

How do Korean Chaebols Develop Global Managers?
-Case Studies of Samsung Electronics, LG Electronics, and SK Telecom-

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Abstract

In this paper, we explore three Korean Chaebols, Samsung Electronics, LG Electronics, and SK Telecom, in terms of their strategic similarities and differences in developing and maintaining global managers. After reviewing the basic features pertaining to human resource systems in these firms, we focus on their global human resource management practices and identify characteristics specific to each as well as and factors that they have in common. We then discuss how the resource-based view of the firm suggested by Barney (1991) explains specific and generic features of each company's global human resource development system. We also discuss whether some of the specific global human resource practices in these companies could be transferred to other multinational companies outside of Korea.

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INTRODUCTION

Korea is known as a nation that has achieved unprecedented economic growth over the last 30 years, and more recently has been recognized as a world leader in industries like electronics and telecommunications. With such products as semi-conductors, electronic appliances, and mobile phones, Korean firms have achieved enormous growth and dominate market positions. They now lead the global market in terms of innovative products, services and technologies.

The global semi-conductor market is led by Samsung Electronics, which has occupied xxx% market share worldwide since 2002, and is a leader in semi-conductor innovation and the outlaying of patents. The global electronic appliances market is also dominated by Samsung together with LG Electronics. LGE leads the world in sales of air conditioners while Samsung is globally dominant in sales of refrigerators and washers. The home appliance products of Samsung and LGE dominant in such important markets as China, Eastern Europe, India, Thailand, South American, among others. In addition, Samsung is the world's third largest producer of cellular phones, close behind Nokia and Motorola. On the other hand, SK Telecom, a leading telecommunications company in Korea, has pioneered CDMA technology under license from Qualcomm, has achieved a majority market share domestically, and is now penetrating the global market with its telecommunications services.

These three companies differ in such areas as their globalization histories, their lines of global products and services, and their motivations for globalization. Samsung Electronics, for instance, has a long history of globalization, has product lines ranging from semi-conductors to home appliances to cellular phones, and is strongly motivated toward globalization due to a strategic dependence on global markets. LG Electronics also has a relatively long history of globalization, but, with fewer global product lines and with a focus mainly on electronic appliances, its level of motivation toward globalization is not as high. Finally, SK Telecom has only a few years of experience in globalizing their services, and that has only been on limited markets such as in Vietnam and Mongolia, and only with a single product, i.e., telecommunications services; however, SK's motive for globalization is

increasing after successfully dominating the domestic market.

Due to these differences, we can assume that these companies will show distinctive policy differences in their global HR Management systems. Greater globalization in business should lead to stronger emphasis on global HR management. So Samsung Electronics is expected to lead these firms in capitalizing on global human resources, followed by LG Electronics and SK Telecom. Samsung will exhibit more diverse programs for raising global managers, create greater opportunities for managers to pursue global careers, and invest more to develop global human resources. In addition, as globalization continues, managerial competencies associated with dealing with problems in the global business arena will be more explicitly reflected in the company's HR management policies and system.

The effectiveness of a management system is often considered an asset, upon which firms can build their competitiveness. According to the resource-based view of a firm, the more unique or specific an asset is to a firm, and the less it can be imitated by other competitors, the more value that asset carries, thus it enhances a firm's competitive edge (Barney, 1991). A firm's human resources, depending on how they are utilized on a global scale, can be regarded as an important asset that can either enhance or downgrade a company's competitive advantage. Companies that maintain specific and non-imitable global HR management practices are expected to succeed over those who do not in a global business setting. Globally competitive firms will utilize wider pools of human resources regardless of their countries of origin or their race, be successful in recruiting globally talented managers, and achieve synergy by diversifying their cultural and managerial practices.

Thus, for this study, we analytically compared the global management practices of the three firms mentioned above to discover which company is more competitive in terms of the specificity and inimitability of its global HR management assets. In doing so, it is believed, some valuable lessons for global HR managers were forthcoming.

THEORETICAL BACKGROUND

Resource-Based View of the Firm

Although it is possible to explain global human resource management practices from such diverse perspectives as agency theory (Ekanayake, 2004), resource dependency (Pfeffer & Salancik, 1978), markets/hierarchy (Williamson, 1975), and so on, it seems most reasonable to take the Resource-Based View (RBV) of the firm (Barney, 1991) as it provides a more direct and wider view on the reservation and utilization of human resources in organizations.

Since Barney (1991) presented the Resource-Based View of the firm, many empirical or conceptual articles have further contributed to a better understanding of human resources and capital. Wright and McMahan (1992), for example, reviewed theoretical perspectives that had been applied to Strategic Human Resource Management (SHRM). They presented the RBV as one perspective that provided a rationale for how a firm's human resources are a potential source of sustainable competitive advantage.

In addition, Cappelli and Singh (1992) examined the implications of the RBV on SHRM. Specifically, they noted that most models of SHRM based on fit assume that (1) a certain business strategy demands a unique set of behaviors and attitudes from employees and (2) certain human resource policies produce a unique set of responses from employees. They further argued that many strategists have implicitly assumed that it is easier to rearrange complementary assets/resources, even though empirical research seems to imply the opposite. Thus, Cappelli and Singh proposed that the resource-based view might provide a theoretical rationale for why HR could have implications for strategy formulation as well as implementation.

Shortly thereafter, two articles came out arguing almost the complete opposite view against the potential for HR practices to constitute a source of sustainable competitive advantage. Wright et al. distinguished between the firm's human resources (i.e., the human capital pool) and HR practices (those HR tools used to manage the human capital pool). They argued that HR practices could not form the basis for

sustainable competitive advantage since any individual HR practice could be easily copied by competitors. Instead, they proposed, a human capital pool (of highly skilled and highly motivated employees) had greater potential to constitute a source sustainable competitive advantage. These authors noted that to constitute a source of competitive advantage, the human capital pool must have both high levels of skill and the willingness (i.e., motivation) to exhibit productive behavior.

In contrast, Lado and Wilson (1994) proposed that a firm's HR practices could provide a source of sustainable competitive advantage. Exploring the role of HR in influencing the competencies of a firm, they suggested that HR systems (as opposed to individual practices) can be unique, causally ambiguous and synergistic in how they enhance firm competencies, and thus could be considered inimitable. So, whereas Wright et al. argued for the inimitability of individual practices, Lado and Wilson noted that the system of HR practices, with their many interconnections and dependencies, would be impossible to imitate. This point of view seems well accepted within the current SHRM paradigm (Snell, Youndt & Wright, 1996). For this study, we took the same viewpoint.

Boxall (1996) expanded upon the RBV/SHRM paradigm, suggesting that human resource advantage (i.e., the superiority of one firm's HRM over another) consists of two parts. First, human capital advantage refers to the potential to capture a stock of exceptional human talent "latent with productive possibilities" (p.67). Human process advantage can be understood as a "function of causally ambiguous, socially complex, historically evolved processes such as learning, cooperation, and innovation." (p.67) Boxall (1998) then developed this basic model further by presenting a more comprehensive model of strategic HRM. He argued that one major task of organizations is the management of mutuality (i.e., alignment of interests) to create a talented and committed workforce. It is the successful accomplishment of this task that results in a human capital advantage. A second task is to develop employees and teams in such a way as to create an organization capable of learning within and across industry cycles. Successful accomplishment of this task results in an organizational process advantage.

Moreover, Lepak and Snell (1999) presented an architectural approach to SHRM partly based on the RBV. They proposed that within organizations, considerable variance exists with regard to both the uniqueness and value of skills. Juxtaposing these two dimensions, they built a 2 x 2 matrix describing different combinations with their corresponding employment relationships and HR systems. The major implication of that model was that some employee groups are shown to be more instrumental to competitive advantage than others. As a consequence, they are likely to be managed differently. While the promise of an architectural perspective is currently rooted in HR (cf., Baron et al., 1986) and strategy (cf., Matusik & Hill, 1998), Lepak and Snell (1999) convinced SHRM researchers to recognize that real and valid variance exists in HR practices, and looking for one HR strategy may lead to overlooking the important differences in the types of human capital available within an organization.

With these various perspectives in mind, we have extended their line of logic to applying RBV to the global human resources management practices in multinational corporations.

The Application of RBV to Global Human Resource Management

Research on managerial resources has used managerial work experience as an important indicator of managerial human capital (e.g., Harris & Helfat, 1997; Bailey & Helfat, 2001). Effective HR management requires on the job training and practice. Managers acquire and perfect their skills, knowledge, and expertise largely through work experience.

Managerial work experience in a global setting represents a critical part of human capital, particularly for multinational corporations. By building up unique skills and experience in global business environments, multinational firms create a higher level of human capital. These global human resources can have varying qualities of managerial skills. Referring to the Castanias and Helfat's (1991) classification of skills as generic, industry-specific, related-industry, and firm-specific, we can categorize global managerial skills into generic, region-specific, related-country, and country-specific. These skills all fit within a hierarchical scale from most to least transferable between countries. They are considered as a nested hierarchy within global managerial

human capital. For example, English is considered a highly generic global skill that can apply to any global business settings, whilst extensive experience in the Southeast region is a region-specific skill, mandarin to Chinese is a related-country skill, and cultural familiarity in Thailand is a country-specific skill.

This classification of global managerial resources incorporates skill differentials between managers “both in the types of skills that individuals possess, and the degree of skillfulness” (Castanias & Helfat, 1991, p.160). That is, managers may differ not only according to the kinds of skills in the hierarchy they possess, but also with regard to their levels of ability in each skill. In short, managers differ in the combination of skills types and levels of ability, or “skill sets,” that they possess.

As Barney (1991) argued in his influential article on the resource-based view of a firm, heterogeneity and the imperfect mobility of resources are prerequisites for rent generation from resources. In the managerial rents model, heterogeneity in managerial resources comes in the form of skill differentials, both in the types of managerial skills and in the levels of ability within each type of skill. Our classification of global managerial skills also incorporates varying degrees of resource mobility, since the nested hierarchy of global skills reflects differences in skill transferability. Thus, when managers move between countries their old, country-specific skills may acquire a new status.

Barney (1991) further stated that to generate rents, resources must be: (1) valuable (enabling the firm to meet opportunities and overcome threats in their environment), (2) rare (or scarce), (3) imperfectly imitable, and (4) imperfectly substitutable. The original managerial rents model began with the assumption that managers and their skills are potentially valuable to firms, in line with a stream of publications on business and economics. Each of the types of global, managerial human capital in the hierarchy of global skills has a higher value, if a manager possesses higher quality global skills than his or her competitors. However, not all global managers have global skills above and beyond others, and therefore, not all global managerial resources have the potential to generate rents.

With regard to the inimitability of resources, global managerial skills are largely learnt on the job with no clear blueprint. Managerial

skills that apply to global business environment therefore are difficult to replicate quickly. As a result, to obtain global managerial resources, firms must develop the global skills of managers over time. In addition, they might hire global managers from other firms, which means that the ease or difficulty in transferring managerial skills across countries or firms becomes an important issue.

Finally, although it is unlikely that one global manager would have identical qualities and types of skills as another, they might have different but equally effective skills as those of another global manager. For example, a regional CEO that is new to a region, for instance, Southeast Asia, will probably lack skills specific to that region, but may be able to compensate for this lack with other high-quality globally generic skills. It is important to note that while some global managers may have different but equally effective skills, as a group they could well be better than other global managers with lesser abilities. The global managers in the former category will, of course, have greater potential to generate rents relative to global managers in the latter category.

The types of human capital in the managerial rents model apply to more than just CEOs. In fact, the skills of global managers throughout an organization can be analyzed using a managerial human capital framework that links managerial resources to the generation of rents.

Now we will turn to the specific examples of the highly successful Korean multinational corporations, Samsung Electronics, LG Electronics, and SK Telecom to examine their efforts, in terms of value, scarcity, inimitability, and substitutability, to generate rents by utilizing global human resources.

THE GLOBAL HR PRACTICES OF THREE KOREAN FIRMS: SAMSUNG ELECTRONICS, LG ELECTRONICS, AND SK TELECOM

In this section, we will focus on their global human resource practices at Samsung Electronics, LG Electronics, and SK Telecom one by one. Descriptions of each company will start with some general human resource management/development characteristics, such as visions and

values of human resource management/development, and be followed by specific features of global human resource practices, such as global HR strategies and policies, global HR development methods, global management training courses, and other note-worthy company-specific HR practices relevant to each firm. The information gathered has come from intensive interviews with HR managers and executives employed at each firm, along with released internal documents, publicized articles and theses. The comparison of three companies on specific outlooks in global HR resources will lead to a section based on Barney's (1991) resource-based firm perspective in relation to which company's global HR practices are in fact more valuable, rare, imperfectly imitable, and imperfectly substitutable. We will then try to speculate on the implications of our findings, that is, whether MNCs from another country of origin can learn from the Korean firms discussed or if other multinational firms show characteristics similar to those firms.

Samsung Electronics

Samsung Electronics, a pivotal member of the Korean conglomerate Samsung Group, has been developing a globalization strategy for the last twenty years. In 1982, it first tested the water of the international market, then in the 1990s it achieved a massive penetration of the global market; in the process, it accumulated layers of resources and skills related to global business. More recently it has escalated its commitment to upgrading global management systems in order to effectively cope with an ever-changing global business environment. This is why the company now enjoys a leading position in many business areas worldwide. The company's aggressive globalization effort touched off substantial increases in overseas revenue, a continuous influx of overseas employment, and an accelerated transfer of production facilities to foreign countries (see <Figure 1>). In the course of these events, there arose a need to change the company's infrastructure more aggressively from being internally-focused to being externally-focused, and being from domestic-oriented to being global-oriented. In fact, Samsung Electronics is now pursuing the full-fledged globalization of employee skills, business operations, and management processes.

<Figure 1> Changes in Sales Portion and Employee Composition

As seen in <Figure 1>, there is a continuous rise in overseas sales, a transfer of facilities to foreign countries, and foreign employment, between 2002 and 2010. More specifically, in the year 2002, domestic sales reached a level of \$10.728 billion, while the revenue from foreign operations more than doubled to \$28.115 billion, the latter being 72.4% of total sales. This percentage, however, should rise to 85.3% by the year 2010, according to a projected strategic plan reported in an internal document from Samsung Electronics, and the share of overseas sales revenue should reach \$127.874 billion. In line with this sales expansion in the global sector, the percentage of foreign employees is also projected to rise from 30.0% in the year 2002 to 39.3% in the year 2010. (Foreign employees here denote those Samsung Electronics employees with nationalities other than Korean who work either in Korea or outside of Korea.) In order to cope with this projected trend, Samsung Electronics is stepping up investment in the renewal of people, systems, and processes.

HR Vision of Samsung Electronics: Since Samsung Electronics was founded in 1969, it has persistently pursued a human resource policy called “Talent Number One.” More recently the human resource vision has adopted a new slogan “House of World-Class Talents,” where the term “World-Class” is being emphasized frequently by the major owner of the firm, Mr. Keunhee Lee. This implies that Samsung now puts more emphasis on global competition than before, which makes global human resource development a critical strategic issue.

Values of Samsung Electronics: With an emphasis on ‘World-Class Talents,’ Samsung Electronics employees a very aggressive recruiting policy to hire especially talented people from all over the world. Managers in charge of recruiting canvas the campuses of prestigious universities and colleges around the world – such as Tsinghua University in Beijing, INSEAD, London Business School, and Harvard – in an effort to find world-class graduates with special talents. It is often said at Samsung Electronics that one world-class genius can feed tens of thousands of employees.

Just like other Samsung Group affiliates, Samsung Electronics has successfully managed to maintain a ‘no labor union’ policy ever since the company was founded. The no-labor-union policy brings about stability in production and management, and makes a good impression on customers as well as investors, resulting in an increase of goodwill and credibility.

Hiring world-class talent and maintaining a no labor union policy requires competitive compensation for the various professionals and employed. Samsung Electronics provides compensations and benefits that ranks at the top among Korean firms, and in some special divisions the compensation level is known to beat that of major American multinational companies. In fact, Samsung Electronics has put to practice the management philosophy, “Best Pay for Best People” from the beginning of its operation.

Another value embedded in the management practices of Samsung Electronics is the ‘Check and Balance’ system within power delegation. CEOs or Presidents in the firm are always checked and monitored by Vice-Presidents who are in charge of financial control.

The Global Human Resource Development Strategies of Samsung Electronics: In order to implement its values and achieve its vision, Samsung Electronics organized various programs such as the Global Posting System, the Global Scholarship Programs, the Regional Experts Development System, and many others. We will look into them in more detail.

[the Global Posting System] Recently, Samsung Electronics began

to classify and certify employees into three categories such as Global Players, Regional Players, and Local Players, regardless of nationality, race, color and sex. Global Players are defined as those who can develop markets, conduct businesses and manage operations anywhere in the world. They could be assigned to any country without regional restrictions, can solve problems and get things done. Regional Players take assignments within a specific region such as Southeast Asia, Africa, and South America. Typically, these people are regional experts with substantial knowledge and information about a particular region. They are culturally well prepared, experienced and can effectively network within that region. While Global Players and Regional Players go beyond the boundary of one nation, Local Players are confined to a specific country in conducting business. They are hired by a local operation or subsidiary to do a fairly well defined, standardized job. These people need to show potential if they wish to take regional assignments.

The three Players are also differentiated by compensations, benefits, and promotion opportunities. Global Players are given the highest compensations and benefits, followed by Regional Players and Local Players.

This tripartite human resource certification system implies that Samsung Electronics has opened up its once closed human resource pool to the worldwide employment market. Foreigners are now being hired and assigned to headquarter positions; instead of dispatching Korean nationals to foreign operations or subsidiaries, as has been the case in the past, the company now uses local experts as CEOs of local operations. A certification program to facilitate this is now about 2 years old and, according to an internal human resource expert, has certified more than 100 Global and Regional Players during the period.

[Global Scholarship Program] Samsung Electronics also hires what are called 'genius-level talents' from emerging market countries such as Russia, India, China, and others, and trains them for basic management practices with a Global MBA course offered by a Korean university. After completing that degree, they are expected to work at the headquarters of Samsung Electronics for a couple of years to learn the business practices and values of Samsung, and to build up a network of contacts that includes key organizational members. Then they are sent

back to their country of origin to assume the responsibility for businesses and operations of Samsung Electronics in that country. The company covers all the expenses incurred during the process and provides a full-time salary even for the duration of study.

This program was started approximately three years ago and currently the number of graduates is less than a hundred, but this number is anticipated to rise sharply in a short period of time since the feedback on this program from various constituents, including the graduates and their superiors, has been very encouraging, according to an internal source.

[Regional Experts Development Program] Samsung Electronics, as well as other Samsung affiliates, has invested in developing regional experts for a relatively long period of time, and produced numerous regional experts who specialized in various regions such as Africa and South America. The company selects candidates among regional experts based on criteria such as language proficiency, interest, passion, and results of performance evaluation, and gives them a year's paid leave to go a region of their choosing to learn about it and build up social networks. When they come back, they need to write a report about the region and a plan to make use of the knowledge and information they gathered there. Each individual is provided with approximately \$50,000 for a year's stay and traveling expenses in addition to their regular salary. To date, more than 1,200 employees have participated in this regional expert program.

Global HRD Programs of Samsung Electronics: The Global Human Resource Development Scheme of Samsung Electronics is summarized in <Table 1>.

<Table 1> Global HRD Programs of Samsung Electronics

Classification	Headquarters Run	Regional Headquarters Run	Others
	(1) PEARL	(4) GMC	*GMC is run

Development Purpose	(2) GE (3) REGIONAL EXPERTS		by each regional headquarters.
Value Cascading Purpose		(5) GEC (6) Values for New Employees	
Functional Capacity Development	(7) Foreign Language Training	(8) EMC (9) PRODUCTION, & INNOVATION (10) PURCHASING & HRM	

**GE=Global Expert; GMC=Global Management Course; GEC=Global Executive Course; EMC=Executive Marketing Course.

Although <Table 1> provides a general outlook of Samsung Electronics' global human resource development, it doesn't give us much information concerning the selection and training of expatriate candidates. So we will try and look into the expatriate selection process first and then briefly describe the characteristics of major programs that appear in the table.

There are approximately 700 expatriate managers and executives employed by Samsung Electronics around the world. Since most managers and executives at Samsung Electronics consider expatriate assignments a career opportunity, there is no problem in the supply of willing expatriate candidates. They are selected on the basis of performance evaluation and must hold a MBA Degree either from a United States college or from a domestic university. Regional experts are also strong candidates for expatriate assignment. They are expected to take both a 10-week long English course and a second foreign language. In addition to the language courses, they also complete a five-week long Global Expert Course to improve their of global business competencies.

Now let us return to <Table 1> and discuss aspects of some major programs. First of all, the program named PEARL is designed for high level managers and executives and considered a generic course that

touches upon almost every facet of management in a global setting, including global strategy, human resource management, and cross-cultural issues. Participants of this two-week long program are candidates who expect to become CEOs of foreign operations.

While PEARL is designed for Korean managers and executives who are assigned to an expatriate job, the Global Executive Course (GEC) is for the executives with nationalities other than Korean who have been hired to run foreign operations. They learn Samsung Electronics' global strategy, the company's vision, best practices, and so on. They are also encouraged to establish global working relationships amongst themselves during the training period.

In addition, the EMC (Executive Marketing Course), or MDC (Market Driven Change) course lasts about three days and focuses on how to establish Brand Identity in a global market and how to intensify the customer-related competencies of those in global marketing and sales. The program contents also encompass Samsung Electronics' vision and strategy, how to build effective distribution channels, and methods to approach global markets. This program was intended to strengthen the sales power in global markets.

As we have seen so far, Samsung Electronics has been developing global managers in a rather aggressive way. The company has concentrated on developing highly talented global managers and executives via selection, promotion, and various types of training programs. Despite these efforts, there are dark murmurings from within Samsung Electronics that its global HRD system is too superficial and incomplete to satisfy the growing demand for competent global, regional, and local players. The company still relies too much on domestic, local Koreans while its business is mainly global; it lacks a system that effectively manages and integrates global human resources; and it does not provide enough training and development opportunities for local employees of foreign operations. In order to overcome these limitations, Samsung Electronics plans to establish a global human resource system that allows for the integration and utilization of human resources, domestic or international, in a more comprehensive and flexible manner. For this purpose, the company is focusing on three strategic areas, i.e., the spreading out or filtering down of company values among global

employees, the development of next-generation global executives and managers, and the intensification of training and education for employees of foreign operations. Training and development experts in the company strongly believe that the functional integration of training and development across the Headquarters, regional offices, and local operations will help to achieve such goals. Some of these global HRD efforts by Samsung Electronics correspond with the global practices already adopted by many multinational corporations with a longer history of globalization.

LG Electronics

LG Electronics, founded in 1958, describes itself as follows:

"LG Electronics is a major global player in electronics & telecommunications, operating 72 subsidiaries around the world with over 55,000 employees worldwide. LGE focuses on Digital TV, CD-RW, DVD, CD-ROM, DVD-ROM Drives, PCs, Monitors, Mobile Handsets, CRTs and PDPs. LGE is strengthening core competencies even more to further its reputation as the "Digital Leader" in electronic products and equipment in the digital era."

Management Philosophy and Vision: According to some scholars (e.g., McKinley, Sanchez, & Schick, 1995), companies end up with similar management systems and practices due to copying and transferring, sometimes taken as 'best practices' and linked to benchmarking. In other cases, the characteristics of firms' management systems and practices become alike because they are embedded in a similar national culture or share homogeneous historical experiences and ecological environments (Bae & Rowley, 2001). The correspondence of management practices can also be found with Korean firms. The case of LG Electronics is no exception. The philosophy and vision of the firm may not be easily distinguished from those of other firms. However, we can find numerous cases that show distinctive practices when it comes to the implementation of that philosophy and vision. We have to admit that there are factors that force distinctiveness rather than correspondence. So while we look at LG Electronics' global HRD, we will note the factors that are divergent as well as correspondent. In fact, the resource-based

view of the firm (Barney, 1991), as described above, suggests that we should concentrate on the distinctive, or rare and inimitable, managerial factors rather than on the common or corresponding ones.

Management Philosophy of LG Electronics: “Value-Creation for Customers” and “Respect for Human Beings”

HRD Vision: “Competitiveness through the Development of Top-Talented Human Resources”

There is nothing inimitable in these statements on LGE’s philosophy and vision. Actually, they are quite standardized and generic, although the reasons for them or their background might be distinctive. However, we may find distinctive practices, when dealing with the specifics of global HR development at LG Electronics.

Values of LG Electronics: LG Electronics has long been known as a company that follows a less aggressive strategic path. Recently, however, it has changed its attitude in favor of pursuing rather aggressive strategies. Its values, as formally noted, represent a mix of quiet tradition and loud contemporary culture. Its values are:

“Innovativeness, Openness, and Partnership.”

The LG Group has been built upon the value of harmony and humanity, and its ‘Openness and Partnership’ values appear to be based on this cultural tradition. The value of ‘Innovativeness’, however, reflects the dominating characteristic of the electronics industry, an industry where companies fiercely compete against one another for world markets. When the values of LG Electronics are compared with those of Samsung Electronics, the latter’s image might seem cold and calculating compared to the warmth and calm the former evokes.

Based on its values, LG Electronics has developed a few principles or policies of human resource management and development. They are as follows:

-To ensure each individual’s competency is realized to its maximum;

- To recruit diverse types of competent employees
- To build and maintain value-creating management-labor relationship;
- To practice performance management based on market principles;
- To achieve flat and network-type organizational structure.

Global Human Resource Development Strategies of LG Electronics: LG Electronics adopted a unique terminology, FSE (Foreign Service Employee), for expatriates. The company's foreign operations, i.e., offices, plants, legal institutes, subsidiaries and marketing entities located outside Korea, are mainly managed through the FSEs. As of 2002, according to one source, there are 134 foreign operations and approximately 1,000 FSEs. These FSEs, however, are not allowed to pursue a permanent global career. They can serve expatriate assignments for a maximum of five years. The reason for this 5-year job rotation policy is to provide more managers and executives with opportunities for self-development from foreign assignments and to protect foreign operations from the risk of stagnation and inertia. Rotation appointments are regularly announced twice a year, on January 20 and July 20. Local managers and executives hired for foreign operations are not permitted to move from the operation of their resident country to another. However, such a move is much sought after by locals.

The selection of FSEs follows three steps. First, the global human resource department receives requests for FSEs from each business unit for a specific job that is related to business in foreign operations. Then the department forms an FSE selection committee to discuss if the request is justifiable from a corporation's perspective. When the committee accepts the request, it passes the list of names up to the CEO's office, where a final decision is made.

In order to be selected as an FSE, one needs to pass certain minimum qualifications. Above all, at least two years of tenure with LG is required. The reason for this seems to represent a cultural bias that Korean managers and executives have for employees. They typically believe that employees need to have some level of loyalty to a firm before they can be deployed to foreign countries. In LG's case, it was

two years, while other Korean firms might require five years. Another qualification for FSE is performance evaluation, which should be higher than average. In addition, FSE candidates need a minimum TOEIC score of 600 and some proficiency in a second foreign language other than English. English competency is the most important criteria for FSEs in Global Marketing and Sales.

According to an interviewee in the global human resource department, it used to be a lot easier to recruit FSEs. Now, it is more difficult because many of the best candidates for Foreign Service have already been quite successful domestically and hold key jobs here at LG-Korea. In order to enhance the number of qualified candidates for Foreign Service, LG Electronics encourages employees to pay frequent visits to foreign countries. By doing so, it is believed, they will become accustomed to Foreign Service environments.

In LG Electronics, each foreign operation has two key positions, Head of Operations and Chief Finance Officer (CFO). All of LG Electronics' CFOs are expatriates, i.e., FSEs, and they are responsible for controlling their respective foreign operation, reporting directly to the Headquarters' CEO.

Surprisingly, FSEs have less than a week's training before they are dispatched to a foreign assignment. Even more surprising is the fact that in many cases the FSEs leave Korea with less than a week's notice of their new Foreign Service assignment.

It is a widely shared belief among LG executives that "a good LG manager should be able to make a quick adjustment to a foreign business environment even if he or she does not know a word of English or anything about their destination's native language. And, so far, most LG Foreign Service managers have been quite successful in doing this." In fact, this kind of rapid assignment practice is quite common in most Korean firms.

In LG/E, all they ask is one simple question: "Can you perform a job in a foreign country?" Nothing else seems to matter. Language, Foreign Service experience, competencies, and so on —these cannot override the candidate's will to perform. It is believed that one can overcome any obstacle if one has determination.

Recently, however, LG Electronics employed two Caucasian

Americans at their Headquarters in Seoul, one as a foreign human resource manager and the other for a position in international finance. The former coordinates the local HR managers of 134 operations. As one interviewee mentioned, most LG/E managers and executives think of this action as an indication that LG/E now is ready to take some serious steps toward globalization. “To make LG a global company, the headquarters need globalize first.” Added one interviewee.

Currently, LG/E employs about 30,000 people locally, 28,000 of which are Koreans. The expected sales income for LG/E in 2005 will reach around \$50 billion. Chinese operations are recording as high as a 40% revenue increase each year. And global HR managers now believe that this is the best time to fill key positions at foreign operations with a long-term succession plan.

Developing FSEs in LG Electronics: In order to develop FSEs, LG/E conducts several training and development courses. First of all, like most Korean conglomerate companies, LG/E has an Intensive English Course as well as courses for other major languages (e.g., Japanese, Chinese, and Spanish) for LG/E employees; any LG/E employee can take a course whenever they need to in relation to their job requirements. The Intensive English Course is a 10-week resident program.

Other development courses for global managers and executives are described in <Table 2> below.

<Table 2> LG/E Courses for Development of
Global Managers and Executives

Course Name	Brief Descriptions
GEMBA (Global Executive MBA)	<ul style="list-style-type: none"> - To develop global business leaders who can take charge of global businesses and to secure candidates for future corporate executives; - The participants pursue MBA degrees at universities partnered with LG/E worldwide; for example, an MBA degree from Tshinghwa University, China. 20 managers at a time are

	sent on the program.
Regional Expert System	<ul style="list-style-type: none"> - LG/E sends managers to different parts of the world for one year to gain foreign travel experience, to learn about global markets, to find business opportunities, and to increase their knowledge of the economic, political, and socio-cultural characteristics of a particular region. - Participants conduct self-study on a chosen region and are fully funded by the company.
Training Center at Beijing	<ul style="list-style-type: none"> - LG/E established a training center in Beijing to develop key local, Chinese employees. - Employees from 10 business operations based in China gather together to train at the center. - The training is basically centered around management skills, and includes morale, leadership, performance management, etc.
LG Group Learning Center's Globalization Program	<ul style="list-style-type: none"> - LG Group Learning Center also provides a Globalization Program. - This Program is four months long and requires every participant to live in a dormitory. In addition, four weeks are added for field application training. - This is a specialized course where each participant can select subjects according to their needs. It is designed for employees from all of LG affiliates who need globalization training.
Pre-Deployment Training	<ul style="list-style-type: none"> - When someone is assigned to a foreign operation, they need to take Pre-Deployment Training. - This week-long course is designed to inform them about the country or region they are being sent to and includes input from experienced FSEs. - The program also provides an overview of other positions abroad (since the scope of an FSE's job is expanded on foreign assignments)

	along with general information on the target country and its regulations (Do's and Don'ts), and Q & A's with previous assignees.
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So far, we have described LG Electronics' efforts to manage and develop global managers and executives. Some efforts are similar to those of Samsung Electronics but others are rather distinctive. Initiatives like the English course, the Regional Expert System, and Pre-Deployment Training are quite similar those run by SM/E, but LG/E's global operations' management concepts and its training focuses have distinctive characteristics. Furthermore, it can be cautiously inferred from interview results that LG/E is putting more emphasis on an FSE's job itself whereas SM/E puts an emphasis on the competencies of those who handle a foreign job. LG/E gives the impression that it doesn't matter who handles a foreign job as long as the job is nicely handled. In SM/E, however, it greatly matters who accumulates what kind of global business expertise and how that expertise is utilized in a global business setting over a long period of time. How would these practices in companies with a relatively long corporate and globalizing history compare with those in a largely domestic business operation with a short history of globalization, i.e., SK Telecom?

SK Telecom (SKT)

The Company Vision: SK Telecom, founded in 1984 and acquired by the SK Group in 1994, recently declared a new company vision named 'SKT Vision 2010' and a new mission statement that encompasses the newly declared corporate vision. The statement of 'SKT Vision 2010' is as follows:

“Most Valuable Company with Innovation”

The company's formal report explains the vision with the following statements:

“VISION 2010 was established to spring forward into a second stage of complete renovation, thus overcoming the limitations of the current market for network Product that is depressed due to the rapidly shifting state of flux in the domestic and overseas communication market environment that has gone on since the mid 1990's. It promises to succeed and prosper by continually advancing into new Product areas and new markets to ease the effects from increasingly severe competitiveness.

SK Telecom keeps striving to produce the maximum in market value for its customers, shareholders and employees. We are also a company that nurtures its employees' talents and promotes self-regulation, so each employee voluntarily puts forth their best efforts.

VISION 2010 was formed by considering three indexes that represent the company's financial value, These are gross sales, sales revenues and ROE (Return on Equity). SK Telecom will remain among the 15 largest information communication & Affiliates in the world by constantly developing and executing new successful products.”

The company has also announced four mission statements that support Vision 2010 in a more specific manner. They are ubiquitous partnership, value-creating innovation, customer-oriented service, and global leadership. Brief explanations of these mission statements are as follows:

1. Ubiquitous Partnership

SK Telecom becomes the customers' best partner to completely satisfy the customers' needs in a digital age without the limits of time, space, or methodology.

2. Value-Creating Innovation

The company will strive to acquire leadership in the innovation of Information, Telecommunication and Entertainment products by leading development in the convergence of these industries.

3. Customer-Oriented Service

We at SK Telecom have created a customer-centered company that keeps developing and providing services that customers want most, so we participate and benefit together.

4. Global Leadership

SK Telecom, utilizing its national leadership position, will become a highly competitive global company as it continues to set standards in the global information communication market,

HR Vision of SK Telecom: It is interesting to find that the fourth mission statement of SKT deals with ‘Global Leadership’ even though the company has been orientated towards domestic business (more than 95% of revenue is from domestic sources) for the last 20 years. One could interpret the ‘global leadership’ statement as an expression of their willingness to challenge the global market in the years to come. In fact, evidence of such willingness exists in various managerial and strategic decisions. Further evidence is found in their HR Vision statement:

“Development of Proactive and Multi-talented
Managers with Global Competencies”

It is not difficult to see in this a parallel with Vision 2010 and other Mission statements, which emphasize excellence, innovation, customer-orientation, and global leadership. The company values, as specifically stated by an interviewed employee, also convey such ingredients.

Values of SK Telecom: We obtained three value statements from an employee at SK Telecom during an interview. The company has never formally issued these values, though, according to the interviewee, but they are widely shared among SKT employees. The three values are:

“Development of global competencies has the highest priority in all managerial decisions.”

“Personal growth should develop along with company growth.”

“Novel solutions should be aggressively pursued.”

Again, we see SKT’s strong commitment to matching its employees’ skills and talents with those of competent MNCs’, not to mention the globalization of its businesses. Novel solutions and personal growth also keep abreast with the values underlying the company’s Vision and Mission.

Member companies or affiliates of the Korean Chaebol typically share homogeneous cultural values and management traditions amongst

themselves inspired by their owner's influence. SKT is no exception. The SK Group has long been pursuing the standardization of management practices coined 'SUPEX' (amalgam of Super Excellence) and 'SKMS' (SK Management System) at all member companies, including SKT, which the SK Group acquired about 10 years ago. The tenuous historical affiliations with the SK Group together with the Korean Government's recent emphasis on the breakup of the Group concept (following the 1997 currency crisis) have led to SKT having a management system that is relatively independent of the SK Group's influence. Nonetheless, managers and executives of SKT have to learn the SK Group's SUPEX and SKMS. So we can assume that the SK Group's management spirit is embedded in some form in the values of SKT.

Human Resource Management Strategies of SKT: Globalization is emphasized in SKT to such an extent that it is even reflected in selection standards. SKT utilizes the following criteria in selecting all employees, not just candidates for global assignments:

- Foreign Country Experiences;
- English Proficiency (measured by TOEIC scores; the cutoff line is typically over 900 points)
- Leadership (verified through extracurricular activities)
- Pro-activity (in thinking and behavior)
- Creative Problem Solving Ability

The main strategic point of SKT is to globalize the Headquarters itself in terms of culture, management practice, communication and ways of making decisions. In order to facilitate globalization, they declared that they would start using English as a formal language within the firm from the year 2004 onwards. In addition, SKT is now hiring more and more foreigners as managers at the headquarters. Currently there are nine managers who are non-Korean. Adding more to the traditional management system would certainly increase the level of chaos until domestic employees can adjust to the new managerial environment.

One thing that SKT has inherited from its Group is the open discussion culture. Unlike other Korean firms, SK Group is well known as a company that encourages open discussion. CAN meetings and free

discussion sessions are frequently held, and employees of SK are pretty much accustomed this culture. Since this practice is in line with global management practices, SKT plans to reinforce it further.

The response of an SKT interviewee was that, “To us, cultural differences mean differences in the way a job is done.” So what SKT employees need to change for the purpose of globalization, according to the interviewee, is the way they perform, approach, or think about their jobs. They need to be in accord with global management practices in doing their jobs. This statement is quite encouraging because it infers that SKT is trying to globalize its internal system and culture in concert with other fully globalized businesses. In their terminology, globalization means the transformation of their closed management practices and culture into a globally acceptable system as well as the expansion of their exiting business into international markets. This concept of globalization pursued at SKT is quite unique compared to the globalization practices of SM/E and LG/E.

Global HR Development Programs of SKT: Since SKT has a relatively short history of globalization, their global HR development programs are few. They include Global MBA, JEMD (Junior Executive Management Development), SEMD (Senior Executive Management Development), and a Self-Development Program.

Each year, SKT sends about 60 potential managers to Thunderbird, University of Washington, or a local university to complete an MBA degree. In JEMD and SEMD, global environment changes and business opportunities are learned. The Self-Development Program is a program where each individual designs his or her own development program according to need. Each person can select his or her own areas or topics of training, and take the course anywhere it is on offer. All of these programs are fully funded by the company.

The relative scarcity of development programs in SKT may be due to the relatively small number of employees and the company’s short history. Since the company is investing a great deal in Vietnam, Mongolia, China and other countries, and strongly pushing its globalization strategy, we can be expected to see more development programs designed in the future.

It should be noted, however, that SKT has only been pursuing

globalization for less than five years. A decade's skyrocketing demand for its domestic telecommunication services market may have preempted the company's need to search for global markets. Only recently has it actually pushed ahead to meet the challenge global markets.

This shorter history of globalization may explain the lack of uniqueness in SKT's development programs, as described above. Global MBAs, Executive Development Programs, and Self-Development Programs can be easily found at other Korean firms, including SM/E and LG/E. Furthermore, SKT does not have its own particular training programs for expatriates yet. Expatriates at SKT rely on their own personal networks in conducting global businesses. Otherwise, they will seek assistance from other SK affiliate companies that have already established operations in target countries. As the importance of global markets increases, however, the company is expected to set up a more organized global human resource development system.

DISCUSSION

So far, we have talked about global human resource management/development systems from a resource-based viewpoint of a firm, and introduced three leading Korean electronics and telecommunications companies - Samsung Electronics, LG Electronics, and SK Telecom - in terms of their global human resource management/development practices. As suggested by Barney (1991), the human resource management/development system of a company is an invisible asset that can generate rent. It was noted above that in order to generate rent an asset or resource should demonstrate four qualities: valuable, rare, inimitable, and non-substitutable. So, we can evaluate the three companies' global HR system on these grounds. When a system meets the criteria, it will be considered 'unique,' 'distinctive,' or 'competitive.' Prior to discussing evaluation results, however, the following is a summary table that compares major characteristics of the three companies' HR practices.

<Table 3> A Summary of HR Practices in Three Korean Firms

Firm Name	Samsung Electronics	LG Electronics	SK Telecom
Criteria	Samsung Electronics	LG Electronics	SK Telecom
HR Vision/Philosophy	World-class Talents	Top Talent Development	Globally Competent, Proactive, Multi-Talented
Values	-Aggressive Recruit -Best Pay for Best People -No Labor Union	-Innovativeness, -Openness, -Partnership	-Global Competency -Company Growth Aligned with Personal Growth -Novel Solutions
HR Strategies	-Global Posting System Urges to Utilize Human Resources from Global Perspective	-Mainly Relies on Expats(FSEs) -FSE 5-Year Rotation Policy -Priority to Job Performance	-Focus on Globalizing the Headquarters -Creativity Emphasized
HRD Programs	-Focus on Samsung Values and Global Marketing -Diverse Programs -Regional HQ's HRD Role Emphasized	-Internally Focused on Expatriate Candidates' Training -Training of Global Jobs Are Emphasized	-Emphasis on Self-Development -Now at the Starting Point of Global HR Development

In addition to the characteristics of the human resources systems described in <Table 3>, we need to note differences in company history, products and services, and management traditions. In brief, although

SM/E and LG/E are in the same industry, the former is a lot bigger in size and manufactures a wider range of products. Compared to these two, SKT has the shortest business history, only about a decade, is also a lot smaller in size, and is in the mobile phone service industry rather than in manufacturing.

Now, how do we evaluate the three companies' global human resource practices from a resource-based perspective? This is done by applying the four evaluation criteria, i.e., value, rarity, inimitability, and non-substitutability to the above cases; the results are presented in <Table 4>. Three professional experts who majored in organizational behavior conducted the evaluation on a 1-5 scale. The scores in <Table 4> represent the averages of these three evaluators.

<Table 4> Evaluation Results of Three Companies' Global HR Systems
From a Resource-based Perspective

1=Not So; 5=Very Much So

Firm Names	Samsung Electronics	LG Electronics	SK Telecom
Criteria			
Valuableness	4	2.3	3
Rarity	4.3	2	3.7
Inimitability	3.7	2.3	4.3
Non-Substitutability	4	3	3

We should be very cautious in interpreting the evaluation results.

They may be subjective and biased, even though multiple evaluators were used. In the Samsung Electronics case, the evaluators considered the Global Posting System, diverse global training opportunities, and the attraction of world-class talents as the most valuable of the company's efforts to strengthen its global competitiveness. Such practices are also presumed to be rare among multinational corporations let alone Korean conglomerates. According to our interviews with many human resource managers of multinational corporations with non-Korea origins (see Choi et al., 2003), most MNCs except for GE and Du Pont were found to have very closed human resource management systems, where exchange of human resources across the border was limited. In terms of Inimitability, SM/E's system is difficult but not impossible to imitate. Evaluators might have thought that it is both the company's philosophy or values and its business characteristics that govern the attributes of a system. So, as long as a company has values and businesses similar to SM/E, an imitated human resource system is possible. But the costs and expertise involved in establishing such a system will compromise the level of motivation to imitate. Finally, the non-substitutability of SM/E's system score of 4 on the table is founded in the fact that there aren't many alternatives left with which to satisfy SM/E's HR Vision. Global HR systems such as LG/E's or SKT's might be employed as a substitute for SM/E's; however, the evaluators believed that if that were to happen the system's effectiveness to accomplish that Vision would be seriously undermined.

The LG/E case represents a traditional global human resource management/development system. The headquarters controls overseas subsidiaries through the CFO and relies on each individual expatriate's determination and his or her ability to overcome barriers to the global operation. Instead of trying to enhance the competitiveness of the firm by managing the careers of global managers and executives from a long-term perspective, the company focuses on a fair distribution of overseas assignments among employees and regards Foreign Service as a reward. In addition, the five-year rotation policy puts an emphasis on multi-job performance as a necessity to prepare newly assigned FSEs with rudimentary skills in overseas operations. As a consequence, an accumulation of deeper knowledge and know-how with regard to global

management is forfeited. All these practices led evaluators to assess LG/E as relatively low on the five evaluation criteria set out in <Table 4>.

Finally, SKT's approach to globalization and HR development was quite intriguing in the sense that it tries to achieve leverage by globalizing its internal system. This effort is considered unique and rare and not easily imitable. One can easily presume that it is not easy for a company whose employees are 99.9% of one nationality to ask them to give up their own language and use the language of another country daily conversation and documentation while at work.

The SKT system was also evaluated as modestly valuable and non-substitutable. It is valuable because it opens up the utilization of human resources to the benefits of using English, but was graded as 'modestly' because it has not been implemented yet. The same reason applies to the 'modestly' evaluation of non-substitutability, although the internal globalization plan does not provide the firm with many substitutes.

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