet common in Asia. There is less freedom of action for executives and boards in America than in Asia (Mills, 2005).

The political connections so important for top business leaders in Asia, whether in democracies or one-party states, are not unknown but are much less important in America. It is a characteristic of Asian top executives that they have such connections that are important to their businesses. In America, the CEOs of very large firms often have virtually no direct connections to top politicians (Mills, 2005).

To summarize, leaders and decision makers in Korea manage their corporations based on the principles of the family or clan system. This paternalistic and authoritarian approach leads to a top-down decision-making process (Hargittay & Kleiner, 2005). American firms have a more participate leadership and decision making style with input from the bottom up.

Organizational Structure

South Korean companies tend to have a high degree of centralization and formalization in their organizational structure. As stated earlier, authority is concentrated at senior levels of management, and there tends to be a tall hierarchical structure with many levels of hierarchy. According to Chen (1995), Korean companies place great importance on functional specialization such as planning, finance, and human resource management. “Many Korean companies have a combined organizational structure placing a vertical concentration of decision-making power at the senior levels of management and a horizontal concentration of functional control in staff departments” (Morden & Bowles, 1998, p. 321).

According to Chen (1995), “usually 80 percent of the authority lies in the upper management level, with middle or lower management having very limited authority.” Hargittay and Kleiner (2005) found that the structure of Korean firms has affected the attitude of subordinates. “As one goes father down the hierarchy of a Korean firm the more passive the employees are, leading to very few suggestions coming from the bottom (Hargittay & Kleiner, 2005, p. 60).

American companies tend to use one of the following organizational structures: simple, functional, divisional, team, matrix, or project. The type of structure chosen is dependent on the strategy of the company, the size of the company, technology used and the degree of environmental uncertainty.

Organizational Communication

In South Korean companies, formal communication is mainly along vertical hierarchies. Superiors give directives while subordinate carry them out. Morden and Bowles (1998) contend that “superiors tend to issue general directives, as opposed to specific and detailed ones. Subordinates then use their own judgement about how to implement” (p. 321). Chen (1995) maintains that this preference for communicating in general terms, combined with a relatively high power distance, comprises a major source of misunderstanding in Korean companies. Chen (1995) comments that South Koreans are reticent about open communication in formal meetings and have difficulty in airing their views, especially opposing ones. Morten (1996) contends that South Korean companies tend to obtain information from, and place more reliance on, personal and family networks, rather than a formal research base or information sources that are available to them.

Hargittay and Kleiner (2005) maintain that Korean employees usually attach much greater importance to upward formal communication on hierarchical lines rather than to communication on horizontal departmental lines.

Like South Korean companies, American companies use a combination of both formal and informal communication. However, the type of communication network used in the organization (chain, wheel, and all-channel) depends on the strategy and structure of the organization. For example, the wheel network is used when there is a strong leader, while the all-channel network is used when communication flows freely among all members of a work team without a designated leader. American workers report more satisfaction with all channel networks and low member satisfaction with the wheel. However, the wheel has the advantage of being fast with high accuracy (Robbins & Coulter, 2007).

Human Resource Management Implications

The following areas will be discussed: recruitment and hiring, job security and performance appraisal, the role of seniority, and labor-management relations.

Recruitment and hiring. Morden and Bowles (1998) contend that “professional managers and executives are becoming an increasingly powerful force in South Korean companies” (p. 319). Chen (1995) notes that “many of these managers are...recruited through open competition from elite social groups.” Common geographical and school/university ties play an important role in the formation of management power groups. Chen (1995) adds that “a common practice is for owners to bring their school (or university) and hometown friends into management. In some Korean companies, top management positions are predominately filled by those who are from the same geographical area...in other companies, graduates from elite universities, like Seoul National, dominate top management.”

This practice is in stark contrast to laws and regulations in the United States concerning recruitment and hiring practices. In the United States, the federal government has enacted a number of laws and regulations that influence the recruitment and hiring process. For example, decisions regarding who will be hired, or which employees will be chosen for a training program must be made

without regard to race, sex, religion, age, color, national origin or disability. Affirmative action, where an organization actively seeks to enhance the status of members from protected groups, may also be an issue. Therefore, U.S. managers are not completely free to choose whom they hire, promote, or fire. Although laws and regulations have helped reduce employment discrimination and unfair unemployment practices, they have at the same time, reduced managers' discretion over human resource decisions (Robbins & Coulter, 2007).

Job Security

There is traditional respect for authority, seniority, and job status. A significant degree of loyalty to the employer or *taipan* has been expected. The South Koreans display humanist characteristics in that employees are regarded as an important asset. Training is seen as an integral part of the business activity and companies above a certain size are required by law to provide training for their staff (Morden & Bowles, 1998).

Chen (1995) comments that "Koreans are highly motivated workers and known for enduring long work days. The motivation of Korean workers is influenced by traditional values as well as by realistic needs. The key Confucian values of diligence and harmony have contributed to a relatively high work ethic. (Morden & Bowles, 1998). While the specific motivations of Korean employees vary dependent on the size of the company and the level of seniority, high wages and job security tend to be the most important motivational factors (Morden & Bowles, 1998).

Performance Appraisal

In the past, Korean managers rewarded and promoted employees based on seniority. However, today they are beginning to consider performance as well. Korean companies have gradually combined

seniority with performance in determining rewards. While wages are generally based on seniority, bonuses may be rewarded based on performance (Chen, 1995).

Management practices and values in the United States are much more Darwinian in nature, according to Hargittay and Kleiner (2005). Americans tend to believe in the idea that the strong will survive and the weak will perish on an individual basis. This leads to interdepartmental competition which can have a negative impact on the organization. In general, rewards and promotions are based on the individual's success or failure, rather than group.

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