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Applicability of Organization Development in Korean Companies

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Submitted to the Program of Organizational Dynamics in the Graduate Division of the School of Arts and Sciences in Partial Fulfillment of the Requirements for the Degree of Master of Science in Organizational Dynamics at the University of Pennsylvania
Advisor: Larry Starr

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Applicability of Organization Development in Korean Companies

Abstract
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APPLICABILITY OF ORGANIZATION DEVELOPMENT

IN KOREAN COMPANIES

by

Hongbae P. Kim

Submitted to the Program of Organizational Dynamics
in the Graduate Division of the School of Arts and Sciences
in Partial Fulfillment of the Requirements for the Degree of
Master of Science in Organizational Dynamics at the
University of Pennsylvania

Philadelphia, Pennsylvania

2012

APPLICABILITY OF ORGANIZATION DEVELOPMENT

IN KOREAN COMPANIES

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ABSTRACT

The purpose of this paper is to assess whether OD can be applied in Korean companies. Organization development (OD) was not traditionally implemented in Korea, but as the Korean economy and society changed, many Korean companies changed the traditional way of managing their organizations. Korean culture is changing favorably to OD and won't be a hindrance anymore. Simultaneously, Korean HRD practitioners see the change agent role as the most important one in their jobs and feel the need to develop the related competencies. This means that when Korean HRD practitioners acquire necessary competencies on change and organization, and implement OD interventions, the success rates of the interventions would be higher than before. In some successful organization change cases, it was verified that all the key OD elements were implemented and contributed to the success of the organization changes.

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CHAPTER 1

INTRODUCTION

Organization development (OD) has not traditionally been implemented in Korea (Lee, K. H., 1990). There are no OD degree programs offered in universities in Korea (Han, M., 2011) and, therefore, few OD practitioners as well (Shin, B. S., 2009).

Many Korean business leaders thought the Korean management style worked effectively, so there was no demand for OD in the 1970s and 1980s (Lee, S. M., & Yoo, S., 1987). The Korean management style was greatly influenced by the Japanese management style when it developed (Lee, Roehl, & Choe, 2000). Japanese business leaders also had confidence in the effectiveness of their management style and thought there was no need for OD in Japan (Nishikawa, 2009). Japanese business leaders' opinions on OD enhanced Korean business leaders' perceptions of OD (Wolkan sanup kyoyook, 1990).

However, over the past 20 years, globalization, structural change in industries, the Asian financial crisis, hostile labor unions, and the political transition to democracy impacted the Korean economy, businesses, and organizations. To respond to these changes, many Korean companies adopted "new HR management" (Bae, 1997). Since the conditions that affected the way Korean companies handled their people and organizations have been changing, I argue that the past perceptions and beliefs that OD was unnecessary will change.

The purpose of this paper is to assess the degree to which OD can be applied in Korea to organizations that are trying to adjust themselves in the new business environments. In Chapter 2, the changes in the economy and society, as well as how

those changes impacted traditional Korean management style, are illustrated. The new HR management is introduced and 10 agenda items that Korean HR professionals focus on are presented.

In Chapter 3, various definitions of OD are discussed and six common elements are extracted as key words. The six key words will act as a working definition of OD in this paper. Three future trends in OD are also discussed in relation to the six key words.

In Chapter 4, it is assessed whether Korean companies have a need for OD from the traditional OD perspective. The characteristics of Korean culture are compared with OD traditional values based on Hofstead's (1980) culture dimensions and it is shown how much Korean culture shares with the traditional OD values. In addition, the economic development stage will be considered to determine the future needs for OD in Korea.

Chapter 5 focuses on evaluating whether Korean companies have a need for OD from the pragmatic OD perspective. Academic studies were conducted on human resources (HR) needs for change and organization skills in Korea. They, and their implications, are reviewed from the pragmatic OD perspectives.

In Chapter 6, two successful organization change cases implemented in Korea are introduced and it is shown how the six OD key elements were applied. The two cases are reviewed from each OD element perspective and is also discussed how those OD elements contributed to the success of the projects.

Chapter 7 concludes the paper with a summary of what I learned by studying the topic and writing this paper.

CHAPTER 2

CHANGE OF KOREAN MANAGEMENT STYLE

Historical Background of Organization Development in Korea

A review conducted in summer 2011 of degree programs from the "Big List of Korean Universities" (Han, M., 2011) available online indicated that none of the national, city, and private universities offered a degree in organization development (OD). A review conducted in summer 2011 of trade magazines and of private consulting groups offering services in Korea indicated that non- degrees certification OD programs were also not available in Korea. Two reasons for these absences are offered.

First, over the past forty years, there has been little demand because most Korean companies believed their leadership and management style worked effectively and their practices were driving forces in Korea's rapid economic growth in the 1970s and 1980s (Lee. S. M. & Yoo. S., 1987). The characteristics of this style included:

> "clan management; top-down decision making; flexible lifetime employment; high mobility of workers; Confucian work ethic; paternalistic leadership; loyalty; compensation based on seniority and merit rating; bureaucratic conflict resolution; highly bureaucratic and yet less degree of a formality and standardized system; close government-business relationship; and expansion through conglomeration" (Lee, S.M. & Yoo, S., 1987, p. 75).

It should be noted, however, that while shareholders and owners were economically successful, the outcomes for employees resulted in serious human resources concerns such as low wages, high turnover rate, worker pirating, distrust in entrepreneurs, poor social security, and poor working conditions (Lee. S. M. & Yoo. S., 1987; Kim, S. K., 1994).

Second, Korean scholars and leaders did not trust the usefulness of OD (Wolkan sanup kyoyook, 1990). In the 1980s, Japanese scholars had confidence in Japanese management and thought Japan did not need OD (Nishikawa, 2009). As many Korean scholars and business leaders in the 1970s and 1980s were educated while Korea was a Japanese colony from 1910 to 1945, Japanese management style had a tremendous influence on the development of Korean management style (Lee, Roehl, & Choe, 2000). For example, Korean and Japanese human resources management systems are similar except that Korean systems had more flexible employment practices (Bae, 1997). Korea had also followed Japan's approach when it set long-term economic development plans in the 1960s (Lee, Roehl, & Choe, 2000). Because of these similarities in management styles and economic models, Korean scholars and business leaders believed that Korean companies would follow the positive path of Japanese companies and, so believed they did not need to pay attention to OD. Furthermore, when conditions supported the need for OD, there were few with sufficient knowledge to recognize it.

Challenges to the Korean Management Style

In the 1990s, Korean organizations were challenged by five interdependent change factors. The first, globalization (Bae, 1997) was a national goal initiated by President Young-Sam Kim in 1994 to raise Korean standards in all areas to the levels of the world's advanced economies (Ungson, Steers, & Park, 1997). This motivated the Korean government to establish free trade agreements with Chile, Singapore, the European Free Trade Association, the Association of South-East Asian Nations, India and Peru, and the US (Ministry of Foreign Affairs and Trade, 2011). Korean companies, therefore, had increasing pressure to compete globally, which led some companies to

consider their opportunity to adopt global standards in as many aspects of their management styles as possible.

The second challenge resulted from structural changes in the Korean economy. Taking globalization as a national goal, Korea increased its development of high tech industries such as electronics, computers, telecommunications, and specialized machinery and parts because traditional labor-intensive industries such as textiles, clothing and footwear would be overtaken by developing country latecomers (Bae, 1997). Responding to this change, Korean companies needed to shift their efforts from imitation to innovation (Bae, 1997).

The third challenge resulted from reflections of the Korean management style during the Asian financial crisis in 1997. Rowley (2002) provided a description of what happened during the crisis.

> In 1998 Korea's GDP fell by 5.6 per cent,(Plender 2000), GNP collapsed by two-thirds and the currency fell by 54 per cent against the US dollar. The number of establishments declined by 14 per cent (68,014) and 1 million jobs were quickly lost (Korea National Statistics office 1999). The stock market plunged by 65 per cent between June 1997 and June 1998, while the widespread problems and bankruptcy of some well-known *chaebol* hit the press (Economist 1999) ……The low unemployment rate, which had been below 3 per cent during the 1980s, almost tripled to 8.6 per cent (2 million) by February 1999. Nominal wage increase rates declined to -2.5 per cent in 1998, while real wage rates decreased to -9.3 per cent. Partly in response, strikes increased by 65 per cent, from 78 (44,000 workers) to 129 (146,000 workers) between 1997 and 1998. This economic collapse led to much anxiety and incomprehension among politicians, policy-makers, management, workers and the general population, and produced much commentary as to how quickly and totally things had gone wrong. Even worse, for many ordinary Koreans it was a national humiliation and huge loss of face (p.180)

The traditional Korean management style was criticized as one of the main forces

contributing to the crisis (Yu & Rowley, 2009). Even though Korean conglomerates, (*chaebol)* grew with the government's preferential support on capital supply and labor issues, they were not strong enough to stand on their feet against the financial crisis (Rowley, 2002). They often expanded to unrelated areas with many subsidiaries rather than concentrating on their specialties (Rowley, 2002). This resulted in weak financial structure in some *chaebols* with high debt ratios and low profitability which contributed to financial turmoil. The financial crisis provided scholars and business managers with an opportunity to question the validity or appropriateness of the traditional Korean management style.

Fourth, hostile labor unions became a new challenge to Korean management. Korea's rapid economic growth was achieved to some extent at the expense of occupational safety, meeting employee basic human rights, and involvement of employees in decision making (Park, 1988). The government supported management but not workers with extremely repressive labor laws which allowed very limited union activities ostensibly to support the country's development strategy (Koo, 2000).

Fifth, as the political transition to democracy happened, the government relaxed the labor policies (Koo, 2000). As a result, labor unions organized in *chaebol* companies have grown quantitatively and qualitatively since 1987 (Koo, 2000). They staged strikes claiming not only wage increases but also union autonomy, fair labor practices, reform of labor laws, and change of management's authoritarian style. Strikes were often violent (Park, 1988) and labor unions emerged as a significant social force (Koo, 2000). This required the employers to come up with a different approach to manage new labor relations.

New HR Management

In 1998, young Korean Human Recourses Management (HRM) scholars began to discuss the future direction of Korean HRM (Yu & Rowley, 2009). They assessed traditional Korean HRM using cases and surveys, and concluded that the current practices were inappropriate for the changing global environments and that these practices were one of the reasons Korean companies were so vulnerable to an external change such as the Asian financial crisis (Yu & Rowley, 2009). They also conducted a survey to see how Korean HRM professionals, including HR executives, consultants, and private researchers assessed traditional HRM practices. The results were consistent with their earlier assessments and conclusions (Korea Labor Institute, 2000). These scholars also suggested that Korean HRM would, and should, change:

> (1) from group- to individual-oriented; (2) from seniority- to performance-based; (3) from people- to job-oriented; (4) from HR department to line manager-centered; (5) from domestic to global focused; (6) from hierarchical to horizontal organizational structured; (7) from generalist- to professional-focused (Yu & Rowley, 2009, p30).

Considering that an important element of Korean management concerned its human resource management policies and practices (Rowley, 2002), it was a clear that traditional Korean management was perceived to be in need of change.

Since 1998, the phrase, new HR management (NHRM) has been used to indicate new HR trends created in Korea (Bae, 1997). The primary outcome of NHRM was replacement of a seniority-based system with an ability-based one (Bae, 1997). Lifetime employment and tenure/age based rewards declined significantly (Yu & Rowley, 2009). Instead, companies cared for a small number of talented people and invested resources

for their development and retention (Yu & Rowley, 2009). Team based organization structure was another part of NHRM (Bae, 1997) which was introduced to replace the traditional hierarchical structure. As NHRM emerged as an important management issue, the Human Resource function became recognized as a professional field (Yu & Rowley, 2009).

NHRM has changed Korean HRM practice specifically in five areas: (1) Performance based rewards, (2) Resourcing flexibility, (3) Talent management and development, (4) Team based organization, and (5) the HR profession (Yu & Rowley, 2009).

1. Performance based rewards

A seniority-based HR system was a core of the traditional Korean HR management system (Bae, 1997; Ahn, 1996; Yu & Rowley, 2009) in that many HR processes were built around seniority. When a new employee joined a company, he/she was assigned a certain job level taking into account education level and experience (Bae, 1997). Pay and promotion were mainly decided based on the length of service (Bae, 1997; Ahn, 1996). While this was an effective way to manage a large group of employees whose skill levels were similar (Yu & Rowley, 2009), it was not an effective way to compete globally to maintain and develop talented people for the high tech industry, or to motivate employees (Korea Labor Institute, 2000). In NHRM, a skill-grade system was introduced (Bae, 1997). Employees were assigned a grade based on their skill levels, pay was determined by annual performance evaluations, and promotions were by skill development (Ahn, 1996).

2. Resourcing flexibility

Korean companies that had guaranteed lifetime employment received in return employees' loyalty to companies. But this relationship dissolved in NHRM (Yu & Rowley, 2009). During the Asian financial crisis, many Korean companies had to lay off a large number of employees to survive and to help the companies' survival, the government and the national assembly changed labor laws that gave employers the flexibility to lay off employees and to hire temporary workers or strike replacements (Koo, 2000). While Korean companies had increased flexibility to manage their workforces responding to turbulent external business environments, this resulted in higher employee turnover rate than before the new laws (Yu & Rowley, 2009).

Korean companies had commonly hired employees based on personal and social characteristics such as seniority, education, prestige of university, or personal relationships with managers. The NHRM changed selection criteria to fit and potential competencies (Pucik & Lim, 2002). Another important change in major companies' recruiting practices was to hire employees from diverse sources (Yu & Rowley, 2009). Previously, recent college graduates consisted of the majority of employee intake. However, under NHRM, companies hired many experienced external applicants and also internally filled the positions of those who left the company (Yu & Rowley, 2009). To compete with global companies, one of HR's most important tasks was to hire top global talents (Yu & Rowley, 2009). For example, Samsung electronics, LG electronics, SK telecom, and Doosan Corporation hired experienced foreigners from well-known multinational companies in C-level executive positions including chief HR officer (Lee, N. H., 2011). Having experienced employees with different backgrounds resulted in diverse workforces of Korean companies.

3. Talent management and development

Training and development (T&D) opportunities were traditionally given to all employees as a general HR benefit, but T&D in NHRM focused on selected employees with potential or talent (Yu & Rowley, 2009). Since the turnover rates following NHRM were high, retention and management of talent was critical. Mentoring, leadership programs including domestic and international MBA and executive MBAs were offered to employees in major companies both for career development and as a means of retention of key talent (Yu & Rowley, 2009). Employees preparing to move to other positions saw these as opportunities for their own career development (Yu & Rowley, 2009). From the companies' perspective, self-directed learning, career-development, learning organization and knowledge management became key T&D issues (Song, 2002).

4. Team based organization

Team based organization was another part of NHRM (Bae, 1997) which challenged traditional Korean management style. Hierarchical organizations hindered efficient dissemination of information and is not efficient in decision making because there were so many steps (Han & Yoon, 1999). This was an especially important issue when Korean companies needed to work globally and with information from all over the world. It was difficult for an individual to exercise creativity because each individual was expected to play a fixed role in hierarchical organizations (Han & Yoon, 1999). According to 2007 research results (Park, W., 2007), 84% of respondent companies in Korea had established team based organization structure and 73% reported that the team based organization was effectively working for them.

The NHRM also influenced public and government organizations, in that team based organization was introduced to local governments in the late 1990s (Kim & Ahn, 2007) and to the central government in 2005 (Kim & Ahn, 2006). The implementation of NHRM in Seoul city hall (Seoul City Hall, 2007) and Korea Electricity & Power Company (Lee, 2009) are examples.

5. The HR profession

Since implementing NHRM, the HR functions of Korean companies have played a strategic role for the organizations (Yu & Rowley, 2009). For example, Samsung Electronics and LG Electronics outsourced routine HR tasks such as reward, taxes and benefits, allowing HR functions to take on more strategic roles (Yu & Rowley, 2009). Indeed, the number of the companies with a Chief HR officer's position increased from 13.7% in 1998 to 23.8% by 2002 among publicly traded companies in Korea (Yu & Rowley, 2009). HR employees started recognizing themselves as professionals in HR and tried to improve their HR competencies. Professional in Human Resources (PHR) is an industry certification awarded by the Human Resource Certification Institute which is associated with the Society of Human Resources Management. The certification signifies that individuals possess the theoretical knowledge and practical experience in human resource management. The number of PHR certificate holders in Korea in 2003 was only 13, but increased to approximately 360 by 2011 (KMAC, 2010). As well, *Chaebols* such as Samsung, LG, SK and CJ, created their own HR education programs (Yu & Rowley, 2009).

<u>Future Direction of Korea HRM</u>

Globalization continues and the Korean government is waiting for ratification of the Korean National Assembly on Free Trade Agreement (FTA) with the US and negotiating agreements with the Gulf Cooperation Council, Australia, New Zealand, Colombia, Canada, Turkey and Mexico (Ministry of Foreign Affairs and Trade, 2011). In addition, Korea is conducting preparation talks and joint research projects with prospective FTA partners including China, Japan, MERCOSUR (Brazil, Argentina, Uruguay and Paraguay), Israel, Vietnam, Central-America, Malaysia and Indonesia (Ministry of Foreign Affairs and Trade, 2011).

One HR trade magazine, *Wolkan Insakwanri* ran a special article (Kim, D., 2010) about the 10 items on the agenda of Korean HR management in 2011. These are as follows.

1. Global talent management

As globalization continues, many Korean companies have offices in other countries. Therefore, it is important that those companies come up with global HR management strategy to manage the issues such as working across cultures, developing local leaders, managing global employee engagement and incorporating local labor laws.

2. Talent retention and developmental differences

For high tech companies, talented people are a critical organization asset, so it is important for HR to hire, develop and retain these people. Young talents have different value systems from the older which produces generational challenges in authoritative supervision. They prefer to perusing life and work balance, being more individualistic, and rapidly adopting new technology. HR needs to develop HR management practices to effectively manage them.

3. Promoting innovative culture

Innovation is sought across many industries in part because competition is fierce. To promote an organization culture of innovation, HR needs to find ways to further decrease the level of hierarchy and help diverse employees voice their opinions and creative ideas.

4. Diversity, flexible working hour, mobile office and work-life balance

Globalization and the multi-generation workforce created diversity. Therefore, it is important that HR help create inclusive cultures and provide flexible working conditions to meet employees' different needs. Employees seek work and life balance as their income levels increase and value system change. Flexible working hours and a mobile office can be options to meet some of the diverse needs of work and life balance.

5. Cross functional cooperation

Cross functional cooperation is important when an organization gets larger, and less hierarchical. There is no "big boss" who reconciles different opinions across functions, so employees have to manage conflicts on their own by cooperating with others in different functions. Adjusting performance evaluation and reward systems to promote the culture of cooperation may be directions to consider.

6. Strategic senior leader development

As change can happen rapidly, turnover of senior leaders has increased, so there is a need to develop future leaders in order to retain senior leader positions. Senior leaders have big impacts on an organization, so it is critical to develop and retain good leaders in an organization. In addition, executive compensation and incentive, and performance management systems should be reviewed based on the new senior leader development

strategy.

7. Strategic due diligence for mergers and acquisitions

As the economy turns around from the influence of financial crisis of the US, more merger and acquisition (M&A) opportunities occur. To support successful M&A, HR participation in due diligence at the early stage is recommended. HR needs to contribute expertise to the integration of different cultures and help in the change agent role in M&A activities.

8. Retirement pension

Since 2011, it has been beneficial for companies to join a retirement pension to get a corporate tax deduction. HR should discuss this with employees to reach consensus because it cannot legally be done without employees' agreement. The HR's facilitating role is important.

9. Multi-union system

2011 is the first year of implementing a multi-union system in Korea. There could be confusions and conflicts between unions or between unions and employers, so HR should pay attention to government's follow-up policies and manage relationships where appropriate.

10. Corporate governance

This subject has been discussed since the 1998 Asian financial crisis, but the Korean government is expected to shortly launch a new guideline on executive incentive systems and succession of CEOs. The change on governance structure will have a huge impact on organization culture and performance, so HR needs to prepare for the change in advance.

CHAPTER 3

THE DEFINITIONS OF ORGANIZATION DEVELOPMENT

There is no single agreed definition of organization development (OD). Marshak (2006) offered two reasons.

> First, it is still an evolving field of practice and is therefore difficult to pin down. Second, it requires an understanding of a synthesis or integration of several sets of knowledge (p.13).

With respect to the second, Cummings and Worley (2009) explained that the practice of organization development covers a wide spectrum of activities and the study of OD addresses a broad range of topics.

Table 1 presents OD definitions offered over the past 10 years by practitioners and scholars and presented in widely used academic text books.

Table 1. Definitions of Organization Development

Organization development is a planned process of change in an organization's culture through the utilization of behavioral science technology, research, and theory (Warner Burke, in Cummings & Worley, 2009, p. 2).
Most people in the field agree that "OD involves consultants who work to help clients improve their organizations by applying knowledge from the behavioral sciences – psychology, sociology, cultural anthropology, and other related disciplines. Most would also agree that OD implies change and, if we accept that shifts in the way an organization functions suggests that change has occurred, then, broadly defined, OD is analogous to organizational change" (Warner Burke, in Rothwell, Stavros, & Sullivan, 2010, p. 13).
Organization development refers to a long-range effort to improve an organization's problem-solving capabilities and its ability to cope with changes in its external environment with the help of external or internal behavioral-scientist consultants, or change agents, as they are sometimes called (Wendell French, in Cummings & Worley, 2009, p. 2).
Organization development is an effort (1) planned, (2) organization-wide, and (3)

managed from the top, to (4) increase organization effectiveness, and health through (5) planned interventions in the organization's "process", using behavioral science knowledge (Richard Beckhard, in Cummings & Worley, 2009, p. 2).

Organization development is "a systemic and systematic change effort, using behavioral science knowledge and skill, to change or transform the organization to a new state" (Richard Beckhard, in Rothwell et al, 2010, p. 13).

Organization development is a system wide process of data collection, diagnosis, action planning, intervention, and evaluation aimed at (1) enhancing congruence among organizational structure, process, strategy, people, and culture; (2) developing new and creative organizational solutions; and (3) developing the organization's self-renewing capacity. It occurs through the collaboration of organizational members working with a change agent using behavioral science theory, research, and technology (Michael Beer, in Cummings & Worley, 2009, p. 2).

Based on (1) a set of values, largely humanistic: (2) application of behavioral sciences; and (3) open system theory, organization development is a system wide process of planned change aimed toward improving overall organization effectiveness by way of enhanced congruence of such key organization dimensions as external environment, mission, strategy, leadership, culture, structure, information and reward system, and work policies and procedures (Warner Burke and David Bradford, in Cummings & Worley, 2009, p. 2).

Organization development is "a response to change, a complex educational strategy intended to change the beliefs, attitudes, values, and structure of organization so that they can better adapt to new technologies, markets, and challenges, and the dizzying rate of change itself. (Warren Bennis, in Rothwell et al, 2010, p. 13).

Organization development is a process that applied a broad range of behavioral science knowledge and practices to help organizations build their capacity to change and to achieve greater effectiveness, including increased financial performance, customer satisfaction, and organization member engagement (Cummings and Worley, in Cummings & Worley, 2009, p. 1).

OD can be defined as a planned and sustained effort to apply behavioral science for system improvement, using reflexive, self-analytic methods (Schmuck and Miles, in French & Bell, 1999, p. 24)

Organization development is a process of planned change – change of an organization's culture from one which avoids an examination of social processes (especially decision making, planning and communication) to one which institutionalizes and legitimizes this examination (Burke and Horenstein, in French & Bell, 1999, p. 24).

Organization development is an organizational process for understanding and improving any and all substantive processes an organization may develop for performing any task

> and pursuing any objectives. . . . A "process for improving processes" – that is what OD has basically sought to be for approximately 25 years (Peter Vaill, in French & Bell, 1999, p. 24).
>
> Organizational development is a set of behavioral science-based theories, values, strategies, and techniques aimed at the planned change of the organizational work setting for the purpose of enhancing individual development and improving organizational performance, through the alteration of organizational members' on-the-job behaviors (Porras and Robertson, in French & Bell, 1999, p. 24).

Six words repeatedly appeared in these definitions as summarized in Table 2. Those marked with "EX" are explicit; those with "IM" are implicit.

Table 2. OD Definitions and Key Words

Authors	Behavioral Science	Change	Development	Humanistic/ Democratic	Organization Effectiveness	System Thinking
Burke	EX	EX	IM		IM	
French	EX	EX	EX			
Beckhard	EX	EX		IM	EX	EX
Beer	EX	IM	EX		IM	EX
Burke & Bradford	EX	EX		EX	EX	EX
Bennis		EX	EX			
Cummings & Worley	EX	EX	EX	IM	EX	
Schmuck & Miles	EX	IM			IM	EX
Burke & Horenstein		EX				
Vail		IM			EX	
Porras & Robertson	EX	EX	EX		EX	

I argue that these key words are core concepts used by scholars in describing OD. Therefore, meanings of the key words are described.

1. Behavioral science

Behavioral science is the key word most referenced in OD definitions. Cummings and Worley (2009) asserted that "OD is based on the application and transfer of behavioral science knowledge and practice." Marshak (2006) mentioned that OD draws on a number of theories and ideas from behavioral or social sciences. That means all kinds of OD interventions are to be designed based on behavioral science. As Burke (as cited in Rothwell et al, 2010) mentioned in his OD definition, psychology, sociology, and anthropology are the examples of behavioral science used in OD. Cummings and Worley (2009) saw leadership, group dynamics, and work design as the examples of micro concepts of behavioral science and strategy, organization design, and international relations as the macro concepts of behavioral science.

2. Change

Most OD definitions indicated that OD intends to make changes for the betterment of an organization. For instance, Burke wrote that "OD is analogous to organizational change" (as cited in Rothwell et al, 2010, p. 13) and Cummings and Worley posed that "OD is directed to bringing about planned change to increase an organization's effectiveness and capability to change itself" (2009, p. 22). Bennis saw beliefs, attitudes, values, and structure of organization as targets of organization change (as cited in Rothwell et al, 2010) whereas Cummings and Worley (2009) envisioned the targets being strategy, structure, and /or processes of an entire system. Even though the purpose and targets of change are different in the definitions, change is a common intention of all OD definitions. It is also common that effective change initiatives are carefully planned and implemented using theories of organizational change and behavior science.

3. Development

In OD, when organization change is implemented, it is expected not only that the change sustains, but also the organization increases its capability to deal with the same kind of change next time. Ackoff (1994) further clarified that “development is an increase in our ability and desire to satisfy our own needs and legitimate desires and those of others”. French (as cited in Cummings & Worley, 2009), Beer (as cited in Cummings & Worley, 2009), Bennis (as cited in Rothwell et al, 2010), and Cummings and Worley (2009) meant that increasing organization capability is one of OD’s objectives in their definitions. However, Porras and Robertson (as cited in French, 1999) focused on individual development in terms of organization capability.

4. Humanistic/ democratic values

The integral role of values in OD is evident in the literature. Burke and Bradford clearly mentioned humanistic values of OD in their definition. Jamieson and Gellermann wrote that “values have always been central to the development and practice of OD” (2006. p. 50). And, Marshak commented, “OD is often referred to as a values-based or normative field of practice” (2006. p. 16). Jamieson and Gellermann asserted that “values have continued, with varied strength and emphasis, to differentiate OD practice from many other approaches” (2006. pp. 50). The specific values that were defined as OD values by some scholars are shown in Table 3, (Jamieson & Gellermann, 2006)

Table 3. OD Values and Value Themes Over Time

	Bennis, 1969	**Tannenbaum & Davis, 1969**	**Gllermann, Frankel, and Ladenson, 1990**
Humanistic Behavior		Authentic behavior, appropriate expression and use of feelings, willingness to risk	Authenticity, congruence, honesty, openness, understanding, acceptance, responsibility, self-control
Diversity & Justice	Legitimizing human factors and feelings	Accepting and using individual differences	Respect, dignity, integrity, worth, fundamental rights of human systems, justice, freedom, diversity
Performance Improvement			Effectiveness, efficiency, alignment
Life and Spirituality			Life and the quest for happiness
Collaboration and Community	Interpersonal competence	Collaboration, trusting people	Community, whole-win attitudes, cooperation-collaboration, trust
Democracy	Choice		Widespread, meaningful participation in system affairs, democracy, appropriate decision making
Human Development	Development of organic system	Confirming people as human beings, individual as whole person, individuals being in the process, people as basically good	Learning, development, growth, transformation, human potential, empowerment, flexibility, change, pro-action
Process Effectiveness	More competent team management, group and inter-group understanding, improved conflict resolution	Appropriate confrontation process work essential to task accomplishment, use of status for organizationally relevant purposes	

5. Organization effectiveness

In some OD definitions, it is indicated that one of the important objectives of OD is to improve organization effectiveness or performance. Cummings and Worley (2009) said OD contributed to the improvement of organization effectiveness in two ways. First, "OD helps organization members gain the skills and knowledge necessary" (p. 3). Second, OD enhances the organization's effectiveness which enables it to better respond to the needs of external groups and to "attract and motivate effective employees who then perform at high levels" (p. 3). This element is emphasized in the practical aspect of OD (Cummings & Worley, 2009)

6. Systems thinking

Some OD definitions mentioned system thinking or system theory. Marshak (2006) described that OD draws on theories and ideas from not only behavioral or social sciences, but also from hard sciences including physics and biology (see von Bertalanffy's (1968) *General Systems Theory*). French and Bell (1999) regarded systems theory as one of the foundation building blocks of OD. Katz and Kahn applied open systems theory to organizations and argued that an organization is constantly in an exchange with its environment similar to a living organism, and parts of the organization also function as organs of organism (French & Bell, 1999). Systems thinking had influence on many organizational models such as Nadler's congruence model, the Burke-Litwin model, and Weisbord's six box model which helps OD practitioners understand and diagnose organizational issues (Burke, 1994).

<u>Future Trends</u>

Cummings and Worley forecasted three trends in OD (2009). The first is a traditional trend in which the major objective of OD is to promulgate the root values such as human potential, equality, trust, and collaboration (Cummings & Worley, 2009). The traditionalists focus on process interventions to ensure processes are transparent, possess integrity, treat people with dignity, and serve diverse stakeholders (Cummings & Worley, 2009). Therefore, OD's primary goal is to help organizations have such processes and whether they subsequently lead to performance outcomes is of secondary importance (Cummings & Worley, 2009).

The second trend is pragmatic OD. The pragmatists are interested in having a process to certify members, creating a common body of knowledge, defining minimum levels of competencies, and instituting other regulatory infrastructure to distinguish qualified and non-qualified OD practitioners and to market qualified practitioners (Cummings & Worley, 2009). In addition, the pragmatic trend emphasizes change technologies and focuses on helping organizations implement changes and achieve tangible results (Cummings & Worley, 2009).

The third trend is scholarly one. This trend has to do with and concerns the increasing number of research efforts on organization change (Cummings & Worley, 2009). Scholars who research this subject are not interested in OD values or the certification process; rather, they are interested because OD is one of the ways to change organizations (Cummings & Worley, 2009).

Table 4 summarizes the relationship between these three trends and the six key words within the definitions. As noted, OD values are the most important in a traditional trend whereas organization effectiveness is more important than OD values and

development in a pragmatic trend. In addition, change is the most important in an academic trend.

Table 4. Comparison of OD Trends and Key Words

Three Trends	Behavioral Science	Change	Development	OD Values	Organization Effectiveness	System Thinking
Traditional	O	O	O	**O**	△	O
Pragmatic	O	O	△	△	**O**	O
Academic	O	**O**	X	X	O	△

CHAPTER 4

OD NEEDS IN KOREA FROM A TRADITIONAL OD VALUE PERSPECTIVE

OD Values and Country Culture

To differentiate national cultures, Hofstede (1980) used four dimensions: Power distance, Uncertainty avoidance, Individualism and Masculinity. Power distance means "the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally (p. 45)." Uncertainty avoidance is "the extent to which a society feels threatened by uncertain and ambiguous situations by providing career stability, establishing more formal rules, not tolerating deviant ideas and behaviors, and believing in absolute truths and the attainment of expertise (p. 46)." Individualism "implies a loosely knit social framework in which people are supposed to take care of themselves and their immediate families only (p. 45)." In contrast, collectivism is "characterized by a tight social framework in which people distinguish between in-groups and out-groups; they expect their in-group (relatives, clan, organizations) to look after them, and in exchange for that they owe absolute loyalty to it (p. 45)." Masculinity is defined as "the extent to which the dominant values in society are masculine that is, assertiveness, the acquisition of money and things, not caring for others, the quality of life, and people (p. 45)." Hofstede assessed the national cultures of 40 countries using these four dimensions.

Jaeger (1985) explained the relationship between OD values and national culture, and found this relationship could explain why OD worked in some countries, but not in the others. Jaeger earlier had adopted Tannenbaum and Davis' (1969) work to represent OD values as noted in Table 5.

Table 5. Tannenbaum and Davis' Value Scales

Moving away from	*Moving forward*
• A view of man as essentially bad	• A view of man as essentially good
• Avoidance or negative evaluation of individuals	• Confirming individuals as human being
• A view of individuals as fixed	• Seeing individuals as being in process
• Resisting and fearing individual differences	• Accepting and utilizing individual differences
• Utilizing an individual primarily with reference to his/her job description	• Viewing an individual as a whole person
• Walling off the expression of feelings	• Making possible both appropriate expression and effective use of feelings
• Maskmanship and game playing	• Authentic behavior
• The use of status for maintaining power and personal prestige	• The use of status for organizationally relevant purpose
• Distrusting people	• Trusting people
• Avoiding facing others with relevant data	• Making appropriate confrontation
• Avoidance of risk taking	• Willingness to risk
• A view of process work as being unproductive effort	• Seeing process work as being essential to effective task accomplishment
• A primary emphasis on competition	• A much greater emphasis on collaboration

Jaeger thought OD interventions would work well if the culture of the target group shared similar values to those listed in Tannenbaum and Davis' value scale; the same logic would apply to country culture. While Tannenbaum and Davis' OD values are not directly related to Hofstede's four dimensions, Jaeger asserted that most could be. He rated the ideal OD values on Hofstede's four dimensions as noted in Table 6.

Table 6. Four Culture Dimensions and Ideal Rating of OD Values

Four Culture Dimensions	**Ideal Rating**
Power distance	Low
Uncertainty avoidance	Low
Masculinity:	Low
Individualism:	Medium

Cummings and Worley (2009) added context orientation to Hofstede's four dimensions while dealing with the same subject. In low context culture such as Scandinavia countries and the US, information is communicated directly with specific words and meanings. In contrast, in high context culture such as Japan and Venezuela, communication is done with not only words, but also with social cues. Another way of describing them is specific versus diffuse culture (Trompenaars & Hampden-Turner, 1998). In Table 7, I connected the OD values to the four dimensions to display how Jaeger's rating was done and added context orientation to cover the OD values that are not related to any of the four dimensions.

Table 7. The Relationship between OD Value Scales and Four Culture Dimensions

OD Value Scales	*Hofstede's culture dimension*
• The use of status for organizationally relevant purpose	Low Power distance
• Willingness to risk • Making appropriate confrontation	Low Uncertainty avoidance
• A view of man as essentially good • Accepting and utilizing individual differences • Seeing individuals as being in process • Trusting people • Seeing process work as being essential to effective task accomplishment	Low Masculinity
• Confirming individuals as human being • Accepting and utilizing individual differences • Viewing an individual as a whole person • A much greater emphasis on collaboration	Medium Individualism
• Making possible both appropriate expression and effective use of feelings • Authentic behavior • Making appropriate confrontation	Low Context

Table 7 suggests that the more a country has these five characteristics in its culture, the better OD could work and vice versa. Jaeger divided 40 countries by the

degree of difference between OD values and country rankings on Hofstede's dimension. For example, Japan has large power distance, high uncertainty avoidance and high masculinity. Therefore, three out of four cultural dimensions of Japan are not matched to the characteristics of an OD favorable culture. This means OD interventions should be implemented with greater consideration of local culture in Japan.

Na and Cha (2010) conducted surveys to understand changes in Korea's value system in 1979, 1998 and 2010. They adopted Hofstede's four dimensions in structuring their questionnaire, but customized questions to cover Korea specific issues. They developed 21 questions in seven categories, three questions per category. Five categories came from Hofstede's four dimensions and two were added to research Korea specific issues: (1) Individualism, (2) Power distance, (3) Assertiveness, (4) Uncertainty avoidance, (5) Future orientation, (6) Gender equality and (7) Quality of life. Since the questions are different from Hofstede's , the data cannot be directly used. However, four questions which can best represent Hofstede's original four dimensions are presented in Table 8.

Table 8. Questions Representing Hofstede's Four Dimensions

Which is more important for public order, respecting hierarchy or respecting function?	Power distance
Which is more important between taking on new ways and keeping old ways?	Uncertainty avoidance
In your life, which is more important, quality of live or living by the rules?	Masculinity
Which is more important between the country and the self and family?	Individualism

Power Distance

Hierarchy, seniority, and top-down decision making were characteristics of traditional Korean management systems in the time of rapid economic growth in the 1970s and 1980s. Employees thought hierarchical order was important and expected superiors to direct them. The prevalence of these characteristics in the society suggests why power distance in 1979 was high.

Table 9. Korean Power Distance

Year	1979	1998	2010
Hierarchy is more important	High (72.85%)	Medium (69.6%)	Medium (58.75%)

Korean companies started adopting the New HR management system in the late 1990s. Team based organization was one of important outcomes of NHRM and when it was introduced, organizations changed to become less hierarchical and gave some autonomy to teams and employees. In addition, Korean society became more democratic when the military government stepped down in 1988 (National Institute of Korean History, 2011). These changes provide an explanation for the lower power distances in 1998.

Fast decision making and innovation continued to be important in the 2000s, so team based organization structures spread into the government sector. On the political side, the ruling party peacefully transferred power to a democratically elected opposition party for the first time in Korean history (Kim, D.J., 1998) and this achievement of political democracy could have positively influenced the other parts of the society.

Na and Cha (2010) mentioned that power distance has continued to decrease and the youngest group sources have fallen below 50% for the first time in 2010. There are other data that share a similar finding about the young generation. Ye and Chin (2009) researched the characteristics of new generation workers and found that young workers rejected authoritarian rules in the workplace. This argues that power distance may become lower as young people become the majority of the society in 10 to 20 years.

Uncertainty Avoidance

Fifty years after the Korean War, the country transformed from a poor agricultural country to the world's eleventh largest economy (Rowley & Paik, 2009). The Korean people had to adjust to their rapidly changing environment and as Table 10 shows, Korean's uncertainty avoidance has been low although there were ups and downs.

Table 10. Korean Uncertainty Avoidance

Year	1979	1998	2010
Keeping old ways	Low (10.15%)	Low (7.65%)	Low (11.87%)

Further data about Korea's low uncertainty avoidance can be found in Trompennaars and Hampden-Turner's (1998) work. When they asked questions about controlling nature and fate to people in multiple countries, responses from Korea belonged to the group who believed they could control external environments.

In Ye and Chin's research (2009), it was found that young workers were well accustomed to information technology and had rich experience from traveling abroad, so they rapidly adapted new technology and were open to foreign culture and thoughts. The research concluded that young workers had high adaptability with change.

Na and Cha also asked a question about the present and the future. Respondents in 1998 and 2010 thought the future was more important than the present, but the number of people who answered the present was more important than the future increased from 1998 to 2010. This explained why uncertainty avoidance increased from 1998 to 2010. It is difficult to forecast whether uncertainty avoidance will keep increasing or not, but regardless of changes, it is estimated that uncertainty avoidance can belong to the low side in next years because the current level of uncertainty avoidance is very low.

Maternity

Hofstede (1980) described cultural masculinity and maternity. Masculinity is performance focused while maternity is quality of life focused. Since the question asked in Na and Cha's survey was more related to maternity, I present maternity data in Table 6.

Table 11. Korean Maternity

Year	1979	1998	2010
Pursuing quality of life	Low (35.85%)	Medium (50.05%)	High (70.25%)

During rapid economic growth periods, I believed that performance, achievements and results were important values which explains why maternity was low in 1979. However, 1998 data showed that as many overcame poverty, they turned their attention to quality of life. This was around the time that Korean economy grew mature enough to join the Organization for Economic Cooperation and Development (Rowley & Paik, 2009).

In 2010, responses to maternity questions indicated upward trends. There are more data backing this trend. In the Korean General Social Survey (SKK university,

2010), the question, “what is most important in life?” was given to over 1,500 Koreans. 42.9% answered “health” and 35.3%, “family”. Only 8.9% of people said “money” is most important to their lives; “work” followed with 1.5% of responses.

Ye and Chin’s research (2009) revealed that the new generation in the workplace thought life-work balance was very important. The youngest group in Na and Cha’s survey data (2010) also shared similar results that 73.5% of responders thought quality of life was more important. This suggests that maternity will remain high in the future.

Individualism

Hofsetede (1980) wrote that “there is a tendency for large power distance to be associated with collectivism and for small power distance with Individualism.” His argument explains the relationship between power distance and individualism in Korea. Table 12 implies that power distance decreased and individualism increased.

Table 12. Korean Individualism

Year	1979	1998	2010
Valuing self and family	Low (41.3%)	Medium (71.5%)	High (89.13%)
Hierarchy is more important	High (72.85%)	Medium (69.6%)	Medium (58.75%)

There have been discussions on Koreans’ individual behaviors in management (Chang, S. C. & Chang, N. J, 1994). Japanese scholars, Hayashi, Hasegawa, Kusayanagi, and Watanabe (as cited in Chang, S. C. & Chang, N. J, 1994) found that Korean’s individual behaviors could not be traced to Japan. Kusayanagi had suggested that the two societies were based on totally different behavior patterns; collective group activities in Japan and individual behaviors in Korea. Korean scholars, Kim, T. K., Kim, D. K., Kim,

C. W., Chang, C. S., Lee, T. K., Cha, S. P., also shared similar findings about Korean individual behaviors (as cited in Chang, S. C. & Chang, N. J, 1994). Chang, S. C. & Chang, N. J, (1994) argued that Korea's individualism is different from America's (1994). While Americans pursue individualism separately from the group, Koreans have individualistic aspirations within the context of a group. This is why Koreans' individualistic behavior is not well distinguished from the group behavior.

Koreans' individual behavior was reported by Trompennaars and Hampden-Turner (1998). For two questions on individualism, Korea was rated in the middle with Sweden on the scale between individualism and communitarianism whereas Japan was on the far communitarianism side.

The responses from the group of people in their twenties indicated extreme individualism. Ye & Chin's (2009) data also shared the same extreme individualistic trend in young Korean workers in organizations.

Context Orientation

There are no data about context orientation in Na and Cha's work (2010), but there is in Trompenaars and Hampden-Turner 's (1998). To assess the level of context of countries, Trompenaars and Hampden-Turner asked whether one would help their boss paint his house when asked to do it. The authors assumed that people in low context culture would say no if they did not feel like it while those in high context culture would say yes. Korea belonged to a high context group along with Indonesia, Singapore and China.

Since this survey was done in 1998, there were no updated data. Trompenaars and Hampden-Turner wrote that much time is taken to avoid private confrontation to save

face in high context cultures. That means the degree of fear for losing face can be an indirect indicator of the level of context of a country culture. Kang (2004) assessed Koreans and American subjects how important saving face is in diverse communication situations. Koreans thought saving face was more important than Americans. This can show that Korean culture is higher context than American, but not reveal whether there was change in the degree of context.

Table 13. Korean Context Orientation

Year	1998	2004
High or context culture	High	High

Country Rankings on Hofstede's Dimension

Jaeger (1986) rated the OD values on Hofstede's cultural dimensions and defined the ideal national culture ratings for OD. I applied the same methodology to Korean culture as shown in Table 14.

Table 14. Korea Cultrue Ratings on Hofstede's Dimensions

	1979	1998	2010	Ideal Ratings for OD
Power Distance	High (72.85%)	Medium (69.6%)	Medium (58.75%)	Low
Uncertainty Avoidance	Low (10.15%)	Low (7.65%)	Low (11.87%)	Low
Masculinity*	High (64.15%)	Medium (49.95%)	Medium (29.75%)	Low
Individualism	Low (41.3%)	Medium (71.5%)	High (89.13%)	Medium
**Context Orientation	N/A	High	High	Low

Note. * Since there is no Masculinity data, I reversed maternity data by subtracting Maternity data from 1.

**Jaeger did not include Context orientation in his ratings model.

As of 2010, Korea's ratings are different from the ideal ratings on two dimensions, power distance and individualism. The power distance dimension needs to be lower and the individualism, lower as well in order to get closer to the ideal. Based on 2010 ratings, Korea can belong to the group of "Very different". Table 15 shows that Korea has similar ratings with Singapore.

Table 15. Degree of Differences Between OD Values and Country Rankings on Hofstede's Dimensions

Degree	Very different (on 2 dimensions)	Somewhat different (on 1 dimension)	Hardly different (on no dimension)
Countries	Australia (MF, IC) Austria (UA, MF) Canada (MF, IC) France (PD, UA) Germany (UA, MF) Britain (MF, IC) India (PD, MF) Iran (PD, UA) New Zealand (MF, IC) Singapore (PD, IC) South Africa (PD, MF) Spain (PD, UA) Switzerland (UA, MF) Turkey (PD, UA) USA (MF, IC) Korea (PD, IC, 2010)	Finland (c-UA) Israel (UA) Ireland (MF) Netherlands (c-IC)	Denmark Norway Sweden

Note. (Modified from Jaeger, 1986)

- PD = Power Distance; UA=Uncertainty Avoidance; MF = Masculinity/Femininity; IC = Individualism/Collectivism

Considering the future trend of the four dimensions, the power distance may continue to become lower, but the individualism may not decrease. That means Korea's ratings for the three dimensions may match the ideal ratings for OD if the projected future

trend is correct. Then, Korea can belong to the group of ‘Somewhat different’ similar to Finland, Israel, Ireland, and Netherlands.

Economic Development and OD Implementation

Head (1991) suggested that the economic development of countries is an important factor that can influence the effectiveness of OD implementation. In his model, there are three stages of economic development; low, moderate and high.

In the low degree, the majority of the population works in the agricultural sector and the cost of manpower is very inexpensive. Since other industries have not yet developed, there are not many jobs and little concept of employment. In this stage, only limited management knowledge is required.

When an economy starts developing, job opportunities sprout in the manufacturing industry, and people move from the agricultural sector to where those opportunities are thought to be available. Usually classical managerial principles are applied to cut costs and to produce more. Production automation is introduced as an effort to increase productivity. The structure of organizations becomes complicated and the conflicts among people and functions increase as the size of organizations grow. As a result, management pays some attention to how to manage human resources and organization.

In well developed economies, people move from manufacturing to service industries. Production automation replaces expensive labor in most of the simple production processes and a well educated workforce looks for jobs in more value added industries. Industry structure changes and this requires new management principles.

Korea’s Economic Development stages

To define Korea's economic development stages in Head's (1991) model, it is important to understand stage boundary. For example, the two critical points are when Korea transformed from the low to the moderate stage and from the moderate to the high stage.

I argue that Korea entered into the moderate stage in the 1960s and moved to the high stage in the 1990s. The Korean government set and implemented the first five-year economic development plan in 1962 (Chang, S. C. & Chang, N. J., 1994). The government's central planning and coordination for economic development was regarded as one of the keys to successful rapid growth. (Chang, S. C. & Chang, N. J., 1994). The government set the five- year plan every five years and this continued until 1996 (Chang, S. C. & Chang, N. J., 1994). Since 1962, the population started moving to secondary and tertiary industries. In the 1960s and the 1970s, the traditional Korean management style was formed which focused on cost cutting for mass production (see Table 16).

Table 16. Industry Population Change in Korea

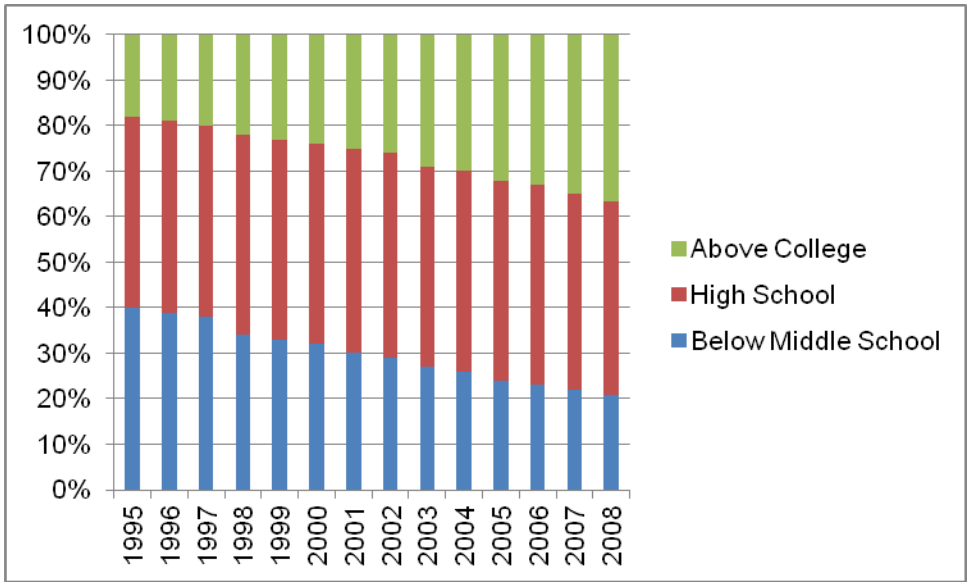
	1960	1965	1970	1975	1980	1985	1990	1995	2000
Primary Industry	66%	57%	51%	47%	36%	25%	18%	15%	12%
Secondary Industry	8%	12%	16%	19%	21%	23%	26%	21%	21%
Tertiary Industry	26%	31%	33%	34%	43%	52%	56%	64%	67%

Note. Korea major economic index (Statistics Korea, 2001)

In the 1990s, Korea's growth strategy was adjusted because labor costs increased and China and India caught up with Korea in the low-end manufacturing sector. Automation replaced labor workers in simple tasks. Workers who lost jobs moved to the

service industry. Since1998, people with bachelor's degrees and above made up more than 20% of the population (see Figure 1).

Figure 1. Population Education Level in Korea



Note. (Statistics Korea, 2011)

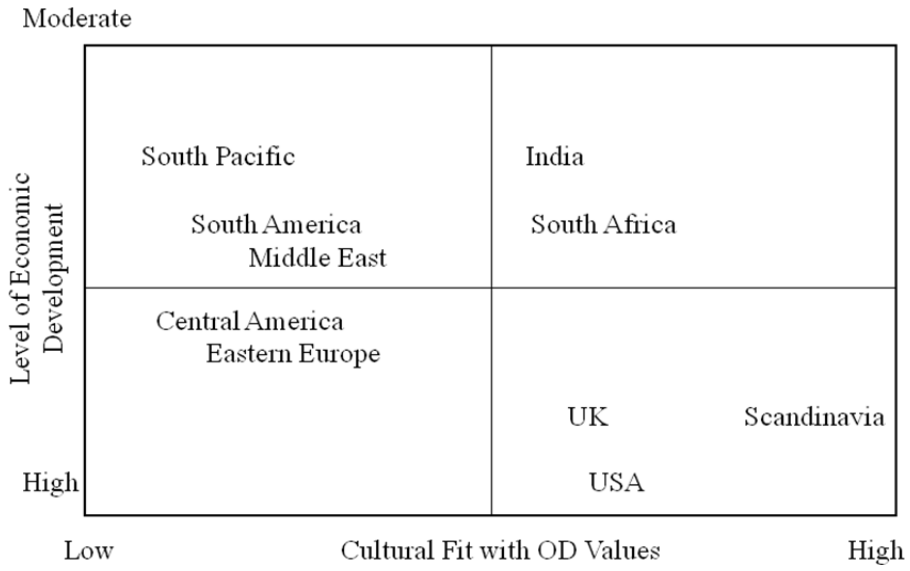
Industry structure changed from mass production manufacturing to high tech industry and some companies became global organizations. These required different management principles from the previous stage which helps to explain why the traditional Korean management system was challenged and the New HR Management system was introduced. Korea was recognized as a developed economy by joining the OECD in 1996. Therefore, it is reasonable to regard the 1990s as the starting point of the high degree of economic development.

Combining Cultural and Economic Factors

Cummings and Worley (2009) combined cultural and economic factors to show how these two factors influence the effectiveness of OD interventions. To assess cultural fit, they adopted Hoffstede's four cultural dimensions and added a context orientation. On

the economic development side, they include the moderate and high stages, but exclude the low stage because the countries at the low stage are not interested in OD as Head (1991) argued. Figure 2 shows the cultural fit, level of economic development, and the positions of some countries.

Figure 2. The Cultural and Economic Context of International OD Practices



Previously, I evaluated Korea's cultural fit with OD values and level of economic development. If the results of the two assessments are combined, Korea's positions can be put into the Figure 2. In Table 14., Korean culture's ratings are summarized. Jaeger did not include context orientation, but Cummings and Worely (2009) added the context orientation in their assessment. To make comparisons with countries in Cummings and Worely's chart, I included the context orientation in the overall evaluation. The way I made the overall evaluation is to divide the number of ratings matched with ideal ratings by the total number of ratings which is five. For example, only one dimension's rating

(Low Uncertainty Avoidance) was matched with the ideal rating in 1979, so the overall rating is 1/5. This is low because it is below half. The other overall ratings are made in the same way. One of the difficulties in making the overall ratings is that context orientation data are not available before 1998 or for the future estimation. If the context orientation is excluded, the denominator will decrease to four. This is a 20% change on the denominator, so this dimension should be included in the best estimate. The estimate is based on the fact that Korea's cultural context has been and will continue to be high. If there was or will be a predictable incident that might impact the level of cultural context, scholars should already have reported on them. However, there was no one who reported on them, so I assumed that Korea's high context culture has been and will continue to be at a high level.

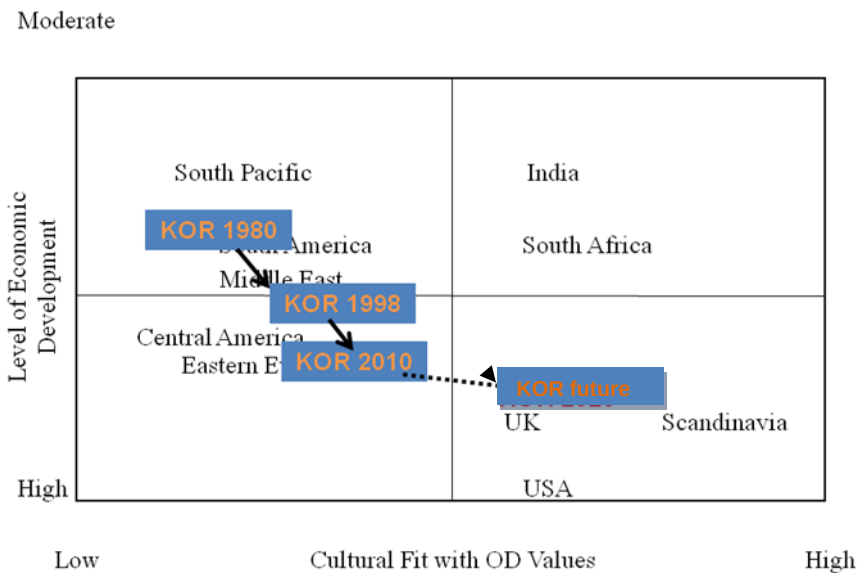
Table 17. Korean Cultrue's Ratings on Hofstede's Dimensions

	1979	1998	2010	Ideal Ratings for OD
Power Distance	High (72.85%)	Medium (69.6%)	Medium (58.75%)	Low
Uncertainty Avoidance	Low (10.15%)	Low (7.65%)	Low (11.87%)	Low
Masculinity*	High (64.15%)	Medium (49.95%)	Medium (29.75%)	Low
Individualism	Low (41.3%)	Medium (71.5%)	High (89.13%)	Medium
**Context Orientation	High	High	High	Low
Overall Ratings	Low (1/5)	Low (2/5)	Low (2/5)	

Note. * Since there is no masculinity data, I reversed maternity data by subtracting maternity data from 1.
**Currently, no context data is available, so I assumed that cultural context has been high.

According to the overall ratings on culture, I put Korea's positions on the axis of Cultural Fit with OD in Figure 3. I also indicated Korea's positions on the axis of Level of Economic Development. The 1980 position was in the upper left quadrant, 1998 was on the border between the upper left and the lower left quadrants, 2010 was in the lower left quadrant, and the future position is expected to be in the lower right quadrant.

Figure 3. Korea's Positions and Trend



Cummings and Worley (2009) thought that OD could be implanted considering the characteristics of each quadrant. Korea is in the quadrant of high level economic development and low cultural fit OD values. Cummings and Worley suggested that OD practitioners working for countries in that quadrant understand local culture before implementing and customizing OD interventions. Therefore, it will be ideal for local practitioners to lead OD projects in these countries.

In the future, it is possible that Korea will enter the quadrant with a high level of economic development and good cultural fit with OD values. Much of OD practice was

developed and is used in countries in this quadrant (Cummings & Worley, 2009). That means much of OD practice could be used in Korean organizations.

Will Korea Follow the Path that Japan Took regarding OD?

I argue that one of the reasons Korea did not pay attention to OD was that they assumed Korea would not need OD as Japan did not (Wolkan sanup kyoyook, 1990). Korea made this assumption because their management system shared a lot of similarities with the Japanese one, so they thought Korea would follow the path that Japan took in regards to OD. However, as Korean companies grew larger and became international, the HR management style did not resemble Japan's even though the Korean management system tends to converse to the Japanese one. (Lee, Roehl & Choe, 2000). This may be because HR management styles are directly related to national cultures, hierarchical in the case of Korea and group orientated in Japan (Lee, Roehl & Choe, 2000). That means Korean and Japanese HR management systems have developed through different paths.

There are several differences between Korean and Japanese HR practices. The first difference is that Japanese employers see their employees as important stakeholders whereas Korean employers do not (Lee, Roehl & Choe, 2000). Korean employers even regarded it humiliating to sit down with employee representatives at the same table and talk with them on an equal basis (Koo, 2000). Korean managers were less attentive to employees' opinions than Japanese (Lee, Roehl & Choe, 2000). Another difference is lifetime employment which is common in Japan, but depends on the company in Korea (Lee, Roehl & Choe, 2000). Korean employers continue to be challenged by employees and to deal with hostile labor unions and higher employee turnover rates than those in

Japan (Ungson, Steers & Park, 1997). I assessed Korean cultures against OD values using Hofstede's four dimensions. Table 18 presents the comparison of two cultures using OD values.

Table 18. Comparison of Korean and Japan Cultures against OD Values

	Korea 2010	Japan	Ideal Ratings for OD
Power Distance	Medium (58.75%)	High	Low
Uncertainty Avoidance	Low (11.87%)	High	Low
Masculinity	Medium (29.75%)	High	Low
Individualism	High (89.13%)	Medium	Medium
Context Orientation	High	High	Low
Overall Ratings	Low (2/5)	Low (1/5)	

Japan has only one dimension that is favorable to OD, so their cultural fit is a low rating only 1/5. However, Korea has more dimensions that meet the ideal ratings of OD values. If considering the future trend, it can be estimated that Korea would take a different path from Japan.

The unique characteristics of Korean HR management style created difficulties in the Korean management system. While the Korean management system had difficulty managing employees, it also faced the external challenges of globalization, industry structure change and financial crisis. Therefore, many Korean companies had to change their HR management practices to overcome the challenges. That's why most Korean companies began to adopt NHRM in the late 1990s. Considering the future direction of

HR management, it seems likely that the Korean HR management system will evolve to involve more employees as management partners. There will be ample opportunities for OD to contribute to this evolutionary process.

CHAPTER 5

OD NEEDS IN KOREA FROM THE PRAGMATIC OD PERSPECTIVE

The pragmatic OD view usually focuses on change technologies and intends to help organizations achieve results from implemented changes (Cummings & Worley, 2009). This is in contrast with traditional OD which appreciates traditional OD values and the importance of interventions to processes (Cummings & Worley, 2009). The pragmatists are also interested in having a process to certify members, creating a common body of knowledge, defining minimum levels of competencies, and instituting other regulatory infrastructure for the purpose of marketing themselves (Cummings & Worley, 2009).

In Korea, there is little evidence of the pragmatist approach in academic literature or trade magazines. However, human resource development (HRD) professionals put high priority on organization change and pay attention to competency gaps between the required and current HRD's competency level on change technology (Hwang & Kim, 2011; Kil & Kim, 2009; Lee, K. B., 2008).

Hwang and Kim (2011) and Lee, K. B. (2008) described why HRD professionals viewed change and organization skills as one of their required competencies. They explained that scholars such as McLagan, Suhadolnik, Gilley, Eggland, and Willson (as cited in Hwang & Kim, 2011; as cited in Lee, K. B., 2008) argued that organization development should be a part of HRD. In addition, Kang, D. S. (as cited in Hwang & Kim, 2011) included organization change and Abdullah (as cited in Hwang & Kim, 2011) did change management in the area of HRD. Hwang and Kim (2011) described that HRD

in their perspective includes three areas: training and development (individual development), career development and organization development after the late 1980s.

Lee, K. B. (2008) added Naddler, Wiggs and Lee, H. J. to the list of HRD scholars who emphasized the importance of organization development in HRD. Lee, K. B. also argued for this approach because the American Society of Training and Development (ASTD) defined that HRD contained three areas, training and development (T&D), career development (CD) and organization development (OD). However, others argued that OD in HRD is geared toward organizational effectiveness or performance (Hwang & Kim, 2011; Lee, K. B., 2008) and not related to the traditional OD values, so the meaning of OD in HRD is in line with the definition of the pragmatic OD.

Hwang and Kim (2011) conducted a survey on the performance level of HRD professionals in large corporations in Korea. The survey was sent to 300 HRD professionals working in the 30 biggest conglomerates (Hwang & Kim, 2011). The respondents described that while organization change agent was one of the HRD professional roles that were important to Korean HRD professionals, the role was not performed well (Hwang & Kim, 2011). They explained that it became more important for Korean HRD professionals to work closely with the management to define, align and implement HRD activities in order to increase organization effectiveness (Hwang & Kim, 2011). They suggested it was required to develop HRD professionals' competencies on change, so that they could perform better as organization change agents (Hwang & Kim, 2011).

Kil and Kim (2009) assessed training needs for HRD practitioners in large corporations in Korea. In their research, they received responses from 209 HRD

practitioners working for large Korean corporations (Kil and Kim, 2009). The results showed that HRD practitioners thought the organization change agent, the analyst, and the program designer were the most important roles, in order. The results also indicated that information searching and processing, investigation and analysis, business understanding, organization understanding, diagnosis and evaluation were required competencies to perform the three important roles (Kil & Kim, 2009). Kil and Kim also conducted in-depth interviews with five HRD executives of large corporations in Korea to understand organizational needs for HRD. From the interviews, they found seven general themes about the direction HRD departments in Korean companies should go (see Table 19).

Table 19. General Themes for HRD Roles in Korea

1.	Align HRD activities with organizational strategies
2.	Provide right HRD interventions that are required in the field in right timing
3.	Assess and analyze the effectiveness of HRD activities
4.	Share and spread organization's core value through communication
5.	Increase change readiness and manage change
6.	Consider individual preference and characteristics in designing HRD programs
7.	Be the leadership development resource center for all employees

These seven themes suggest what organizations needed from the HRD department. The themes may also influence HRD professional's opinions on the important roles and competencies they should perform and develop in their jobs.

Lee, K. B. (2008) analyzed perception on roles and core competencies of HRD practitioners and managers. In his research, 295 HRD practitioners working for 50 large corporations in Korea were surveyed. One important finding was that change management strategist was the role the majority of HRD practitioners perceived as most

important in their jobs. Lee, K. B. also found that the higher the job position the respondents held, the more importance they put on the change management strategist role. Lee, K. B. interpreted that HRD professionals in higher positions had more opportunities to participate in decision making events of change management projects; therefore it is possible that they have more understanding of the importance of HRD's role as change management strategist. He provided four reasons why HRD focus had moved from individual development to change management in the past 10 years: a diverse labor force, limitless competition in the global economy, industry structure change, and the need for life-long learning. These four reasons are aligned with the new HR management (NHRM) movement and 10 agenda items for Korean HR management in 2011.

1. Diverse labor force

Workforces in Korea would be more diverse as population aging proceeds (Lee, K. B. 2008). Because of a low birth rate, women and foreign workers would have more employment opportunities (Lee, K. B. 2008). This kind of transition in the workforce is new to Korea, so it would be a challenge for HRD to manage and develop diverse workforces. This subject is similar to the second point of the NHRM, resourcing flexibility. An important change in the NHRM was a new recruiting practice of major companies which was to hire employees from diverse sources (Yu & Rowley, 2009). This also shares common components with the fourth item of the 2011 HR agenda, diversity. This agenda item was that HR needs to create inclusive organization culture and provide flexible working conditions to accommodate different employee needs created by globalization and the multi-generational workforce (Kim, D., 2010).

2. Limitless competition in the global economy

Since Korea has to globally compete, Korean corporations need talented employees with advanced technology and strong competencies (Lee, K. B. 2008). As HRD is responsible for developing these kinds of employees, HRD professionals need to be agile and responsive to changes in external business environments in order to understand an organization's development needs (Lee, K. B. 2008). This is consistent with global talent management, the first item of the 2011 HR agenda. As globalization continues, many Korean companies are setting up offices in other countries and it is important to define the global HR management strategy (Kim, D., 2010).

3. Industry structure change

The Korean economy underwent structural changes in the 1990s. Major industries moved from traditional labor-intensive to high tech industries such as electronics, computers, telecommunications, and specialized machinery (Bae, 1997). Responding to this change, Korean companies shifted their efforts from imitation to innovation (Bae, 1997). HRD is challenged to develop employees who can initiate and lead organizational innovation (Lee, K. B. 2008). This area is connected with the third item of the 2011 HR agenda, promoting innovative culture. Innovation is sought across many industries in part because competition is fierce in every market (Kim, D., 2010). Therefore, HR needs to find ways to further decrease the level of hierarchy and help diverse employees voice their opinions to promote an organization culture of innovation (Kim, D., 2010).

4. Needs for life-long learning

Since the Asian financial crisis in 1997, lifetime employment is much less common in Korea (Yu & Rowley, 2009), so employees have become increasingly

interested in self-development to increase their job marketability. In addition, to retain their positions, employees often need to keep their skills and knowledge current with the changes in business environments (Lee, K. B. 2008). Corporations also need to retain and develop employees in responding to changing environments, so life-long learning needs rose in both individual employees and corporations (Lee, K. B. 2008). In corporations, HRD has to deal with these learning needs that did not exist before, so HRD professionals need to adjust themselves to meet the new needs (Lee, K. B. 2008). This subject is related to the third point of the NHRM, talent management and development which concerned providing employees with development resources to maintain a competitive workforce in organizations (Yu & Rowley, 2009).

The results of these three surveys indicated that Korean HRD practitioners saw organization change skills as their important role in their jobs. In addition, driving forces which moved HRD's focus from individual development to change management were related to the NHRM movement and the future direction of Korea HR. However, it is not clear that OD actually can meet these needs of organization change. In the next chapter, I review two organization change cases successfully done in Korea and assess the degree to which the six OD characteristics are found in the two cases and how they contributed to the success of the projects.

CHAPTER 6

OD ELEMENTS APPLIED IN ORGNIZATION CHANGE PROJECTS IN KOREA

In this chapter, I present two organization change projects conducted at two large Korean companies that were recognized by the Korean mass media and academia as successes. I comment on the activities, processes and outcomes by relating them to the six OD elements described in Chapter 3.

Hyundai Oilbank

The action learning project at Hyundai Oilbank was a successful case discussed at business conferences in the mid 2000s (Kim, N, K., 2009). It also drew mass media's attention. For example, newspapers in Korea ran 21 articles about the project from 2003 to 2010 (NHN, 2011). One of the reasons it was regarded as a success is that the company consistently implemented action learning for 7 years and achieved positive business results (Bong & Seo, 2009). It is still rare to continue action learning for this period of time and distinctive to use it as a method of organization development in Korea (Bong & Seo, 2009). The following summary was generated based on the research paper written by Bong and Seo (2009) and the special feature of *Dong-A Business Review* (Kim, N. K., 2009) about the project.

The company was one of the four major oil refinery companies in Korea. Because the company's products such as gasoline and other extracts of oil were basic commodities for industries and general consumers, and it was difficult for a new competitor to enter the industry due to required large investment in facilities, its business had stably grown as the Korean economy grew. However, the company recorded losses of $193million in 2000 and $391million in 2001 because of fluctuation in crude oil price and the exchange

rate. To cope with the crisis, the new CEO presented the status of the company to employees and responded by restructuring the company by selling unprofitable or unnecessary assets and laying-off 30% of the employees.

The CEO believed there were many areas to improve in the company to get the company back on track. He also thought the issues had not been adequately addressed because the organization culture hindered the efforts. For example, the organization structure was hierarchical based on seniority. Decisions were unitarily made by the superiors without discussion with or listening to employees. In addition, employees were not motivated to work hard because promotion and salary were not linked to good performance. In order to change the organization culture and take on improvement areas, the CEO introduced action learning as a management tool. Action learning is "an educational strategy, used in a group setting that seeks to generate learning from human interaction arising from engagement in the solution of real-time work problems" (Raelin, 2008, p. 83). The CEO thought action learning was an effective tool to turn around the company because it could provide practical solutions to many management issues and help the company change its organization culture while involving employees in discussions and decision-making on the management issues.

The action learning program was launched in 2002 by the internal innovation team and continued until 2009. All employees had to participate in cross functional teams at least twice per year. The topics for team activities were autonomously selected by each team using established guidelines.

Since 2003, individual performance in action learning teams was reflected in performance evaluations. In 2004, the company created a standard problem solving

procedure to help action learning teams tackle diverse issues. The company also trained team leaders, facilitators and one team member on the standard procedure at off-line workshops and covered the rest of the employees with on-line training.

The company measured the results of action learning team activities twice a year and assessed how much action learning activities contributed to the improvement of the business. Best teams were rewarded quarterly and annually in contests. To share best practices and the results, the company ran a “knowledge café”, an online knowledge sharing platform.

From 2006, the company developed action learning coaches who performed a catalyst role in action learning. It planned to develop 10% of employees and managers into action learning coaches by 2012.

The company also changed its HR management systems. A new performance evaluation process was introduced and promotion and salary decisions were made based on performance. An incentive was designed to link it to the company’s financial performance.

In the first year, 2003, action learning teams worked on 279 topics and saved a value of $7.7 million. The company produced profits of $5million. In 2007, there were 141 topics, a saved value of $23million, and realized profits of $44million.

The OD Elements of the Project

1. Organization Behavioral Science

The two major OD interventions, part of organization behavior sciences, that Hyundai Oilbank used were action learning and HR management. Action learning is more effective for fuzzy unprecedented issues. This has been the case in most current

change projects (Freedman, 2009). Using action learning, the company garnered solutions in many areas that required improvements (Bong & Seo, 2009). As Hyundai Oilbank had a lot of improvement areas, it was necessary to run multiple change projects. Action learning provided not only a way to find solutions for the issues, but also a structure to manage multiple projects (Bong & Seo, 2009). Through action learning, the company could develop a new organization culture (Bong & Seo, 2009) in part because the employees learned how to work in a team on an equal basis, and created the foundation for eliminating layers in the hierarchical organization structure (Bong & Seo, 2009). They also learned to use scientific tools in solving problems. Those tools helped them make decisions rationally rather than only by a superior's subjective opinion (Bong & Seo, 2009). Participating in action learning activities, the employees were able to pay more attention to company matters which had a positive influence on increasing engagement level (Bong & Seo, 2009).

The company renovated the HR management system to expedite changes in the organization. The number of job grades was reduced from 11 to 6 which flattened organization structure. A performance evaluation system was introduced for the first time in the organization. Salary increases and promotions were linked to the results of the performance evaluation. In addition, an incentive program was connected to the company's financial performance. Overall, the company culture became more performance-oriented.

2. Changes

Five significant changes were enacted. Action learning projects created improvements in the production area. Shortening product load time, cost saving using

domestic parts, and promoting employee's suggestions for improvement were examples. Action learning was also applied to improve the marketing methods, the purchasing process, and the profitability of oil reserve facilities (Bong & Seo, 2009). The approval system was altered to increase the speed of approvals. Emails were used to get approvals from the supervisors. This saved the time of the employees who used to wait in a line to get approvals in front of the supervisor's office (Bong & Seo, 2009). A new Enterprise Resource Planning system was introduced to improve the efficiencies of processes, support the management's decision, and have transparent & ethical business practice (Bong & Seo, 2009). When the company turned profitable, it invested in upgrading production facilities to increase productivity (Bong & Seo, 2009). Finally, as a result of these directed/planned changes, the organization culture was also changed. The new culture was characterized by speedy and rational decision making, two way communications, employees' participation in management, and focus on performance.

3. Development

Hyundai Oilbank made an effort to develop the capability of continually improving organization effectiveness. Examples included that they developed internal action learning coaches to continue action learning activities, and they customized the action learning process to meet its own needs. The company also paid attention to employee development. It did not cut the development budget even during restructuring. Rather, it provided the employees with job related books and encouraged them to read and discuss the books. An employee usually read 40 books per year (Bong & Seo, 2009). Another effort to develop organization capability was institution of structures and processes for improved knowledge management. The company set up the knowledge

management department and system, and encouraged employees to share their best practices gained from action learning and learn from each other's experiences.

4. Organization effectiveness

Hyundai Oilbank achieved its main objectives. It turned into a profitable company, producing profits of $5 million in 2002, $5million in 2003, and $40million in 2004. The company also developed a desirable culture which enabled it to continue improvement and maintain organization capability.

5. Democratic/humanistic values

In the first 10 days in his new position, the CEO communicated to employees the status of the company because he believed that the company needed the employees' cooperation to restructure the company. He visited all the offices and shared the issues that the company faced. His presentations created a sense of urgency in the organization and were able to garner employees' cooperation on organizational changes. This is typical behavior that a CEO who treats employees as democratic partners and who involves them in organization changes demonstrates (Bong & Seo, 2009).

The selection of action learning as a method to drive organization changes also reflects democratic values. Implementing action learning across the entire organization, involved the employees at all levels in discussing company issues, and making suggestions. The employees selected the improvement area to work on as an action learning team and suggested solutions to the management, many of which were actually implemented. By being involved in the management problem solving process, the employees were more engaged in their jobs (Bong & Seo, 2009).

6. Systems theory

There were several aspects that helped the company achieve good results from a systems theory perspective. First, the company implemented action learning in the whole organization. It involved all employees across the departments, so the change readiness of the employees was raised in the whole organization regardless of job levels and departments. The topics of action learning also covered any area as long as it was related to improving overall organization effectiveness. The employees usually selected topics from their department work, so most of the important organizational issues were addressed across the departments simultaneously through action learning.

As this action learning program extended to the whole organization, more teams came to be in charge of overseeing the program. In the beginning, the management innovation team under the CEO led it, but this was changed such that eight teams shared responsibilities by 2006 (Bong & Seo, 2009). The management innovation team's role was to continually assess the effectiveness of the action learning program and improve tools, methods and processes for it. The knowledge management team was in charge of managing the knowledge management system and encouraging the employees to exchange the best practices obtained from action learning. The HR team designed a performance evaluation system which reflected the results of action learning into individual and team performance. The HR team was also in charge of developing action learning coaches and training the employees on action learning. In addition, the HR team implemented a series of new HR programs and policies to support the execution of action learning. The business management team measured the business results achieved by action learning projects. They kept tracking key measurements to see how action learning was contributing to achieve the company business objectives. Finally, there were

innovation execution teams under the four divisions of the company. These four teams were responsible for implementing action learning in their division. They provided the action learning teams in their divisions with a division specific guideline and coordinated communications between the central planning teams and execution teams. All these efforts met the conditions of success of change in an organization from system theory perspective.

Hankook Electric Glass

The story of Hankook Electric Glass (HEG) was referred to as a legend in which failing, almost dead company suffering from the Asian financial crisis was resuscitated (Cho, J. W., 2001). The specific details of the events and the CEO's leadership have been described in popular Korean business books, graduate dissertations and academic papers. In addition, another 20 business books adopted HEG's project as a success case (RISS, 2011). One of the reasons this case earned so much attention was the dramatic turnaround in organization performance in three years (Park, N. Y, 2004; Moon, 2002). The following is a summary based on research papers (Park, N. Y, 2004; Moon, 2002).

HEG's major products were color picture tubes (CPT) and color display tubes (CDT) which were parts of cathode-ray tube (CRT) TVs and computer monitors. The company had a problem with labor relations. The labor union staged a strike for 77 days in 1997. Due to management difficulties mainly coming from labor union issues, the owner sold the company to Daewoo, a Korean conglomerate in December 1997. Doo-Chil Seo was appointed by Daewoo to be the CEO of the company. When Seo took the CEO position, the stock price of the company was about $3. The debt ratio was 1,114%, annual sales revenue was $237million, and net loss was $60million. The Asian financial

crisis which began in July, 1997 and negatively impacted Korean economy, threatened HEG even as new management was established.

The CEO's short-term goal was to turn around the company and produce profits by 1998, but his vision was to make the company become number one in the Korean market by 1999 and a first-tier-company in the global market by 2000. To achieve this vision, he set a production goal which was to manufacture twice as many product units as before, but with no claim from customers. He also saw the needs for developing new products, so he directed R&D to develop more value added products. The CEO planned to restructure the company strategy, product portfolio, production process and technology, organization structure, and culture simultaneously. But, he also promised to guarantee employees' jobs security.

The CEO tried to maximize the existing resources to increase the productivity and create competitiveness in product price. To do this, he worked with engineers in the plant to streamline the production process. Molding, injection and inspection were done separately in the production processes. This was the way it had been and nobody challenged the conventional way to improve, but the three activities were integrated in one production line. This change shortened time from molding to packaging from 7 days to a remarkable 4 hours. To promote competition among production lines and strengthen teamwork within a line, the weekly performance of each line was announced. However, employee's individual incentive was linked to the whole organization's performance to break department silos and foster cooperative organization culture. After improvement was made in the production processes, repair work was reduced, so the maintenance department turned their focus to prevention. To give the R&D more direct feedback from

the production field, some experienced technicians were transferred to the R&D group and their feedback expedited product development.

There was improvement in the decision making process as well. The 16 layers of approval processes were reduced to 3 to 5 layers and the email approval system was introduced. Through authority delegation, more managers made final decisions in the field. A new communication rule was also launched. Every decision that the CEO made was to be communicated with all managers in 12 hours and with all employees in 24 hours.

Production and quality meetings were held every morning and chaired by the CEO. He also had weekly management meetings with all managers to share information, discuss cross functional issues, and review business strategy. The result of each meeting was communicated with all employees in 12 hours. The CEO also met with the employee relations (ER) team every morning. He asked the ER team members to collect and share the employees' opinions or concerns and he discussed the issues with the team for solutions. This approach was to find the employees' potential dissatisfying factors in advance and resolve them before the employees raised the issues. This increased the employees' job satisfaction and commitment. The ER team renovated rest rooms, dormitories and cafeterias for employees. The culture in the cafeteria was also changed. Everyone equally waited in a line to get food regardless of job level and had meals at the same tables.

The company's relationship with the labor union improved. For example, the wage bargaining process usually took months, but the company and the union set the new practice to finish wage bargaining in only one day. Cooperation also emerged among

production line shifts, between production and maintenance, production and R&D, and production and management. R&D developed new products such as 17 and 19 inch, 17 inch flat CDTs for computer monitors, and 25 and 29 inch CPTs for TVs.

In terms of financial performance, the company turned around. For instance, between 1997 and 2000, debt ratio was down from 1,114% to 49.6%, annual sales revenue increased from $237million to $336 million, profit changed from a loss of $60million to a positive $76million, and HEG stock price jumped from $3 to $50 per share.

The OD Elements of the Project

1. Organization Behavior Science

It is not known whether the CEO and management team consciously designed the interventions using organization behavioral sciences, but there were several interventions in HEG case that fit well with theories and models of organization behavioral sciences. First, what the CEO did in the first several months was a good example of Backhand's change model (Value Based Management, 2011) that change is a function of discomfort, vision and the first step which should be stronger than resistance.

$$\triangle = f\ (\text{Discomfort x Vision x First Step}) > R$$

In the first month with the company, HEG's CEO held 12 presentation sessions for employees (Park, N. Y, 2004). At each, he openly shared the company's management and financial information with employees, so that they could understand how serious the status of the company was (Park, N. Y, 2004). This increased the dissatisfaction and discomfort of employees. At the same session, he shared his vision which was to turn around the company in 1998, to be number one in Korea in 1999, and to be a top-tier-

company in the global market by 2000. He then explained to the employees what to do as a first step (Park, N. Y, 2004). He devoted much time and energy to be with employees in the field where changes took place and he experienced the changes himself (Moon, 2002). He planned for employees to continue to experience small wins which ultimately led to a big win (Park, N. Y, 2004).

The CEO regularly communicated with employees on changes through newly established meetings and communication channels. Smelzer, Sivadas and Dwyer (as cited in Park, N. Y, 2004) saw communication as an important organizational element to gain cooperation from employees. He gained employee's commitment by guaranteeing job security, a psychological and ethical contract made between the employer and employees (Park, N. Y, 2004). The concept of the psychological contract was suggested by Robinson, Kraatz and Rousseau (as cited in Park, N. Y, 2004) and this psychological contract is in effect only when each side's expectations were mutually met. In HEG's case, the company expectation for the employees to be committed to coming changes was matched with the employee's expectation for the company to guarantee their job security.

2. Changes

HEG planned to drive changes in several areas of the organization to turn around the company. The first was improvement in production processes. Molding, injection and inspection were integrated in one production line to increase productivity, shorten production time and avoid separated maintenance effort. Product portfolio and R&D organizations were also changed. R&D was asked to develop more value added products. To carry out their new mission, R&D hired external talent and added internally experienced technician from production.

Changes in the ways management and employees communicated were established. The company set the rule that the company's important decisions were to be communicated by senior leaders with line managers in 12 hours and line managers should communicate with employees in 24 hours. The CEO participated in key meetings with managers and employees to listen to their opinions and receive suggestions.

The CEO thought the organization culture was one of the areas that needed changing. The organization structure was flattened to increase the speed of decision making and decision authorities were decentralized and delegated to the manager level. In addition, the company also set a new rule about seating in the company cafeteria which abolished a manager section and encouraged everyone to sit together regardless of job levels in order to enhance teamwork and egalitarian spirit. As a result, trust was built between the company and employees. This trust also had a positive impact on labor relations.

3. Development

While HEG initiated changes, the company also tried to develop organization capabilities to sustain the result of change. First, the company developed managers' leadership competency by involving them in various meetings and decision making. (Park, N. Y, 2004). All managers had to attend weekly management meeting and related managers attended the production and quality meeting every morning. In addition, managers had more opportunities to make decisions on their own through authority delegation.

4. Organizational effectiveness

Organization effectiveness improved in many areas, but key indicators of the improvement were production and financial performance. Production performance showed growth in productivity and decrease in production time, deficit rate, and customer claim rate. Annual sales revenue increased from $237million to $336 million, profit changed from minus $60million to $76million, and stock prices jumped from $3 to $50 per share while debt ratio was down from 1,114% to 49.6%.

5. Democratic/humanistic values

There were strong indications that the level of trust in the company increased because of several actions that the company took. These actions were in line with democratic and humanistic values. First, the company made efforts to share company information openly with the employees. The CEO thought open and transparent communication was the essential to involve employees in the change process and to get their commitment (Park, N. Y, 2004). It was helpful to start building trust with employees because the employees previously did not trust the company due to the company's non-transparent management practices (Moon, 2002).

Second, the company showed respect and treated the employees as partners by guaranteeing their jobs. Job security was the employees' major concern because of the previous layoffs, the employees thought the employer had seen them as expendable (Moon, 2002). The CEO thought it would be difficult to implement many changes without the employees' cooperation (Park, N. Y, 2004). Many changes should be done especially in production lines and most of the employees on production lines were the union members.

CHAPTER 7

CONCLUSION

Since 1960, the Korean economy has undergone changes due to globalization, industry structure adjustment, the Asian financial crisis, hostile labor unions, and the political transition to democracy all of which impacted Korean business environments. To adjust themselves in the new environments, Korean companies also changed the way they managed themselves. One important change was that in the past, Organization Development (OD) has been assumed to be unnecessary and possibly invalid, but as the country and the organizations changed, such beliefs seem to be challenged. In this thesis, I examined and tested these assumptions.

OD definitions were reviewed and from these, six common OD elements were drawn to use as an operational definition. Two OD trends were described: the traditional and the pragmatic which offered perspectives in assessing how OD might be applied to Korean companies.

OD values and Hofstede's (1980) four dimensions of Korean culture were compared to the OD trends. I argued and described that Korean culture was changing in the several directions. Power distance and masculinity were becoming lower, uncertainty avoidance was staying low, and individualism was getting higher. In addition, context orientation was staying high and economic growth was continuing. Changes in power distance, masculinity, uncertainty avoidance, and continuous economic growth would provide favorable grounds to implement OD.

Research on Korean HRD practitioners' roles and competencies was reviewed to determine to what extent pragmatic OD needs existed. The research results showed that

HRD practitioners saw the change agent role as the most important role in their jobs. However, they thought they did not possess enough skill and knowledge on change and organization, so they took competencies on change and organization as the number one development area. Those findings suggest that if Korean HRD practitioners can acquire the necessary competencies on change and organization and implement OD interventions, the success rates of the interventions would be higher than before. Because Korean culture is changing favorably toward OD, it is getting less obstructive to the practitioners' OD interventions. Hyundai Oilbank and HEG are good examples. It was found that key OD elements were implemented in the organization change cases of the two companies and contributed to the success of the organization changes.

The following considerations are warranted. First, even though the directions of change of Korean culture can be estimated, it is difficult to forecast the speed of the change. This implies it is required to regularly check the progress of the national culture change. Second, each company is in a different situation, so has a different organization culture. In other words, some companies have cultures more favorable to OD while others do not, regardless of changes in the national culture. For example an industry or company with many workers in their 20's and early 30s might be more receptive than a company with mostly workers of an older generation. Therefore, it is important to assess the organization readiness for OD before implementation. Third, it is essential that OD practitioners should be able to read non-verbal behavior of organization members in order to successfully implement OD interventions in Korea. Korea has high context culture and this won't change quickly (Trompenaars & Hampden-Turne, 1998). Non-verbal cues in human interactions provide key information of what people really think in a high

contextual culture (Trompenaars & Hampden-Turne, 1998). Therefore, it is advantageous for OD practitioners to have a good understanding of Korean culture and command of Korean. Fourth, there is low awareness of the value of OD in Korea, so it may be difficult to garner stakeholders' support for an OD approach to organizational problems. There are no associations or academic societies which promote the value of OD in Korea. Therefore, it will be helpful if an organization such as OD network is established in Korea. This network can involve any HR professionals, consultants and scholars who are interested in OD. I think this network can contribute to exchanging knowledge and success stories of OD and improving the awareness of the value of OD in Korean business community

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