

a multibillion-dollar price tag

By Inhye Kim

In the Economic Survey of Korea 2007, the Organisation for Economic Co-operation and Development (OECD) stated “Strengthening the integration of Korea in the world economy is a priority. Achieving this objective requires reducing barriers to foreign direct investment and imports... and relaxing controls on inflows of foreign workers.”

As Asia’s third-largest economy becomes more knowledge-intensive and tied ever more closely with the world’s economy, Korean chaebols have independently initiated programs to tap and foster skilled global talent.

Hyundai Motor and its affiliate Kia Motors hold job fairs in Europe and the United States. Samsung Electronics provides housing, Korean language classes and an international lunch menu for its foreign employees at its Suwon City headquarters. Others such as LG Electronics and Woori Bank have also made efforts to bring in foreign talent.

Several factors have fostered this drive for global talent. First, international managerial talent and technical expertise are needed to ensure Korean global brands such as Samsung, Hyundai and LG Electronics sustain their top rankings. Second, Korean companies have become far more international.

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STX Shipbuilding for example, acquired a 39.2% stake in a Norwegian shipyard in its effort to tap the European market.

Another crucial factor has been the narrowing pay differentials between Korean companies and multinationals, making it more feasible to attract best-in-class talent. Chief executive officers in South Korea arguably are amongst the highest paid in the Asia-Pacific region.

The hiring of foreign talent within the senior ranks of management, however, is still rare. LG Electronics recently brought in Dermot Boden to fill its newly created chief marketing officer position at its Seoul headquarters. He had previously run Pfizer's operations in the Asia Pacific region. As a non-Korean, he is being brought in as a change agent at one of the world's top-five handset makers.

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Multibillion Dollar Talent

Increasingly, the chaebols are taking various approaches in scouting for world-class talent.

One has been through corporate acquisitions. South Korea's largest construction equipment maker, Doosan Infracore, recently bought leading American engineering and manufacturing company, Bobcat, for US\$4.9 billion. Upon completion of the deal, Yongmaan Park, vice-chairman at Doosan Infracore, had this to say: "The businesses we are acquiring have outstanding management personnel and engineers, which we consider to be the most important criteria of our acquisition strategy. We therefore plan to maintain the current management to best utilize their expertise and skills in an effort to evolve Doosan Infracore into truly a global company." Headed by James Bemowski, an American who had previously headed the Korean office of McKinsey and Co, Doosan is one of the few Korean conglomerates to have a non-Korean as an executive officer.

As the chaebols set up more overseas offices, they have been more open to hiring foreign nationals to fill their international senior management positions. This is considered a more moderate approach to acquiring the expertise of global talent. "I learned that it is very important to manage based on existing

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faculties,” says Doosan’s Park. “Especially in Bobcat’s case, in guaranteeing globally competitive executives and engineers, the professionalism and abilities of existing faculties would be maintained.”

The most conservative approach is the appointment of native or ethnic Korean executives who have worked at leading global firms in Korea. There is less need for any cultural adjustment and Korean companies can gain from their experience in international best practices.

Korean companies are still reticent about hiring foreign expatriate staff, given the contrasts in culture, language and work dynamics. Mary Kathryn Thompson, an assistant professor at the Korea Advanced Institute of Science and Technology (KAIST), brings this to life in a letter to the president’s office, “The language barrier at KAIST is not a big problem. The language barrier outside of KAIST is not a problem if you’re a tourist, but it’s a huge problem if you’re going to live here as an independent entity.”

Language and cultural barriers can pose a problem at work, particularly when local employees misunderstand or resist the changes that foreign talent was brought in to implement. The appointment and eventual bowing out of Nobel physics laureate Robert Laughlin as president at KAIST is one such illustration. In a move that suggests that important lessons were learnt, KAIST recently announced plans to hire four to five professors from Massachusetts Institute of Technology.

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Removing Barriers

Korean corporate culture is centered on strict hierarchical structures based on Confucian traditions. Korea’s chaebols, many of which are still largely controlled by their founding families, will need to actively address the cultural differences expatriate employees confront to help them to be effective.

To begin with, Korean interviewers often appear authoritative, creating an environment where the interview process is perceived to be an “entrance test” rather than an opportunity for both parties to get to know each other.

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Tight hierarchical structures also mean that expatriate managers operate with a more restricted amount of management autonomy than what they may be accustomed to, which in turn slows down the decision making process.

While expatriate staff may offer the benefit of international best practices, they may lack the benefit of local knowledge. In addition to the deference primarily accorded to long serving local senior managers, this often makes it difficult for new expatriate managers to gain the trust and cooperation of their Korean colleagues.

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Such widely acknowledged challenges make it hard to attract global talent in Seoul, a city that is seldom seen as one of the top Asian destinations in which to live and work.

With Korean conglomerates such as Doosan Infracore taking the lead, there are signs that Korean companies are more open to enlisting the help of global talent, both in their local and overseas operations. As Korean executives become more accustomed to working with foreign management, there is hope that communication and cultural barriers will become a thing of the past.

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