Understanding Cross Cultural Communications in the Business Sector of South Korea: Case Study for Foreign Staffs in Korean Chaebols

By Hwajung Kim (December 2013)

Introduction

Samsung has been ranked 8th on the 2013 Interbrand Best Global Brand list, and Hyundai is included within top 50th on the same list1. Samsung Electronics has been placed in the 35th “Most Admired Company” conducted by Fortune Magazine in 20132. Also, according to LEAD report3, Samsung Electronics Co. has been ranked at the top with an estimated value of 116 trillion won, followed by Hyundai Motor Co. with a brand valued worth 30 trillion won4.

Korean business conglomerate like Samsung and Hyundai are referred to as “Chaebols”, and they have been undoubtedly exerted enormous influence on South Korea’s fast-growing economy and made it possible for “the Miracle of the Han River” along with “strong government leadership” and “sound economic planning” (Yoo and Lee 1987:95). Particularly Hyundai, Samsung and LG (Lucky-Goldstar) were established in the late 1950s with support of government. Chaebols have somewhat unique structure of ownership, family-orientation and centralized control (Ferris 2003:255), and they are also characterized by an extensive arrangement of pyramidal or multi-layered shareholding agreements and the existence of cross-debt guarantees among member firms (Baek et al. 2004:269). These characteristics have formed its corporate culture and the management styles, such as, clan management, top-down decision making, Confucian work ethic, paternalistic leadership and so forth (Yoo and Lee 1987:105).

At the end of last year, Samsung Electronics employed 90,700 workers and Hyundai


2 http://money.cnn.com/magazines/fortune/most-admired/2013/list/?iid=wma_sp_full

3 A survey of 2,000 people from 60 countries that reflected their perception of each country, conducted by the Institute for Industrial Policy Studies

4 http://english.yonhapnews.co.kr/search1/2603000000.html?cid=AEN20131106005851320
Motor Company employed 59,831. These two companies are Korea’s top two in employment. In the meantime, according to Sustainable Report 2009, Samsung achieved 48% in locally-hired foreign workers as a percent of the total workforce. Approximately, 236,000 employees in 79 countries around the world work for Samsung, and Samsung culture is getting diverse. It is said that “Creative Organization Culture”, “Diversity Management” and “Global Diversity” in Samsung Electronics Sustainability Report 2012. However, foreign staffs seemed not to be well incorporated with chaebol cultures because the number of foreign employee turnover has increased substantially (Cho 2009). Employee turnover in organization can be driven by “certain identifiable characteristics of workers, tasks, firms, and markets, and that, by developing policies to address these characteristics”, thus it is significant to see how to reduce the occurrence of turnover to raise efficiency in their respective organizations (Zeynep and Huckman 2008).

Then, why does it happen to foreign staffs in chaebols? Does the lack of cultural understanding matter? If so, it is important to have theoretical backgrounds about cross cultural communications and to seek for the role of culture in the business sector. Also it needs to be addressed such as what are characteristics of chaebol cultures, which factors determines the chaebol cultures, and how the chaebol cultures affect foreign staffs. In doing so, the paper firstly provides a brief overview of Hofstede’s five dimensions of cultures and the concept of organization culture, Trompenaars’ four characteristics of corporate cultures, and Cho&Yoon’s dynamic collectivism of Korean corporate culture. Then, the paper explains how cross cultural communications can be incorporated with cultural understanding in Korean chaebols. Also the paper conducts a research on whether better cultural understanding of Korea would result in better efficiency amongst the foreign employees in chaebols like Samsung, L.G, and Hyundai. Next, the paper reviews findings, research accomplishments

5 http://english.khan.co.kr/khan_art_view.html?code=710100&artid=201309121705037


and challenges, and then the paper analyzes the importance of cultural understanding through profound and enduring cross cultural communications. Finally, the paper provides direction for cultural understanding methods in order to integrate foreign staffs into Korean corporate cultures.

**Literature Review**

Considering that foreign staffs’ turnover rate increases, the paper takes the assumption of cross cultural communications problems at the core because foreign employees in Korean chaebols may have difficult time due to culture differences. It might be not only because Korea chaebols tend to maintain their ethnic culture but because they persist their own corporate cultures as well, meaning that foreign staffs would take double burdens from both national culture differences and unique corporate cultures when working for Korean chaebols. In this regard, the paper gives a brief overview of Hofstede’s cultural value dimensions and the four characteristics of Trompenaars, and then the paper provides the concept of dynamic collectivism of Cho&Yoon.

**Hofstede: Five Dimensions of Culture and Organizational Culture**

Hofstede defines culture as “mental programming/mental software” corresponds to a much broader use of the word that is common among sociologists and, especially, anthropologists” based on a country level actor analysis, he classified the original 40 countries along five dimensions (Hofstede 2010:5). The five dimensions are as follow: firstly, individualism, the degree of interpersonal, social connectedness; uncertainty avoidance, the degree of discomfort with the unknown; secondly, masculinity, the degree to which achievement and aggression are valued; thirdly, power distance, the degree to which differences in wealth and other endowments are accepted; and lastly, Confucian dynamism, long-term versus short-term orientation (Hofstede 2010). Although Hofstede’s five dimensions are criticized because of being overly simplified and ignorant of its heterogeneity (Sivakumar and Nakata, 2001:557), it is no doubt that this five dimension framework has been widely used by a number of researchers because of its clarity, parsimony, and resonance with managers.

From the perspective of social anthropology, Hofstede refers culture as “a catchword for all those patterns of thinking, feeling, and acting”, thus culture includes not only activities supposed to refined the mind are included” but also “the ordinary and mental things” (Hofstede 2010:5). Additionally, he underlines the personality of an individual isn’t

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10 Both terms can be used interchangeably
necessarily shared with any other human being because the personality is a unique set of mental programs (Hofstede 2010:5). Also he defines the characteristic of organizational culture by saying “corporate culture is a soft, holistic concept with, however, presumed hard consequences” (Hofstede 2010:47). While sociologists emphasize the role of the soft factor in organizations, Hofstede differentiates organizational cultures from nation cultures. He underlines that “organizational cultures are a phenomenon by themselves, different in many respects from that of a nation […] national cultures and their dimensions proved to be only partly useful for the understanding of organizational cultures” (Hofstede 2010:47).

Therefore, Hofstede tries to explain what factors affect planning and control process in organization and develops the plotting charts associating power distance (PDI) with uncertainty avoidance (UAI)\(^\text{11}\) (Figure 9.1 pp.303). He underpins that the position of a country in that chart shows the country’s way of solving organizational problems (Hofstede 2010:302); because, he argues, “there is empirical evidence for the relationship between a country’s position within the PDI-UAI matrix and models of organizations implicit in the minds of people from those countries that affect the way problems are tackled” (Hofstede 2010:303). The way how national PDI and UAI affect planning and control processes in organizations has been summarized in Table 1.

### Table 1. How PDI and UAI Affect Organization Cultures

<table>
<thead>
<tr>
<th></th>
<th>How PDI and UAI Affect Organization Cultures</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Higher PDI supports political rather than strategic thinking.</td>
</tr>
<tr>
<td>2</td>
<td>Higher PDI supports personal planning and control rather than impersonal systems. The higher in the hierarchy, the less formal the planning and control.</td>
</tr>
<tr>
<td>3</td>
<td>Lower PDI control systems place more trust in subordinates; in higher PDI cultures such trust is lacking.</td>
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<tr>
<td>4</td>
<td>Higher UAI makes it less likely that strategic planning activities are practiced because these activities may call into question the certainties of today.</td>
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<tr>
<td>5</td>
<td>Higher UAI supports a need for more detail in planning and more short-term feedback.</td>
</tr>
<tr>
<td>6</td>
<td>Higher UAI implies leaving planning to specialists.</td>
</tr>
<tr>
<td>7</td>
<td>Higher UAI implies a more limited view of what information is relevant.</td>
</tr>
</tbody>
</table>

This chart extracted from *Pyramids, Machines, Markets, and Families: Organizing Across Nations*, (Hofstede 2010:316)

*Trompenaars: Four Characteristics of Corporate Cultures*

Trompenaars emphasizes the essence of culture lies on “the shared ways”, whereas Geert

\(^{11}\) Refer the Figure 9.1 in *Cultures and Organizations* p.303
Hofstede defines culture as mental programs, so that groups of people can understand and interpret the world; thus, it is significant not to consider culture as “what is visible on the surface” (Trompenaars 1998:3). Since the culture is the shared system of meanings, Trompenaars stresses that culture determines people’s interests/attentions, behavior, and value. He argues that “culture organizes such values into what Geert Hofstede calls mental programs […] the behavior of people within organizations is an enactment of such programs […] cultures structure the perceptions of what they experience”(Trompenaars 1998: 13). The shared meanings are the core of culture, are incorporated into people within a culture and cause them to interpret things in particular ways. But the shared meanings can transcend the people in the culture meaning that they are “open to be changed if more effective solutions to problems of survival are desired by the group” (Trompenaars 1998: 27).

Also he points out international managers should take the balance between consistency and adaptation to the local characteristics for corporate success since universal application of western management theory has been challenged. Therefore, more knowledge of cultural patterns should be thoroughly considered for the internationalization of business life because "Culture is like gravity: you do not experience it until you jump six feet into the air. […] in practice, though, beneath the surface, the silent forces of culture operate a destructive process, biting at the roots of centrally developed methods which do not fit locally” (Trompenaars 1998: 5).

He criticizes organizational theory in that it did not measure the effects of national culture although the theory introduced the environment as an important consideration. In particular, the cultural environments should be taken into consideration because culture is “the way in which a group of people solves problems and reconciles dilemmas” (Trompenaars 1998: 6). In this regard, Trompenaars sorts out the basis of cultural differences: relationships with people, universalism versus particularism, individualism versus communitarianism, neutral versus emotional, specific versus diffuse, achievement versus ascription, attitudes to time, attitudes to the environment (Trompenaars 1998: 8-10).

Not only technologies markets but cultural and preferences of leaders and employees affect organizational culture. Trompenaars clarifies three determining factors for corporate culture; firstly, the general relationship between employees and their organization; secondly, the vertical or hierarchical system of authority defining superiors and subordinates; thirdly, the general views of employees about the organization’s destiny, purpose and goals and their places in this (Trompenaars 1998: 162). He specifies four different characteristics of corporate culture (Table 2), and describes national patterns of corporate culture within the four characteristics.

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12 Refer the Figure 11.5 in *Riding the Waves of Culture* p.184
Table 2. Four Characteristics of Corporate Cultures

<table>
<thead>
<tr>
<th>Ways of thinking and learning</th>
<th>Family = Hierarchical</th>
<th>Eiffel Tower = Egalitarian</th>
<th>Guided missile = Task</th>
<th>Incubator = Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ways of changing</td>
<td>“Father” changes course</td>
<td>Change rules and procedures</td>
<td>Shift aim as target moves</td>
<td>Improvise and attune</td>
</tr>
<tr>
<td>Criticism and conflict resolution</td>
<td>Turn other check, save others’ faces, do not lose power game</td>
<td>Criticism is accusation of irrationality unless there are procedures to arbitrate conflicts</td>
<td>Constructive task-related only, then admit error and correct fast</td>
<td>Must improve creative idea, not negate it</td>
</tr>
</tbody>
</table>

This chart is extracted from *Riding the Waves of Culture* p.183

**Cho & Yoon: Three Factors of Dynamic Collectivism**

Cho&Yoon raises the different views on South Korea comparing to Hosfstedte and Trompenaars. Those two western scholars described Korea as one of the most collectivist countries in the world and imply that the corporate culture of Korea is even more collectivist than that of Japan; however, Japanese scholars point out that “Korean companies are more competitive, individualistic and dynamic than Japanese ones” (Cho&Yoon 2001:71). Given the fact that there are paradoxical features in Korean corporate cultures, Cho&Yoon introduces dynamic collectivism, meaning collectivist norms for in-group members and individualistic ones for out-group members, as a heuristic device to understand corporate culture in Korea. Cho&Yoon explains competition between in-group and out-group has been amplified and in turn the competition generates dynamic and competitive features of Korean corporate culture. Three factors of dynamic collectivism are as follow: cultural legacy, traditional culture embedded mainly in Confucian values; social climate, socio-political situations created by the regime of General Park Jung-Hee since 1961; and corporate leadership, paternalistic leadership of Chaebol founders. Cho&Yoon suggest that all three factors form the environment of corporate culture (Cho&Yoon 2001:72).
The three dimensions of dynamic collectivism boost the dynamic nature of collectivism in Korea by intensifying inter-group boundaries and competition. Its dynamic nature can develop also from tension among the three dimensions. Both in-group harmony and hierarchy favor a static social order, for example, but optimistic progressivism pushes for change. Two root metaphors are family and military. Koreans have adopted a paradigm in which organizations are like families as well as armies. This is a natural consequence of cultural values socialized in the family and of experiences in the military. The Korean family is the source of social bonds and value higher education (Cho&Yoon2001:79).

**Table 3. Three Factors of Dynamic Collectivism**

<table>
<thead>
<tr>
<th>Cultural Legacy</th>
<th>Emotional Harmony</th>
<th>Gibun (기분), save the face (체면)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hierarchy</td>
<td>-Confucianism and ethical norms&lt;br&gt;-Interpersonal relationships are defined in terms of social status: gender, age and position in the society&lt;br&gt;-Harmonious relationships are built on seniority</td>
<td>Gibun (기분), save the face (체면)</td>
</tr>
<tr>
<td>Discrimination against Out-Groups</td>
<td>-A strong tendency to distinguish themselves from others&lt;br&gt;-Individualistic/egoistic to out-group For Koreans</td>
<td>Gibun (기분), save the face (체면)</td>
</tr>
<tr>
<td>Networking</td>
<td>-Most trust for members of their own families and a high level of trust for high-school classmates and people form same region</td>
<td>Gibun (기분), save the face (체면)</td>
</tr>
<tr>
<td>High-Context Society</td>
<td>-Long history as a relatively homogeneous ethnic group</td>
<td>Gibun (기분), save the face (체면)</td>
</tr>
<tr>
<td>Social Climate</td>
<td>Korean War</td>
<td>-After WWII, the Korean peninsula was divided in two and suffered from a devastating war</td>
</tr>
<tr>
<td></td>
<td>Military Government</td>
<td>-Tensions between the North and South&lt;br&gt;-Growth-driven policies of a military government&lt;br&gt;-Military way, can-do spirit and result-oriented</td>
</tr>
<tr>
<td>Preference for Western Ways of Thinking</td>
<td>-Lack of natural/financial resources and industrial technology&lt;br&gt;-Dependence on other industrialized countries or regions&lt;br&gt;-Preference for Western ways of thinking, at least among the elite</td>
<td>Gibun (기분), save the face (체면)</td>
</tr>
<tr>
<td>Corporate Leadership</td>
<td>Chaebols</td>
<td>-The power and leadership of their founders&lt;br&gt;-Family-controlled management and entrepreneurial orientation&lt;br&gt;-Paternalistic and authoritarian</td>
</tr>
<tr>
<td></td>
<td>Family-like Bonds</td>
<td>-Chief Executive Officers centralize most decision-making&lt;br&gt;-Strong family-like bonds among employees</td>
</tr>
</tbody>
</table>

This chart is extracted from *the origin and function of dynamic collectivism: an analysis of Korean corporate culture* p. 73-77

**Searching for Defining Corporate Cultures of Korean Chaebols**

The term chaebol refers to the whole business group as a unit consisting of numerous members or affiliate companies (Lee, Kim and Lee 2010: 415) owned and managed by family members or relatives in many diversified business area (Yoo and Lee 1987:97). They are, therefore, characterized by an extensive arrangement of pyramidal shareholding agreements
and the existence of cross-debt guarantees among member firms (Baek et al. 2004:269). In general, chaebols are perceived as family-controlled business groups and thus are kinds of business groups as a collection of firms bound together in some formal and/or informal ways, characterized by an intermediate level of binding, namely, neither bound merely by short-term strategic alliances nor legally consolidated into a single entity (Granovetter 1994).

Strong leadership and sound economic planning of the military government lead to the remarkable economic growth of Korea with the efforts of the private business sector (Yoo and Lee 1987:95). In the late 1950s Hyundai, Samsung, and Lucky-Goldstar (LG) were established by self-made founders through governmental support, in the 1960s Hanjin, Korea Explosive, Hyounsung, Sangyong, and Dong-A came about due to foreign loans, and in the 1970s Daewoo, Sunkyung, Lotte, Kolon, and Doosan were formed during the economic boom (Yoo and Lee 1987:96). Chaebols contributed significantly to Korea’s economic growth since these groups became dominant during the mid-1960s; and chaebols are highly stable over time with characteristics of family-orientation and centralized control (Ferris 2003:254-5). The cultures of chaebols can be described as; “clan management, top-down decision making, flexible lifetime employment, a Confucian work ethic, paternalistic leadership, loyalty, compensation based on seniority and merit rating, bureaucratic conflict resolution, a very bureaucratic yet low degree of formality and standardized systems, close government-business relationship, expansion through conglomeriation”(Yoo and Lee 1987:105).

Case Study

In order to seek for better understandings in different cultures, qualitative research interviewing was conducted with four respondents who recently work for Samsung or LG. The questionnaire consisted of three types of categories; multiple choice questions, yes/no questions and rating questions on the basis of previous study. The research questions and strategies arose from the areas where these employees experience Korean culture differences; such as , flexibility, communication with colleagues ( Korean language necessary), management system ( Hierarchy due to Confucianism), 회식 culture (drinking after work), long working hours (not just due to work engagements but because boss does not leave early and therefore you are unable to do so), networking inside the company (based on regional,

educational grounds etc), religious tolerance. Also the individual factors; education, nationality, age, were reflected on the brief demographic profile section.

- **Interviewee 1 (Male, 36)**: He is originally from India, yet he has a multi-national background since he got educated from UK and had working experiences in Finland. He is supervisor/manager level and joined Samsung 5 months ago. He has difficulties with language since he barely speaks Korean, and in the working place colleagues are sending emails in Korean or having a meeting in speaking Korean gives him a culture shock. He is not able to have sense of belongings. He expects two years to live in South Korea from now.

- **Interviewee 2 (Male, 34)**: He is Indian American and lives in South Korea for 10 years. He speaks perfect Korean. It has been two years since he worked for Samsung. He loves to live South Korea, but doesn’t like to work for Samsung. He characterizes colleagues as “Yes Man” and he expects he will stay at Samsung for three months or ten more years. He tries to keep balance between working life and personal life because he puts more value on his social life outside of the office.

- **Interviewee 3 (Male, 42)**: He is Korean American and worked for LG for three years and left in 2011. He has lived in South Korea for five years but he plans to go back to states within one year. The main difficulties come from lack of Korean language skills, and more importantly Koreans perceive him as a Korean, not a foreigner, because of his appearance which means Koreans are really consider cultural differences when working with him just treat him like native Koreans. He described colleagues as “Hard worker” “눈치 (get a sense of moods)” “tiresome” “political” “no personal life”.

- **Interviewee 4 (Male 29)**: He is from UK, and works for LG for 5 months. He has lived in South Korea for 4 years. He thinks he will stay at LG for 2~5 years. He got a culture shock when having an job interview, an interviewer asked him how much he could drink three times consecutively. As he answered, the interviewer wrote it onto the evaluation form. Although he is intermediate level of Korean language, still the main challenge comes from language barriers. He advises that Korean colleagues should “be less Korean” because their potentials and creativity are restricted. He underlines Korean colleagues get burdened by its culture.

The first finding is that cultural shocks have been found in all of those four interviewees regardless of the duration of living in South Korea and the fluency of Korean language. The potential for culture shock is present each time a person changes cultures, and even the seasoned bicultural person, aware of the hazard, faces disorientation in a new society and a reverse culture shock when he returns to his parent culture. Besides, the origin of country or the background of education is mostly western countries US and UK although the ethnicity of
each interviewee differs. Thus the first finding shows they were affected by the fundamental nature of cultural differences because life in a foreign culture leads to misunderstandings and ethnocentric responses and also to culture shock (Berry 2002).

Meanwhile the second finding, living in South Korea is relatively satisfying comparing to working in Korean chaebols, implies that there are something uniqueness about the surrounding cultures of chaebols and the unique culture cannot embrace foreign staffs because they point out the main problem comes from no sense of belongings between foreign staffs and Korean staffs. It proves that there is a strong tendency to discriminate against out-group. Particularly the 회식 culture roots in hierarchical and paternalistic leadership, and therefore, foreign staffs cannot understand why Korean staffs are not able to detach themselves from company. Moreover, two of respondents mention about the lack of trust even amongst Korean staffs since the protection regulations are too strict. To understand this, social climate of how chaebols has been formed throughout South Korean history should be considered as a main factor.

Lastly, the third finding is that all of those four interviewees feel comfortable when working with non-Korean colleagues. Reversely, it shows that foreign staffs might be not fully aware of cultural legacy and have difficult time when co-working with Korean colleagues. On the basis of Confucianism and ethical norms, Korean tend to be individualistic to out-group for Koreans, thus it brings out competitiveness between in-group and out-group. Also the characteristics of Korean society in general like networking and high-context society would hinder the integrity of foreign staffs and Korean staffs, and the unique features of chaebols such as paternalistic and authoritarian corporate leadership and their demands for strong family-like bonds among employees make foreign staffs more questioning whether they are able to stay further than their contract.

Conclusion

A corporate culture can be defined as a set of values, beliefs, goals, norms, and ways of solving problems that members/employees of an organization share (Ferrell, Fraedrich, Ferrell 2008:126). Culture in Korean chaebols play a significant role in shaping the values as well as behavioral patterns, concepts, internal rules of behavior, which represents their own culture. Chaebols drives the rapid growth of South Korean economy and now they are outgrown into global companies. What determines their sustainability? The recent phenomenon, the high turnover rate, among foreign staffs in Korean chaebols proves that the chaebol cultures are not easily accepted or not favorably perceived by foreign staffs. In a long term, it will affect the low efficiency of performance in chaebols. Thus it is necessary for
chaebols to integrate foreign staffs through multicultural approach.

The significance of shared understanding of each other can be achieved through active cross-cultural communications. The dynamics of both chaebols and culture are acknowledged and globalized chaebols modifies both corporate behavior and culture. The shared understanding will consequently represent the extent to which the work values, norms, problem solving approaches and so on. The paper suggest that chaebols should cultivate multicultural working environment rigorously.

Chaebols should take enormous efforts to bring about formidable culture so that they can maintain their brand value internationally. First of all, chaebols should encourage an open sharing of ideas and information, displaying fundamental respect for each other as well as the cultural diversity. Secondly, chaebols should make employees take ownership and accept accountability for achieving end results, and empower team members to do the same. In the meantime, chaebols should take care of employees’ minds by listening to them and caring enough to hear their concerns. Lastly, the leadership in chaebols should provide direction, purpose, support, encouragement, and recognition to achieve the common vision, meet the objective and the values.
Reference


Lee, Keun, Kim, Ji Youn and Oonkyu Lee. 2010. Long-term evolution of the firm value and


