International human resource management policies and practices of South Korean MNEs: a review of the literature

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This paper systematically reviews the literature on international human resource management (IHRM) policies and practices of South Korean multinational enterprises (MNEs). It reveals that South Korean MNEs adopt an ethnocentric staffing approach, but are increasingly using more host-country nationals (HCNs). Korean MNEs pay great attention to language training for expatriates, and there is an emphasis on international experience when selecting expatriates. South Korean MNEs tend to adopt home-oriented selection procedures and criteria, performance appraisal and reward-and-compensation schemes for HCNs. A range of training and development programmes are provided to HCNs in order to develop more local managers. However, studies concerning IHRM of South Korean MNEs are scarce and only a few expatriate-related IHRM issues have been empirically examined. As a result, how South Korean MNEs manage IHRM and what is the rationale of their IHRM policies and practices remain largely unknown. This review paper calls for more empirical research and discusses the implications for future research.

Keywords: international human resource management; literature review; performance management; recruitment and selection; reward and compensation; South Korean MNE

Introduction

The international human resource management (IHRM) literature has developed rapidly over the last three decades (Dowling et al. 2008, Farndale et al. 2010), during which growing research attention has been paid to multinational enterprises (MNEs) originating from emerging market countries such as China (Shen and Edwards 2006) and newly industrialized countries such as South Korea (Zou and Lansbury 2009). This shift reflects the growing importance of outward foreign direct investment from non-Western industrialized economies. Such research has enriched the IHRM literature which originally derived from Western economies, mainly the USA (Dowling et al. 2008, Sheehan et al. 2010). South Korea’s economy grew significantly from the late 1950s onward, and has become one of the so-called four Asian tigers (Holliday 2000). The growth of South Korean MNEs has been driven by firstly, the country’s scarcity of natural resources; secondly, industrialization of the domestic economy and thirdly, the government’s deregulation and liberalization of its outward investment policies (UNCTAD 2005: 8, Park et al. 2008). Like other emerging markets and newly industrialized MNEs, South Korean MNEs ‘use outward investments as a springboard to acquire strategic assets needed to
compete more effectively against global rivals and to avoid the institutional and market constraints they face at home’ (Luo and Tung 2007, p. 482).

During the early phase of internationalization, South Korea’s investments mainly focused on Southeast Asia where it enjoyed long-standing historical and cultural links, allowing them to take advantage of location, as explained by Dunning’s (1981, 1988, 2001) eclectic paradigm. China and Indonesia were the main investment destinations. South Korean textile, clothing and footwear companies have chosen Indonesia for their production base. More than half of South Korean overseas investment between 1992 and 1996 was in China (Han 2002), and such investment contributed to a certain extent to China’s rapid economic growth (Yang et al. 2009). Vietnam has recently emerged as a popular destination for South Korean investors due to the increasing costs of labour in China (Kwon and Oh 2001). South Korean investments in China and Southeast Asia could be considered a form of ‘supply-seeking’, which aimed at capitalizing sufficient labour supplies and low labour costs and neutralizing the country-specific advantages of the host firms. The major industries in this case included textiles, footwear and toys. Labour-intensive products were produced overseas and then exported to other countries. The investments were undertaken normally by small- or medium-sized South Korean companies (Kwon and Oh 2001).

The characteristics of South Korean investments have changed since the mid-1990s. Large Korean companies also want to participate in the expanding markets of Southeast Asia so that they can capitalize on the rapid growth in that regional economy and gain access to large host markets (Kwon and Oh 2001). During the 1990s, South Korean investments in North America and Europe were interpreted as ‘market-seeking’. It generally consisted of large conglomerates investing in capital-intensive industries, for example automobiles and consumer electronics. Their main goals were to gain access to larger markets and avoid trade conflict. Central America is also proving to be a popular venue due to its greater access to the US market (Park et al. 2008). Currently, South Korean MNEs have invested in more than 100 countries and have become major players in the global market (Yang et al. 2009). Fourteen South Korean companies such as Samsung Electronics, LG and Hyundai Motor, SK, are highly ranked on the Fortune 500 list (Fortune 2010). However, although it is well known that South Korean MNEs have caught up with advanced Western companies, little is known about this internationalization process (Park et al. 2010). It is imperative to understand how emerging market and newly industrialized market MNEs develop and compete in the competitive global environment (Ahmed and Humphreys 2008).

IHRM plays an important role in the success of MNEs’ international business (Shen and Edwards 2006, Dowling et al. 2008). It is noted that IHRM has been the most troublesome challenge for overseas South Korean MNEs due to cross-cultural difficulties (Paik and Sohn 1998). South Korean MNEs are often criticized in that they lack international experience, global HRM strategy (Bae 2004), local knowledge and trust in host-country nationals (HCNs), and have ethnocentric tendencies (Ahn 1998). According to Yang and Kelly (2009), South Korean MNEs tend to transplant their home country’s Confucianist management practices (which are hierarchical in nature) directly to their overseas operations and rely highly on expatriates. Their failure to integrate with both local staff and local markets in host countries has resulted in a perception among HCNs that South Korean managers have a low level of competence and trustworthiness. This study systematically reviews the literature on IHRM as implemented by South Korean MNEs. It aims to analyse the characteristics of IHRM policies and practices of South Korean MNEs, and to assess how much research has been done on this topic. In particular,
we develop the following two research questions:

- What are the characteristics of IHRM policies and practices adopted by South Korean MNEs?
- To what extent has IHRM of South Korean MNEs been researched?

The findings of this review enable researchers to identify the convergent and divergent IHRM practices among South Korean MNEs, Western MNEs and other developing and emerging market MNEs. The review findings also make it possible to examine whether the existing IHRM frameworks – mainly derived from Western advanced economies – are equally applicable to the emergent market economies, particularly of South Korea. Addressing the second research question helps identify gaps in and strengths of the extant literature and avenues for future research.

IHRM concepts

IHRM is defined as ‘the human resource management issues and problems arising from the internationalization of business, and the human resource management strategies, policies and practices that firms pursue in response to the internationalization process’ (Scullion 1995, p. 352). IHRM plays an important role in MNEs’ business success (Dowling et al. 2008). MNEs can adopt a number of approaches to manage HR in their overseas operations. These approaches include (for the following, see Perlmutter 1969, Perlmutter and Heenan 1979, Ferner 1997, Harzing 1999, Shen and Edwards 2006, Dowling et al. 2008):

- Localized: MNEs adopt local HRM systems and fill HCNs in key positions.
- Home-oriented: MNEs export the home HRM system abroad. The headquarters make key decisions and expatriates control the subsidiaries. Due to the ‘country-of-origin’ effect, MNEs from different home countries behave in distinctive ways when managing HR issues.
- Globalized: MNEs adopt universal IHRM policies and practices worldwide.
- Integrative: MNEs adopt IHRM policies and practices that integrate the home HRM systems and host countries’ HRM systems.

MNEs may ‘push’ HRM practices into subsidiaries in host countries or ‘pull’ HRM practices from home countries (Meardi and Toth 2006). However, it is recognized that it is impossible for an MNE to completely localize its IHRM, or to fully transfer the home HRM abroad or adopt a universal IHRM in all subsidiaries (Shen 2005). To be competitive and efficient, MNEs have to be locally responsive, flexible and adaptable within the shortest of time periods. Furthermore, MNEs should be able to transfer knowledge and learning across their globally dispersed units (Schuler et al. 2002). At the same time, MNEs are also required to be globalized in order to coordinate and control global operations (Shen 2005, Dowling et al. 2008). Hence, it is suggested that MNEs follow integrative IHRM models that ‘best-fit’ internal and external environments (Schuler et al. 1993, Shen 2005). By doing so, MNEs will be able to achieve global integration, local responsiveness and organizational learning simultaneously (Bartlett and Ghoshal 1989, Schuler et al. 1993, Shen 2005).

To develop the best-fit IHRM policies and practices, MNEs should take account of a number of intervening factors concerning firm characteristics and the environments in which they operate (Schuler et al. 1993, Welch 1994, Shen 2005). According to these authors, contextual factors relate to the host country’s indigenous influence including
political, legal, economic and social/cultural factors, while firm-specific factors are inherent in an MNE and relate to firstly, the country from which it originates; secondly, the industry in which it operates and thirdly, its firm-specific attributes. There are several firm-specific factors and these include mainly organizational culture, type of industry and size of international operation, strategy, structure, years of operations, attitudes of senior management towards internationalization and mode of internationalization.

The major IHRM functions are international recruitment and selection, international training and development, international performance management and international reward and compensation (Dowling et al. 2008). There are four international staffing approaches, namely ethnocentric, polycentric, geocentric and regiocentric (Perlmutter 1969, Tung 1984). Adopting the ethnocentric approach requires the MNE to fill all key positions with parent-country nationals (PCNs). Following the polycentric approach, the MNE fills all key positions with HCNs. The geocentric approach means that MNEs select the best candidates to fill key positions globally. The regiocentric approach is similar to the geocentric approach, but as the term suggests, confines it to a region. Expatriation and repatriation are also two major staffing-related issues (Dowling et al. 2008). IHRM scholars have identified a number of factors that determine the success or failure of an international assignment. Expatriate failure refers to expatriates’ premature return, resulting from a lack of technical competence, personal traits/relational abilities, inability to cope with environmental change and family situation (Tung 1981). The way to handle repatriation is regarded as having a significant impact on MNEs’ ability to attract future expatriates (Welch 1994). It is suggested that MNEs pay attention not only to preparation and physical relocation, but also to transition and readjustment (Dowling et al. 2008).

International training and development relate to training and career/management development for PCNs, HCNs and third-country nationals (TCNs). International training includes pre-departure training and post-arrival training for expatriates and training for HCNs and TCNs. Training rigour can be measured by training programme, method and duration, and is determined by assignment type, host country, duration and assignees (Shen 2006, Dowling et al. 2008). The more important components of effective pre-departure training programmes are cultural awareness training, preliminary visits, language training, management and technical skill training (Dowling et al. 2008). Shen and Lang (2009) argued that short-term assignment, the so-called flexpatriation, is increasingly used as an international training method. Moreover, MNEs should provide a well-developed, systematic repatriation system and career planning for expatriates, and include HCNs and TCNs in international management development programmes (Dowling et al. 2008).

International performance management is regarded as very important because it ensures that the subsidiary can implement the corporate strategy effectively (Sparrow et al. 1994) and international managers will stay on the right track in their duties (Janssens 1994). The major international performance management issues include performance appraisal criteria for expatriates and HCNs/TCNs, appraisal methods, frequency and appraisers (Dowling et al. 1999). Considering the tension between internal consistency and local responsiveness, there are three choices for MNEs when establishing criteria for evaluating international managers: local, home and integrative (best-fit) standards (Janssens 1994). MNEs that focus on local responsiveness are expected to use local standards. On the other hand, MNEs that emphasize internal consistency are expected to use home or integrative standards (Janssens 1994). The literature which is less developed in the international performance management literature is the appraisal of HCN employees (Dowling et al. 2008).
The literature on international reward and compensation focuses on expatriates. Components of reward and compensation for expatriates mainly include base salary, foreign service inducement/hardship programme, allowances and benefits (Roth and O’Donnell 1996, Reynolds 1997, Dowling et al. 2008). There are two approaches to expatriates’ reward and compensation. The first is the ‘home-based policy’ (the balance sheet approach), and it is the most common approach that MNEs use (Roth and O’Donnell 1996, Reynolds 1997, Dowling et al. 2008). With this approach, the base salary of expatriates is based on the home country’s salary structure and standard. The other approach is the ‘host-based policy’ (going rate approach), and with this approach the base salary for expatriates is linked to the salary structure and standard of the host country (Roth and O’Donnell 1996, Reynolds 1997, Dowling et al. 2008). The advantages of adopting the ‘balance sheet approach’ include equity between assignments and between expatriates of the same nationality, facilitating expatriates’ re-entry and being easy to communicate. The disadvantages of the ‘going rate approach’ include variations between assignments for the same employee and potential re-entry problems (Roth and O’Donnell 1996, Reynolds 1997, Dowling et al. 2008).

**Research methodology**

This study is a systematic literature review. We searched Business Source Complete and Google Scholar for articles published in refereed English journals since 1980. The search terms included ‘South Korean MNEs’, ‘South Korean outward foreign direct investment’ and ‘South Korean MNEs’ combined with ‘HRM, ‘IHRM’, ‘international recruitment and selection’, ‘international training and development’, ‘international performance management/appraisal’, ‘international reward and compensation’, ‘Korean expatriate’ and ‘Korean repatriate’. The titles and the abstracts of the identified articles were checked against those terms for eligibility and relevance. We excluded literature reviews and conceptual papers in this review. Two researchers then independently gathered, synthesized and reported evidence presented in the selected studies. Differences in their reports were solved through discussions. The selected articles are analysed in detail below.

**Findings**

**International recruitment and selection**

Five studies including Glover and Wilkinson (2007), Kim and Slocum (2008), Taylor et al. (2001), Zou and Lansbury (2009) and Lansbury et al. (2006) have explored the international recruitment and selection issues in South Korean MNEs (see Table 1). Taylor et al. (2001) examined the approaches to staffing and recruitment methods. They found that South Korean MNEs are more likely to use expatriates to fill senior managerial positions. However, the employment of local Chinese or ethnic Korean Chinese as low and middle level managers was on the rise. Some HCNs have also been appointed deputy directors of factories. On the other hand, the use of expatriate managers had declined. In some cases, Chinese managers are preferred to South Korean managers because they have greater cultural understanding of the workforce and better interpersonal skills. Chinese workers are more willing to follow Chinese production managers’ instructions than South Koreans, and this is especially important in quality control. Internal promotion and external recruitment are the two ways for developing the Chinese management team. The channels for external recruitment include job fairs, local labour exchanges and job centres.
South Korean MNEs are increasingly recruiting skilled and well-educated workers on fixed-term contracts. Lansbury *et al.* (2006) reported that the selection criteria for HCNs in the Hyundai Motor Company focused on willingness to do repetitive and monotonous work and to work in a team. These criteria are in alignment with the Korean work ethic known as *eui-yok*² (Paik and Sohn 1998).

The findings of Taylor *et al.* (2001) are consistent, firstly, with those of the studies by Yang and Kelly (2009) and Paik and Sohn (1998) who argued that Korean MNEs tend to adopt the ethnocentric approach since they rely on expatriates to manage overseas businesses, and secondly, with the study by Glover and Wilkinson (2007) who reported that South Korean MNEs are changing their staffing from an ethnocentric to a polycentric basis. Local managers are increasingly believed to have a better knowledge than expatriates in interpreting the local environment. However, the study also revealed that although the number of South Korean expatriates has declined, they still wield a strong influence over management due to their close ties with the parent company, which

<table>
<thead>
<tr>
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<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taylor <em>et al.</em> (2001)</td>
<td>Secondary data and interview</td>
<td>China</td>
<td>The use of HCN managers is rising because HCN managers are more familiar with Chinese culture and more effective in managing local staff</td>
<td>Has not analysed the past and current approaches to staffing. The number of sample firms is small.</td>
</tr>
<tr>
<td>Glover and Wilkinson (2007)</td>
<td>Interview</td>
<td>UK</td>
<td>South Korean MNEs tend to use more local managers and fewer PCN managers</td>
<td>Data are small and the study did not provide the data regarding the percentages of HCN and PCN managers.</td>
</tr>
<tr>
<td>Kim and Slocum (2008)</td>
<td>Survey</td>
<td>USA</td>
<td>English fluency is the most important criterion, followed by overseas experience, for expatriate selection of South Korean in the USA. Expatriates tend not to return home prematurely even if they adjust unsuccessfully.</td>
<td>The findings may not be generalizable because the USA is the only host country.</td>
</tr>
<tr>
<td>Lansbury <em>et al.</em> (2006)</td>
<td>Interview, case study</td>
<td>Canada and India</td>
<td>Selection criteria for HCNs were physical coordination, personality, willingness to do repetitive and monotonous work and to work in a team.</td>
<td>Due to that this is a single case study, its findings may not be generalizable.</td>
</tr>
<tr>
<td>Zou and Lansbury (2009)</td>
<td>Interview, case study</td>
<td>China</td>
<td>The subsidiary is required to employ local production workers. Education is the key criterion for recruiting managers and engineers. Different employees sign different labour contracts.</td>
<td>Due to that this is a single case study, its findings may not be generalizable.</td>
</tr>
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</table>
normally exercises tight control over overseas subsidiaries through expatriates (Ahn 1998, Bae 2004).

Kim and Slocum (2008) in their study examined the selection criteria for South Korean expatriates in the USA and expatriates’ premature return. They reported that English fluency is the most important criterion, and their study suggested that English tests in South Korean MNEs should be more practical. Moreover, South Korean MNEs are likely to recruit expatriates who have prior overseas experience that was regarded as being important in reducing the risk of failure. Korean expatriates in general tend not to return home prematurely, even when they experience unsuccessful work adjustment. This is for a number of reasons, including saving face and not wanting to miss out on positive career development or promotion opportunities when they return (Dastmalchian et al. 2000). Furthermore, South Korean culture strongly disapproves of perceived disloyalty (Kim and Slocum 2008), and looks favourably on children’s education in the USA (Bae and Lawler 2000).

Zou and Lansbury (2009) in their study examined how Beijing Hyundai Motor Company (BHMC), a joint venture, recruited and selected employees. BHMC was required by the local government to employ local production workers. The company needed to seek the government’s approval if it was to hire workers from other regions. However, no such constraint was imposed on the recruitment of managerial and engineering people, for whom the formal education qualification is the key selection criterion. Other criteria include an employee’s personality and attitude. Moreover, BHMC preferred younger candidates because they are easier to orient and more willing to accept the company’s organizational culture. Different employees sign different labour contracts. Specifically, the production workers were offered 1-year contracts, university graduates 1–3 year contracts and postgraduates 3–5 year contracts.

**International training and development**

Four studies – Taylor et al. (2001), Gamble (2000), Lansbury et al. (2006) and Zou and Lansbury (2009) – examined training and development issues (see Table 2). Taylor et al. (2001) examined the training programmes that South Korean companies provide to local Chinese employees. There are three categories of training programmes that are normally offered: firstly, ‘on-the-job’ training; secondly, secondment to overseas partner companies and thirdly, training offered and implemented by local governments. For example, first line managers from a shoe manufacturing company attended regular training sessions on practical and technical subjects in relation to quality control in production and HRM (once a month). A rubber company sent 20 employees every year to South Korea between 1998 and 2000. A telecommunication company held an exchange programme with an American partner besides a training operation in South Korea. Generally, promotion from a worker to a lower level manager and on the managerial ladder was based on the mixture of three criteria: education, seniority and performance. Gradually, performance and achievement have become the most important criterion (Taylor et al. 2001).

Gamble (2000) discussed language training provided to Korean expatriates in China. South Korean MNEs put great emphasis on language training for expatriates. Korean expatriates were generally assigned in China for 4 or 5 years, and most of them were forced to learn Chinese. The potential expatriates were provided opportunities to study the Chinese language in South Korea either on a full-time basis (2 or 3 months) or on a part-time basis (2h per day for about 6 months) or were sent to Beijing for 1 year language training.
Lansbury et al. (2006) reported that the Hyundai Motor Company provided training for HCNs and the training programmes focused on loyalty, motivation and team spirit. Promotion procedures were slow and were aimed at cost minimization. Zou and Lansbury (2009) examined HCNs’ training in BHMC. The training programmes for new production workers consisted of a 2-day orientation and 2 weeks of on-the-job training supervised by senior workers. There was a notable difference in training for production workers and white-collar workers in terms of content and extent. Universities’ graduates were offered off-the-job orientation in the first 2 months on developing human relationships and teamwork skills. The on-the-job training for 4 months was provided so that workers would understand overall production operations. Those white-collar employees who were top performers could take the opportunity to do 6–8 weeks training at headquarters in South Korea every year. In addition, there were also some job-specific development programmes for executives and managers, shop-floor supervisors and clerical staff.

**Table 2. Studies on international training and development in South Korean MNEs.**

<table>
<thead>
<tr>
<th>Study</th>
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<th>Host country</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Taylor et al. (2001)</td>
<td>Secondary data and interview</td>
<td>China</td>
<td>South Korean MNEs provide three kinds of training programmes to Chinese employees</td>
<td>Did not provide information regarding the percentages and constructs of employees who attend training programmes. The data are small</td>
</tr>
<tr>
<td>Gamble (2000)</td>
<td>Interview</td>
<td>China</td>
<td>South Korean expatriates may be forced to learn Chinese</td>
<td>The data are small. The study has only examined language training</td>
</tr>
<tr>
<td>Lansbury et al. (2006)</td>
<td>Interview, case study</td>
<td>Canada, India</td>
<td>Training for HCNs focus on loyalty, motivation and team spirit. Promotion procedures are slow and are aimed at cost minimization</td>
<td>Due to that the data were collected from a single company, the findings of the study may not be generalizable</td>
</tr>
<tr>
<td>Zou and Lansbury (2009)</td>
<td>Interview, case study</td>
<td>China</td>
<td>A range of differentiated training programmes are provided to Chinese employees</td>
<td>Due to that this is a single case study, its findings may not be generalizable</td>
</tr>
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</table>

Lansbury et al. (2006) reported that the Hyundai Motor Company provided training for HCNs and the training programmes focused on loyalty, motivation and team spirit. Promotion procedures were slow and were aimed at cost minimization. Zou and Lansbury (2009) examined HCNs’ training in BHMC. The training programmes for new production workers consisted of a 2-day orientation and 2 weeks of on-the-job training supervised by senior workers. There was a notable difference in training for production workers and white-collar workers in terms of content and extent. Universities’ graduates were offered off-the-job orientation in the first 2 months on developing human relationships and teamwork skills. The on-the-job training for 4 months was provided so that workers would understand overall production operations. Those white-collar employees who were top performers could take the opportunity to do 6–8 weeks training at headquarters in South Korea every year. In addition, there were also some job-specific development programmes for executives and managers, shop-floor supervisors and clerical staff.

**International performance management**

Only three studies (see Table 3) including Taylor et al. (2001), Lansbury et al. (2006) and Zou and Lansbury 2009 have examined international performance management in South Korean MNEs. All these studies found that performance appraisal results were directly related to employees’ wages. Taylor et al. (2001) revealed that in South Korean MNEs, performance appraisals were conducted by line managers and HR officers. Appraisal criteria included mainly work attitude, general conduct (behaviour), work results and working hours. The appraisal results were translated into ‘points’ which determined employees’ wages. According to Lansbury et al. (2006), the criteria for appraising HCNs consisted mainly of discipline, attitudes to work, cooperation, punctuality and attendance. Zou and Lansbury (2009) reported that BHMC is undergoing a process of changing from a seniority-based to a more performance-based appraisal system. However, it has not yet
developed a formal appraisal system. In BHMC, appraisals were conducted annually against some subjective behavioural criteria, such as work ethic and the ability to minimize mistakes during work.

**International reward and compensation**

There are five studies (Taylor et al. 2001, Lee 2003, Lansbury et al. 2006, Paik et al. 2007, Zou and Lansbury 2009, see Table 4) on international reward and compensation in South Korean MNEs. Taylor et al. (2001) examined reward and compensation for local Chinese employees. They concluded that the remuneration package, in general, included base salary, bonus and performance-related pay and sometimes also included welfare and various allowances. Bonuses which were related to organizational or departmental performance were key incentives in some companies, and the amount of bonus employees received depended on the discretion of middle-level managers. In some companies, bonuses were equally divided among members of the team by the shop floor manager. Lansbury et al. (2006) reported that the Hyundai Motor Company regarded wages policy as the most critical factor in minimizing labour costs while linking allowances to productivity improvement. In addition to a base salary, Hyundai provided house rental allowances, children’s education allowances and provident funds.

Lee (2003) examined reward and compensation for local Chinese workers. This particular study reveals that clerical workers normally received 1900 RMB while production workers obtained only 700 RMB as a starting salary. Workers also received a 3% wage increase each year and overtime pay. Since 2001, merit pay based on performance had been implemented. High performers could receive up to 300% of their base salary annually as a ‘digital incentive’. Seniority as a criterion for determining pay was no longer considered. The study reported that Chinese workers, in general, were dissatisfied with their wages because the base salary was too low, hence they had to work overtime to earn enough to meet their living needs.

### Table 3. Studies on international performance management in South Korean MNEs.

<table>
<thead>
<tr>
<th>Study</th>
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<th>Host country</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Taylor et al. (2001)</td>
<td>Secondary data and interview</td>
<td>China</td>
<td>South Korean MNEs adopt formal appraisal systems for HCN employees against criteria including work results, attitude, working hours</td>
<td>Appraisals of expatriates are not examined. The data are small</td>
</tr>
<tr>
<td>Lansbury et al. (2006)</td>
<td>Interview, case study</td>
<td>Canada, India</td>
<td>Appraisal criteria are discipline, attitudes to work, cooperation, punctuality and attendance</td>
<td>Due to a single company case study, the findings may not be generalizable</td>
</tr>
<tr>
<td>Zou and Lansbury (2009)</td>
<td>Interview, case study</td>
<td>China</td>
<td>The case company tended to appraise employees based on performance rather than seniority, but had not yet developed a formal appraisal system</td>
<td>The study did not provide detailed information about performance appraisals</td>
</tr>
</tbody>
</table>
Table 4. Studies on international reward and compensation.

<table>
<thead>
<tr>
<th>Study</th>
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<th>Host country</th>
<th>Major findings</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taylor et al. (2001)</td>
<td>Secondary data and interview</td>
<td>China</td>
<td>Remuneration package includes base salary, bonus, performance-related pay, welfare and various allowances</td>
<td>Performance-based pay has not been examined. The study does not compare the reward and compensation system for Chinese employees with the home system</td>
</tr>
<tr>
<td>Lee (2003)</td>
<td>Questionnaire, case study</td>
<td>China</td>
<td>Chinese workers receive performance-based pay. The base salary is low</td>
<td>Data are small and the study did not provide data regarding the percentages of HCN and PCN managers</td>
</tr>
<tr>
<td>Lansbury et al. (2006)</td>
<td>Interview, case study</td>
<td>Canada, India</td>
<td>Wages policy is regarded as the most critical factors in minimizing labour costs while linking allowances to productivity improvement. In addition to a base salary, Hyundai provided house rental allowances, children’s education allowances and provident fund</td>
<td>Due to that the data were collected from a single company, the findings of the study may not be generalizable</td>
</tr>
<tr>
<td>Paik et al. (2007)</td>
<td>Questionnaire</td>
<td>Mexico</td>
<td>There is a compensation gap between expatriates and local employees, which was negatively related to affective commitment</td>
<td>Data are small</td>
</tr>
<tr>
<td>Zou and Lansbury (2009)</td>
<td>Interview, case study</td>
<td>China</td>
<td>Chinese workers’ wages are only one-seventh of those of South Korean expatriates. Chinese workers receive bonuses that are based on the company’s overall performance, overtime pay and performance-based pay, which is only up to 10% of the wages</td>
<td>This is a single case study, thus its findings may not be generalizable</td>
</tr>
</tbody>
</table>
Zou and Lansbury’s study (2009) examined the reward and compensation in BHMC. The average monthly wage for Chinese production workers in BHMC was around 2000 RMB, which was only one-seventh of that of South Korean expatriates. Chinese workers also received bonuses that were distributed equally among workers and based on the company’s overall performance. Performance-based pay constituted 10% of wages. In addition, workers also received overtime pay and allowances.

Paik et al. (2007) examined the compensation gaps between South Korean expatriates and the local workforce in Mexico and their relationship with organizational affective commitment. Local employees received significantly lower compensation than expatriates did. Mexican workers were clearly aware of the discrepancy in the compensation between themselves and South Korean expatriates and therefore tended to be less attached to their place of work. The findings suggested that MNEs should be careful in managing compensation gaps, and expatriates should know how to motivate local employees and how to develop appropriate reward systems for them.

Discussion
In this section, we revisit our two research questions. The first question asked what the characteristics of IHRM policies and practices of South Korean MNEs are. Based on the selected studies for review, South Korean MNEs tend to adopt an ethnocentric staffing approach. Paik and Sohn (1998) argued that Korean MNEs are generally reluctant to adapt or modify their home HRM practices to accommodate the cultural specificities of host work force. Such a practice may result from an ethnocentric staffing approach and have a heavy reliance on expatriates to manage subsidiaries. Implementing the ethnocentric approach may derive from the Greenfield strategy, which has been commonly used by South Korean corporations. This internationalization strategy requires expatriates to transfer knowledge and for headquarters to exercise control (Shen 2006). However, the studies included in this paper indicate that the use of HCN managers has recently been rising, showing that Korean MNEs are changing from being ethnocentric to becoming more polycentric in their staffing requirements. In the UK, South Korean MNEs are increasingly recruiting more local managers to solve production problems. In China, South Koreans tend to let local Chinese employees or ethnic Korean Chinese take over from expatriate managers since Chinese managers have a better understanding of local culture and better interpersonal skills. Such change is due to increased overseas experience.

According to Shen (2006), such increased overseas experience can result in either more or less use of expatriates, depending on headquarters’ perceptions of the need for expatriates at different stages of operation. When the HCNs have learned to effectively manage operations and headquarters can maintain control over the subsidiary, localization becomes more important. Hence, the MNE will shift its international staffing approach from an ethnocentric to a polycentric model. The South Korean studies show that when selecting expatriates, local language fluency and prior overseas working experiences are critical criteria, especially when selecting expatriates assigned to developed countries such as the USA and the UK. In contrast, our review has not found evidence that South Korean MNEs emphasize cultural empathy and family support in the expatriate selection, yet these two factors are recognized as the key to expatriate success (Tung 1981, 1984, Dowling et al. 2008).

Most South Korean MNEs provide pre-departure training for expatriates, but the training normally focuses only on host country language. South Korean MNEs generally provide training to local employees, and such training programmes mainly focus on
loyalty, discipline and cooperation. Less attention, however, is paid to improving employee skills and work attitudes and to developing local management teams. Differentiated training programmes are provided to production workers and managers of the host country. Promotion opportunities are provided to HCNs who are high achievers and have a good education background. However, promotion opportunities are rare and procedures are normally slow and long. This finding confirms the study by Paik and Sohn (1998) who argue that Korean MNEs pay little attention to motivating or developing their workers in overseas operations. Rather, they use control to achieve a high level of efficiency and corporate goal-congruent behaviour.

South Korean MNEs regard performance appraisal of HCNs as important and it is normally conducted annually. The major appraisal criteria they use in their Chinese operations include work attitude, discipline, general conduct, performance, attendance and working hours. Although such an appraisal approach is similar to what is adopted by Chinese private companies (Shen 2008), due to the fact that both China and South Korea have an exceptionally strong work ethic, it cannot be inferred that South Korean MNEs tend to localize performance appraisal practices. Rather, referring to what was reported in previous studies, see, for example, Paik and Sohn (1998), that Korean MNEs apply eui-yok (high work ethic) to performance appraisal of foreign employees, we are inclined to believe that Korean MNEs tend to implement home-based performance appraisals in overseas subsidiaries. No study examined reward and compensation for Korean expatriates. The reward and compensation for HCNs has been reportedly localized in South Korean MNEs. Reward and compensation components generally include base salary, overtime payment, bonus and performance-related pay and welfare and allowances. These components are similar to what have been reported in past studies (e.g. Ding et al. 2006, Shen 2008) on reward and compensation in Chinese domestic companies. However, the proportion of performance pay (10% as reported in Zou and Lansbury 2009) in South Korean MNEs is lower than in most Chinese private companies (50–80% as reported in Shen 2008). Also, the major goal of Korean MNEs’ reward and compensation policies is to minimize labour costs, rather than to motivate employees. Localization of reward and compensation for HCNs and low proportion of performance pay help achieve such a goal.

The second research question was concerned with the extent to which IHRM of South Korean MNEs has been studied. Our systematic review of the existing literature has located only eight empirical studies, and the IHRM issues that have been explored are limited. The international recruitment and selection literature is mainly concerned with the staffing approach. However, none of the five staffing studies has provided data regarding the percentages of HCN and PCN managers. As a result, it is impossible for this review to ascertain the approaches South Korean MNEs use when staffing overseas operations. Except for language training for expatriates and training for local Chinese employees, the studies on international training and development in South Korean MNEs are largely missing. As a result, little is known about how effectively South Korean expatriates are prepared for international assignments and South Korean MNEs develop international management teams. The international performance management and reward and compensation literature is mainly concerned with the approaches to appraisal, and reward and compensation for expatriates. However, no study has explored this issue in South Korean MNEs. Another limitation of the extant literature is that the host nations involved only China, the UK, the USA, Canada, India and Mexico. This limitation – together with small data-sets – makes it impossible for this review to make generalizable conclusions on the IHRM policies and practices of South Korean MNEs. For example, Kim and Slocum (2008)
conclude that South Korean expatriates are generally not willing to leave the USA prematurely. But the situation may be different if expatriates are assigned to other host countries.

Moreover, four out of eight studies involved China as the host country. However, all these studies were conducted before China’s new labour law came into effect. The new Chinese labour law has changed the way in which HR is managed by foreign MNEs (Brecher et al. 2007). Three studies explored reward and compensation for Chinese workers in South Korean MNEs. The Chinese domestic reward and compensation system has had significant changes since the late 1970s. It is recognized that performance-related pay constitutes a significant portion of the pay package for Chinese workers (Ding et al. 2006, Shen 2008). However, the studies reviewed in this paper have not paid enough attention to performance-related pay and therefore have not analysed the nature of the reward and compensation schemes that South Korean MNEs offer to their Chinese employees. Finally, one of the important themes of IHRM research is to explore the rationale of IHRM systems, i.e. factors affecting MNEs’ decisions on IHRM policies and practices. No study so far has examined this issue in South Korean MNEs. Due to the fact that the IHRM issues explored in existing studies are limited in their scope, this review is not able to analyse how firm-specific factors such as internationalization modes and international strategies, and host-country contextual factors, for instance the economic development of the host country, affect IHRM practices other than international staffing in South Korean MNEs. Nevertheless, IHRM practices reported in the studies for review do not show significant variance, which can be linked to firm-specific and host-country contextual factors.

**Implications for future research**

The limitations discussed above provide some avenues for future research. Given that studies on IHRM of South Korean MNEs are scarce and the IHRM issues explored are limited, more empirical research is necessary to ascertain how South Korean MNEs utilize IHRM policies. Future research should be conducted in tandem with the IHRM literature in terms of what the important IHRM issues are and what should be analysed. In particular, future research should explore more of the issues concerning approaches to international staffing and expatriate-related training and development, performance appraisal and reward and compensation. These themes represent the core of the IHRM literature. Specifically, future studies need to examine the ratios of HCN and PCN managers, which is the key to determine an international staffing approach. Furthermore, the data on training programmes and training provision for expatriates and programmes that identify and foster international managers are needed to develop an international training and development approach. With regard to international performance appraisal, future studies need to focus on localization or home-based appraisal methods, procedure and criteria, frequency of appraisals and appraisers for both HCNs and PCNs. As for international reward and compensation, future studies must examine home or host-based reward approaches, percentage of performance-based pay and other benefits for both HCNs and PCNs. Finally, future studies need to explore the effects of host-country contextual factors and firm-specific factors on the decisions of South Korean MNEs on IHRM policies and practices.

Moreover, the studies reviewed have not provided adequate information about the HRM policies and practices for HCNs in general. For example, although several studies discussed the training programmes for HCNs, no data regarding the percentage and composition of HCNs attended training have been presented. Future research should also compare the IHRM policies and practices of South Korean MNEs to HRM of local
companies and of other foreign MNEs. Such a comparative study would better explain to what extent firms’ HRM policies and practices converge or diverge, and in particular why some South Korean MNEs are dubbed ‘sweatshops’ (Zhang-White 1999, Lee 2003). More research along these lines could provide some insightful implications on the way South Korean MNEs manage their HR with the objective of improving their reputations.

Conclusions
The IHRM literature has grown rapidly during the last three decades. One indicator of this development is more attention being paid to MNEs from emerging and newly industrialized countries. Research on emerging and developing country MNEs not only tests but also enriches the IHRM literature that has been derived from developed country MNEs, mainly the USA. South Korean MNEs have caught up with the largest Western companies and become important players in the global market. This study reviews the existing literature in order to analyse the characteristics of the IHRM policies and practices of South Korean MNEs, and to assess the extent to which their IHRM systems have been researched. It can be concluded that South Korean MNEs are ethnocentric in staffing, yet there is a strong tendency to polycentrism. South Korean MNEs are also very concerned with local language fluency and international experience in selecting expatriates.

Moreover, this review study also reveals that South Korean MNEs provide differentiated training programmes for HCNs in different levels of positions and tend to adopt home-oriented performance appraisal practices. South Korean MNEs link performance to pay but the primary goal of the pay system is to minimize labour costs. Unfortunately, however, it is impossible for this review study to ascertain comprehensively the characteristics and rationale of the IHRM policies and practices of South Korean MNEs. This is due to the scarcity of studies and a limited number of the IHRM issues examined by those studies. The scarcity of research on IHRM policies and practices of South Korean MNEs is in sharp contrast to how rapidly South Korean MNEs have internationalized in the global market during the past three decades. More research, particularly on staffing strategy, expatriate training and development, appraisal methods and compensation and reward concerning expatriates, is urgently needed so that the IHRM systems of South Korean MNEs are better understood.

Notes
1. Haiying Kang, PhD student at University of South Australia, email: haiying.kang@postgrads.unisa.edu.au
2. Originally the term ‘eui-yok’ meant ‘will’ or ‘ambition’. Paik and Sohn (1998) argue that people with eui-yok have an internal drive to succeed and a mission to accomplish something important. Hence, Koreans demonstrate an exceptionally strong work ethic.

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